The Impact of IFRS on Accounting Practices: Evidence from Bangladeshi Listed Companies

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NIGAR SULTANA
Registration No.227, Session 2009-10

UNDER THE GUIDANCE OF

DR. MAHMUDA AKTER
Professor
Department of Accounting and Information Systems
Faculty of Business Studies, University of Dhaka.

Department of Accounting and Information Systems
Faculty of Business Studies, University of Dhaka

DECLARATION

I hereby declare that Master of Philosophy (M. Phil) thesis titled **"The Impact of IFRSs on Accounting Practices: Evidence from Bangladeshi Listed Companies"** is an original research work done by me under the guidance and supervision of Dr. MahmudaAkter, Professor, Department of Accounting and Information System, University of Dhaka, Dhaka, Bangladesh, for the award of Master of Philosophy (M. Phil) degree in Accounting and Information System.

I also declare that, this thesis or any part(s) of it have not been submitted to any other university for the award of any degree or diploma.

Place: Dhaka   Nigar Sultana

Date**:**13 October2018

CERTIFICATE

This is to certify that, the thesis titled **"The Impact of IFRSs on Accounting Practices: Evidence from Bangladeshi Listed Companies"** submitted by NigarSultana to University of Dhaka, Bangladesh for the award of the degree of Master of Philosophy is an original research work carried out by Nigar Sultana under my supervision. The contents of this thesis, in full or part(s) have not been submitted to any other University for the award of any degree or diploma.

Place: Dhaka
Date: 13 October2018

Dr. MahmudaAkter
Professor
Department of Accounting and Information Systems
Faculty of Business Studies
University ofDhaka.

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Place: Dhaka Nigar Sultana

Date**:** 13 October2018

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List of Acronym

ACC	:Anti-Corruption Commission
ASC	: Accounting Standards Committee
ASB	: Accounting Standards Board
ALS	: Assured Liquidity Support
BAS	: Bangladesh Accounting Standards
BSEC	: Bangladesh Securities and Exchange Commission
BSECR	: Bangladesh Securities and Exchange Commission Rules 1987
BFRS	: Bangladesh Financial Reporting Standards
BCA	: Banking Companies Act
BRPD	: Banking Review and Policy Departments
CRR	: Cash ReserveRequirement
CA	: Companies Act
DSE	: Dhaka Stock Exchange Ltd
DOS	: Department of Off-site Supervisions
DMD	: Debt Management Department
EU	: European Union
FRC	:Financial Reporting Council
FRA	:Financial Reporting Act 2015
FRSB	: Financial Reporting Standards in Bangladesh
FIA	: Financial Institutions Act
FRSSE	: Financial Reporting Standard for Smaller Entities

GAAP	: Generally Accepted Accounting Principles
IFAC	: International Federation of Accountants
ICAB	: The Institute of Chartered accountants of Bangladesh
IASC	: International Accounting Standards Committee
ICMAB	: The Institute of Cost and Management Accountants of Bangladesh
IASB	: International Accounting Standards Board
IAS	: International Accounting Standards
IFRS	: International Financial Reporting Standards
IDRA	: Insurance Development and Regulatory Authority Bangladesh
IOSCO	: International Organization of Securities Commission
L/C	: Letter of Credit
L/G	: Letter of Guarantee
MFIs	:Micro Finance Institutions
NBFIs	:Non-Bank Financial Institutions
OCI	: Other Comprehensive Income
PLC	: Public listed companies
SAFA	: South Asian Federation of Accountants
SLR	: Statutory Liquidity Reserve
SSAP	: Statement of Standard Accounting Practice
TRC	: Technical and Research Committee
WTO	: World Trade Organization
WB	: The World Bank

CONTENTS

Executive Summary

The main purposeof the study is to examine the extent of compliance of the requirements of IASs/IFRSsby the listed companies in the financial sector in Bangladesh and to empirically examine the association between company specific characteristics and IFRS disclosures. In order to accomplish the objectives, the study has been conducted based on secondary data collected from the annual reportsof sample companies. An un-weighted disclosure checklist of 120 items from twelve (12)accounting standards has been prepared and the annual reports of financial sector companies listed with DSE have been examined. 166 annual reports of sample companies for year 1996, 1999 and 2014 have been scrutinized against the disclosure checklistand then the total scores on the 120 items for each company have been converted into disclosure index. The different years are taken to examine the extent of influence of IAS and IFRS measured by disclosure score/index in disclosure practices over time.Statistical analysis has been done to measure the extent of financial disclosure levels.Multiple regression, correlation and chi square analysis are used to test the relationship between company-specific characteristics of sample companies and the extent of their financial disclosures score. Six hypotheses have beentaken to test the relationship between a number of explanatory variables (namely company age, size, and profitability, audit firm size, appointment of qualified accountant and board composition) and the extent of disclosure in corporate annual reports. The findings showed that financial sector companies did not comply with all the mandatory disclosure requirements of IAS/IFRS. The extent of IAS/IFRS disclosure requirements was 18.33 percent in 1996(pre-adoption of IFRS/IAS), 34.33percent in 1999(immediate post-adoption of IFRS) and 56.35 percent in

2014(recent period). Company age, size measured by revenue and profitability measured by ROE are all significantly associated with the extent of disclosure.

The results are consistent with the findings of some previous studies while they contradict with the findings of some other studies. The research results also show that the disclosure and compliance of the requirements of accounting standards in insurance companies fall behind the banks and NBFIs. Noncompliance is attributed to ineffectiveness in the role of external auditors and enforcement bodies.However, ICAB National Awards and SAFA Regional Awards for best published accounts (BPA) have motivated companies management for making IAS and IFRS compliant annual report. These findings provide several contributions to accounting research and to accounting practice and regulation.The outcome of this study is undoubtedly of great importance to the investment community at large as it will assist them in evaluating the extent of mandatory disclosure by the listed companies in Bangladesh and explain the variation of disclosure in light of companies' specific characteristics.

CHAPTER – I

IFRS AND ACCOUNTING PRACTICES

1.1: IFRS AND ACCOUNTING PRACTICES

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) consist of a set of globally accepted accounting rules and standards. The adoption of these standards by local professional body aims at establishing clear local rules of accounting to prepare comparable and transparent financial statements. The adherence to IAS and IFRS in Bangladesh leads to the development of an integrated, competitive and attractive capital market, which has encouraged Bangladesh Securities and Exchange Commission (BSEC) to introduce these sets of uniform accounting standards for listed companies in Bangladesh. Beginning from the year 1997, all listed companies in Bangladesh prepare their financial statements in accordance with IAS/IFRS adopted locally.

An accounting practice is the routine manner in which the day-to-day financial activities of a business entity are gathered and recorded. In Bangladesh, the accounting practices are governed by the Company Act 1994, Banking Companies Act 1991, Income Tax Ordinance 1984 and BSEC Rules 1987. Besides, accounting practices in Bangladesh are guided by the British method of accounting since the inception of accounting and local reporting. The country did not have any designated Generally Accepted Accounting Principles (GAAP) rather it followed British GAAP generally calling it Bangladesh GAAP. Schedule 11 of Company Act 1994 (amended act of old Company Act 1913 which was inherited from British Company Law) was the format of reporting financial statements which the listed companies did not follow. These companies now prepare financial statements as per IAS 1- Presentation of Financial Statements. The accounting under GAAP was rule based. This has been transformed into principle based (IAS/IFRS) accounting for the prepartion of financial statements and reporting under the accounting guidance issued by the Institute of Chartered Accountants of Bangladesh (ICAB) calling Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards (BAS/BFRS).

In 2015, Government of Bangladesh enacted Financial Reporting Act (FRA) 2015 to regulate the financial reporting process followed by the companies. Under this law, a new oversight body, Financial Reporting Council (FRC), has been formed with the responsibility to set up accounting and auditing standards, financial reports monitoring, audit practice review, and enforcement of disciplinary actions. Besides, the need for and significance of financial information has been greatly enhanced to the external users due to globalization of economy, rapid business growth, separation of ownership and management, increased public interest in the affairs of the companies and greater emphasis on rational decision making. The financial information should be understandable and comparable and this information need to be communicated in an effective manner to the stakeholders. Therefore, the essence of adequate disclosure and uniform accounting practices has broadened globally to ensure global harmonization of accounting information to understand the businss messages. Application of globally accepted accounting standards acorss countries reduces expectation of information gap.

1.2: THE NEED FOR GLOBAL ACCOUNTING STANDARDS

The rationale of financial reporting is to provide transparent and credible financial information of a firm to the investors and other interested stakeholders. As all firms in the world do not stand on same base of accounting and reporting framework, supplying of healthy and comparable information to the investors or interested parties was nearly impossible. Moreover in recent years, the international financial transactions have been boosted with the increase of competitiveness of companies across the world. The globalization has necessitated the local investors to seek investment opportunities outside of country boundary. However, interpretation and understanding of the international financial transactions were of big concern for these investors due to dissimilarities of accounting standards on reporting at international level. Therefore, the International Accounting Standards Board (IASB) has been working for several decades with the cooperation of European Union (EU), on harmonization of different countries' accounting models, and creating a unique international framework to mitigate these dissimilarities. Also, it helps to increase the simplicity and flexibility in understanding and reporting the financial information. The financial accounting information has to be communicated to the stakeholders in an effective manner and through appropriate medium, thus ensuring transparency and timeliness. The financial statements act as an important medium of communicating such information to the stakeholders. Preparation of these financial statements is facilitated by a well laid out system of accounting. The users want that the accounting information communicated to them is understandable and useful in rational decision making. IASs and IFRSs in conjunctions with the local laws and regulations help in achieving uniform accounting and disclosure practices globally.

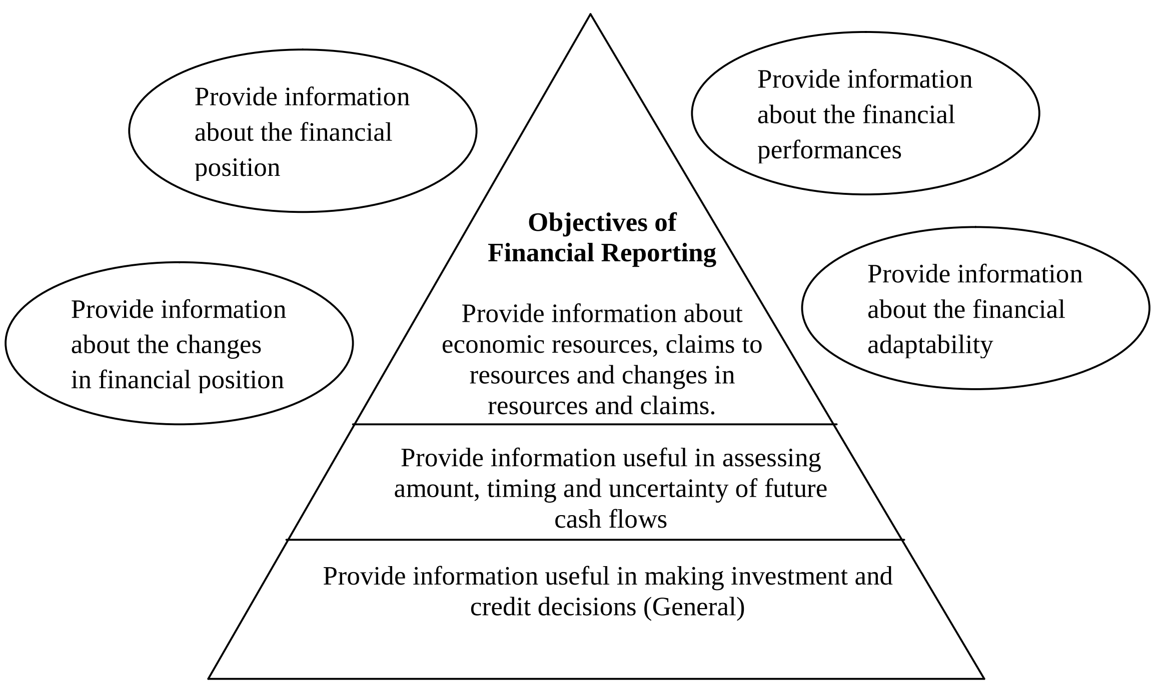
1.3: CORPORATE DISCLOSURE: THE CONCEPT

Disclosure may be defined as the act of releasing all relevant information pertaining to a company that may influence an investment decision. Disclosure is the process through which an entity communicates with the outside world (Chandra, 1974). Disclosure refers to the publication of any economic information relating to a business enterprise, quantitative or otherwise, which facilitates in the making of investment decisions (Choi, 1973).

The American Accounting Association defines disclosure as “the movement of information from private (i.e., inside information) into the public domain.” It emerges from these definitions that disclosure means reporting of quantitative and qualitative information of financial and non-financial nature regarding the reporting entity to outsiders for the purpose of their decision making. Information about the affairs of the company can be communicated through different media viz. prospectus, financial press releases, annual report, interim reports and personal contacts with company officials. In addition, newspapers, business and industry magazines, investment advisory services and government statistics also provide information about a particular company. Despite the existence of different sources of information, the annual report is regarded as the most important source of information about a company’s affairs. Corporate annual reports present the most easily accessible and an extremely important source of basic information concerning an enterprise.

1.4: OBJECTIVES AND SIGNIFICANCE OF DISCLOSURE

Disclosure helps to achieve the purpose of accounting in satisfying the decision makers, stakeholders and others about their information needs. The need for full disclosure is indisputable in the present borderless market economy. Adequate and sufficient disclosure has become a prime concern, especially after the occurance of a numbers of accounting scandals. At the same time, there is no scientific method to justify adequate and sufficient disclosures. Proper disclosure increases investor confidence and makes financing through the securities market easier (Maloo, 1986). The first Ministerial meeting of the WTO (World Trade Organization) held in Singapore in December 1996 identified accountancy as the most internationalized and the most important service sector for promoting trans-border flow of funds. Good financial reports promote investor confidence, facilitate the flow of investment funds and thereby encourage economic growth (Chowdhury, Anwaruddin 2013).



Source: Robert Meigs et.al (1999); *Accounting: The Basis for Business Decisions*, Mc Graw Hill

Financial reports are one of the most important sources of data and information. But the available annual reports of the listed companies do not always adequately disclose and publish quantitative and qualitative information of the companies concerned. Moreover, the disclosed information often cannot be interpreted from global context due to inadequate application of IASs and IFRSs in accounting practices.

1.5: OVERVIEW OF BANGLADESH FINANCIAL SYSTEM

The financial system of Bangladesh is comprised of three broad fragmented sectors:

1. Formal Sector,
2. Semi-Formal Sector,
3. Informal Sector.

The sectors have been categorized in accordance with their degree of regulation.

The **formal sector** includes all regulated institutions like Banks, Non-Banking Financial Institutions (NBFIs), Insurance Companies, Capital Market Intermediaries like Brokerage Houses, Merchant Banks, Micro Finance Institutions (MFIs).

The **semi formal sector** includes those institutions which are regulated otherwise but do not fall under the jurisdiction of Central Bank, Insurance Authority, Securities and Exchange Commission or any other enacted financial regulator. This sector is mainly represented by Specialized Financial Institutions like House Building Finance Corporation (HBFC), Palli Karma Sahayak Foundation (PKSF), Samabay Bank, Grameen Bank, Non Governmental

Organizations (NGOs) and discrete government programs. The **informal sector** includes private intermediaries which are completely unregulated.

The formal sector of financial system is further divided into three broad sectors which are covered in this study as follows: (i) Banking Sector (ii) Non-Bank Financial Institutions (NBFIs) and (iii) Insurance Sector.

(i) Banking Sector

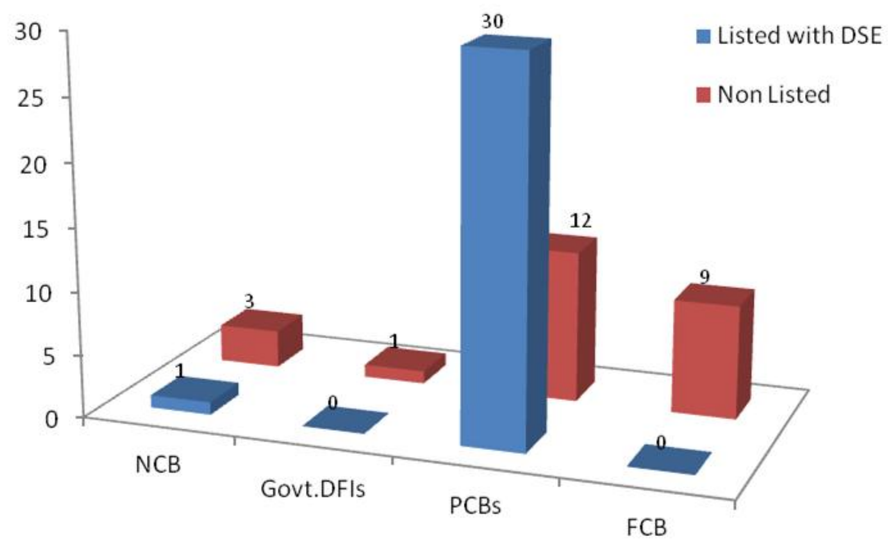
The banking sector of Bangladesh comprises four categories of scheduled banks. These are Nationalized Commercial Banks, Government owned Development Finance Institutions, Private Commercial Banks and Foreign Commercial Banks. The Ownership and listing structure of commercial banks are as follows:

Sl no.	Ownership type	Listed with stock exchange	Non Listed Bank	Total
1	Nationalized Commercial Banks (NCBs)	1	3	4
2	Government owned Development Finance Institutions (Govt. DNBFIs)	-	1	1
3	Private Commercial Banks (PCBs)	30	12	42
4	Foreign Commercial Banks (FCB)	-	9	9
	Total	31	25	56

Source: Bangladesh Bank

Thirty scheduled banks were listed with DSE in private sector in 2014. Out of these, 12 banks were listed with DSE in 1999 and 11 were listed in 1996.

Figure: 1 Listing status of 56 commercial banks



ii) Non-Banking Financial Institutions (NBFIs)

Non-Banking Financial Institutions (NBFIs) are those financial institutions which are regulated under the Financial Institution Act, 1993 and controlled by Bangladesh Bank. Currently, 33 NBFIs are operating in Bangladesh while the first one was established in 1981. Out of the 33 NBFIs, 18 NBFIs are listed with DSE and rest of the NBFIs are not listed as on the year 2014.

(iii) Insurance Sector

Insurance is a means of protection from financial loss. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Currently 77 insurance companies are operating in Bangladesh.

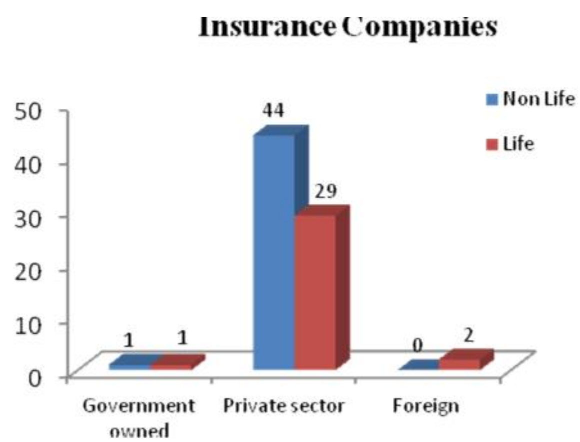


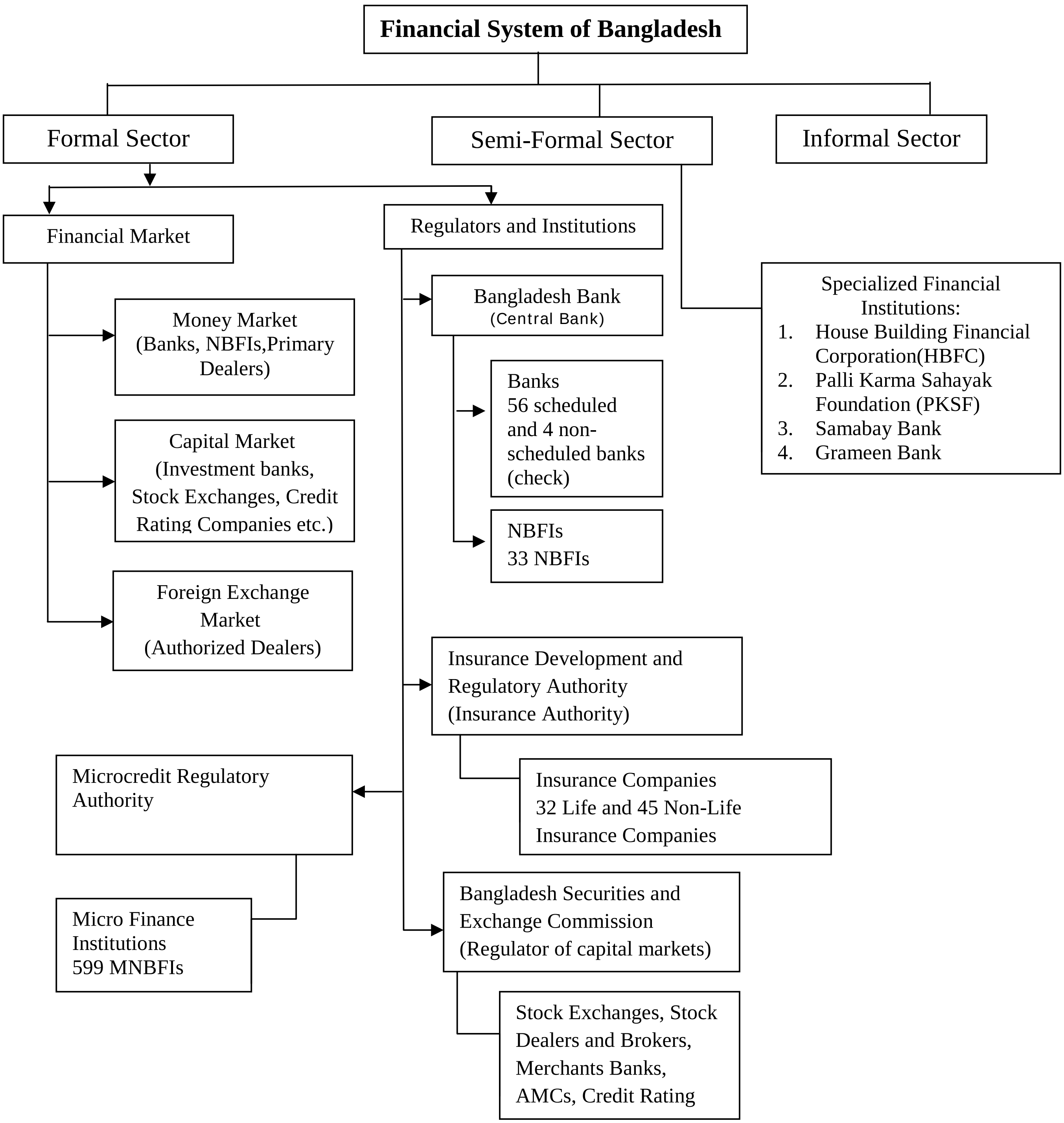
Table 1: Structure of Insurance Companies in Bangladesh

Ownership	Non Life	Life	Total
Government owned	1	1	2
Private sector	44	29	73
Foreign	0	2	2
Total	45	32	77

Source: IDRA Website: January 2017

Out of 77 insurance companies, 31 companies were not listed with DSE and 46 companies were listed with DSE in the year 2014, 18 of which were listed in the year 1999 and 1996. In case of ownership strucure, 73 companies were in private sector, 2 were government and remaining 2 were foreign insurance companies operating in Bangladesh.

Figure No. 2 OVERVIEW OF FINANCIAL SYSTEM OF BANGLADESH



Source: Bangladesh Bank website

1.6: RESEARCH BACKGROUND

International Accounting Standard Committee (IASC) promulgated and issued accounting standards first in the name of IAS in 1975. IASC was abolished in 2001 and IASB took over the responsibility of issuing accounting standards in the name of IFRS. At present listed companies in more than hundred countries around the world apply IAS /IFRS in preparing their financial statements. Bangladesh is not far behind; it has integrated the IAS and IFRS to its local GAAP. The responsibility for adoption and implementation of IAS/IFRS in Bangladesh lies with ICAB which will be passed on to the Financial Reporting Council (FRC) under Finnacial Reporting Act 2015. According to the BSEC regulation (SEC Rule 2 of SEC Ordinance 1987), the listed companies are required to construct and design their balance sheets and reports as per IAS and IFRS adopted by ICAB.

During the last two decades, many studies have been conducted for the adoption process of IFRS and its impact on accounting practices and disclosure of the companies such as Ahmad, K and Nicholls,D (1994) in Bangladesh ; Akhtaruddin, M. (2005) in Bangladesh; AlSaeed, K. (2006) in Saudi Arabia; Owusu-Ansah, S. (1998 in Zimbabwe; Wallace, R. S. O., Naser, K., and Mora, A. (1994) in Spain; Wallace, R. S. O. and K. Naser (1995) in Hong Kong, etc. According to the observation results of these papers, many researchers opined a change in financial ratios, while some of them have not found any interpretable changes. This adoption impact varies due to the differentiation of local accounting frameworks in each country where the researches have been conducted.

1.7: OBJECTIVES OF RESEARCH

The main objective of the study is to examine the extent of compliance of the requirements of accounting standards (IAS/IFRS) by the listed companies in the financial sector in Bangladesh. To attain this objective, I have taken samples from financial sector companies listed in Dhaka Stock Exchange Ltd (DSEL). I have chosen listed companies in the financial sector because the companies of this sector are regulated by the central bank which oversees the complince level of these companies. To examine the application of accounting standards (IAS/IFRS) in financial reporting, 166 annual reports of ninty nine (99) sample companies were investigated for the years of 1996 (pre-adoption), 1999(immediate post-adoption of IFRS) and 2014. Data have been gathered from secondary sources, and sorted out for descriptive and inferential statistical analysis. The specific objectives of this research are as followings:

- Identifying the overall level of IAS/IFRS compliance in the annual reports of listed companies in the financial sector.
- Examining the association between compliance level and company attributes measured by company age, size, profitability, board composition, size of audit firm & its international affiliation and employment of qualified accountant(s)

This paper will contribute to the growing literature on the determinants of corporate mandatory disclosure level and findings of the study would be of immense interest and benefit to the listed companies, investors, regulators and other stakeholders.

1.8: RESEARCH PLAN

In order to attain the main objectives of this paper, the researcher has established the following approaches:

- Prepared a common list of accounting standards (IAS/IFRS) applicable for listed banks, NBFIs and Insurance companies in Bangladesh.
- Prepared a disclosure checklist based on the selected 12 common IASs/IFRSs. In this regard disclosure checklist issued by ICAB has been consulted.
- Selected pre-adoption and post-adoption period/s for comparison of results found.
- Collected annual reports of selected banks, NBFIs and Insurance companies for pre-adoption (1996) and post adoption period/s (1999 and 2014) for data collection.
- Collected data relating to disclosed items against checklist and company attributes.
- Captured the items disclosed in data collection sheet separately for 1996, 1999 and 2014.

This paper has analyzed the impacts of IFRS on Accounting Practices of listed companies in Bangladesh. To examine this, 33 annual reports of 1996 (pre-adoption of IAS and IFRS in Bangladesh); 34 annual reports of 1999 (immediate post-adoption of IFRS) and 99 annual reports of 2014(recent period) have been collected and examined against a pre-set checklist and the collected data have been analysed through statistical tools to test the hypothesis and association between disclosure score and company attributes.

1.9: BOUNDARIES OF RESEARCH

The outcome of the adoption of IAS and IFRS by ICAB on local companies' disclosure and accounting practices are analyzed. The thesis is divided into six chapters as shown below:

Chapter- 1: Elaborates an introduction on IFRS and accounting practice, need of global accounting standards, concepts of corportate disclosure and its objectives and significance. It also explains research background, objectives, planning and limitation of the research. It also provides an overview of Bangladesh Financial System.

Chapter 2: Highlights the financial reporting environment and reporting framework with application processes of IAS and IFRS in Bangladesh.

Chapter 3: Focuses on literature review covering many empirical researches on the topic or similar to the topic in different regions. This chapter discusses Bangladesh accounting standards, differences between Bangladesh GAAP versus IFRS. The research hypotheses are stated in this chapter.

Chapter- 4: States the research methodologies, sample selection, tools of analysis and test of hypotheses.

Chapter-5: Presents the data analysis, research findings and analysis.

Chapter -6: Provides conclusions, limitations and suggestions.

1.10: LIMITATIONS OF THE STUDY:

This research is confined to analyzing the impacts of IFRS application on accounting practices by listed companies especially banks, NBFIs and insurance companies in Bangladesh. The overall levels of IAS/IFRS compliances in the annual reports of listed companies were identified. In addition, the association between compliance level and company attributes measured by company age, size, profitability, board composition, size of audit firm & its international affiliation and employment of qualified accountant(s) were examined. A further study might be conducted based on samples from all segments of the companies listed with DSE and CSE. Due to time and resource constraints and to keep the study within manageable proportions for rigorous investigation and to maintain parsimony, only six explanatory variables (dependent variables) have been included in this study. The limitations of the study are discussed in detail in Chapter vi.

CHAPTER - II

ACCOUNTING STANDARDS IMPLEMENTATION PROCESS IN FINANCIAL SERVICE SECTOR COMPANIES IN BANGLADESH

2.1: INTRODUCTION

Financial information which is the key to decision making process is disclosed in the annual reports which the companies are required to place at the annual general meeting each year. BSEC has made compulsory application of International Accounting Standards as adopted by ICAB in December 1997. In 2001, IASB took over the responsibilities of issuing accounting standards from IASC and since then IASB has been issuing International Financial Reporting Standards (IFRS) and all those IAS and IFRS are called together as ‘Accounting Standards’. The corporate disclosure practices in Bangladesh have been influenced by the application of accounting standards (IASs and IFRSs) over time. Besides, companies disclose sensitive information for decision making purposes in real time situation through daily news papers, company web sites ; periodicals, etc. Bangladesh Bank is the Central Bank of Bangladesh and the chief regulatory authority for banks and NBFIs while the Bangladeshi Insurance Industry is regulated by the Insurance Development and Regulatory Authority (IDRA). However, the accounting and corporate governance of all listed companies are guided by the BSEC Ordinance 1987, Company Act 1994, Corporate Governance Guidelines 2012 issued by BSEC where ICAB facilitates in adopting IAS and IFRS in Bangladesh to make companies’ financial statements uniform and comparable globally. The financial reporting and disclosure of banking companies and other financial institutions in Bangladesh are regulated by the Companies Act 1994, Bangladesh SEC Rules 1987, Banking Companies Act 1991(amended up to 2013) and the guidelines and circulars issued by the Central Bank of Bangladesh whereas insurance companies are guided by the Insurance Act 2010 besides Companies Act 1994 and BSEC Rules 1987. The Institute of Chartered Accountants of Bangladesh (ICAB) adopted international accounting standards (IAS) and international financial reporting standards (IFRS) for accounting practices in Bangladesh together with the local laws and regulations. In December 1997, BSEC mandated compulsory application of IAS as adopted by ICAB to make listed companies' accounts in line with global standards. Since then, listed companies in Bangladesh follow BAS, BFRS in accounting and reporting of financial statements. The listed companies in Bangladesh have started compliance of IAS and IFRS as adopted by the ICAB as BAS and BFRS since 1999. But still it is not yet at the expected level of reporting and disclosure compliance, rather companies are avoiding treatments under IAS, IFRS in preparing financial statements. As a result financial statements and reports are not fully IAS, IFRS compliant simply because of ignorance, unwillingness of the top management and prolonged decision making process creating favorable accounting treatments. In other words, self regulation to comply with the guidelines and standards suggested by the regulators still need time to ensure full compliance. This study focuses to portray the impacts of IFRS including IASs on accounting practices by the listed companies in the financial sector in Bangladesh.

2.2: FINANCIAL REPORTING ENVIRONMENT

The financial reporting and disclosure of banking companies in Bangladesh are controlled by the Banking Companies Act 1991, the Companies Act 1994, Securities and Exchange Rules 1987 as well as the guidelines and circulars issued by Bangladesh Bank from time to time.

THE BANKING COMPANIES ACT 1991

Bangladesh Bank, the central bank of Bangladesh regulates bank companies in line with Banking Companies Act 1991 and by issuing guidelines and circulars from time to time. The Banking Companies Act 1991 provides a framework for regulation and supervision of commercial banking activities.

Section 38 of Banking Companies Act 1991 suggests that every bank will prepare balance sheet and profit and loss account as well as a financial report as on the last working day of the year in the forms set out in the first schedule or as near thereto as possible.

Section 39(1) states that the balance sheet and profit and loss account should be prepared in accordance with Section 38 and audited by a person duly qualified under the Bangladesh Chartered Accountants Order 1973 (P.O. No. 2 of 1973). The financial statements of the bank must comply with the BRPD Circular 14 dated 25 June 2003.

Section 40 also states that the accounts and balance sheet, together with the auditor's report, shall be published in the prescribed manner and three copies thereof shall be furnished as returns to the Bangladesh Bank within two months from the end of the period (within the end of February following the year ended to which it relates).

Section 41 requires that three copies of the accounts and balance sheet, together with the auditor's report, should be sent to the Registrar of Joint Stock Companies and firms

COMPANIES ACT 1994

Section 185 of the Companies Act 1994 provides mandatory items to be disclosed on the balance sheet and income statement;

Section 186 provides a list of information items that must be disclosed in the director’s report. Legislative requirements prior to 1994, however, failed to indicate the actual level of corporate disclosure. No particular formats were prescribed and even the necessary contents of the accounting reports were not specified. In contrast, Companies Act 1994 includes many provisions, which are mandatory and, some of those are also required by the approved IASs (Hussain and Taylor, 1998).

FINANCIAL INSTITUTIONS ACT 1993

Section 23 states that the directors of every financial institution shall submit to the Bangladesh Bank a copy of the profit and loss account and balance sheet prepared in accordance with the Companies Act.

INSURANCE ACT 2010

Secation 11 of this Act stated that an insurance company would prepare profit and loss and balance sheet at the closing of the business. Each company would also keep a separate account of receipts and payments, a revenue account in accordance with the regulations, and in the form or forms, set forth in the Third Schedule applicable to that class or sub-class of insurance business.

Figure-3: Financial reporting Environment in Bangladesh

Legal Environment

- Companies Act 1994
- Bank Company Act 1991 amended in 2013
- BSEC Rules 1987
- BSEC Ordinance 1969
- Central Bank's Regulations
- IAS, IFRS asadopted by ICAB
- Insurance Act 1938, 2010
- Financial Institutions Act 1993

Political Environment

- 190 years of British and 24 years Pakistani Rule
- 20 year military rule out of 42 years Parliamentary system
- Government facilitates rather controlling private companies
- Member of SAARC, WTO, GATT

Social & Economic Environment

- Lower GDP growth
- SoE domination in industry and banking
- Import substitution and export led industrialization
- Traditional banking system and less foreign bank participation
- Public-private partnership (PPP)
- More than 160 million people, higher percentage of young

Professional Environment

- Transplanted British Accounting System
- ICAB regulates accounting profession
- More than 1700 CA and 1200 CMA & 8500 para professionals
- 95% of the audit firms are small
- Existence of international firm's affaialitions
- Professional financial analysts do not exist.
- Member of SAFA, IFAC, CAPA

Business Environment

- Central Bank regulates banking sector
- Total 56 scheduled bank
- State owned Commercial bank: 4
- Private Commercial bank : 42
- Foreign Commercial bank : 9
- State owned Development Bank: 1
- Strong privitae sector exist
- RMG driven economy

Regulatory Environment and Stakeholders Dimensions

- Bangladesh Bank
- Registrar of Joint Stock Companies
- Securities and Exchange Commmission
- Tax and VAT Authorities
- Board of Investments
- Stock Exchanges
- Shareholders, Lenders, Creditors
- Prospective investors

Bangladesh Securities and Exchange (BSEC) Rules 1987

Section 12 of BSEC Rule 1987 states that an issuer of a listed security shall submit a balance sheet, profit and loss account and cash flow statement and notes to the financial statements, collectively herein referred to as the financial statements. A listed company shall prepare its financial statements in accordance with the requirements laid down in the First Schechule of BSEC Rules 1987 and the International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh. Bangladesh Securities and Exchange Commission (BSEC) has made mandatory application of IAS for listed companies in Bangladesh [Rule 12 (sub-rule 2) of BSEC Rules 1987]. This rule was amended by notification no. SEC/Section-7/SER/03/132 dated 29.12.1997. BSEC has clarified that International Accounting Standards (IAS) refer to the Accounting Standards issued by the International Accounting Standard Committee (IASC) which was replaced in 2001 by the International Accounting Standard Board (IASB) which has been issuing IFRS since 2001. IASs and IFRSs issued by IASC (prior to 2001) and IASB (since 2001) are now recognized as the premier global reporting standards of accounting information worldwide.

Stock Exchanges

Two stock exchanges are active in the country and are regulated under the Bangladesh Securities and Exchange (BSEC) Rules 1987 and Companies Act 1994. Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. issue directives from time to time for the listed companies to disclose specific information in the annual report. Security exchange authority has, therefore, a positive role in determining the level of disclosure in company reports (Wallace and Naser, 1995).

Professional Institutes

The accounting profession in Bangladesh is guided by two professional institutes, namely, the Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Cost and Management Accountants of Bangladesh (ICMAB). The financial accounting and auditing is done by the members of lCAB and the cost audit is done by the members of ICMAB. The ICAB as a member of IASB is entrusted with the task of adoption and enforcement of accounting standards in Bangladesh. The Technical and Research Committee (TRC) of the ICAB selects, reviews, and modifies the standards, where necessary to conform local requirements. Once accounting standards adopted by the ICAB gain mandatory status through the SEC's directives, they become applicable to all listed companies. Specifically, all listed companies must abide by the accounting standards adopted by the ICAB and hence, accounting standards are mandatory only for the companies listed on the stock exchanges.

2.3: FINANCIAL REPORTING FRAMEWORK

2.3.1: REGULATORY FRAMEWORK OF DISCLOSURE

Banks, NBFIs and Insurance Companies are part of formal financial system of Bangladesh. Bangladesh Bank (the Central bank) regulates banks and NBFIs wherein Insurance Development and Regulatory Authority Bangladesh (IDRA) regulates insurance companies operating in Bangladesh. Banking Companies Act (BCA) 1991, Companies Act (CA) 1994 and BSEC Laws and Ordinance are the governing laws for listed and scheduled commercial banks. Bangladesh Bank also issues circulars, circular letters, guidance, etc. to regulate and control of the scheduled banks. Bangladesh Bank also regulates NBFIs under Financial Institutions Act

1993 and circulars issued by Bangladesh Bank from time to time wheras IDRA regulates insurance companies in Bangladesh under the Insurance Act 1938 and Insurance Act 2010.

Table- 2: Governing Laws for regulating Financial System Companies

Governing Laws	Commercial Banks	Financial Institutions	Insurance Companies
Company Act 1994 (CA)	CA	CA	CA
Bank Company Act 1991 (BCA)	BCA	BCA	BCA
BSEC Rules 1987 (BSEC)	BSEC	BSEC	BSEC
Financial Institutions Act 1993 (FIA)	-	FIA	-
Circulars issued by Bangladesh Bank (Circulars)	Circulars	Circulars	-
Insurance Act 2010(IA)	-	-	IA

The regulators provide the guidance for corporate disclosures in Bangladesh. The Government of Bangladesh enacted Financial Reporting Act (FRA) 2015 to regulate auditing functions and the quality of audit work. There is no one set of generally accepted standards based on these three sources. The Institute of Chartered Accountants of Bangladesh (ICAB) promulgated local accounting standards in the name of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) in light with IAS and IFRS subject to compliance of local laws and regulations. Finacial Reporting Council (FRC) has been formed under FRA 2015; the Council is yet to comment on the IAS/IFRS adopted by ICAB as BAS/BFRS for locally listed companies. Therefore, companies have been following BAS and BFRS as accounting standards in preparing financial statements as per BSEC Rule 12(2) of 1987.

2.3.2: LEGAL OBLIGATION OF APPLICATION OF IAS AND IFRS IN BANGLADESH

The Companies Act 1994 does not contain any provision for mandatory observance of the adopted IAS and IFRS. The Securities and Exchange Rule (SER) 1987 (Rule 12, Sub-rules 2 and 3) were amended in December 29, 1997, whereby all listed entities are required to comply mandatorily with the requirements of all applicable IAS,IFRS as adopted by ICAB for the preparation and presentation of their financial statements. Since all listed entities are mandatorily required to ensure compliance with the provisions of all applicable IAS and IFRS with effect from 1997, the listed companies could not apply provisions of adopted IAS immediately for the preparation and presentation of their financial statements. Management of all listed entities implemented IAS/IFRS in phase and now most of the listed companies have converted their conventional financial statements into IAS based financial statements subject to local laws. The company management states IAS compliance status in the financial statements whereas external auditor assures compliance of IAS, IFRS in preparation of financial statements. Now IAS and IFRS duly adopted by the council of ICAB as BAS and BFRS are legally enforceable standards in preparing and presenting financial statements by all listed companies in Bangladesh.

2.4: SIGNIFICANCE OF IAS AND IFRS IN ACCOUNTING AND REPORTING

A good financial report promotes investor confidence, facilitates the flow of investment funds and thereby encourages economic growth. The financial statements prepared by the companies should be understandable and comparable globally. All public listed companies must publish financial information about the company's performance and position to its stakeholders, community, etc. uniformly. Non-standardization of accounting practice leads to corruption, earnings management, manipulation of performances and position of the organization which in turn may take the company into bankruptcy e.g. Enron Scandal (2001), WorldCom Scandal (2002) AIG Scandal (2005) Lehman Brothers Scandal (2008), etc. Seamless application of IFRS in accounting practices makes financial reports standardized and harmonized globally.

The IASs and IFRSs issued by the IASB are meant to bring "harmonization" globally so that financial statements will be the basis for investment, credit and similar decisions and in the process become generally more acceptable to all users. The IAS and IFRS are promulgated by IASB as "definitive" standards (subject to local adaptation) which are meant for mandatory application. These standards are designed to overcome divergences and achieve improvement in the degree of uniformity in accounting principles and disclosures and thereby effect harmonization in financial reporting of concerned entities. The IASs and IFRSs normally represent the formalization and codification of existing best accounting practice (nationally and internationally) which members of the professional bodies are expected to observe in practice. These standards therefore prescribe the Generally Accepted Accounting Principles (GAAP) which Corporate Management is expected to apply in the preparation and presentation of published financial statements. Where IASs and IFRSs are adopted and applied mandatorily, the Independent Auditors are required to ensure that published financial statements comply with the IASs and IFRSs in all material respects and disclose any deviation observed there.

The IASs and IFRSs are highly conceptualized technical standards, the application of which is likely to have long-term, far-reaching beneficial implications on corporate financial reporting, capital market development and investment decisions in the economy. These Standards encompass a wide-embracing multidimensional, financial reporting framework, having significant impact on the work of the preparers, auditors and users of financial information. Harmonization through IAS and IFRS is intended to narrow down the areas of differences and dissimilarities and overcome inconsistencies and incongruities in accounting policies and practices world-wide. Each IAS and IFRS cover accounting standards (recognition and measurement related) and reporting standards (disclosure related). Though accounting standards are generally similar, the reporting or disclosure standards may vary significantly from entity to entity and from country to country because of differences in corporate objectives and economic, socio-political environments. Hence rationalization of disclosures is essential for achieving global harmonization in accounting practices and presentation. The other significant points are as follows:

- Gaining better access to foreign investor funds.
- Improving management control from harmonized internal financial communication
- Facilitating foreign stakeholders for purposes of takeovers and mergers.
- Ensuring easy compliance with reporting requirements of overseas stock exchanges.
- Facilitation of consolidation of foreign subsidiaries and associated companies.
- Achieving reduction in audit costs.
- Enhancing transferability/mobility of accounting staff across national borders.
- Facilitating determination of tax liability regarding foreign income.

2.5: ACCOUNTING STANDARDS APPLICABLE IN BANGLADESH

BSEC empowered ICAB (sub-rules 2 and 3 of Rule 12) to regulate accounting profession in Bangladesh and accordingly ICAB started adoption of IAS and IFRS as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) respectively considering the local implications as per laws in force in the land. Since 1999, ICAB has adopted IAS and IFRS in phases and till date it adopted all IASs and IFRSs issued by IASC and IASB. The summary of IAS and IFRS adopted so far are mentioned in Appendix-D and comparative list of IAS and IFRS in Appendix - E.

2.6: IAS AND IFRS APPLICABLE FOR BANKS, NBFIs AND INSURANCE COMPANIES IN BANGLADESH

The Financial Reporting Act 2015 (FRA) was enacted in 2015 and the Financial Reporting Council (FRC) formed under the FRA would issue financial reporting standards for public interest entities such as banks, NBFIs and insurance companies. The FRC is yet to issue financial reporting standards as per the provisions of FRA 2015. Hence, the financial statements of the Banks, NBFI's and insurance companies have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) and the requirements of the Bank Company Act 1991, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, and Bangladesh Securities and Exchange Rules (BSEC) 1987. In case any requirement of the Bank Company Act 1991 and provisions and circulars issued by Bangladesh Bank differ with those of BFRSs, the requirements of the Bank Company Act 1991 and provisions and circulars issued by Banladesh Bank shall prevail.

BSEC Rule 12 suggests that BASs and BFRSs are mandatorily applicable for banks, NBFIs and insurance companies except to the extent controversial or in conflict with the existing laws of the country and circulars issued by the Bangladesh Bank and other regulatory bodies. ICAB, being an apex professional accountancy body in Bangladesh has been evaluating corporate annual reports every year and giving national awards to the companies for the best published accounts since 2001. ICAB evaluates companies' annual reports based on South Asian Federation of Accountants (SAFA) Regional Criteria since inception. I took three 'best 3 accounts' from sub-sector of banking, insurance and non banking financial institutions (NBFIs). Based on the compliance status of IAS and IFRS published by the companies in the annual report, a common list of IAS and IFRS applicable across Banking, Insurance and NBFI Companies is prepared. The 12 common IAS and IFRS are identified in Appendix – C and used to design the disclosure checklist enumerated in Appendix - F.

CHAPTER -III

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESIS

3.1: ACCOUNTING STANDARDS: BANGLADESH GAAP VERSUS IAS, IFRS

Financial statements are the representation of companies' financial position and performance as reports, relating to the year they are issued and prepared in. The purpose of these statements is to give information about the firms' position, performance, structure, and cash flows that are beneficial to the investors and other interested parties in making financial decisions.

Theoretically, as Punda (2011) states, to prepare high-quality financial reports, a firm should know or be aware of potential users. Generally, beneficiaries are shareholders, creditors, investors, suppliers, employees, competitors, government and other interested parties. As all these parties have dissimilar objectives, they demand different information about the same enterprise. While shareholders utilize the financial information for the decision making in investing (buying shares) or disinvesting (selling shares) on a firm, the creditor's need is to gauge the firm's ability of re-paying the borrowed funds. Likewise, while suppliers need the financial information reports for evaluating the ability of the firm to reimburse the invoices in a short term before dealing with the firm, the employees utilize the information for their salaries, as well as to know the firm's financial circumstances and its future sustainability. Besides, while competitors use the financial information reports of the firm to learn more about rival's financial position by comparing with themselves, the government utilizes the information for calculation of income taxes, and auditing obedience of regulations (Punda, 2011). On the other hand, in preparation of these statements particular rules and standards should be followed. These rules and standards are different because different countries have different regulatory systems and accounting standards. The rationale of uniform accounting standards is to increase the quality of financial information, and to decrease the information asymmetry in the market. Besides, these standards help to control and resolve the agency conflicts; consequently as Punda (2011) states, it is beneficial in extenuating the agency costs by minimizing information asymmetry among shareholders, managers, investors, government, and public, also by increasing auditing and reporting quality. Moreover, accounting standards help the auditors to monitor and authorize the financial statements to secure the stability of firms' earnings. The accounting information in the financial statement reports should be relevant, and should meet the demands of the users in their financial decisions stages. Moreover, according to Lequiller and Blades (2006), the quality of the information in the reports should be high, simple and reliable. The authors state that it should help the users to assess past, observe the present, and anticipate the future of the firm. Meantime, according to the authors, the simplicity aspect of the accounting should help the users to understand and interpret the financial statements easily. Here, any complexity of information should be avoided. Besides, as a reliability aspect of accounting, the authors underline that the information should be audited and approved by legal authorities, and if there are any miscalculations these should be purged so as not to mislead the users who are utilizing it. Basically, two different accounting systems are utilized in preparation of financial reports: domestic (GAAP) system and global (IFRS) system. (Adzis, 2012).

3.1.1: BANGLADESH GAAP

In Bangladesh, the accounting profession has developed during the British colonial period. Today, we have two accounting professional bodies, the Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Cost & Management Accountants of Bangladesh (ICMAB). Chartered Accountants complete their training in practising firms and specialise in financial accounting, financial audit and tax. CMAs receive 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 administrative control of the Ministry of Commerce. The Government of Bangladesh considers both types of professional accountants equal in respect of employment in government services per circular No. Com/PTMA/AP/ 2/19/87(Reference *"Services of CMAs". Institute of Cost and Management Accountants of Bangladesh. Retrieved 11 October 2015).*

The Generally Accepted Accounting Principles (GAAP) in Bangladesh are based upon standards set by the ICAB, which has stated its intention to adopt International Financial Reporting Standards. As of 2017, ICAB has adopted the IFRS as issued by the IASB and all foreign companies and domestic companies listed on the Dhaka Stock Exchange (DSE) and/or the Chittagong Stock Exchange (CSE) are required to use IFRS. However, the following principles are collectively termed as GAAP:

Fundamental Assumptions	Basic Principles	Constraints
Business Entity Assumption Monetary Measurement Periodicity	Historical Cost principle Revenue Recognition Matching Principles Full Disclosure	Objectivity principle Materiality principle Consistency principle Conservatism principle Cost Constraint

3.1.2: IAS AND IFRS

After introduction of IAS in 1975 by IASC and IFRS in 2001 by IASB, the idea of basing common global standards to achieve the simplicity in understanding and comparability in worldwide level has become very attractive for public listed enterprises. In their researches Agca and Aktas (2007), and Punda (2011) have stated that globalization of capital markets and financial crisis have triggered this idea of creating a unique set of international accounting standards. Especially, Agca and Aktas (2007) underlined that after increasingly globalization of firms, the national GAAPs became a new problem due to their insufficiency. Furthermore, according to Brochet et al. (2011), inadequate quality and complexity of financial information which are based on national accounting standards at international level, besides incomparability of firms, were other influences of the creation of a unique global standard.

As Daske et al. (2008) and Silva et al. (2009) have stated that the reported financial information is generally utilized for economic decisions by its users, but because of dissimilar accounting bases and legal authorizations, the reported information might be interpreted differently, and consequently it might mislead its users in case of comparison of two un-identical accounting bases. Moreover, according to Adzis (2012), by reporting under common standards, the users would be able to readily understand financial information while saving their time to understand and interpret several financial statements from different countries.

In addition, Barth et al. (2007), Silva et al. (2009), Lantto and Sahlstrom (2009), Adzis (2012), and Terzi et al. (2013) have stated that the essential objectives of the IFRS are to increase the simplicity, comparability, accessibility, and quality of financial information reports, to improve transparency and audition by a single legal system.

3.1.3: SPECIFIC DIFFERENCES BETWEEN IAS, IFRS AND BANGLADESH LOCAL REGULATIONS

Where any requirement of provisions and circulars issued by Bangladesh Bank differs with those of Bangladesh Financial Reporting Standards (BFRS) and of other regulatory authorities, the provisions and circulars issued by Bangladesh Bank shall prevail. Accordingly, the Bank has departed from such requirements of BFRS in order to comply with the rules and regulations of Bangladesh Bank which are described below:

(i) Investment in shares and securities

BFRS : As per requirements of BAS 39, investment in shares and securities generally fall either under “at fair value through profit or loss” or under “available for sale” where any change in the fair value at the year end is taken to profit and loss account or available for sale reserve respectively.

Bangladesh Bank: As per BRPD circular no 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the end at market price in the stock exchanges and as per book value of last audited balance sheet respectively. Provisions should be made for any loss arising from decrease in value of investments; otherwise investments are recognized at cost.

(ii) Revaluation gain/loss on Government securities

BFRS: As per requirement of BAS 39 where T-bills and bonds fall under the category of "held for trading", any change in the fair value of held for trading assets is recognized through profit and loss account. T-bills and Bond designated as "held to maturity" are measured at amortized cost and interest income is recognized through the profit and loss account.

Bangladesh Bank : According to DOS circular no. 05 dated 26 May 2008 and subsequent clarification in DOS circular no. 05 dated 28 January 2009 loss on revaluation of Government Securities (T-bill/bond) which are categorized as held for trading will be charged through profit and loss account, but any gain on such revaluation should be recorded under Revaluation Reserve Account. However on maturity or disposal, if there is any revaluation gain for any particular held for trading T-bill/bonds, such gain shall be reversed and adjusted accordingly. T-bills and bonds designated as held to maturity are measured at amortized cost but gain is recognized through reserve.

(iii) Provisions on loans and advances

BFRS: As per BAS 39 an entity should start the impairment assessment of financial assets by considering whether objective evidence of impairment is visible, such as, the deterioration in the creditworthiness of counter party, an actual breach of contract or a high probability of bankruptcy exists and the impact of the event on estimated cash flows can be reliably measured for those financial assets that are individually significant. For financial assets which are not individually significant the assessment can be performed on an individual or collective (portfolio) basis. This requirement means that losses cannot be recognized when a loan is initially originated and provisions cannot be recognized for future losses.

Bangladesh Bank: As per BRPD circular no. 14 dated 23 September 2012 and BRPD circular no. 05 dated 29 May 2013 a general provision at 0.25% to 5% under different categories of unclassified loans (standard loans and Special Mention Loans) has to be maintained regardless of objective evidence of impairment. Also specific provision for sub-standard loan, doubtful loans and bad loss loans has to be provided at 20%, 50% and 100% respectively for loans and advances depending on the duration of overdue amount. Such provision policies are not specifically laid down in line with those prescribed by BAS 39.

(iv) Other comprehensive income

BFRS: As per BAS 1 Other Comprehensive Income (OCI) should be presented as a separate component of financial statements or the elements of Other Comprehensive Income are to be included in a single Comprehensive Income Statement.

Bangladesh Bank: The template for financial statements issued by Bangladesh Bank through BRPD circular no. 14 dated 25 June 2003 do not include a separate template for Other Comprehensive Income neither are the elements of Other Comprehensive Income included in the provided template of profit and loss account (Statement of Comprehensive Income). As such the Bank does not prepare an OCI statement. However elements of OCI, if any, are shown in the statement of changes in equity.

(v) Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categorize, recognize, measure and present financial instruments differently from those prescribed in BAS 39. As such, some disclosure and presentation requirements of BFRS 7 and BAS 39 cannot be made in the accounts.

(vi) Repo transactions

BFRS : When an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is treated as a loan and the underlying assets continue to be recognized in the entity's financial statements. The difference between selling price and the repurchase price will be treated as interest expense.

Bangladesh Bank: As per BRPD guidelines, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transaction and the financial asset is derecognized in the seller's book and recognized in the buyer's book. However, as per DOS circular letter no. 7 dated 15 July 2010 and DOS circular no. 3 dated 30 January 2012, all the primary dealer banks and as per DMD circular no. 7 dated 29 July 2012, 25 non primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) program, whereby such banks may enter collateralized repo arrangement with Bangladesh Bank. Here, the selling bank accounts for the arrangement as a loan, thereby continuing to recognize the asset.

(vii) Financial guarantees

BFRS : As per BAS 39, financial guarantees are contracts that require an entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD 14, financial guarantees such as Letter of Credit, Letter of Guarantee, Acceptance and Endorsement, etc, will be treated as Off – Balance Sheet items.

(viii) Cash and cash equivalent

BFRS : Cash and cash equivalent items should be reported as cash items as per BAS 7.

Bangladesh Bank : As per the provided template for financial statements by Bangladesh Bank through BRPD circular no. 14 dated 25 June 2003, some cash and cash equivalent items such as ‘money at call and on short notice’ treasury bills, prize bond are not shown as cash and cash equivalent. Money at call and on short notice is to be shown as face item in Balance sheet, and treasury bills, prize bonds are to be shown under the head investment.

(ix) Non-banking asset

BFRS : There is no concept of non-banking asset in any BFRS; hence there is no requirement of disclosure of non banking asset; rather those assets are to be included under non-current asset and account for as per BAS 16.

Bangladesh Bank: BRPD circular no. 14 dated 25 June 2003 specifies the concept of non-banking asset and also requires it to be separated from other non-current assets and disclosed as a face item named non-banking asset. The measurement criteria are also specified in the mentioned circular.

(x) Cash flow statement

BFRS: As per BAS 7 Cash flow statement can be prepared either in direct method or in indirect method. The presentation is selected to present these cash flows in a manner that is mostly appropriate for the business or industry. The method selected is to be applied consistently.

Bangladesh Bank: The provided template for cash flow statement in BRPD circular no. 14, dated 25 June 2003, is the mixture of direct and indirect method.

(xi) Balance with Bangladesh Bank: (CRR)

BFRS: As per the definitions specified in BAS 7 for Cash and Cash equivalents Balance with Bangladesh Bank does not meet the recognition criteria for being treated as cash and cash equivalents as that balance is not available for use in day to day operation.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, balance with Bangladesh Bank is treated as cash and cash equivalents.

(xii) Off-balance sheet items

BFRS: There is no concept of off-balance sheet items in any BFRS; hence there is no requirement of disclosure of off-balance sheet items.

Bangladesh Bank: As per BRPD 14, off balance sheet items (e.g. L/C, L/G, etc.) must be disclosed separately in the face of balance sheet. Further as per BRPD circular no. 10 dated 18 September 2007, a general provision at 1% is required to be provided for all off-balance sheet exposures.

(xiii) Disclosure of appropriation of profit

BFRS: There is no requirement to show appropriation of profit in the face of statement of comprehensive income.

Bangladesh Bank: As per the requirement of BRPD 14, dated 25 June 2003 an appropriation of profit should be disclosed in the face of profit and loss account.

(xiv) Presentation Loan and advances net provision

BFRS: As per BAS 39 financial assets that are assessed as being impaired should be presented net of impaired value.

Bangladesh Bank: As per BRPD circular no. 14, dated 25 June 2003, provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

3.2 LITERATURE REVIEW

It is acknowledged that education is a social activity and no research whatsoever can be conducted in isolation. Every scholar is therefore deeply indebted to his predecessors in the field who have already conducted related studies and brought to light hitherto unrevealed aspects of the subject matter in hand. It is only after reviewing the existing literature on the subject matter that one can gauge the gap whethere further research is required to identify the gap or missing part in previous studies and make an endeavor to overcome them by undertaking one's own study.

There has been extensive research in the advanced and developing countries with a view to examine the information needs of different user groups like investors, financial and security analysts, public accountant and auditors, creditors etc. as well as to measure the extent of corporate disclosure in financial and non-financial companies. A brief overview of such studies and research papers is presented below:

Historically, Cerf (1961) was the first researcher who conducted an empirical study using a quantifiable measure of disclosure and relating it to certain financial and non-financial corporate variables. Cerf's study was based on a sample of 527 US firms listed on the New York Stock Exchange (NYSE), or other exchanges or traded over the counter (OTC). He developed an index consisting of 31 items, each of which was given a score on a scale of 1 to 4 on the basis of interviews with financial analysts. The index was then related to four corporate variables. He found a significant positive correlation between the level of disclosure and a firm's asset size for firms that were not listed on the NYSE, and between the level of profitability and disclosure for firms listed on the NYSE and those traded OTC. He also found that firms listed on the NYSE disclosed more information than other firms.

Modifying Cerf index**, Singhvi (1967)** found that disclosure quality was associated with asset size, number of stockholders, rate of return, earnings margin, security price fluctuations, listing status, and CPA firm. Buzby (1975) found that the extent of disclosure was positively associated with company size but not with listing status.

Rahman and Jannah (2003) examined 46 sets of financial statements of major listed companies, including 8 banks and 3 insurance companies. By using a checklist for determining compliance included selected IAS requirements; their study revealed that it is very common for the listed sample companies not to comply with the IAS requirements.

Nicholls and Ahmed (1995) assessed empirically the quality of disclosure in non financial companies in Bangladesh and their results revealed that the quality of disclosure had improved significantly, particularly because of the enforcement of the Securities and Exchange Rules and the adoption of at least six International Accounting Standards by the Institute of Chartered Accountants of Bangladesh at that time. They commented that one of the most important features of corporate financial reporting was the lack of compliance with mandatory disclosure provisions.

Rahman (1999) in his study has found that compliance with voluntary disclosure requirements in Bangladesh is much lower compared to compliance with mandatory disclosure requirements. It is found in his study that companies do not comply with the disclosure requirements set by the regulatory bodies and Acts in Bangladesh. Using a sample of 20 Dhaka stock exchange-listed companies, with a list of 375 disclosure items he has found that the extent of mandatory and voluntary disclosure varies widely within this environment. The findings of the study also indicates that no company has disclosed all mandatory information items in its annual reports.

Hossain (1999) examined empirically the association between a number of corporate attributes and levels of disclosure in corporate annual reports of listed non-financial companies in three developing countries, India, Pakistan and Bangladesh. A disclosure index (weighted and unweighted) comprising of 94 items of information has been developed, and applied to the corporate annual reports for a sample of 78 Bangladesh companies for the period 1992-1993. It was found for the Bangladeshi companies that size (total assets) is significantly associated with the extent of disclosure. The study of Hossain (1999) has showed mean disclosure level of the sample companies as 29.33% in 1993.

Hossain (2001) empirically investigated the extent of disclosure of 25 banks in Bangladesh and associations between company size, profitability and audit firm with disclosure level. A total of 61 items of information, both voluntary and mandatory were included in the disclosure index and the approach to scoring items was dichotomous. The results showed that size and profitability of the banks are statistically significant in determining their disclosure levels. The results also indicated that larger banks provide more transparent disclosure and there was no significant difference in the disclosure scores of banks across profitability levels but banks with lower levels of leverage have significantly higher disclosure scores. However, the audit firm variable was not significant factor at conventional levels in the model.

Hossain, Cooper, and Islam (2006) in their study have focused on the extent of corporate disclosure based on International Accounting Standards (IASs/IFRSs) adopted in an emerging economy, Bangladesh. They have examined the annual report of 106 Bangladeshi manufacturing and trading companies using a disclosure index consisting of items of information for the year ending 2001-2002. Their results have showed that the listed non-financial companies have significantly followed the selected accounting standards under review and have brought remarkable changes in the financial reporting practices. Their study reports that the average disclosure level is 69.05% with a minimum and maximum level of 35.85% and 94.34% respectively, which is not encouraging. Further, the association between the extent of disclosure and various corporate characteristics has been examined using multiple linear regression models which has revealed that net profit margin of Bangladeshi companies is significantly associated with the extent of disclosure as per sample accounting standards.

Karim, A.K.M.W, Hossain, M.A, Nurunnabi, M. and Hossain, M.M. (2011) in their paper demonstrated the results of an empirical study of the role of selected corporate governance variables on financial reporting transparency of listed banks in Bangladesh.The three corporate governance variables examined were:(i) the institution of an audit committee; (ii) institutional shareholding; and (iii) auditor reputation. A comprehensive disclosure index comprising 446 voluntary and mandatory items was used to measure the degree of financial reporting transparency in terms of disclosure comprehensiveness. A multivariate analysis of annual reports of 27 banks (out of 29 listed at the time of analysis) showed that banks that have instituted audit committee by the end of 2003 and employed Big 4 auditors produced significantly more transparent financial reports than those who did not. The results also showed that leverage was negatively associated with disclosure transparency. Finally, institutional shareholding, size, profitability, and complexity did not have significant impact on disclosure transparency. Results of this study provided a greater understanding of the role of corporate governance tools in enhancing financial reporting transparency in the financial services sector in developing countries.

Baumann and Nier (2003) addressed the issues of developing a set of disclosure requirements by Pillar 3 of Basel II that improved market participants' ability to assess a bank's value using a unique dataset on almost 600 banks in 31 countries over the period 1993-2000. The data contain detailed information about the items disclosed by banks in their annual accounts. They have constructed a composite disclosure index that informs about disclosure at the bank level, and they then have analysed each of the 17 sub-indices of disclosure that make up the composite index in order to investigate which, if any, items of the banks' balance sheet disclosure are most beneficial from the point of view of the bank and most useful for financial markets. Their findings generally confirm the hypotheses that disclosure decreases stock volatility, increases market values and increases the usefulness of company accounts in predicting valuation.

Singhvi and Desai (1971) undertook an empirical analysis of the quality of corporate financial disclosures in annual reports of 100 listed and 55 unlisted American corporations for the period 1965-66 by using an index of disclosures containing 34 items. They also studied the influence of numerous variables like – asset size, number of shareholders, listing status, CPA (certified public accountant) firms, rate of return and earnings margin on the quality of disclosures. The findings of the study demonstrated that corporations disclosing inadequate information were likely to be small in size, free from listing requirements, audited by a small CPA firm and less profitable. It also empirically showed that inadequate corporate disclosures in annual reports were likely to widen fluctuations in the market price of a security. Thus, the quality of disclosure was one of the variables affecting the price of a security.

Khanna and Singh (1981) analyzed the relationship between disclosure of marketing information and different organizational factor correlates like age, size, profitability and type of industry. For this, annual reports of 45 companies for year 1976-77 were selected as a sample for the study. It comprised of private enterprises operating in different industries. To identify important marketing information to be disclosed an index of disclosure of 50 items was prepared. Weightage ranging from one to five was assigned to these items depending upon their relative importance. Chi-square test and t-test were applied to test the significance of null hypothesis. With the help of statistical tools it was concluded that marketing information disclosure differs from company to company in most cases. Net worth, net sales, total assets, net profit, rate of return influence the disclosure of marketing information whereas age earning margin, nature of industry and ownership do not influence the marketing information disclosure.

Cooke (1989) examined three categories of companies, namely, unlisted, listed, and multiple listed, and suggested that disclosure is lower for unlisted companies than listed companies, and that disclosure by listed companies is lower than that of multiple listed companies.

Kahl and Belkaoui (1981) investigated the annual reports of 70 commercial banks from 18 countries during 1975. Disclosure adequacy was measured by the extent to which 30 selected information items were presented in the annual reports. Differences were found to exist in disclosure adequacy internationally. U.S. banks, it was learned, were leaders in the extent of disclosure. The positive correlation between asset size and extent of disclosure was supported by the evidence in this study. The information items used in the study to measure disclosure adequacy, when classified according to the consensus between producers and users of bank financial statements, indicate ten items of low consensus.

Kant (2002) ascertained the disclosure levels of companies for the years 1995-96 and 1999-2000 and studied the influence of certain corporate attributes on the disclosure levels. The level of disclosure was studied with the help of Disclosure Index of 275 items. Analysis shows that size is positively associated with disclosure. The quality of governance in case of companies covered under the study has been found to be reasonably good. The relationship analysis makes it amply clear that there exists a positive and significant relationship between and among disclosure, quality of governance and shareholder value.

Lobo and Zhou (2001) demonstrate that companies that are performing well are likely to provide more information than poorly performing companies.They also have highlighted the cultural value which is no less important as a determinant factor of disclosure. Earlier research has examined various company attributes and their association to the levels of disclosure.

M. Akhtarruddin (2005) have studied the extent of mandatory disclosure by a sample of 94 listed companies in Bangladesh. He has also examined the association between company specific characteristics and mandatory disclosure of the sample companies. The results have indicated that on an average company has disclosed 44 percent of the items of information, which leads to the conclusion that prevailing regulations are ineffective monitors of disclosure compliance by companies. Company age appears to be an insignificant factor for mandatory disclosure. And there is little support for industry size. Profitability was also found to have no effect on disclosure. And status also had no effect on mandatory disclosure.

Mohammed Hossain (2008) investigated the extent of both mandatory and voluntary disclosure by listed banking companies in India. He found same association between company-specific attributes and total disclosure, i.e., mandatory and voluntary, of the sample companies. A total of 184 items were selected of which 101 and 81 were mandatory and voluntary respectively. The study revealed that in disclosing mandatory items, the average score was 88, whilst the average score for voluntary disclosure was 25. The findings also indicated that size, profitability, board composition, and market discipline variables were significant, and other variables such as age, complexity of business and asset-in-place were insignificant in explaining the level of disclosure. Further, Indian banks were very compliant with the rules regarding mandatory disclosure, and in contrast, they were far behind in disclosing voluntary items. Hossain (2008) opined that his study could be a good example for other developing countries, which were trying to have a high level of compliance in mandatory disclosure.

Ahmed (2009) has empirically examined the relationship between the disclosure score and selected corporate attributes in a developing country like Bangladesh. The determinants or corporate attributes he has used are size of the bank (total assets, gross revenue and number of branches), profitability (EPS, ROA, ROI and net profit margin), credit deposit ratio (CDR), Capital Adequacy Ratio (CAR), Debt Equity Ratio (DER) and Shareholder‟s Risk ratio]. In order to identify the determinants of disclosure, regression analysis, multiple linear regression techniques have been used. Using 25% of the population (12 banks) observations over a period of 5 years (2002- 2006), the extent of disclosure has been measured using the unweighted disclosure index. The results show that disclosure levels are associated with some company characteristics. Only two variables that have been found to be significant in determining disclosure levels are return on assets and capital adequacy ratio.

Ahmed and Dey (2009) have empirically measured and analyzed the performance of disclosure items in a developing country like Bangladesh. Using 25% of the population (12 banks) observations over a period of 5 years (2002-2006), the performance of disclosure has been measured using the unweighted disclosure index. The study shows the top and bottom ranked banks by the size of the UDI. The results show that Arab Bangladesh Bank (AB Bank) has the highest level of disclosure and Standard bank has the lowest level of disclosure.

Abdullah Al Mutawaa and Aly M Hewaidy (2010) undertook an investigation on the extent of compliance of Kuwaiti listed companies with IAS/IFRSs disclosure requirements, and provided evidence of the factors associated with the level of compliance. The factors examined were: company size, profitability, leverage, liquidity, type of industry, type of auditor, and company age. The findings of the study indicated that the overall compliance level for the sampled companies averaged 69% of the disclosures required by the standards tested. Only company size and type of industry had positive association with IAS-required disclosures and their coefficients were significantly different from zero. Other explanatory variables were found statistically insignificant.

Despina Galani1, Anastasios Alexandridis and Antonios Stavropoulos (2011) assessed the level of disclosure in the annual reports of non-financial Greek firms and to empirically investigated the hypothesized impact of several firm characteristics on the extent of mandatory disclosure.The study revealed that Greek companies in general had responded adequately to the mandatory disclosure requirements of the regulatory bodies.The findings also indicated that firm size was significant positively associated with the level of disclosure. The remaining variables such as age, profitability, liquidity, and board composition were found to be insignificant in explaining the variation of mandatory disclosures.

Wallace, R. S. O. and K. Naser. (1995) selected Hong Kong for testing the multivariate impact of selected firm characteristics on corporate annual reports (CARs). This was accomplished through an examination of the cross-sectional variation in the researcher-created indices of the comprehensiveness of the mandatory information contained in the CARs of a sample of firms listed on the Stock Exchange of Hong Kong (SEHK). Findings provide evidence that the researcher-created indexes varied positively with asset size and the scope of business operations but negatively with profits.

Owusu-Ansah, S. (1998) reported the results of an empirical investigation of the degree of influence of eight corporate attributes(company size, quality of external audit, ownership structure of issued equity shares, type of industry, company age, multinational corporation (MNC) affiliation, profitability, and liquidity.) on the extent of mandatory disclosure and reporting of 49 listed companies in Zimbabwe. Using a disclosure index which consisted of 214 mandated information items, the extent of mandatory disclosure by each sample company was quantified, and was used with other data specfic to each sample company to test the relational hypotheses. Although several alternative specification of multivariate regression models were developed and estimated, only the results of a robust regression analysis which indicated that company size, ownership structure, company age, multinational corporation affiliation, and probability had statistically significant positive effect on mandatory disclosure and reporting practices of the sample companies were reported. The quality of external audit, industry-age and liquidity were statistically insignificant.

Street, D. L., and Gray, S. J.(2002) found that there is a significant extent of non-compliance with IAS, especially in the case of IAS disclosure requirement. Further, as regards factors associated with compliance with IAS disclosure requirements, there is a significant positive association with a U.S. listing/filing and/or non-regional listing, being in the commerce and transportation industry, referring exclusively to the use of IAS, being audited by a Big 5 + 2 firm, and being domiciled in China or Switzerland. Additionally, there is a significant negative association with being domiciled in France, Germany, or other Western European countries. As regards compliance with IAS measurement and presentation standards, there is a significant positive association with exclusive reference to the use of IAS, being audited by a Big 5+2 firm, and being domiciled in China. Additionally, there is a significant negative association with being domiciled in France or Africa.

Glaum, M. and D. L. Street (2003) examined compliance with both International Accounting Standards (IAS) and United States Generally Accepted Accounting Principles (US GAAP) for companies listed on Germany's New Market. Based on a sample of 100 firms that applied IAS and 100 that applied US GAAP, they investigated the extent to which companies complied with IAS and US GAAP disclosure requirements in the year 2000 financial statements. Compliance levels ranged from 100% to 41.6%, with an average of 83.7%. The average compliance level was significantly lower for companies that applied IAS as compared to companies applying US GAAP. This study provided the first systematic evidence regarding the enforcement of US GAAP outside the US, and accordingly not subject to Securities Exchange Commission (SEC) review. The results unveiled a considerable extent of non–compliance. The overall level of compliance with IAS and US GAAP disclosures was positively related to firms being audited by Big 5 auditing firms and to cross–listings on US exchanges. Compliance was also associated with references to the use of International Standards of Auditing (ISA) or US GAAS in the audit opinion. The findings added to the growing concern regarding the lack of effective supervision in the German capital market.

Cooke, T. E. (1989) reports on the extent of voluntary disclosure in the corporate annual reports of unlisted and listed Swedish companies. This paper assesses whether there is a significant association between a number of independent variables and the extent of disclosure.

Meek, G., Roberts, C. B., and Gray, S. J (1995) examined factors influencing the voluntary disclosures of three types of information (strategic, nonfinancial, financial) contained in the annual reports of MNCs from the U.S., U.K. and Continental Europe. While company size, country/region, listing status, and, to a lesser extent, industry were the most important factors explaining voluntary disclosures overall, the importance of the factors varied by information type.

Hossain, M., Perera, M.H.B. and Rahman, A.R. (1995) have examined empirically the relationship between five firm-specific characteristics and the general level of accounting information voluntarily disclosed by companies listed on New Zealand Stock Exchange (NZSE). The five firm-specific characteristics examined are: firm size, leverage, assets-in-place, type of auditor, and foreign listing status. The results obtained from cross-sectional regression show that firm size, foreign listing status and leverage are significantly related to the extent of voluntary disclosure. In contrast assets-in-place and type of auditor are not significantly explanatory variables.

Ali Uyar, Merve Kılıç & Başak Ataman Gökçen(2016) investigated the compliance level of Turkish firms with international accounting standards (IAS) and international financial reporting standards (IFRS), to examine the factors that impacted adoption level of firms to IAS/IFRS. This study is based on a comprehensive questionnaire survey about IAS/IFRS implementation of largest Turkish industrial firms, namely ICI 500. The findings and implications are important as these companies are expected to be the leading adopters of IAS/IFRS. Firstly, they determined that firms did not implement all IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) equally; some used more, some less. As a second stage in the study, they tried to determine which firm characteristics impacted compliance with IAS/IFRS. They found that listing status, training staff, foreign ownership, and firm size were significant determinants of IAS/IFRS compliance, whereas leverage and profitability were not.

Juhmani, Omar I.H.(2012) examined empirically the level of compliance with mandatory IFRSs disclosure requirements for companies listed on Bahrain Stock Exchange, and the association between the level of disclosure and five corporate characteristics, namely; corporate size, leverage, profitability, company age, and size of audit firm. A disclosure checklist was developed to assess the level of disclosure in the 2010 annual reports of 41 Bahraini companies. The results showed that the compliance levels range from 61% to 94%, with an average of 80.7%. Multiple regression analysis demonstrated that company size and audit firm size had a significant positive relationship with the level of compliance with mandatory IFRSs disclosure requirements. The remaining variables (i. e. leverage, profitability, and company age) were found to be insignificant in explaining the level of compliance with IFRSs disclosure.

Hassan, O. A. G., Giogioni, G. and Romilly, P. (2006) used panel data analysis to investigate the extent and determinants of disclosure levels of non-financial companies quoted on the Egyptian Stock Exchange. It distinguishes between private sector companies and public business sector companies in terms of company characteristics and disclosure practice. Results show gradual increases in disclosure levels, with a high compliance for mandatory disclosure, although the voluntary disclosure level was rather limited. Public business sector companies appear generally to disclose less information than private sector companies. Furthermore, more profitable companies disclose more information than less profitable ones. Results for firm size, gearing and stock activity are mixed.

The foregoing review of the existing literature on the subject reveals that while numerous researchers in Bangladesh and abroad have made commendable efforts in evaluating the reporting practices in annual reports of non-financial companies from various perspectives and view points; yet there is a shortage of existing literature which has investigated compliance disclosure (mandatory or voluntary) in Corporate Annual Reports of Banking Sector in the context of an emerging economy like Bangladesh. Very few studies can be found reflecting the disclosure of information of the banking companies in Bangladesh but no study has yet been undertaken for evaluation of application of IAS/IFRS in accounting practices of financial companies (Banking, NBFIs and Insurance companies) in Bangladesh. In essence, the present study is an attempt to scrutinize disclosure practices of commercial Banks, NBFIs and Insurance companies as a result of application of IFRSs in accounting practices in Bangladesh as well as examine few company characteristics that impact the extent of financial disclosures in published annual reports.

3.3: DEVELOPMENT OF HYPOTHESIS

The main objective of the study is to examine whether the extent of corporate disclosure (measured by disclosure score) has improved as a result of application of IFRSs in accounting practices in Bangladesh. The second objective is whether the disclosure of IFRS/IAS based information is closely related with the company characteristics e.g. (i) age (ii) size of the company (iii) profitability (iv) board composition (v) size of the audit firm and its international affiliation and (vi) employment of qualified accountant(s)

Prior studies have examined the impact of various corporate characteristics on disclosure level on corporate annual reports. Among these characteristics are company size, profitability, listing status, leverage, liquidity, type of industry, type of auditor, ownership dispersion, complexity of business, market discipline and internationality. Based on the type of disclosure, these studies can be classified into three categories. The first category includes studies that test the association between corporate characteristics and mandatory disclosures (e.g. Wallace and Naser, 1995; Owusu-Ansah, 1998; Street and Gray, 2002; Glaum and Street, 2003; Owusu-Ansah and Yeoh, 2005; Akhtaruddin, 2005; Al shammari et al, 2007). The second category includes studies that test the association between corporate characteristics and voluntary disclosures (e.g. Cooke, 1989; Meek et al, 1995; Hossain and et al, 1995; Hewaidy, 1998; Oyelere et al, 2003; and Alsaeed, 2006). The third category includes studies that test the association between corporate characteristics and total, both mandatory and voluntary, disclosures (e.g. Street and Bryant, 2000; Hassan et al, 2006).

The present study further explores the association between six corporate characteristics and mandatory disclosures (the disclosures required by the IAS/IFRS) in Bangladesh. These characteristics are age, size of the company, profitability, and board composition, size of the audit firm and its international affiliation and employment of qualified accountant(s).

(I) AGE OF THE COMPANY

The extent of a company's disclosure may be influenced by its age, i.e. stage of development and growth [Owusu-Ansah, (1998); Akhtaruddin, (2005)]. The rationale for selecting this variable lies in the possibility that old companies might have improved their financial reporting practices over time (Alsaeed, K. 2006) and secondly they try to enhance their reputation and image in the market [Akhtaruddin, M. (2005)]. Owusu-Ansah, S. (1998) has stated that new or young companies are not likely to disclose full information about their financial results and position because this may result in disclosing sensitive information to the established competitors However, it is not possible to reach a conclusion that long established companies can disclose more information or be more compliant than newly established companies. This leads to the following hypothesis:

H1: *Long established companies may disclose more information than newly established companies.*

(II) SIZE OF THE COMPANY

A number of studies over the past decades have successfully tested the influence of firm size on the level of disclosure. Most researchers have found a positive relationship between company size and the extent of disclosure in both developing and developed countries [Cerf, A.R. (1961), Singhvi, S. S., and Desai, H. B. (1971). Wallace et al (1994)] concluded that size, either measured by total assets or by total sales, is an important variable associated with level of disclosure. Also, company size as measured by total assets was found significantly associated with level of disclosures by Wallace and Naser (1995), Owusu-Ansah (1998), Ali et al (2004), Owusu-Ansah and Yeoh (2005), Al-Shammari et al (2007). Several reasons have been enumerated in the literature to support the positive association between company size and the level of disclosure.

Firstly, the cost of accumulating and generating certain information is more for small firms than large firms. Small companies may not be able to afford such costs from their resource base [Owusu-Ansah, S (1998)]. Large companies might have sufficient resources to afford the cost of producing information for the users of annual report. Secondly, the agency cost is high for large firms because shareholders are widespread. Additionally, these firms might publish more information in their reports to supply information relevant to different users. Thirdly, large companies may tend to disclose more information than small companies in their annual reports due to their competitive cost advantage. Hence, small companies disclose less information than large companies. On the other hand Ahmad and Nicholls (1994), Street and

Gray (2002), and Glaum and Street (2003) found no association between company size and level of disclosures.

The present study further explores the relationship between company size and level of compliance with disclosure required by IFRSs. Total Assets, total equity and gross revenues are chosen to measure company size. The following hypotheses test the association between company size and extent of disclosures required by IFRSs:

H2a: *Company size measured by total assets is significantly associated with the extent of compliance with IFRS-required disclosures.*

H2b: *Company size as measured by gross revenue is significantly associated with the extent of compliance with IFRS-required disclosures*

H2c*: Company size as measured by total equity is significantly associated with the extent of compliance with IFRS-required disclosures*

(III) PROFITABILITY

There is a general proposition that a company's willingness to disclose information is positively related to its profitability. It is suggested that managers of profitable companies disclose more information in order to show and explain to the shareholders that they are acting in their best interests and justify their compensation packages. Similarly, management of a profitable company wishes to disclose more information to the public to promote positive impression of its performance. Several researches have been conducted to measure the association between profitability and the level of disclosures and found conflicting results.

Most researchers (Hossain, 2000; Inchausti, 1997; Karim, 1996; Owusu-Ansah, 1998; Wallace & Naser, 1995; Wallace et al., 1994; Iatridis and Rouvolis, 2010; and Kim et al.2011) have found a positive relationship between profitability and the extent of disclosure. Al-Mutawaa and Hewaidy (2010), Dumontier and Raffournier (1998), Street and Gray (2002), and Tower et al. (1999) found an insignificant association between profitability and IAS/IFRS compliance, whereas Guerreiro et al. (2008) and Hodgdon et al. (2009) found a negative association between IAS/IFRS compliance and profitability. Findings of Wallace el al. (1994), Karim (1996), Owusu-Ansah (1998), and Hossain (2000) suggest that companies having higher profitability disclose more information than those with lower profitability. Also, the relationship between these two variables is found to be positive in a study by Wallace and Naser (1995). In this paper researchers have used return on assets and return on equity as proxies for profitability.

H3a*: Company profitability as measured by return on total assets is significantly associated with the extent of compliance with IFRS-required disclosures.*

H3b: *Company profitability as measured by return on equity is significantly associated with the extent of compliance with IFRS-required disclosures.*

(IV) BOARD COMPOSITION

Board composition is defined by Shamser and Annuar (1993) as ‘the proportion of outside directors to the total number of directors. Board composition might be an interesting variable to consider because it will indirectly reflect the role of non-executive directors (Haniffa and

Cook, 2002). A number of studies have been conducted on the importance of non-executive directors with a view to examine the role of non-excutive directors in the board. Empirical evidence on the importance of non-executive directors has been mixed. Kosnik (1990) argues that board performance is associated with the composition of directors. Outside directors are arguably more effective than inside directors in maximising shareholders' wealth.Having a higher proportion of outside non-executive directors on the board may result in better monitoring of the behaviour of management by the board and limit managerial opportunism (Fama, 1980; Fama & Jensen, 1983). Additionally, external directors may be considered to be decision experts (Fama and Jensen, 1983), may reduce managerial consumption of perquisities (Brickley and James, 1987) and act as a positive influence over the directors'deliberations and decisions (Pearce and Zahra, 1992). As, non-executive board members are less aligned with management, they may be more inclined to encourage and support more disclosure to the users of financial reporting (Mak & Eng, 2003). A positive relationship between the proportion of independent directors and disclosure has been found empirically in other capital market settings (Chen & Jaggi, 2000). In contrast, Klein (1998) suggests that inside directors can contribute more to a firm than outside directors due to their firm-specific knowledge and expertise. The results of Agrawal and Knoeber (1996) suggest that outside representation on the board is not positively related to firm value. Ho and Wong (2001) do not find an association between the number of external non-executive directors and the extent of voluntary disclosure. Daily and Dalton in their study (1994) suggested that bankrupt firms tend to have a lower proportion of outside directors. Leftwich, Watts and Zimmerman (1981) demonstrate that firms can expect more voluntary disclosure with the inclusion of a larger number of independent non-executive directors on the board. Further, inclusion of independent non-executive directors on corporate boards improves the comprehensiveness and quality of disclosure (Forker, 1992; Chen and Jaggi, 2000).

The inclusion of independent directors on the board was not mandatory till 2005. To ensure more transparency in accounting system and disclosure of important accounting policies of banks and financial institutions in Bangladesh, the Central Bank (Bangladesh Bank) issued a circular No. SEC/CMRRCD/2006-158/Admin/02-06 dated the 9th January, 2006 for appiontment of independent directors on the board. As a result, since 2006, all banks, NBFIs and insurance companies of Bangladesh are required to comply with this requirement. Thus, the role of independent directors on the extent of disclosure in the annual report is examined by testing the following hypothesis:

H4: *There is a positive association between the proportion of non-executive directors on the board and the extent of disclosure of information.*

(V) SIZE OF THE AUDIT FIRM AND ITS INTERNATIONAL LINK

The size of the company's audit firm and/or its international link is believed to influence the amount and quality of information disclosed in annual reports. It is expected that in countries where the large audit firms operate, financial statements certified by any large audit firm carry more credibility than those audited by small firms. Large audit firms insist companies to provide more information to external users, and also acts as a pressure on companies to increase the disclosure level instead of losing the company’s reputation, as auditing firms with foreign affiliation do not fear losing a client like small auditing firms do.The accounting and auditing firms are primarily classified into two groups: large and small firms. The large audit firms are the partnership firms who are either member firm or correspondent firm of top 10 largest international accounting and professional services firms in the world (Deloittle, PWC, E&Y, KPMG, Grant Thornton, BDO, Crowe Horwath, Moss Adams, RSM and Baker Tilly international) while small audit firms refers to those which operate at domestic level(no foreign affiliation). Previous researchers considered Big 4 audit firm in their studies. However, I have taken big 10 audit firms because the representative firms of Big 4 audit firms have not audited the majority of audit proposal.

DeAngelo (1981) argued that large audit firms invest more to maintain the reputation of their audit quality. Haque (1984) suggested that in Bangladesh, only large audit firms enjoy the privilege of choosing the clients and the audit assignment. Large audit firms are more likely to deal with several clients and are not dependent upon one or few clients as small audit firms, where large firms in this case exert pressure on companies to disclose more information. Moreover, as large audit firms have major concern about their reputation, they do not tend to associate except with those companies that reveal more information in their financial reports (Alsaeed, 2006). Accordingly, local audit firms affiliated with one of the top 10 audit firms will disclose more information than those with no foreign affiliation (Wallace and Naser, 1995). Prior research has proven that level of disclosures may be associated with size of audit firm. Singhvi and Desai (1971), Ahmed and Nicholls (1994), Street and Gray (2002), and Glaum and Street (2003) found positive association between audit firm size and the extent of

IAS disclosure requirement. Also, the results of Owusu-Ansah and Yeoh study (2005) indicated that auditor-type was consistently positively related to the extent of corporate mandatory disclosure. Wallace et al (1994) found a positive but insignificant association. On the other hand, Wallace and Naser (1995) postulated a negative association between type of auditor and the extent of compliance with mandatory disclosure.

Some large Bangladeshi firms claim affiliation with top 10 largest international accounting and professional services firms. This has resulted in creating two groups of accounting firms. One group of firms is associated with top 10 largest international accounting and professional services firms, while the other group performs auditing without such an affiliation. Data collected revealed that 34 percent of the sample companies were audited by Bangladeshi accounting firms associated with top 10 largest international accounting and professional services firms, the other 66 percent of the sampled companies were audited by accounting firms with no association. In the present study, the international link of audit firms was considered for use as explanatory variable labelled Audit Firm. A dichotomous procedure was used to operationalise thevariable awarding one if the bank's audit firm was big and zero if it was not.Therefore, the sample companies are coded into: (i) Companies being audited by accounting firms associated with top 10 largest international accounting and professional services firms in the world and (ii) Companies being audited by other accounting firms. The following hypothesis is tested:

H5: Audit Firm size is significantly associated with the extent of compliance with IAS/IFRS-required disclosures.

(VI) EMPLOYMENT OF QUALIFIED ACCOUNTANT(S)

This is relatively new variable in disclosure studies. The qualification of the preparers may be seen as an important determinant of disclosure quality. Professionally qualified accountants are more likely to pursue a policy of full disclosure than a non-professional accountant. Qualified accountants are able to influence disclosure of IFRS/IAS based information in the annual report In Bangladesh; the gap between qualified accountants and unqualified accountants is very wide in terms of knowledge and skill. In most of the companies with exception of a few large ones, the accountant holds a very important position and the directors of companies depend on the accountant for advice on matters relating to the Companies Act and the Income Tax Ordinance 1984. It was also found that charterd accountants have great freedom to make disclosure decisions or change the existing reporting format .The unqualified accountant in contrast is not liable to exploit this potential because of his/her own limitations or lack of interest. The accountant's qualification as a variable was first used by Parry and Groves (1990) who found that there was no significant difference in the quality of disclosure between firms employing professionally qualified accountants and firms not employing them. They suggested that qualified accountants were not found to contribute to the improvement in the quality of financial reporting in the companies where they were employed. Subsequently, Abayo and Roberts (1993) included the variable in Tanzania and reached the conclusion that there was no evidence to suggest that corporations employing qualified accountants had a higher quality financial reporting system than the corporations which do not employ any qualified accounting staff. However, Ahmed and Nicholls (1994) found that the qualification of the principal accounting officer of the reporting company did influence the extent of disclosure at 10% level. In the present study, qualified accountant/s is/are referred as Chartered Accountants and Cost and Management Accountants. The variable is captured by a dummy variable which has the value of one if the company employs one or more chartered accountant and zero if no qualified accountant is employed by the company. Thus, the hypothesis developed for the study is as follows:

H6: *Appointment of qualified accountant in the company is significantly associated with the extent of compliance with IAS/IFRS-required disclosures.*

Figure -4: Highlights the framework of the study

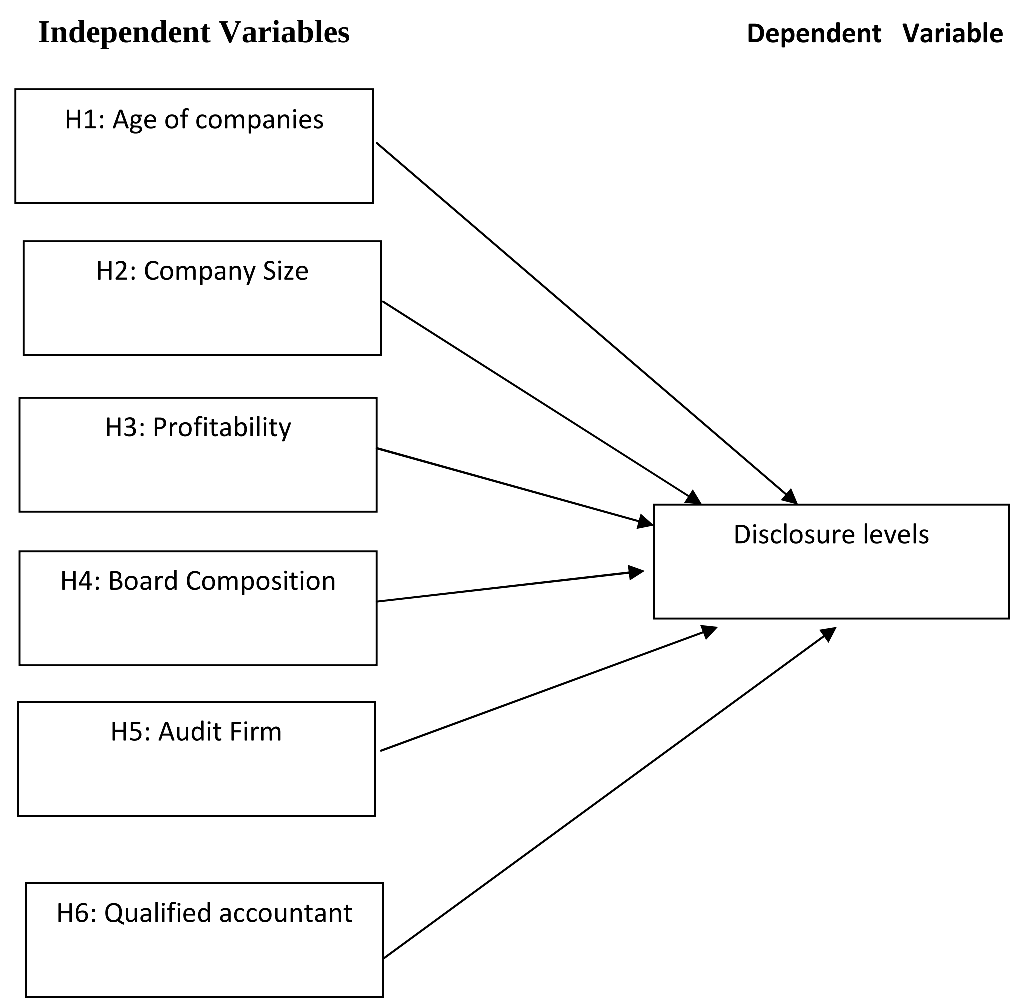


Table-3: Research Hypotheses and Predicted Signs of the Coefficients

Independent Variable	Hypothesis	Expected Sign
Age	H1	+
Firm Size		
Total assets	H2a	+
Gross revenue	H2b	+
Total equity	H2c	+
Profitability		
ROA	H3a	+
ROE	H3b	+
Composition of B.O.D	H4	+
Audit firm size	H5	+
Accountant	H6	+

This table lists the hypotheses with their expected signs.

CHAPTER - IV

RESEARCH METHODOLOGY

4.1: Population and Selection of Sample

4.2: Development of Disclosure Checklist

4.3: Scoring the disclosure items

4.4 : Model Development

4.5: Data description and data collection

4.6: Test of hypothesis

4.1: POPULATION AND SELECTION OF SAMPLE

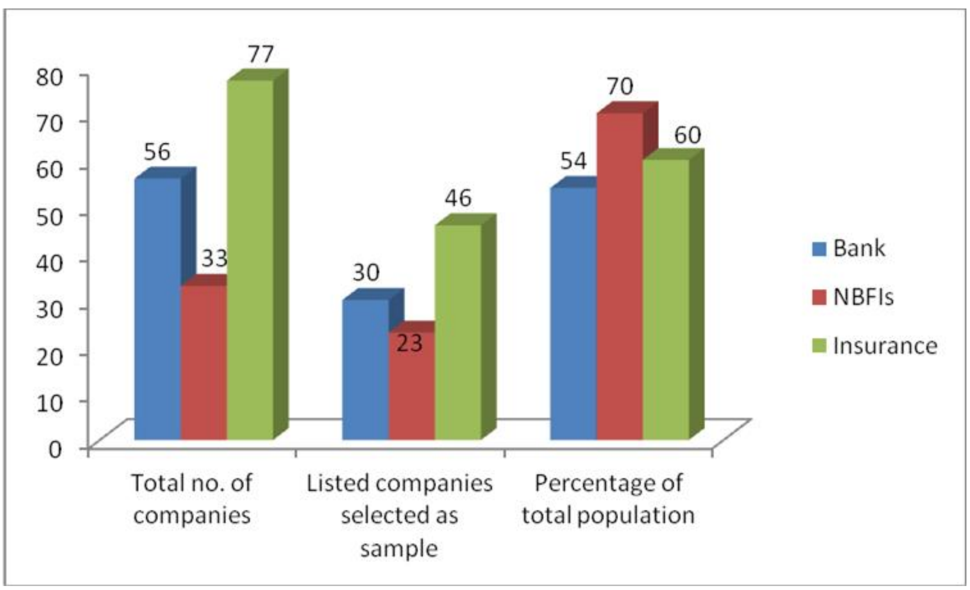
(i) POPULATION SIZE

This study covers companies listed on the Dhaka Stock Exchange (DSE) Ltd. The total number of companies listed with Dhaka Stock Exchange Ltd at the end of 2014 was 331 in 19 sectors. Total 99 companies were listed on the same date in Banks, NBFIs and Insurance sectors which was 30 percent of the total listed companies with DSE. These sectors were considered in this study as the Banks, NBFIs and Insurance companies collect public's money and make a profit by investing those funds and has played remarkable a role for the financial and economic development of the country.They require more rigorous audit and disclosure practices than non-financial firms to maintain accountability and bring about transparency of firms .The activities of these companies are being monitored by the regulators meticulously. In addition, researchers like Levitt (1998) believe that the success of capital market is directly dependent on the quality of accounting transparency and disclosure systems.

(ii) SELECTION OF SAMPLE

The 99 companies have been selected from 3 sectors (Bank, NBFIs and Insurance) in order to review their annual reports and assess the level of disclosure made therein in compliance with the IAS and IFRS. Among those, 30 listed banks are taken from 56 banking companies covering 54 percent of population, 23 listed NBFIs are selected from 33 non banking financial institutions covering 70 percent of population and 46 listed insurance companies are taken from 77 insurance companies covering 60 percent of population. This study covers listed banks, NBFIs and insurance companies together as those are mostly similar in nature and have played a pivotal role in the economic development of the country.That means all nationalized banks, NBFIs and insurance companies, specialized banks and foreign banks and insurance companies operating in Bangladesh are excluded from the sample of our study. The summarized samples are as follows:

Sector	Total no. of companies	Listed companies selected as sample	Percentage of total population
Bank	56	30	54
NBFIs	33	23	70
Insurance	77	46	60
Total	166	99	60



All available annual reports for the year ending 31 December 1996, 1999 and 2014 were collected. Gray et al. (1995) state that the annual report is the only document produced regularly to comply with regulatory requirements, and more importantly is central to the organization's construction of its own external image. This study considers information disclosed in annual reports.

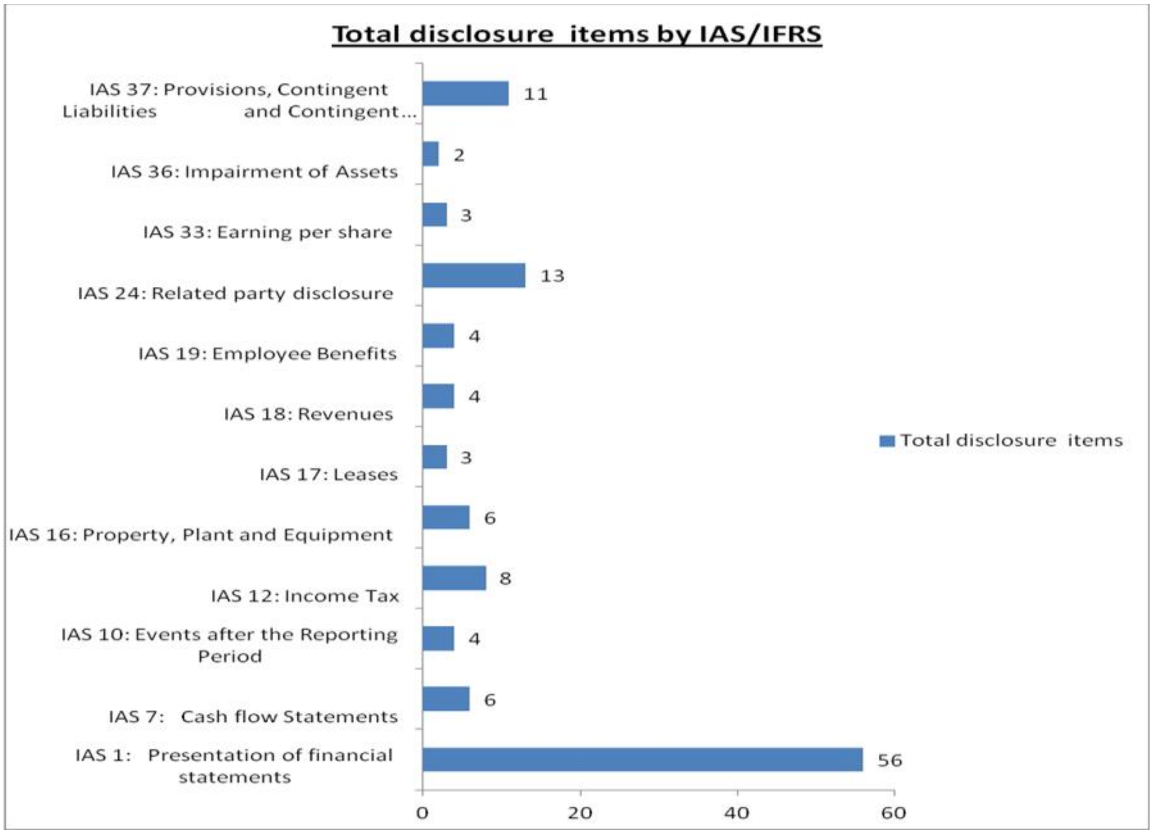
4.2: DEVELOPMENT OF DISCLOSURE CHECKLIST

(i) SELECTION OF IAS/IFRS

Total 12 IASs have been found most commonly applicable for banks, NBFIs and insurance companies in Bangladesh. These accounting standards (IAS/IFRS) have been identified by reviewing the items included in the checklist used in previous studies and due considerations given to the annual reports selected for awarded in the year 2014.

(ii) CONSTRUCTION OF THE DISCLOSURE CHECKLIST

The disclosure checklist consisting of 120 items is prepared based on the disclosure checklist suggested by the Institute of Chartered Accountants of Bangladesh (ICAB) and common application of IAS and IFRS for commercial banks, NBFIs and Insurance companies in Bangladesh. Disclosure index refers to the degree or level of disclosure by each of the sample companies. The disclosure index for each company is calculated by dividing the number of items actually disclosed in the company's annual report by the required/applicable items (i.e. the number of items that should have been disclosed by the company). In the process of calculating the disclosure index, a checklist for the International Accounting Standards (IASs) was developed. The disclosure index has been prepared on the basis of checklist issued by the ICAB, extensive review of annual reports of listed companies and examination of IASs and IFRSs applications in Bangladesh till December 2015. Besides, the checklist used in the prior research (Street et al, 1999; Street and Gray 2002, Al shammari et al, 2007), and the disclosure checklists published on the internet by Deloitte (2006), KPMG (2006) have been used in developing the checklist. ICAB, the apex professional body in Bangladesh, has been evaluating corporate annual report every year and giving national awards to the companies for best published accounts since 2001. ICAB has been evaluating companies annual reports based on SAFA Regional Criteria since inception in 2001. I have taken three best accounts, one from each sector of banking, insurance and non banking financial institutions (NBFIs) sector. Based on the IAS/IFRS compliance checklist published by the companies in the annual report, I have prepared a list of IASs/ IFRSs which is commonly applicable across Banking, Insurance and NBFIs as shown in Appendix- H of this report.



Number of items disclosed

The 166 annual reports for 99 companies (2014) have been carefully scrutinized against the checklist to identify the compliance of sample companies' disclosed information with the intended disclosures.

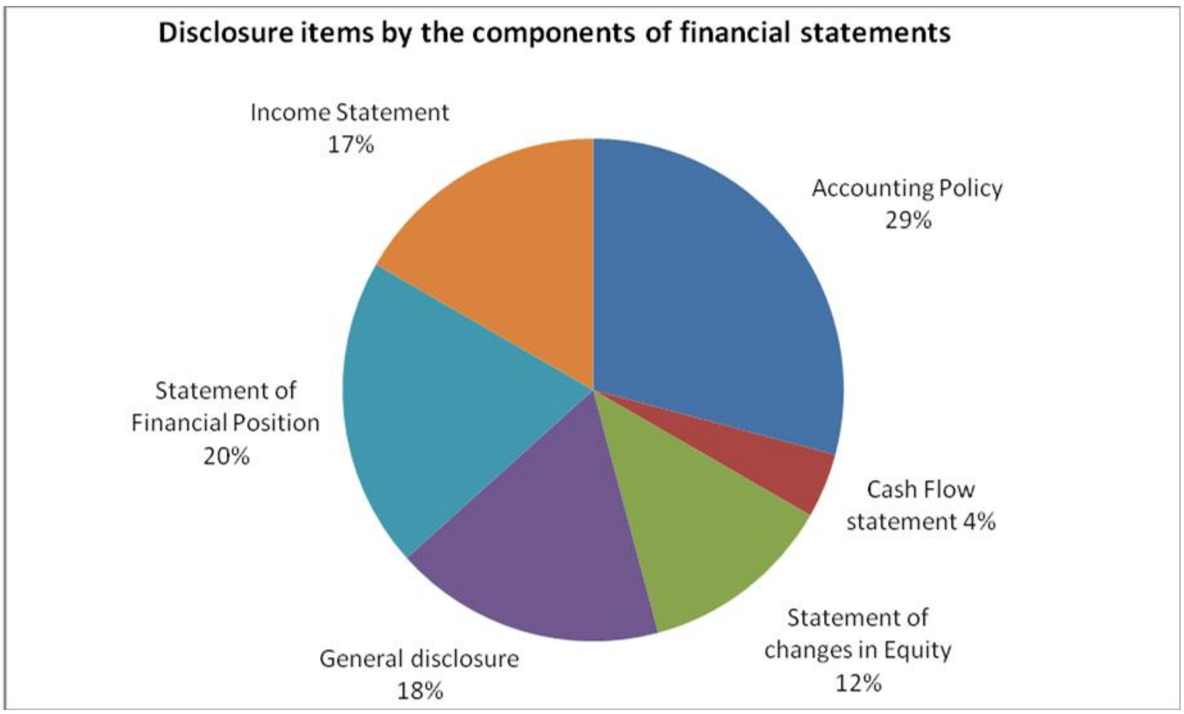
Total 120 items have been identified for mandatory disclosure as per SEC Rule. Disclosure checklist is available in Appendix- G. Further, these elements have been divided into six sub-groups. Number of elements under each category is provided below:

Sl no.	**Title of IAS, IFRS**	**Total items**	**Gen eral**	**B/S**	**P/L**	**SOE**	**CFS**	**AP**
1	IAS 1: Presentation of financial statements	57	18	19	-	15	-	5
2	IAS 7: Cash flow Statements	6	-	-	-	-	5	1
3	IAS 10: Events after the Reporting Period	4	3	-	-	-	-	1
4	IAS 12: Income Tax	8	-	-	8	-	-	-
5	IAS 16: Property, Plant and Equipment	6	-	3	-	-	-	3
6	IAS 17: Leases	3	-	2	-	-	-	1
7	IAS 18: Revenues	4	-	-	4	-	-	-
8	IAS 19: Employee Benefits	4	-	-	2	-	-	2
9	IAS 24: Related party disclosure	13	-	-	1	-	-	12
10	IAS 33: Earning per share	3	-	-	3	-	-	-
11	IAS 36: Impairment of Assets	2	-	-	2	-	-	-
12	IAS 37: Provisions, Contingent Liabilities and Contingent Assets	10	-	-	-	-	-	10
	Total items to be disclosed	**120**	**21**	**24**	**20**	**15**	**5**	**35**

Legend:

B/S : Balance Sheet
P/L : Profit and Loss Account
SOCE : Statement of Changes in Equity
CFS : Cash Flow Statement
AP : Accounting policy

Sl. No.	Parts of Annual Reports	Checklist item nos.	Disclosure Items	Percentage
1	General Disclosure	1-21	21	17
2	Statement of Financial Position	22-45	24	20
3	Statements of Profit and Loss Account and other Comprehensive Income	46-65	20	17
4	Shareholders' Equity	66-80	15	12
5	Cash flow statement	81-85	05	4
6	Accounting Policies and notes to the Financial Statements	86-120	35	30
	Total disclosure items (N)		**120**	**100**



4.3: SCORING THE DISCLOSURE ITEMS

Disclosure index refers to the degree or level of disclosure by each of the sampled companies. The disclosure index for each company is calculated by dividing the number of items actually disclosed in the company's annual report by the required/applicable items (i.e. the number of items that should have been disclosed by the company). Both a weighted disclosure index and an unweighted disclosure index are usually used to determine disclosure level. The weighted approach allows distinctions to be made for the relative importance of information items to the users (Inchausti, 1997). The advocates of this approach are of the opinion that all items of information are not equally important and therefore, allocation of weights is done somewhat arbitrarily by the researchers. In general, the weight ranges between more than zero and less than one to items of information which are disclosed (zero is the weight for non-disclosure). A major issue for the weighted approach is that if different user groups are asked to weight the importance of various items, they may give weight to the same items of information differently. The weighted approach has, in fact, encountered several problems. Prior studies which have examined both weighted and unweighted approaches have drawn similar conclusions about the methods (Inchausti, 1997).The unweighted approach is based on the assumption that each item of disclosure is equally important to the average users of accounting information. The equal weighting system is, therefore, viewed to be superior to the differential weighting system (Owusu-Ansah, 1998) and for that reason this study uses the unweighted disclosure index approach to measure the level of IAS and IFRS based corporate disclosures. The researchers such as Wallace et al. (1994), Cooke (1991 and 1992), Karim (1995), Hossain et. al (1994), Ahmed and Nicholls (1994), and Hossain (2000 and 2001) adopted unweighted approach in which an item was scored one if disclosed and zero if not disclosed. The un-weighted disclosure method measures the total disclosure scores (TDS) of a company as summation (suggested by Cooke, 1992) as follows:

$$TDS = \sum_{i=1}^{n} di$$

Where, d = 1 if the item di is disclosed
0 = if the item is not disclosed
n = number of items

Alternatively can be expressed as:

$$\text{TDS} = \frac{\text{total number of items disclosed}}{\text{total number of items to be disclosed}}$$

However, the fundamental theme of the unweighted disclosure index is that all items of information in the index are considered equally important to the average user.

4.4: MODEL DEVELOPMENT

Multiple regressions analysis has been adopted to test the hypotheses developed in this study. Before proceeding to the results of regression analysis, it is necesssary to check the existence of multicollinearity among explanatory independent variables. Multicollinearity or collinearity, the situation where two or more of the independent variables are highly correlated, can have damaging effects on the results of multiple regression. The correlation matrix is a powerful tool for getting a rough idea of the relationship between predictors. Another way to assess multicollinearity is to look at the variance inflation factor (VIF). Although there is no hard and fast rule about what value of the VIF should be cause for concern, a value of 10 is good a value at which to be worried. Alternatively, if the average VIF is substantially greater than 1 then the regression may be biased. The average VIF is close to 1 and this confirms that collinearity is not a problem for this model. Additionally, to test the assumption of independent errors (autocorrelation), the Durbin-Watson statistic was used. As a conservative rule, values less than 1 or greater than 3 should pose a problem. Proximity to the value 2 is good and for this data the value is 1.831for 2014, 1.685 for 1999 and 1.379 for 1996 which is very close to 2 which indicates that the data has no serial correlation or autocorrelation problem. Finally, normality of the residuals was checked and has been found to be formally distributed about the predicted dependent variable scores. In sum, the diagnostics indicated that the model is valid and reliable.The estimated multiple linear regression model employed to test the relationship between specific- related variables and the level of disclosure is presented below:

$TDS = \partial + \beta_1$ Size+ β_2 Age+ β_3 Profit+ β_4 Board Composition+ β_5 Audit Firm+ β_6 Qualified Accountant+$\in$

Where:

TDS = Total disclosure score received from each company
Expected Sign (+)(+)(+)(+)
∂ = the constant
ϵ = Error term
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = slope coefficients of the model

4.5: DATA DESCRIPTION AND DATA COLLECTION

(i) RESEARCH DESIGN

This report is prepared after analyzing 99 annual reports of sample companies for the 2014 and 34 companies for the 1999 and 33 companies for the 1996. The numbers of companies selected are from the total number of companies listed with DSE at the time of selecting sample. The analysis covered companies from three sectors e.g. (i) banks (ii) NBFIs and (iii) insurance companies. A disclosure checklist with 120 items has been developed based on a thorough review of annual reports of listed companies and examination of IAS and IFRS applications in Bangladesh till December 2015. Besides, the checklist used in the prior research (Street et al, 1999; Street and Gray 2002, Al shammari et al, 2007), and the disclosure checklists published on the internet by Deloitte (2006), KPMG (2006) have been used in developing the checklist. The disclosure index constructed for this study includes 120 mandatory items. Twelve (12) commonly applicable IASs and IFRSs are considered while preparing disclosure checklist. The checklist has been applied to the annual reports of the sample companies. In addition, individual in-depth interviews have been carried out with senior officials of banks, NBFIs and insurance companies to collect information regardings the problems and challenges they have faced in appplication of IFRSs and IASs.

(ii) PERIOD OF STUDY

The study covers the years ended on December 31, 2014, 1999 and 1996. Annual reports of the selected banks have been collected/ downloaded from their website for analysis. All collected data are analyzed covering pre-adoption period (1996), post-adoption period (1999) and recent period (2014).The companies' annual reports of the following years have been taken for review and used to ascertain the disclosure level under the disclosure checklist.

Sl. No.	Time Period	Rational for selecting the year to review disclosure
1	1996	BSEC made application of IAS compulsory for listed companies through BSEC Rule 12(2) on 29.12.1997 with immediate effect. It is assumed that corporate houses were not adequately prepared to present financial statements based on IAS in 1997. Hence, 1996 is considered as a representative prior to mandatory adoption of IAS in Bangladesh.
2	1999	Since BSEC made accounting standards as adopted by ICAB mandatory in December 1997, the researcher took the 1999 to review post implementation status of IAS in Bangladesh.
3	2014	IASs and IFRSs have been reviewed by IASB since its inception in 2001 and few issues have occurred globally and IASB emphasized more on mandatory application of IAS and IFRS.

Source: Author's own view

(iii) DATA DESCRIPTION

This study aims to investigate the impact of IFRS adoption on accounting practices, measured in terms of disclosure of information by the listed companies in Bangladesh. It also identifies the relationship between disclosure and the characteristics of the company. In order to analyze the relationship between dependent and independent variables, necessary data have been collected from the sample companies. The 'disclosure score' is defined as 'dependent variable' whereas (i) age (ii) size of the company (iii) profitability (iv) board composition (v) size of the audit firm and its international affiliation and (vi) employment of qualified accountant(s) are the independent variables.

(iv) DATA COLLECTION

The researcher collected data from annual reports for accounting years ended 31 December 1996, 1999 and 2014 to compare the impact of IAS and IFRS on accounting practices. This study is based on secondary data which have been obtained from the Published Annual Reports of selected companies of banks, NBFIs and insurance companies. Companies disclose financial and non financial information in their annual reports. Each of the company's website was accessed through google (www.google.com) and the related annual reports were downloaded for 2014. PDF copies of the annual reports of the selected companies for years 1996 and 1999 were collected in CDs from DSE Liberary. Total 166 annual reports were collected for the years 1996, 1999 and 2014 which were analyzed against the checklist and collected number of items disclosed (dependent variable) and other corporate characteristics (independent variables) used in the study.

Table 4: Data Collection and Measurement of Variables

Independent Variable	Prediction	Sources of Information
Listing status : age	The number of years since listed on DSE	Annual reports
Firm size: Total assets Gross revenue Total equity	Total assets value shown in balance sheet Gross revenue reported in income statement Equity value shown in balance sheet	Annual reports Annual reports Annual reports
ROE	Return on Equity =Earnings/total shareholders' equity	Annual reports
ROA	Return on assets =Earnings/total assets	Annual reports

Board composition.	Ratio of non executive directors to total number of diectors on the board.	Annual reports
Audit Firm	A dummy variable which equals 1 if the company is audited by top 10 Audit firm and 0 if otherwise.	Annual reports
Accountant	Dummy variable coded 1 = qualified accountant found in the company, 0 = not found.	Annual reports

This table reports data collection process of the independent variables and their proxies. Data for these variables was obtained from the annual reports of the selected firms

4.6: TEST OF HYPOTHESIS

In order to test the hypothesis I have been used both parametric and non-parametric statistics. Prarametric statistics are statistical procedures that use interval-scaled or ratio-scaled data and assume populations or sampling distribution with normal distribution characteristics whereas non parametric statistics are statistical procedures that use nominal – or –ordinal scaled data and make no assumptions about the distribution of the population(or sampling distribution).Cooke (1989) used these two approaches in his study. Parametric test-, Pearson correlation and descriptive statistics-mean and standard deviation are used in this study. A non- parametric analysis has been used for measuring the disclosures of an individual company based on indexes and the level of disclosure practices. This approach uses chi-square and multiple regressions.

CHAPTER - V

DATA ANALYSIS AND FINDINGS

5.1: DATA ANALYSIS

The dependent and explanatory variables are used to elucidate the association between them. Disclosure score (DS) or total disclosure index (TDI) is the dependent variable whereas company age, size of the company, profitability, board composition, size of the audit firm & its international affiliation and employment of qualified accountant(s) are the independent variables that affect disclosure scores of companies. The impacts of these factors are statistically tested by applying parametric and non-parametric statistical tools.

Disclosure scores are calculated through comparison of the checklist used against annual report of each company taken under this study. The disclosure scores are used as the dependent variable in the regression and chi-square analysis. Total disclosure (TD) for each company is derived by using a dichotomous procedure whereby '1' is given to an item if it is disclosed in the annual report and '0' is given if the item is not disclosed in the annual report. The total score received by a company is equal to the number of items disclosed in its annual report agaist the checklist and then disclosure index/percentage is calculated by calculating the ratio of items disclosed and the number of items (120 items) to be disclosed by each company. Data collected under this study has been analysed by applying parametric and Non parametric statistical tools.

Parametric statistical tools	Descriptive statistics e.g. Mean, maximum and minimum, Standard deviation Co-efficient of correlation
Non-parametric statistical tools	Regression Analysis Chi-Square test

5.2: RESEARCH FINDINGS AND ANALYSIS

5.2.1: Descriptive Analysis

The findings have revealed that the disclosure score of sampled companies has improved after mandatory implementation of IAS/IFRS in Bangladesh. The overall disclosure score was 28.79 (23.9 percent of items) in 1996 when IAS/IFRSs were not made obligatory. The disclosure score was 41.20 (34.33 percent of items) in 1999 immediately after making compulsory application of IAS /IFRS. The score increased to 67.45 (56.35 percent) in 2014. This result indicates that Overall disclosure scores of seleced companies have improved over times. Disclosure scores have improved over the years due to mandatory application of IASs/IFRSs for listed companies. Among selected companies, banking companies disclosed more IAS/ IFRS based accounting information than other selected companies. Among the three types of selected companies, disclosure compliance of insurance companies is very week. The empirical results found are shown in table 5:

Table: 5 Extent of IAS and IFRS disclosure scores of sampled companies

Sector-wise companies		N	Average Score(%)	Max. Score(%)	Min. Score(%)	Standard Division (%)
Banks	1996	11	25.68	30.00	23.30	2.42
	1999	12	44.92	47.50	26.70	7.70
	2014	30	66.10	73.00	52.00	4.55
NBFIs	1996	4	23.96	27.50	21.60	2.63
	1999	4	39.17	42.5	33.00	4.34
	2014	23	58.26	67.00	49.00	5.80
Insurance	1996	18	22.96	31.00	18.00	4.24
	1999	18	28.70	37.50	28.70	3.61
	2014	46	49.04	57.00	44.00	4.34
Overall selected companies	1996	33	23.99	31.67	18.33	3.48
	1999	34	34.33	47.50	25.00	8.19
	2014	99	56.35	73.00	44.20	8.79

Table 6 presents a distribution of disclosure level of sampled companies for the 1996. Distribution of disclosure has been prepared by sectoral level e.g. bank, NBFIs and insurance companies.

Table -6: Distribution of the sampled companies according to the level of their compliance with the IASs disclosure requirements in 1996

Disclosure level Range (%)	Bank	NBFI	Insurance	Total sample No. (%)
Over 90 %	-	-	-	-
90% - 80%	-	-	-	-
79% - 70%	-	-	-	-
69% - 60%	-	-	-	-
59% - 50%	-	-	-	-
49% - 40%	-	-	-	-
39% -30%	2	-	1	3(9%)
Below 30%	9	4	17	30(91%)
Total	**11**	**4**	**18**	**33(100%)**
Max. disclosure index	0.30	0.275	0.31	0.3167
Min. disclosure index	0.233	0.216	0.18	0.1833
Overall disclosure index	0.2568	0.2396	0.2296	0.2399

Given the results presented in Table 6, it is noted that all sampled companies from financial sectors were found below 40 percent compliance level. Overall 91 percent of selected (30) companies disclosed below 30 percent of IAS and IFRS requirements in their annual reports for the year 1996. The table showed that sampled companies disclosed only 23.99 percent of items in their annual reports. The results suggest that companies listed on the DSE did not comply with the majority of IASs disclosure requirements in the year1996. Moreover, insurance sector companies disclosed less items (22.96 percent) than NBFIs (23.96 percent) and Banks (25.68 percent) even though the disclosure level of banks was below expected level.

Table 7: Distribution of the sample companies according to the level of their compliance with the IAS disclosure requirements in 1999

Disclosure level Range (%)	Bank	NBFI	Insurance	Total sample no (%)
Over 90 %	-	-	-	-
90% - 80%	-	-	-	-
79% - 70%	-	-	-	-
69% - 60%	-	-	-	-
59% - 50%	-	-	-	-
49%-40%	12	3	-	15(44%)
39%-30%	-	1	5	6(18%)
Below 30%	-	-	13	13(38%)
Total	**12**	**4**	**18**	**34(100%)**
Max. disclosure index	0.475	0.425	0.375	0.475
Min. disclosure index	0.267	0.33	0.25	0.25
Overall disclosure index	0.4492	0.3917	0.2870	0.3433

Table 7 shows a slight improvement of disclosure score of selected companies from 23.99 percent in 1996 to 34.33 percent in 1999 whereas banking sector made higher disclosure index 44.92 percent in 1999. Around 44 percent of banks and NBFI companies (15 companies) disclosed upto 49 percent of IAS based items in their annual reports. Although the BSEC made IASs manadatory in late 1997, insurance sector companies did not disclose more than 30 percent of items in their annual reports for the year 1999.

Table 8: Distribution of the sample companies according to the level of their compliance with the IASs disclosure requirements in 2014

Disclosure level Range (%)	**Bank**	**NBFI**	**Insurance**	**Total sample no (%)**
Over 90 %	-	-	-	-
90% - 80%	-	-	-	-
79% - 70%	6	-	-	6(6%)
69% - 60%	22	11	-	33(33%)
59% - 50%	2	11	12	25(25%)
49% - 40%	-	1	34	35(35%)
39% -30%	-	-	-	-
Below 30%	-	-	-	-
Total	**30**	**23**	**46**	**99(100%)**
Max. disclosure level	0.73	0.67	0.57	0.733
Min. disclosure level	0.52	0.49	0.442	0.442
Overall disclosure level	0.66	0.58	0. 4904	0.5635

The study revealed that disclosure compliance was poor among selected companies in 1996 and 1999 but it improved slowly over the periods which could be seen from the data analysis for the year 2014. The selected companies disclosed an average of 23.99 percent items in 1996, 34.33 percent items in 1999 and 56.35 percent items in 2014. The minimum score found in the study was 18.33 percent and the maximum was 31.67 percent in 1996 ,the minimum score found for the year 1999 was 25 percent whereas the maximum was 47.5 percent. In 2014 the minimum score was 44.2 percent and maximum score was 73.3 percent. This finding signifies higher compliance of IAS/ IFRS items in 2014. Around 56.35 percent of items were diclosed by the financial sector companies whereas 73 percent (22 out of 30) sample banks and 47.8 percent of NBFI companies disclosed 60 to 69 percent of IAS/ IFRS based items in their annual reports but no insurance companies disclosed any information at that level. All sampled insurance companies disclosed below 60 percent of IFRS/IAS requirements. The results show that, in general, financial companies listed with DSE complied with the majority of IAS and IFRS disclosure requirements with the lowest disclosure index 44.2 percent in 2014 but it was 18.33 percent in 1996 and 25.0 percent in 1999. No company obtained an overall compliance rate of 100%.

It is observed that companies in general did not disclose sufficient information in their financial statements and annual report in 1996. However, the disclosure regime progressed over time through mandatory application of IAS/IFRS in the country which was reflected in the data table for the year 1999 and 2014. The company management was not in positive attitude to disclose every item to their stakeholders and investors. Based on the average disclosure score, scheduled commercial bank disclosed highest information than NBFIs and insurance companies whereas NBFIs disclosed more information than insurance companies over the period.

5.2.2: DISCLOSURE SCORE OF THE INTERNATIONAL ACCOUNTING STANDARDS TESTED

Table- 9 summarizes the minimum, maximum, mean and standard deviation of the disclosure level for each of the 12 IASs. The minimum and the maximum represent the case of one item or more within each standard while the mean representing the extent of disclosure compliance with each IAS disclosure requirements. The table shows that in the year 2014, the highest level of compliance is 0.96 for standard related to revenues (IAS18). The next highest level of compliance was reported for IAS 7(0.93). Roughly 60% to 79% of compliances were found for standards 1 and 10. Low level of compliance (0.40 to 0.59) was noted for disclosure requirements of IAS 16, 24 and 19. Compliance of rest IASs are very poor (below 39 percent).

In 1999, the highest level of compliance was reported for IAS 18 (0.985). Low level of compliance was noted for IAS 1(0.526) and IAS 16(0.546).A very low level of compliance (less than 20%) was reported for IAS 10, 12,17 19,24,33,36 and 37. In 1996, the mean score of IAS 18, 16 and 1 was 0.75, 0.434 and 0.391 respectively. Compliance of rest IASs are very poor (below 20 percent). Detailed data collected from the financial statements of the sampled companies indicated that only a few numbers of financial sector companies complied with IAS/IFRS based disclosure requirements in the year 1996.

The preceding results indicate that compliance level varies across standards. A possible reason for this variation is the degree of difficulty associated with the application of these standards. Most of the standards taken for this study are very common and not difficult to comply with. The preparers of the financial statements are familiar with the application of these standards as compared to those standards with low compliance level.

Table- 9: Level of compliance with the disclosure requirements of 12 IAS

Sl no.	Title of IAS, IFRS	Maximum			Minimum			Mean			St. Dev		
		1996	1999	2014	1996	1999	2014	1996	1999	2014	1996	1999	2014
1	IAS 1: Presentation of financial statements	1.00	1.00	1.00	0.00	0.00	0.00	0.391	0.526	0.635	0.4009	0.4057	0.3566
2	IAS 7: Cash flow Statements	0.48	1.00	1.00	0.00	0.47	0.80	0.15	0.877	0.933	0.2332	0.2016	0.1033
3	IAS 10: Events after the Reporting Period	0.00	0.00	0.98	0.00	0.00	0.52	0.00	0.00	0.736	0.00	0.00	0.2312
4	IAS 12: Income Tax	0.64	0.62	0.60	0.00	0.00	0.00	0.064	0.069	0.226	0.2024	0.2067	0.2731
5	IAS 16: Property, Plant and Equipment	0.97	1.00	1.00	0.00	0.00	0.00	0.434	0.546	0.554	0.4411	0.5177	0.5260
6	IAS 17: Leases	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.066	0.00	0.00	0.1155
7	IAS 18: Revenues	1.00	1.00	0.97	0.48	0.97	0.95	0.75	0.985	0.960	0.2891	0.0173	0.0116
8	IAS 19: Employee Benefits	0.06	0.47	0.54	0.00	0.00	0.37	0.023	0.133	0.462	0.0287	0.2268	0.0903
9	IAS 24: Related party disclosure	0.45	0.53	0.80	0.00	0.00	0.00	0.1338	0.26	0.466	0.2000	0.2312	0.2838
10	IAS 33: Earning per share	0.00	0.00	0.78	0.00	0.00	0.01	0.00	0.00	0.350	0.00	0.00	0.3928
11	IAS 36: Impairment of Assets	0.00	0.00	0.19	0.00	0.00	0.01	0.00	0.00	0.100	0.00	0.00	0.1273
12	IAS 37: Provisions, Contingent Liabilities and Contingent Assets	0.48	0.76	0.52	0.00	0.00	0.00	0.057	0.138	0.121	0.15	0.2672	0.1752

5.2.3: Descriptive statistics for the explanatory variables

Table 10: Descriptive statistics for the explanatory variables

	Max.			Min.			Mean			St. Dev		
1. Company Size												
	1996	**1999**	**2014**	**1996**	**1999**	**2014**	**1996**	**1999**	**2014**	**1996**	**1999**	**2014**
Total Assets (tk) billion	46.00	57.1	651.5	.11	.20	.48	6.63	8.80	65.86	11.17	13.85	103.54
Total Equity(tk) billion	2.16	2.46	46.5	.02	.09	.09	.451	.570	6.63	0.52	.609	8.88
Total Revenues (tk) billion	2.38	3.25	49.11	.01	.01	.02	.465	.678	6.028	0.43	.72750	8.829
2. Profitability												
	1996	**1999**	**2014**	**1996**	**1999**	**2014**	**1996**	**1999**	**2014**	**1996**	**1999**	**2014**
Return on equity	.50	.40	.50	00	.04	00	.1385	.150	.1651	.23	.09	.0983
Return on total assets	.14	.11	.20	00	.00	00	.0458	.035	.0460	048	.03	.0413
Company age (No. of years)	19	22.0	37.0	0	1.00	1.00	5.64	8.38	13.27	5.10	5.22	8.32
Board composition	Not mandatory	Not mandatory	.5	Not mandatory	Not mandatory	00	Not mandatory	Not mandatory	.1739	Not mandatory	Not mandatory	.081
Appointed qualified Accountant	1.00	1.00	1.00	0	00	00	0303	.5000	.5455	.17408	.5075	.500
Audit firm	1.00	1.00	1.00	0	00	00	.39	.29	.34	.496	.462	.477

Table 10 shows a brief statistical description of the explanatory variables. The company size is measured by total assets, total equity and total revenues. The average size of the sample companies by total assets is taka 6.63 billion for the 1996, Taka 8.80 billion for 1999 and taka 65.86 billion for 2014 while the average size measured by total revenues is Taka 0.465 billion for 1996,Taka 0.6785 billion for 1999 and Taka 6.0280 billion for 2014. The average size measured by equity is Taka 0.4518 billion for 1996, Taka 0.570 billion for 1999 and Taka 6.63

billion for 2014. The standard deviations of these variables are large either measured in terms of total assets or total revenues or equity. This means that measures of company size are not normally distributed. Average profitability is 13.85 percent for 1996, 15.09 perecent for 1999 and 16.51 percent for 2014 as measured by return on equity and 4.58 percent for 1996 , 3.53 percent for 1999 and 4.60 for 2014 as measured by return on total assets. The average age of the sample is 5.64 years for 1996, 8.382 years for 1999 and 13.27 years for 2014 since listing date. Non-executive directors constitute about 17.39 percent of the sampled boards for 2014 while avearge of appointment of qualified accountant in the company is .0303 for 1996, .5000 for 1999 and .5455 for 2014. The share of the world's top 10 audit firms in the financial companies is only 34 percent in 2014. The standard deviations of these variables are not large either measured in terms of board composiotion or qualified accountant appointment or audit firm size in the company. This means these measures are normally distributed.

5.2.4: CHI-SQUARE ANALYSIS

(i) AGE AND DISCLOSURE SCORE

There is a positive association between company age and compliance level. However, company age was found to be a significant predictor of compliance with mandatory disclosure as expected. The P value of the hypothesis test between disclosure score and age of the selected companies is 0.001 which is lower than 0.05. The test result indicates that disclosure depends on the age of the selected companies.

Table-11: Chi-square test value between disclosure score and age of selected companies

Chi-Square Tests for 2014

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1156.677	1014	.001
Likelihood Ratio	391.258	1014	1.00
Linear-by-Linear Association	11.062	1	.001
N of Valid Cases	99		

Chi-Square Tests for 1999

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	294.313	234	.005
Likelihood Ratio	132.341	234	1.000
Linear-by-Linear Association	12.215	1	.000
N of Valid Cases	34		

Chi-Square Tests for 1996

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	167.933	143	.076
Likelihood Ratio	93.674	143	1.000
Linear-by-Linear Association	.392	1	.532
N of Valid Cases	33		

An old company is expected to disclose more mandatory information than a young one. This finding is also consistent for the year 1999 at 5% significance level and for 1996 at 10% significance level. Owusu-Ansah (1998); Owusu-ansah and yeho (2005) found a positive association between company age and mandatory disclosure. Al shammari et al (2007) examined the association in the GCC countries and reached the same conclusion. The finding of the present study contradicts with findings reported by Akhtaruddin (2005), Hossain (2008) and Glaum and Street (2003).

(ii) SIZE AND DISCLOSURE SCORE

(a) SIZE IS MEASURED BY TOTAL ASSETS

Table-12: Test value between disclosure score and total assets of selected companies

Chi-Square Tests value for 2014

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3727.350	3627	.120
Likelihood Ratio	663.229	3627	1.000
Linear-by-Linear Association	56.376	1	.000

Chi-Square Tests for 1999

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	389.583	378	.330
Likelihood Ratio	144.791	378	1.000
Linear-by-Linear Association	12.131	1	.000

Chi-Square Tests for 1996

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	156.628	156	.471
Likelihood Ratio	77.663	156	1.000
Linear-by-Linear Association	1.590	1	.207

Since the p-value is more than our chosen significance level ($\alpha = 0.05$), we conclude that there is not enough evidence to suggest an association between total assets and the extent of compliance with IFRS required disclosures. Based on the results, we can state the following:

Company size measured by total assets is not significantly associated with the extent of compliance with IFRS-required disclosures. ($P > 0.120$).However, the relationship did not also exist in the 1996 and 1999. In both years p values were greater than the signifance level (0.05).This analysis indicates that the size of the company in regard to total assets does not have any impact on the disclosure of information.This finding is the same before implementation of IAS as well as after implementation of IAS.The influnce of company size as measured by total assets was found to be insignificant in the studies of Ahmad and Nicholls (1994), Street and Gray (2002), and Glaum and Street (2003) also. On the other hand, Wallace and Naser (1995), Owusu-Ansah (1998), Ali et al (2004), Owusu-Ansah and Yeoh (2005), Al-Shammari et al (2007) found association between total assets and level of disclosures.

(b) SIZE IS MEASURED BY TOTAL EQUITY

Table-13: Test value between disclosure score and total equity of selected companies

Chi-Square Tests for 2014

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3487.275	3393	.127
Likelihood Ratio	645.547	3393	1.000
Linear-by-Linear Association	47.927	1	.000
N of Valid Cases	99		

Chi-Square Tests for 1999

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	490.639	450	.090
Likelihood Ratio	171.837	450	1.000
Linear-by-Linear Association	7.036	1	.008
N of Valid Cases	34		

Chi-Square Tests for 1996

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	377.025	351	.163
Likelihood Ratio	151.218	351	1.000
Linear-by-Linear Association	2.921	1	.087
N of Valid Cases	33		

Since the p-value is more than significance level ($\alpha = 0.05$), the results did not support the hypothesis that company size as measured by total equity is significantly associated with the extent of compliance with IFRS-required disclosures. This result was same for year 1999 and

1996. The finding of the present study contradicts with those of Karim (1996), Akhteruddin (2005) and Hossain (2008). They found significant association between total equity and disclosure level.

(c) SIZE IS MEASURED BY GROSS REVENUE :

The results show that companies that are large in size measured by gross revenue are likely to disclose more information than those with low gross revenue. Company size as measured in terms of gross revenue is significantly positively associated with the compliance level as the P value of the hypothesis test between disclosure score and size of the selected companies measured by gross revenue for the 2014 is 0.003 which is lower than 5% level of significance. This result suggests that large companies are complying more with the IAS disclosure requirements than small companies.

Table-14: Chi-square test value between disclosure score and gross revenue of selected companies

Chi-Square Tests for 2014

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3625.325	3393	0.003
Likelihood Ratio	646.227	3393	1.000
Linear-by-Linear Association	55.054	1	0.000
N of Valid Cases	99		

Chi-Square Tests for 1999

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	484.500	486	0.511
Likelihood Ratio	175.656	486	1.000
Linear-by-Linear Association	13.231	1	.000
N of Valid Cases	34		

Chi-Square Tests for 1996

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	347.692	338	.346
Likelihood Ratio	147.399	338	1.000
Linear-by-Linear Association	1.718	1	.190
N of Valid Cases	33		

The positive association between company size and level of disclosures found in this study contradicts with the results reported by the majority of prior researches (e.g. Akhtaruddin, 2005, Wallace and Naser, 1995; Owusu-Ansah, 1998; Ali et al, 2004; Owusu-Ansah and Yeoh 2005; and Al-shammari et al, 2007). Lang and Lundholm (1993) also reported that disclosure was higher for larger firms. It is argued that larger firms provide more information because they are likely to face lower cost of disclosure (Ho and Wong, 2001). Higher is the revenue, higher is the level of disclosure in the annual reports of companies.

There was no association between gross revenue and disclosure index in 1996 and 1999 as p value is more than our significance level (.05)

(iii) ROFITABILITY AND DISCLOSURE SCORE

(a) PROFITABILITY MEASURE BY ROE

An examination of the association between ROE and the disclosure level for 2014 also reveals that association is significant enough to accept hypothesis that companies with high profit disclose financial information to a greater extent than do those companies with low or negative profit. The P value of the hypothesis test between disclosure score and profitability of the selected companies measured by ROE is 0.039 which is lower than our significance level. This is consistent with the view that more profitable companies disclose significantly more financial information than do less profitable ones. The result is also consistent with other previous studies such as Cerf (1961), Singhvi and Desai (1971), and Abu-Naser and Rutherford (1994). Alsaeed (2006) Wallace et al. (1994), Karim (1996), Owusu-Ansah (1998), and Hossain (2000). The managers of profitable companies are motivated to disclose more information to appease shareholders, to enhance company image leading to marketability of shares, and above all to justify their compensation (see Meek et al., 1995; Zubaidah and Koh, 1999).The hypothesis can be accepted at 10% significance level for 1999 but not for 1996.

Table-15: Chi-square test value between disclosure score and ROE of selected companies

Chi-Square Tests for 2014

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1458.738	1365	0.039
Likelihood Ratio	458.857	1365	1.000
Linear-by-Linear Association	8.122	1	0.004
N of Valid Cases	99		

Chi-Square Tests for 1999

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	414.139	378	.097
Likelihood Ratio	165.245	378	1.000
Linear-by-Linear Association	4.013	1	.045
N of Valid Cases	34		

Chi-Square Tests for 1996

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	253.825	299	.973
Likelihood Ratio	138.035	299	1.000
Linear-by-Linear Association	1.087	1	.297
N of Valid Cases	33		

(b) PROFITABILITY MEASURE BY ROA

The relationship between profitability as measured by ROA and disclosure level is shown in the following table (table-16). It indicates that there is no association between disclosure level and profitablity masured by ROA.Snjezana Pivac, Tina Vuko & Marko Cular(2017) have concluded that there are no significant correlations between the disclosure index and ROA for companies in all countries, except in Romania where there is a negative and significant correlation (p-value 0.045) between ROA and disclosure. Ali Uyar, Merve Kılıç & Başak Ataman Gökçen (2016) found that profitability is not a significant determinant of IAS/IFRS compliance.

Table-16: Chi-square test value between disclosure score and ROA of selected companies

Chi-Square Tests for 2014

	Value	df	Asymp. Sig.
Pearson Chi-Square	602.787	624	0.722
Likelihood Ratio	281.072	624	1.000
Linear-by-Linear Association	32.405	1	0.000
N of Valid Cases	99		

Chi-Square Tests for the year 1999

	Value	df	Asymp. Sig.
Pearson Chi-Square	174.317	162	.241
Likelihood Ratio	96.339	162	1.000
Linear-by-Linear Association	3.971	1	.046
N of Valid Cases	34		

Chi-Square Tests for the year 1996

	Value	df	Asymp. Sig.
Pearson Chi-Square	193.600	195	.515
Likelihood Ratio	109.263	195	1.000
Linear-by-Linear Association	.000	1	.993
N of Valid Cases	33		

(iv) BOARD COMPOSITION AND DISCLOSURE SCORE

This study seeks to examine if the board composition in the form of representation of outside independent directors and structural independence of the board may influence on the disclosure practices of selected companies. Here p value of the hypothesis test between disclosure score and board composition of the selected companies is 0.015 which is lower than 0.05. So the empirical finding suggests that board composition is significant in explaining disclosure levels of the selected companies, implying that the outsiders can create pressure on boards to disclose more information in published annual reports.This result is similar to Mohammed Hossain (2008) who found positive association between disclosure level and board composition

Table-17: Chi-square test value between disclosure score and board composition of selected companies

Chi-square test for the year 2014

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1073.116	975	.015
Likelihood Ratio	400.667	975	1.000
Linear-by-Linear Association	3.247	1	.072
N of Valid Cases	99		

(ii) SIZE OF THE AUDIT FIRM AND ITS INTERNATINAL LINK

The size of the audit firm is significant in disclosing information. An examination of association between size of the audit firm and disclosure of information in the financial statement reveals that association is not significant enough to reject the hypothesis - Audit Firm size is significantly associated with the extent of compliance with IAS/IFRS-required disclosures. This finding suggests that financial companies audited by Bangladeshi accounting firms associated with top 10 largest international accounting and professional services firms provide information more than those companies audited by Bangladeshi accounting firms without such association. This finding is similar to the findings reported by Abdullah Al Mutawaa and Aly M Hewaidy (2010); Wallace et al (1994), Ahmed and Nicholls (1994) and Singhvi and desai (1971). They found a positive association between audit firm size and the extent of disclosure.

Table-18: Chi-square test value between disclosure score and size of the audit firm

Chi-square test for the year 2014

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	58.569	39	.023
Likelihood Ratio	72.986	39	.001
Linear-by-Linear association	25.324	1	.000

Chi-square test for the year 1999

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.360	18	.216
Likelihood Ratio	27.331	18	.073
Linear-by-Linear association	3.480	1	.062

Chi-square test for the year 1996

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.593	13	.403
Likelihood Ratio	17.379	13	.183
Linear-by-Linear association	1.414	1	.234

(vi) APPOINTMENT OF QUALIFIED ACCOUNTANTS AND DISCLOSURE SCORE

Qualified accountant/s would be able to influence disclosure of IFRS/IAS based information in the annual report. Here qualified accountant/s is referred as Chartered Accountants and Cost and Management Accountants. '1' is awarded if qualified accountant is found in the company and '0' is awarded if not found.

Table-19: Chi-square test value between disclosure score and appointment of qualified accountant

Chi-square test for the year 2014

	Value	df	Asymp. Sig. (2sided)
Pearson Chi-Square	41.189	39	.375
Likelihood Ratio	54.100	39	.055
Linear-by-Linear Association	11.663	1	.001
N of Valid Cases	99		

Chi-square test for the year 1999

	Value	df	Asymp. Sig. (2-sided)
	17.667	18	.478
Likelihood Ratio	23.907	18	.158
Linear-by-Linear Association	.637	1	.425
N of Valid Cases	34		

Chi-square test for the year 1996.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.313	13	.668
Likelihood Ratio	5.143	13	.972
Linear-by-Linear association	.038	1	.846

The P value of the hypothesis test between disclosure score and appointment of qualified accountants in companies is 0.375 which is higher than 0.05. The test result did not support the hypothesis that appointment of qualified accountant in the company is significantly associated with the extent of compliance with IAS/IFRS-required disclosures.Qualified accountants have no influence in making company disclosure under this study. This result was also same for the year 1999 and 1996. The results of this study are consistent with Parry and Groves (1990) who could find no evidence of any impact of the employment of a qualified accountant on the quality of financial reporting of the enterprises. The finding of present study contradicts with that of Ahmed and Nicholls (1994) who found possitive association between disclosure level and the employment of qualified accountant at only the 10% significance level but A.K.M. Waresul Karim (1996) concluded that the employment of a qualified accountant was significantly associated with disclosure level at 1% level of significance.

5.2.5: CORRELATION ANALYSIS

To assess the relationship between the total disclosure index (TDI) and the characteristics of the firms, a Pearson correlation matrix has been used to examine the correlation between the dependent variable (TDI) and each of the independent variables used in this study.The Pearson correlation matrix for the dependent and independent variables is presented in Table 20 for the year 2014. The correlation matrix shows correlation between disclosure index and its explanatory variables, as well as the correlations among these variables. This will help checking the statistical relationship between the dependent and the independent variables, and whether there is any potential sign of collinearity.

The Pearson coefficient of the correlation between disclosure index and company size either measured in total assets or in total revenues or total equity has strong positive linear relationship between the variables and significant at 1% level of significance(($P<0.001$). Furthermore, the correlation between disclosure index and return on equity as a measure of profitability is positive but weak relationship ($r =.288$) and significant at 1% level ($P<0.004$). The correlation between ROA and disclosure index is significantly negative. Age and disclosure index has a positive weak correlation($r=.336$). Qualified accountant appointment in the company is also positively correlated with disclosure index($r=.345$). Board composition is also positively correlated with disclosure index($r=0.182$) and significant at 10% level.On the other hand, the correlation coefficient of size of audit firm and disclosure index is positive and significant at 1% level of significance.

Before proceeding to the regression analysis, the collinearity among the independent variables should be investigated. The correlation coefficient is 0.94 between total assets and total revenues, 0.89 between total assets and equity, 0.83 between total revenues and equity, and 0 .40 between revenue and ROA. The variance inflation factor (VIF) was computed for each independent variable in the multiple regression models to check the collinearity. Although there is no clear-cut rule for what value of the VIF should be cause for concern, it has been suggested that collinearity is considered a problem when the VIF value exceeds 10 (Neter et al., 1983; Mendenhall and Sincich, 1989). Given the value of VIF presented in Table 20, it is noticed that with the exception of total assets, collinearity among all other independent variables did not appear to be a serious problem in interpreting the regression results. Regression results are presented and analyzed in the following section.

Table-20:Pearson Correlation of Dependent and Independent Variables for 2014

Varibales		Revenue	ROA	ROE	Age	Board	Accountant	Audit Firm	Equity	Assets
Revenue		1								
ROA		-.400**	1							
		.000								
ROE		.304**	.170	1						
		.002	.093							
Age		.313**	-.082	.127	1					
		.002	.419	.212						
Board		.033	-.173	-.058	.024	1				
		.743	.087	.570	.812					
Accountant		.207*	-.170	.145	-.029	.110	1			
		.040	.092	.153	.778	.277				
AUDIT_FIRM		.106	.051	.137	.169	-.017	.053	1		
		.297	.618	.177	.095	.864	.603			
Equity		.834**	-.399**	.190	.461**	.075	.230*	.061	1	
		.000	.000	.060	.000	.462	.022	.548		
Assets		.936**	-.417**	.302**	.391**	.100	.231*	.100	.894**	1
		.000	.000	.002	.000	.326	.021	.326	.000	
DIS		**.750****	**-.580****	**.288****	**.336****	**.182**	**.345****	**.508****	**.699****	**.758****
		.000	**.000**	**.004**	**.001**	**.071**	**.000**	**.000**	**.000**	**.000**
VIF		**8.680**	**1.429**	**1.328**	**1.402**	**1.191**	**1.125**	**1.063**	**5.742**	**13.241**

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

In 1999, the Pearson coefficient of the correlation between disclosure index and company size either measured in total assets or in total revenues or total equity has positive linear relationship between the variables and significant at the 1% level ((P<0.001). Furthermore, the correlation between disclosure index and return on equity as a measure of profitability is positive but weak relationship (r=0.349) and significant at 5% level of significance (P<0.043).The correlation between ROA and disclosure index is significantly negative. Age and disclosure index has strong positive correlation(r=0.608) and statistically significant at 1%. The correlation coefficients of the audit firm size and the disclosure index is positive (r=.325) and it is significant at 10% level of significance. On the other hand, the correlation coefficients between the qualified accountant and disclosure index are not significant.

Table 21 shows that the correlation coefficients between disclosure index and total assets, total revenues, total equity, return on equity, return on assets, age and size of audit firm are higher than the correlation coefficients between disclosure index and every other independent variables for the year 1999. This suggests that collinearity among these variables may be an issue, and should be investigated. The correlation coefficient is 0.945 between total assets and total revenues, 0.601 between total assets and equity 0.701 between total revenues and equity, and 0.288 between revenue and ROE.

As a further check for collinearity, the variance inflation factor (VIF) was computed for each independent variable in the multiple regression models. Calculated VIF presented in Table 21, it is noticed that collinearity among all other independent variables does not appear to be a serious problem in interpreting the regression result for the year 1999. Regression results are presented and analyzed in the following section.

Table -21:Pearson Correlation of Dependent and Independent Variables for 1999

Variables	Equiy	Assets	Revenue	ROA	ROE	Age	Accountant	Auditfirm
Equiy	1							
Assets	.601**	1						
	.000							
Revenue	.701**	.945**	1					
	.000	.000						
ROA	-.388*	-.591**	-.580**	1				
	.023	.000	.000					
ROE	-.064	.296	.288	-.094	1			
	.721	.089	.098	.598				
Age	.212	.567**	.523**	-.544**	.237	1		
	.229	.000	.002	.001	.177			
Accountant	.203	.009	.073	.064	.355*	-.166	1	
	.249	.958	.680	.718	.039	.349		
Auditfirm	.067	-.062	.016	-.088	.096	.284	-.059	1
	.708	.729	.927	.623	.590	.103	.739	
DIS	**.462****	**.606****	**.633****	**-.347***	**.349***	**.608****	**.139**	**.325**
	.006	**.000**	**.000**	**.044**	**.043**	**.000**	**.433**	**.061**
VIF	**3.018**	**14.048**	**16.736**	**1.807**	**1.804**	**2.161**	**1.555**	**1.147**

In 1996, the Pearson coefficient of the correlation between disclosure index and company size measured by total equity has positive linear relationship between the variables and significant at the 5% level (($P<0.087$). All the correlation coefficients between the other variables and disclosure index are not statistically significant(p-value is greater than our significance level). VIF presented in Table 22, it is noticed that collinearity among all independent variables did not appear to be a serious problem in interpreting the regression results.Regression results are presented and analyzed in the following section.

Table -22: Pearson Correlation of Dependent and Independent Variables for 1996

	Equity	Assets	Revenue	ROA	ROE	Accountant	Audit firm	Age
Equity	1							
Assets	.680**	1						
	.000							
Revenue	.026	.048	1					
	.886	.793						
ROA	-.309	-.471**	-.132	1				
	.080	.006	.463					
ROE	-.005	.028	.046	.497**	1			
	.978	.878	.799	.003				
Accountant	.271	.263	-.033	-.132	.064	1		
	.127	.139	.854	.463	.725			
Audit Firm	.229	.095	-.124	-.150	.147	.171	1	
	.201	.600	.491	.406	.415	.340		
Age	.480**	.576**	-.056	-.465**	.073	.189	.304	1
	.005	.000	.756	.006	.686	.293	.086	
DIS	**.302**	**.223**	**.129**	**.002**	**.184**	**-.034**	**.210**	**.111**
	.087	**.212**	**.474**	**.993**	**.305**	**.850**	**.240**	**.540**
VIF	**2.105**	**4.194**	**1.137**	**2.692**	**1.934**	**1.192**	**1.404**	**2.013**

Overall, the findings of correlation matrix suggest that compnay size measured by total assets or total revenue or total equity is posstively correlated with disclosure score for the year 2014 and statistically significant at 1% level of significance. Same result was found in 1999 but in 1996 only size measured by equity is positively related with disclosure index and significant at 10%. All other correlation coefficients between the variables and disclosure index have positive relationship but not statistically significant. The correlation between disclosure index and return on equity as a measure of profitability has weak positive and significant relations in both 2014 and 1999 but in 1996 the relationship was weakly possitive but insignificant. ROA and DI was negetively correlated in 2014, 1999 and 1996.Comapany age was possitively correlated in 2014, 1999 and 1996. There was weak positive correlation between DI and appointment of qualified accountant in 2014 and 1999 but negeative correlation in 1996. Board composition is also positively correlated with disclosure index(r=0.182) and significant at 10% level in 2014. Audit firm size is positively correlated in 2014, 1999 and 1996.

5.2.6: REGRESSION RESULTS

The disclosure score, a continuous variable, is used as the dependent variable. The disclosure score for each company is related to company characteristics, the independent variables for the study, such as Size, profitability, age, board composition, appointment of qualified accountant and size of audit firm. The six company attributes have been measured on a continuous scale. Regression analysis has been done ordinary least squares (OLS) estimates and the results of the multiple regression analysis of the association between the company characteristics and the depth of information disclosure in the financial statements of a sample of listed companies are documented in Table 23 for the 2014. The table shows that the F-ratio is 26.719 (P=0.000). This result statistically supports the significance of the regression model. The explanatory power of the overall model, as indicated by the adjusted R^2 is 70.3 percent (p=.000)). The R^2 is 73 percent, which indicates that 73 percent variability is explained by the model in disclosing information in the annual reports of the selected companies.

Table-23:

Multiple Regression Results for 2014

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	.860[a]	.740	.714	6.370	1.866

a. Predictors: (Constant), Board, ROE, AGE, ACCOUNTANT, AUDIT_FIRM, ROA, REVENUE, equity, Assets

b. Dependent Variable: TDS

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	10269.427	9	1141.047	28.120	.000[b]
Residual	3749.639	89	42.131		
Total	13880.909	98			

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	59.634	2.477		24.071	.000
REVENUE	.417	.217	.309	1.924	.058
ROA	-110.323	19.143	-.381	-5.763	.000
ROE	19.947	7.686	.165	2.595	.011
AGE	.159	.094	.111	1.703	.092
Accountants	3.954	1.469	.162	2.692	.008
Audit firm	.337	1.387	.014	.243	.809
Equity	.039	.178	.029	.220	.826
Assets	.019	.023	.162	.806	.423
Board	-3.829	8.851	-.026	-.433	.666

Regarding the association between independent variables and company's compliance with IAS-required disclosure, the results indicate that some variables are significant in explaining disclosures .Company size as measured in terms of revenue is significantly positively associated with the compliance level at a significant level less than 10%. This result suggests that more profitable companies disclose significantly more financial information than do less profitable ones. The positive association between company size and level of disclosures found in this study is consistent with the results reported by the majority of prior researches [e.g. such as Cerf (1961), Singhvi and Desai (1971), and Abu-Naser and Rutherford (1994), Wallace and Naser, 1995; Owusu-Ansah, 1998; Ali et al, 2004; Owusu-Ansah and Yeoh 2005; Al-shammari et al, 2007 and M.Akhtaruddin, 2005]. Lang and Lundholm (1993) also report that disclosure is high for large firms. It is argued that large firms provide more information because they are likely to face low cost of disclosure (Ho & Wong, 2001). Furthermore, since large firms are willing to disclose more to meet the increased demand in reducing uncertainty about quality and expected return, they arguably face low competitive cost of disclosure (Ferguson, Lam, & Lee, 2002).

Next hypothesis is that companies having higher profitability as measured by ROE is positively associated with disclosure compliance level. The hypothesis that high profitabilitable companies will disclose more information than companies with low profitability is supported ($p<.05$). Lang and Lundholm (1993) suggest that well-performing firms provide more information in the annual report than do the poor-performing firms. The positive effect of profitability on financial disclosure is consistent with Wallace el al. (1994), Karim (1996), Owusu-Ansah (1998), M.Akhtaruddin (2005) and Hossain (2000). When profitability is high, management is more willing to disclose detailed information (Inchausti, 1997; Lang & Lundholm,1993; Wallace & Naser, 1995; Suwaidan, 1997). Unprofitable firms will be less inclined to release more information to hide their poor performance. The findings also suggest that there is negative association between profitability measured by ROA and extent of disclosure levels. This is due to the poor levels of disclosure by the insurance companies and NBFIs in the finanncial sector.

The result related to company age is different from expectation. There is a positive association between company age and compliance level and it is statistically significant at 10%. An old company is expected to disclose more mandatory information than a young one. For this study company age is measured from the listing date. A listed company has to comply with disclosure and reporting regulations .Owusu-Ansah (1998); Owusu-Ansah and Yeho, 2005 find a positive association between company age in terms of listing status and mandatory disclosure. He defines company age as the experience gained by public companies during the listing periods. The finding of the present study contradicts with findings reported by Akhtaruddin (2005), Hossain (2008) and Glaum and Street (2003). This may be due to different locations or different sectors of sample companies. The results show that there is negative association between board composition and disclosure level. It may be due to one or more of the following reasons:

- Most of the businesses are developed in the country under family ownership.Therefore management of the companies is predominently influenced by the family and such companies do not allow independent directors to have any say on accounting disclosure.
- Directors may think that they are merely observers and prefer to remain inactive directors.

Like profitability measured by ROE, company size measured by revenue and age and appointment of qualified accountant in the company are associated positively with disclosure. This finding suggests that the companies which appoint qualified accountant disclose more information than others. Qualified Accountant is assumed to be an expert on IAS/IFRS based reporting and they persue the management to comply with the requirements of IAS/IFRS. But a non-professional accountant does not do so.

Overall, the findings of regression model for 2014 suggest that large companies measured in terms of revenue provide more IAS-required disclosures than do small companies. High profitable companies will disclose more information than companies with low profitability. An old company discloses more mandatory information than a young one. Appointment of qualified accountant in the company is positively associated with disclosure levels As indicated by the t-statistic all other independent variable are either negatively (ROA and Board) or positively (remaining variables) associated with compliance level, but are statistically insignificant.

Table-24:Multiple Regression Results for 1999

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	.797	.635	.519	6.71073	1.685

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1961.710	8	245.214	5.445	.000
Residual	1125.849	25	45.034		
Total	3087.559	33			

Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	22.903	4.582		4.999	.000
Equity	3.000	3.360	.189	.893	.381
Assets	.280	.319	.401	.879	.388
Revenue	-1.161	6.627	-.087	-.175	.862
ROA	47.991	56.831	.138	.844	.407
ROE	15.046	17.593	.140	.855	.401
Age	.655	.331	.354	1.978	.060
Accountant	1.293	2.896	.068	.446	.659
Audit Firm	5.261	2.705	.252	1.945	.063

The results of the multiple regression analysis of the association between the company characteristics and the depth of information disclosure in the financial statements of sample listed companies for 1999 are documented in Table -24. The table shows that the F-ratio is 5.445 (P=.001). The result statistically supports the significance of the model. R2 (.635), which is a respectable result, implies that independent variables explain 63.5 percent of the variance in disclosure index. The results also indicate that company age and compliance level are positively associated and it is statistically significant at significant level less than 10 percent.

An old company is expected to disclose more information than a young one. Audit firm size is is also significantly correlated with IAS/IFRS compliance and it is significant at less than 10 percent significance level. Large audit firm have more influence on companies to comply with the standards rather than small audit firm. The t-statistic all other independent variable is either negatively (revenue) or positively (remaining variables) associated with compliance level, but statistically insignificant.

OLS regression for year 1996 has been conducted to examine the association between IAS/IFRS compliance level and the explanatory variables.The results as presented in table 25 show that F ratio is 1.342 (p=.271). The result does not statistically support the significance of the model. R^2=0.309 implies that independent variables explain 30.9 percent of the variance in disclosure index. The t-statistic of all independent variable is either negatively (age, accountant) or positively (remaining variables) associated with compliance level, but statistically insignificant.

Table-25

Multiple Regression Results for 1996

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	.556	.309	.079	3.956	1.379

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	167.950	8	20.994	1.342	.271
Residual	375.566	24	15.649		
Total	543.515	32			

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	24.817	2.517		9.859	.000
Equity	2.397	1.994	.304	1.202	.241
Assets	.193	.132	.523	1.466	.156
ROA	16.361	24.293	.192	.673	.507
ROE	.395	3.863	.025	.102	.920
Accountant	-5.674	4.501	-.240	-1.260	.220
Audit firm	2.622	1.692	.316	1.550	.134
Age	-.159	.200	-.197	-.798	.433
Revenue	.078	.079	.185	.999	.328

Figure 5:

COMPARATIVE ADVANTAGES OF BEFORE AND AFTER IMPLEMENTATION OF IAS AND IFRS

Areas of discussion	Before IFRS Period	After IFRS Period
Components of Financial Statements	Bank did not prepare cash flow statements and statements of changes in equity.	Bank now prepares cash flow statements and statements of changes in equity.
Format of financial statements	Traditional format for preparing and presenting Balance Sheet and Profit and Loss account	All Banks follow IAS/IFRS prescribed formats for preparing financial statements.
Presentation of Loans and advances	Loans and advances were presented net of provisions for bad and doubtful debts.	Loans and advances of the banks are presented at gross figures.
Provisions for bad and doubtful debts.	No disclosure was available in the face of the profit and loss account of the bank	Provisions for bad and doubtful debts are shown on the face of the profit and loss acoount as a result of IAS 30.
Provisions for Taxation	Only current tax expenses were shown on the face of the balance sheet. Bank did not disclose deferred tax arising from the temporary timing differences of revenue and expense recognition.	Total tax expenses are divided into two components: Current tax and Deferred Tax
Revenue recognition	Gross Interest Income (GII) was shown after offsetting or netting off provisions for bad and doubtful debts and other provisions.	Revenue is recognized as per IAS 18 whereas no provisions are netted off. IFRS Framework does not allow off-setting unless it is permitted by another IAS/ IFRS.

Earnings per Share (EPS)	Banks used to declare stock dividend and issue rights share to increase capital base which had dilution effect in earnings of the company. The sample banks didnot disclose EPS (Basic) and EPS (diluted) where necessary to measure P/E ratio of the company.	After implementation of IAS 33: Earnings per share, all listed banks must disclose the basic earnings per share and Diluted Earnings per Share.
Fair Value of Assets	Loans and advances were disclosed at cost and no fair value is considered for portfolio impairment.	Loans and advances to customers will be classified as Loans and Receivables. This classification can be used for both loans originated by the bank as well as those purchased from other banks or financial institutions. Review of the balance sheet of the sample banks revealed that all the banks did not classify the loans and advances as Loans and Receivables.

5.3: CHALLNGENCES FOR APPLICATIONS OF IAS AND IFRS

(a) OVERALL CHALLENGES

Lack of knowledge of IAS and IFRS

Lack of adequate knowledge and familiarization with IAS and IFRS Standards does not ensure proper application of these standards in the presentation of financial statements. This professional constraint is a major `stumbling block' which often impedes the practical crystallization of benefits from implementation of standards and may even lead to misleading views being presented by audited financial statements.

Fear of change to the accounts through implementation of IAS and IFRS

The extent of disclosure has increased greatly over the last couple of decades. Measurement aspects covered by accounting standards of assets and liabilities or of profit and loss are often complex and may be controversial thus affecting reported results. Corporate Financial Reporting is often non-compliant with the mandatory disclosure requirements as per Acts, rules and regulations and applicable IAS/IFRS and this fact is often not reported by concerned auditors.

Lack of management willingness to apply IAS and IFRS

Company management in all cases does not want to disclose all the information in the financial statements due to various reasons. One of which is the absence of pressure from the auditors who act as the legal evaluators of accounting practices.The statutory auditor of the company does not create visible pressure to disclose adequate and quality information in the annual accounts. Moreover, auditors in some cases compromisethe quality just for the interest of the management of the company.

The shortage of knowledgeable personnel:

In Bangladesh, the number of professional accountants is very limited. It is not possible to appoint professional accountants for all the companies. Due to lack of an adequate number of professional accountants, the person responsible for the preparation of financial statement is not capable enough to understand the contents of IFRS and implement those while preparing the financial statements.

Lack of adequate expertise:

There is a lack of adequate expertise to measure the value of different elements such as fair value of financial instruments, present value of retirement benefit etc. Due to lack of such expertise, in some cases it may not be possible to prepare the financial statements comply with the IFRS. There again, adverse mindset of entrepreneurs is also a challenge to complying with IFRS

Lack of willingness of emnterpreneurs in applying IFRS:

Most of the entrepreneurs do not want to pay due care and importance to accounts and they are not also interested to spend adequate money for accounts and audit of their organisations.

Lack of proper knowledge of the users

Lack of proper knowledge on the part of the users of the financial statements is also responsible for non-compliance with the IFRS because most of the users do not understand the importance of proper accounts; in some cases, it is also not clear to them whether the responsibility to prepare the financial statements of an organisation is that of the management or that of the auditor.

Local laws, rules and regulations conflict with IFRSs

Local laws, rules and regulations constitute an important challenge for following the IFRS. In many cases, the tax law, company law and other applicable ones are not in line with the IFRS for recognising and measuring assets, liabilities, revenues and expenditures for presenting the financial position and performance of an organisation.

(b) COMPANY SPECIFIC CHALLENGES:

BANKING COMPANIES

Banking companies in Bangladesh face certain additional challenges to conform to the requirements of IAS and IFRS. These include:

Conflicting with Central Bank's circulars

In addition to the general accounting standards and practices that constitute Bangladesh Accounting Standards (BAS), banking companies are currently required to adhere to accounting policies and principles that are prescribed by the Central Bank of Bangladesh. For example, financial accounting and reporting policies for overdue loans and advances, provision for loan losses and money market investments are specified by the Central bank of Bangladesh. Adoption of IFRS requires a significant change to such existing policies and could have a material impact on the financial statements of banking companies.

Fair value vs. Historical cost accounting

IAS 39 requires extensive use of fair value for the bank's financial instruments and financial assets valuation and measurement. Given the economic environment and lack of relatively developed financial markets for certain foreign exchange and interest rate instruments, application of these require fair valuation techniques that pose additional implementation challenges.

NON BANKING FINANCIAL INSTITUTIONS (NBFIs)

Companies belonging to NBFIs do leasing business. Most of the leases are finance or capital leases whereas companies are not allowed to apply IAS 17 or IFRS 15 on "Leasing" due to taxation rule applied by NBR.

INSURANCE COMPANIES

Revenue from contracts (IFRS 4) is not fully applied by the insurance companies in Bangladesh. IAS/IFRS standards have not been implemented fully in this sector due to lack of knowledge of staff, willingness of the management and the Board of Directors (BOD). Overal regulators did not priorities to implement IAS/IFRS. Besides, insurance companies are less focused to grow in the economy; they do not feel that they contributed much in the GDP, which might be a substantial reason(s) of non-compliance.

CHAPTER -VI

CONCLUSIONS, LIMITATIONS, AND RECOMMENDATIONS FOR FUTURE RESEARCH

6.1: CONCLUSION

The aspiration of this study is to examine the level of IAS/IFRS based disclosure made by listed companies in Bangladesh. It also investigates the factors that impact the compliance with IAS/IFRS standards and disclosure practice. The findings can be used to improve the extent and quality of corporate disclosure by Bangladeshi companies. The study on the impact of IAS/IFRS on accounting practices listed companies in Bangladesh reveals that companies' disclosure score has increased over the years but not reached to the desired level. On average, the sample companies disclosed information on only 56.35 percent in 2014 of the items asked for, indicating poor compliance with the mandatory rules of IAS/IFRS. The score increased from 34.33 percent in 1999 and 18.33 percent in 1996. The empirical results indicated that the average disclosure level among financial companies investigated was 56.35 percent while the maximum level was 73 percent, in 2014 which must be considered low as for mandatory disclosure. This indicates the need for regulatory agencies to start enforcing laws that assure the compliance with mandatory requirements. It is also worth noting that disclosure level has slightly improved when compared to Karim, A.K.M.W, Hossain, M.A, Nurunnabi, M. and Hossain, M.M.(2011) who conducted research on 27 banking companies in Bangladesh and found the average disclosure level was 39 percent; while the highest disclosure level was 52 percent.

The result indicated that application of IAS/IFRS in accounting practices has been playing a positive role in disclosing corportae information in financial statements. But it has not reached to the desired level. These observations have supported the study conducted by Mizanur

Rahman (2013) that “the extent of compliance with mandatory disclosure requirement is substantially varying across sample companies. Non-observance with disclosure rules is pervasive. The findings indicate that 34 percent of the sample firms failed to disclose a minimum 20 percent of the disclosure requirements. An argument is that de facto disclosure choice is discretionary in Bangladesh in the sense that corporate management considers mandatory disclosure requirements as if they were discretionary. He also concluded that 86 of 94 sample companies received unqualified audit opinion in spite of the fact that those companies complied with an average 82.6 percent of the disclosure requirements.” The lack-lustre disclosure performance by Bangladeshi companies can be attributed to organizational culture, poor monitoring, and lapse in enforcement by the regulatory body. Disclosure decisions arc culture-driven (El-Gazzar, Philip, Finn, & Jacob, 1999). Ho and Wong (2001) argue that countries where the culture supports a high level of secrecy, managements become less transparent and are less likely to favour a high level of disclosure. Further analysis is required to impound cultural factors. With regard to regulations, Karim et al. (1998) suggests that at present they are ineffective when it comes to monitoring disclosure practices in Bangladesh. Again, regulations alone, according to Ho and Wong (2001), can do a little to ensure disclosure because companies view that disclosure excellence lies in the hands of regulatory bodies who work for safeguarding the company’s value for shareholders. What the regulatory bodies need to do is to create an environment that helps become aware of the companies’ consequences of non-disclosure of adequate information in the annual reports. Improvements can be achieved by introducing educational policies to raise the awareness of companies about their disclosure responsibilities.

This study scrutinizes the relationship between mandatory IAS/IFRS disclosure and six corporate attributes; i.e., company age, size, and profitability, audit firm size, appointment of qualified accountant and board composition. These attributes have been measured on a continuous scale. Analysis indicates that size measured by revenue is a dominant corporate characteristic in explaining mandatory disclosure practices. The results of correlation, regression and chi-square analysis reveal a significant and positive relation between size measured by revenue and disclosure. On the other hand, it is found that size measured by total equity and total assets has no effect on mandatory IAS/IFRS disclosure. The findings of this study have also revealed that the age of the company is a significant factor for disclosure. The investigation supports the hypothesis that old companies provide more information than new companies. This result supports prior findings (Cooke, 1989; Meek et al., 1995; Owusu-Ansah, 1998). The same result is found in case of disclosure and profitability measured by ROE. As indicated by the t-statistic all other independent variables are either negatively (ROA & Board) or positively (remaining variables) associated with compliance level, but statistically insignificant. The study provides several contributions to accounting research and to accounting practice and regulation.

There are some implications of the study for listed and non-listed companies. Bangladesh is a developing country and has a dynamic young population and is thereby attracting the attention of global investors. In order to increase the flow of global capital to the country, the benefits of regulations regarding corporate reporting are quite important. Preparing financial reports in accordance with IAS/IFRS will improve the assessment of the financial position and performance of the companies. This will ease and quicken the decision-making process of foreign investment in the country.

6.2: LIMITATIONS

Like other researches, the present study has some limitations, which include the following:

- Only financial sector companies' annual reports for three different years have been analyzed which, may not be representative of all sectors. Further research can be undertaken taking into consideration of both groups of companies (financial and non-financial/ manufacturing).
- Due to cost and time factors only six explanatory variables (size, age, profitability, audit firm size, appionment of qualified accountant and board composition,) have been considered and examined for sample companies' (Bank,Insurance and NBFIs) annual reports for three years ending 31 December, 1996 (before adoption of IAS/IFRSs), 1999 (immediate post adoption of IAS/IFRSs) and 2014.
- The present study is limited to only 30% of the companies listed on Dhaka Stock Exchange. Future research could investigate disclosure performance of all the listed companies.
- Present research has not explored the variations in disclosure between listed and unlisted companies.Further research may also explore the variations in disclosure between listed and non-listed companies. This study does not consider manufacturing companies in Bangladesh.
- Researcher has not identified the possible reasons explaining company's non compliance with disclosures required by the IAS/IFRSs.

- This paper excludes nationalizd, specialized and foreign financial companies. Future research may be conducted considering all financial companies (public, private and foreign companies).

6.3: RECOMMENDATIONS

Based upon the findings of this study, the following recommendations have been summarized:

1. The auditor should certify whether the financial statements are prepared in accordance with accounting standards (IAS/IFRS) and the requirements of the Companies Act 1994, Banking Companies Act 1991 and other applicable laws in the land. The auditor should also comment on the information disclosed in the financial statements are adequaute or not.

   The auditor may use segmental disclosure checklist that is approved by the FRC, Ministry of Finance, Government of Bangladesh (GOB). The auditror also should put sufficient pressure to the management to disclose all the items in the financial statements under accounting standards.

2. With a view to improve the disclosure level to make uniform financial reporting, Financial Reporting Council (FRC) as an autonomous Government Regulatory Body should monitor the financial and non financial reports strictly and it should set up a benchmark score of disclosure to be achived by the listed companies every year otherwise FRC must penalize those companies and/or file the case or refer the case to ACC (Anti-Corruption Commission).

3. A separate Accounting Court or Tribunal may be established under FRA 2015 to deal with the litigations regarding the disclosure of information. An individual who has a direct interest in the annual reports of a company may bring a charge of noncompliance with the disclosure requirements of IAS/IFRSs.

4. A survey of users of company annual reports may be conducted to analyze the opinion of the users of financial statements. Such a survey will provide additional insights on corporate disclosure practices in Bangladesh.

5. The qualified accountants must comply with Financial Reporting Standards in Bangladesh (FRSB) as adopted by FRC irrespective of whether he is in professional practice or in business.

6. Corporate Governance practices should be strengthened through enactments and monitoring by the regulatory agencies like BSEC, Bangladesh Bank and IDRA.

7. Monitoring of corporate reports by regulatory agencies (e.g. FRC, BSEC, Bangladesh Bank, etc.) and quasi regulator (Stock Exchanges, NBR, etc.) should be adequate.

8. Both the Regulators and the Professionals should play an active role in ensuring quality assurance through adequate monitoring and ensuring effective compliance of the provisions of law, financial reporting and auditing standards.

9. Government should introduce a legal and regulatory framework under FRA 2015 prohibiting corrupt practices, dealing firmly with those who commit them, and protecting those who “blow the whistle” from the dangers of retaliatory actions. This is bound to

improve business and professional ethics as well strengthen corporate governance practices in Bangladesh and impact on enhancing the regional professional image.

10. Professional accountancy bodies like ICAB should organize seminars and conferences on IAS/IFRS on a regular basis, for developing user (market) awareness and familiarization with the practical implementation aspects of these highly conceptualized standards. This will impact a positive dimension towards developing relevant professional expertise and contribute towards the uniform application of IFRS in Financial Reporting and Accounting Practices.
11. The regulators, who monitor the quality of disclosure, should improve their review of the disclosure content of annual reports to ensure higher levels of compliance with mandatory disclosure requirements.
12. Various local laws and regulations such as Income Tax law, Company Law, Banking Companies Act etc., need to be updated, keeping consistency with FRSB.

Finally, findings of prior researches conducted by different scholars of other countries indicate that their discloure level is higher than ours. In 2010 average overall disclosure was 69 percent in Kuwait(Abdullah, A.M.,2010), Baharain's compliance levels ranged from 61percent to 94 percent with an average of 80.7 percent in 2010(Juhmani,Omar I.H.,2012), Germanys' Compliance levels ranged from 41.6 percent to 100 percent, with an average of 83.7 percent in 2003(Glaum,M.and D.L. Street,2003), India's average score was 88 percent in 2008(Hossain Mohammed,2008). Therefore, it is high time to make the use of the IAS and IFRS mandatory for the companies in order to enable them to be globally convergent on accounting standards.

The regulatory bodies should enforce laws and regulations so that full compliance with the mandatory requirements leading to the 100% mandatory disclosure may be guaranteed. Hassab Elnaby et al., 2003 highlighted that implementation of high quality accounting standards was not a turnkey project but was a “part of a long-term process and commitment, which is coupled with economic growth and capital market sophistication resulted from continuous dialogue between regulators and the private sector.”

Appendix A

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Appendix - B

THE LIST OF THE SAMPLE COMPANIES

Sl no.	Companies listed with DSE	Date of listing	Disclosure check for		
			1996	1999	2014
Banks			11	12	30
1	AB Bank Ltd.	1983	√	√	√
2	Al-Arafah Islami Bank Ltd.	1998	-	√	√
3	Bank Asia Ltd.	2004	-	-	√
4	BRAC Bank Ltd.	2007	-	-	√
5	City Bank Ltd.	1986	√	√	√
6	Dhaka Bank Ltd.	2000	-	-	√
7	Dutch-Bangla Bank Ltd.	2001	-	-	√
8	Eastern Bank Ltd.	1993	√	√	√
9	Exim Bank Ltd.	2004	-	-	√
10	First Security Islami Bank Ltd.	2008	-	-	√
11	ICB Islamic Bank Ltd.	1990	√	√	√
12	IFIC Bank Ltd.	1986	√	√	√
13	Islami Bank Ltd.	1985	√	√	√
14	Jamuna Bank Ltd.	2006	-	-	√
15	Mercantile Bank Ltd.	2004	-	-	√
16	Mutual Trust Bank Ltd.	2003	-	-	√
17	National Bank Ltd.	1984	√	√	√
18	NCC Bank Ltd.	2000	-	-	√
19	One Bank Ltd.	2003	-	-	√
20	Premier Bank Ltd.	2007	-	-	√
21	Prime Bank Ltd.	2000	-	-	√
22	Pubali Bank Ltd.	1984	√	√	√
23	Rupali Bank Ltd.	1986	√	√	√
24	Shahjalal Islami Bank Ltd.	2007	-	-	√
25	Social Islami Bank Ltd.	2000	-	-	√
26	Southeast Bank Ltd.	2004	-	-	√
27	Standard Bank Ltd.	2003	-	-	√
28	Trust Bank Ltd.	2007	-	-	√
29	United Commercial Bank Ltd.	1986	√	√	√
30	Uttara Bank Ltd.	1984	√	√	√

Non Banking Financial Institutions			4	4	23
31	Bay Leasing and Investment Ltd.	2009	-	-	√
32	Bangladesh Finance and Investment Co.Ltd.	2007	-	-	√
33	Bangladesh Industrial Fin. Co. Ltd.	2006	-	-	√
34	Delta Brac Housing Finance Corp. Ltd.	2008	-	-	√
35	Fareast Finance and Investment Ltd.	2013	-	-	√
36	FAS Finance and Investment Ltd.	2008	-	-	√
37	First Finance Ltd.	2003	-	-	√
38	GSP Finance Co. Ltd.	2012	-	-	√
39	Investment Corporation of Bangladesh	1977	√	√	√
40	IDLC Finance Ltd.	1992	√	√	√
41	International Leasing and Fin Services Ltd.	2007	-	-	√
42	IPDC Finance Ltd.	2006	-	-	√
43	Islamic Finance and Investment Ltd.	2005	-	-	√
44	LankaBangla Finance ltd.	2006	-	-	√
45	MIDAS Financing Ltd.	2002	-	-	√
46	National Housing Fin. and Inv. Ltd.	2009	-	-	√
47	Phoenix Finance and Investments Ltd.	2007	-	-	√
48	Peoples Leasing and Fin. Services Ltd.	2005	-	-	√
49	Premier Leasing and Finance Ltd.	2005	-	-	√
50	Prime Finance and Investment Ltd.	2005	-	-	√
51	Union Capital Ltd.	2007	-	-	√
52	United Finance Ltd.	1984	√	√	√
53	Uttara Finance and Investments Ltd.	1997	√	√	√
Insurance Companies			18	18	46
54	Agrani Insurance Co. Ltd.	2005	-	-	√
55	Asia Insurance Ltd.	2009	-	-	√
56	Asia Pacific General Insurance Co. Ltd.	2006	-	-	√
57	Bangladesh General Insurance Co. Ltd.	1989	√	√	√
58	Central Insurance Limited	1995	√	√	√
59	City General Insurance Co. Ltd.	2007	-	-	
60	Continental Insurance Ltd.	2008	-	-	
61	Delta Life Insurance Ltd.	1995	√	√	√
62	Dhaka Insurance Ltd.	2010	-	-	
63	Eastern Insurance Ltd.	1994	√	√	√
64	Eastland Insurance Ltd.	1994	√	√	√
65	Fareast Islami Life Insurance Co. Ltd.	2005	-	-	√

66	Federal Insurance Ltd.	1995	√	√	√
67	Global Insurance Ltd.	2005	-	-	√
68	Green Delta Insurance Ltd.	1989	√	√	√
69	Islami Insurance Bangladesh Ltd.	2009	-	-	√
70	Janata Insurance Ltd.	1994	√	√	√
71	Karnaphuli Insurance Ltd.	1995	√	√	√
72	Meghna Life Insurance Co. Ltd.	2005	-	-	√
73	Mercantile Insurance Co. Ltd.	2004	-	-	√
74	National Life Insurance Ltd.	1995	√	√	√
75	Nitol Insurance Co. Ltd.	2005	-	-	√
76	Northern General Insurance Co. Ltd.	2008	-	-	√
77	Padma Islami Life Insurance Ltd.	2012	-	-	√
78	Paramount Insurance Company Ltd.	2007	-	-	√
79	Peoples Insurance Ltd.	1990	√	√	√
80	Phoenix Insurance Company Ltd.	1994	√	√	√
81	Pioneer Insurance Ltd.	2001	-	-	√
82	Popular Life Insurance Co. Ltd.	2005	-	-	√
83	Pragati Insurance Ltd.	1996	√	√	√
84	Pragati Life Insurance Ltd.	2006	-	-	√
85	Prime Insurance Limited	2001	-	-	√
86	Prime Islami Life Insurance Ltd.	2007	-	-	√
87	Progressive Life Insurance Co. Ltd.	2006	-	-	√
88	Provati Insurance Company Ltd.	2009	-	-	√
89	Purabi Gen. Insurance Ltd.	1995	√	√	√
90	Reliance Insurance Ltd.	1995	√	√	√
91	Republic Insurance Company Ltd.	2009	-	-	√
92	Rupali Insurance Limited	1995	√	√	√
93	Rupali Life Insurance Company Ltd.	2009	-	-	√
94	Sandhani Life Insurance Ltd.	1996	√	√	√
95	Sonar Bangla Insurance Ltd.	2006	-	-	√
96	Standard Insurance Ltd.	2008	-	-	√
97	Sunlife Insurance Company Ltd.	2013	-	-	√
98	Takaful Islami Insurance Ltd.	2008	-	-	√
99	United Insurance Ltd.	2008	-	-	√
Total 166 annual reports scrutinized			33	34	99

Appendix - C
Common IAS, IFRS applied for banks, NBFIs and Insurance Companies

IAS/IFRS	Title	Year of acceptance	Ranking of companies in terms of best published accounts 2014									IAS taken to test Disclosure Index / Disclosure Score
			Bank			Insurance			Financial Institutions			
			Rank 1	Rank 2	Rank 3	Rank 1	Rank 2	Rank 3	Rank 1	Rank 2	Rank 3	
1	Presentation of Financial statements	1998	A	A	A	A*	A*	0	A*	PA	A	Taken to test DI
2	Inventories	2007	N	A	N	N	N	0	N	N	N	
7	Statement of Cash Flow	1999	A	A	A	A	A	0	A	PA	A	Taken to test DI
8	Accounting policies, change in accounting estimates and errors	2007	A	A	A	A	A	0	A	A	A	
10	Events after the balance sheet date	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
11	Construction contracts	1999	N	A	N	N	N	0	N	N	N	
12	Income taxes	1999	A	A	A	A	A	0	A	PA	A	Taken to test DI
16	Property, plant and equipment	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
17	Lease	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
18	Revenue	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
19	Employee benefits	2004	A	A	A	A	A	0	A	A	A	Taken to test DI
20	Accounting for government grants and disclosure of governments assistance	1999	N	N	N	A	A	0	N	N	N	
21	The effect of change in foreign exchange rates	2007	A	A	A	A	A	0	A	A	A	
23	Borrowing cost	2010	N	A	N	A	A	0	A	A	A	
24	Related party disclosure	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
26	Accounting and reporting by retirement benefits plan	2007	N	N	N	A	A	0	N	N	A	
27	Consolidated and separate financial statements	2010	A	A	A	A	A	0	A	A	A	
28	Investment in associates	2007	N	A	N	N	N	0	N	N	A	
31	Investment in joint ventures	2007	N	A	N	N	N	0	N	A	A	
32	Financial instruments: disclosure and presentations	2010	A*	A	A	A*	A*	0	A*	PA	A	
33	Earning per share	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
34	Interim financial reporting	1999	A	A	A	A	A	0	A	A	A	
36	Impairment of assets	2005	A	A	A	A	A	0	A	A	A	Taken to test DI
37	Provision, contingent liabilities and contingent assets	2007	A*	A	A	A	A	0	A	A	A	Taken to test DI
38	Intangible assets	2005	A	A	A	A	A	0	A	A	A	
39	Financial instruments: recognition and measurement	2010	A*	A	A	A*	A*	0	A*	PA	A	
40	Investment property	2007	N	A	N	N	N	0	N	N	N	
41	Agriculture	2007	N	N	N	N	N	0	N	N	N	
BFRS 1	First tine adaption of BFRS	2009	N	N	N	N	N	0	N	N	N	
2	Share Base payment	2007	N	N	N	N	N	0	N	N	N	
3	Business combination	2010	A	A	N	N	N	0	N	N	N	
4	Insurance contracts	2010	N	N	N	A*	A*	0	N	N	N	
5	Non-currents assets held for sale and discontinued operation	2007	N	N	N	N	N	0	N	N	N	
6	Exploration for and evaluation of mineral resources	2007	N	N	N	N	N	0	N	N	N	
7	Financial instruments : disclosure	2010	A*	A	N	A*	A*	0	A*	PA	A	
8	Operating segment	2010	A	A	N	N	N	0	N	A	A	
9	Financial Instruments	2018	N	A	N	N	N	0	A	N	N	
10	Consolidated Financial Statements	2013	A	N	N	N	N	0	A	A	A	
11	Joint Arrangements	2013	N	N	N	N	N	0	A*	N	N	
12	Disclosure of Interests in Other Entities	2013	N	N	N	N	N	0	ND	A	N	

Appendix- D

Summary of IAS and IFRS adopted by ICAB

Sl #	Particulars	Status	Remarks/ Comments
1	Total Nos. of IASs developed	41	
2	Withdrawn by IASB	01	IAS -15: Information reflecting the effects of changing prices
3	Not applicable in context of Bangladesh	01	IAS-29: Financial Reporting in Hyperinflationary Economics
4	Superseded	11	IAS – 3, 4, 5,6,9,13,14,22,25,30,35
5	Total IASs in effect for economy like Bangladesh	28	IAS: 1,2,7,8,10,11,12,16,17,18,19,20, 21, 23, 24,26,27,28,31,32, 33,34, 36,37 38,39,40,41
6	Total IASs adopted by ICAB	28	IAS: 1,2,7,8,10,11,12,16,17,18,19,20, 21, 23, 24,26,27,28,31,32, 33,34, 36,37 38,39,40,41
7	Total Nos. of IFRSs developed by IASB	16	IFRS: 1, 2,3,4,5,6,7,8,9,10,11,12,13.
8	Total Nos. of IFRS adopted by ICAB	16	IFRS: 1, 2,3,4,5,6,7,8,9,10,11,12,13, 14,15,16.
Total nos. of IASs and IFRSs adopted by ICAB		44	

Source: The Institute of Chartered Accountants of Bangladesh (ICAB), March 2016.

Appendix - E

Comparative list between IAS and IFRS with BAS and BFRS

IAS/ IFRS	IAS/IFRS title	BAS /BFRS	BAS /BFRS Title	Effective Date
IAS 1	Presentation of Financial Statements	BAS 1	Presentation of Financial Statements (Old version)	1.1.2007
IAS 2	Inventories	BAS 2	Inventories	1.1.2007
IAS 7	Statement of Cash Flows	BAS 7	Cash Flow Statement	1.1.1999
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	BAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
IAS 10	Events After the Reporting Period	BAS 10	Events after the Reporting Period	1.1.2007
IAS 11	Construction Contracts	BAS 11	Construction Contracts	1.1.1999
IAS 12	Income Taxes	BAS 12	Income Taxes	1.1.1999
IAS 16	Property, Plant and Equipment	BAS 16	Property, Plant and Equipment	1.1.2007
IAS 17	Leases	BAS 17	Leases	1.1.2007
IAS 18	Revenue	BAS 18	Revenue	1.1.2007
IAS 19	Employee Benefits	BAS 19	Employee Benefits	1.1.2004
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	BAS 20	Accounting of Government Grants and Disclosure of Government Assistance	1.1.1999
IAS 21	The Effects of Changes in Foreign Exchange Rates	BAS 21	The Effects of Changes in Foreign Exchange Rates	1.1.2007
IAS 23	Borrowing Costs	BAS 23	Borrowing Costs	1.1.2007
IAS 24	Related Party Disclosures	BAS 24	Related Party Disclosures	1.1.2007
IAS 26	Accounting and Reporting by Retirement Benefit Plans	BAS 26	Accounting and Reporting by Retirement Benefit Plans	1.1.2007
IAS 27	Consolidated and Separate Financial Statements	BAS 27	Consolidated and Separate Financial Statements	1.1.2007
IAS 28	Investments in Associates	BAS 28	Investments in Associates	1.1.2007
IAS 31	Interests in Joint Ventures	BAS 31	Interest in Joint Ventures	1.1.2007
IAS 32	Financial Instruments: Presentation – Disclosure provisions superseded by IFRS 7	BAS 32	Financial Instruments: Presentation	1.1.2010
IAS 33	Earnings Per Share	BAS 33	Earnings Per Share	1.1.2007
IAS 34	Interim Financial Reporting	BAS 34	Interim Financial Reporting	1.1.1999

IAS 36	Impairment of Assets	BAS 36	Impairment of Assets	1.1.2005
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	BAS 37	Provisions, Contingent Liabilities and Contingent Assets	1.1.2007
IAS 38	Intangible Assets	BAS 38	Intangible Assets	1.1.2005
IAS 39	Financial Instruments: Recognition and Measurement	BAS 39	Financial Instruments: Recognition and Measurement	1.1.2010
IAS 40	Investment Property	BAS 40	Investment Property	1.1.2007
IAS 41	Agriculture	BAS 41	Agriculture	1.1.2007
IFRS 1	First-time adoption of International financial Reporting Standards	BFRS 1	First-time adoption of International financial Reporting Standards	1.1.2009
IFRS 2	Share-based Payment	BFRS 2	Share-based Payment	1.1.2007
IFRS 3	Business Combinations	BFRS 3	Business Combinations	1.1.2010
IFRS 4	Insurance Contracts	BFRS 4	Insurance Contracts	1.1.2010
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	BFRS 5	Non-current Assets Held for Sale and Discontinued Operation	1.1.2010
IFRS 6	Exploration for and Evaluation of Mineral Resources	BFRS 6	Exploration for and Evaluation of Mineral Resources	1.1.2007
IFRS 7	Financial Instruments: Disclosures	BFRS 7	Financial Instruments: Disclosures	1.1.2010
IFRS 8	Operating Segments	BFRS 8	Operating Segments	1.1.2010
IFRS 9	Financial Instruments	IFRS 9	Financial Instruments	1.1.2018
IFRS 10	Consolidated Financial Statements	BFRS 10	Consolidated Financial Statements	1.1.2013
IFRS 11	Joint Arrangements	BFRS 11	Joint Arrangements	1 .1.2013
IFRS 12	Disclosure of Interests in other Entities	BFRS 12	Disclosure of Interests in other Entities	1.1. 2013
IFRS 13	Fair Value Measurement	BFRS 13	Fair Value Measurement	1.1.2013
IFRS 14	Regulatory Deferral Accounts	BFRS 14	Regulatory Deferral Accounts	1.1.2018
IFRS 15	Revenue Recognition from Contracts	BFRS 15	Revenue Recognition from Contracts	1.1.2018
IFRS 16	Lease	BFRS 16	Lease	1.1.2018

Appendix – F

List of Top 10 largest international accounting and professional services firms in the world

Sl	International accounting and professional services firms
1	Deloittle
2	PWC
3	E&Y
4	KPMG
5	Grant Thornton
6	BDO
7	Crowe Horwath
8	Moss Adams
9	RSM
10	Baker Tilly international

Appendix – G
Disclosure Checklist

General disclosure:

Sl. no.	IAS Ref. no.	Items to be disclosed
1	IAS 1.138(a)	Disclose the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office).
2	IAS 1.138(b)	A brief description of the nature of the entity's operations and its principal activities
3	IAS 1.138(c)	Disclose the name of the parent and the ultimate parent of the group
4	IAS 1.25(b)	Disclose the basis on which the financial statements are prepared
5	IAS 1.10(a)	Statement of financial position as at the end of the period
6	IAS 1.10(b)	Statement of profit or loss and other comprehensive income (OCI) for the period
7	IAS 1.10(c)	A statement of changes in equity for the period
8	IAS 1.10(d)	Statement of cash flows for the period
9	IAS 1.10(e)	Disclose notes comprising a summary of significant accounting policies and other explanatory information
10	IAS 1.78(e)	Disclose equity capital and reserves disaggregated into the various classes such as paid-in capital, share premium and reserves.
11	IAS 1.117(a)	The measurement basis (or bases) used in preparing the financial statements
12	IAS 1.117(a)	Disclose significant accounting policies
13	IAS 1.117(b)	Disclose the other accounting policies used and notes relevant to understanding the financial statements.
14	IAS 10.17	The date when the financial statements were authorized for issue and who gave that authorization.
15	IAS 10.19	Post balance sheet events that existed at the reporting date
16	IAS 10.21–22	Disclose the nature of the non-adjusting event after the reporting date and an estimate of its financial effect.
17	IAS 1.16	Statement of compliance with approved IASs
18	IAS 1.20	When the entity departs from a requirement of an IFRS, disclose the title of the IFRS from which it has departed, the nature of the departure, including the treatment that the IFRS would require, the reason why that treatment would be so misleading.
19	IAS 1.20(d)	Disclose the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement for each period presented
20	IAS 1.10(ea)	Comparative information in respect of the preceding period as specified in IAS 1.38 and IAS 1.38A;
21	IAS 1.125	Disclose information about assumptions made about the future, and other major sources of estimation uncertainty at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial

Statements of Financial Position

Sl	IAS Ref. no.	Items to be disclosed
22	IAS 1.60	Present current and non-current assets, and current and non-current liabilities.
23	IAS 1.61	Disclose the amount expected to be recovered or settled after more than 12 months for each asset and liability line item that combines amounts expected to be recovered or settled:
	IAS 1.61 (a)	No more than 12 months after the reporting date; and
	IAS 1.61(b)	More than 12 months after the reporting date.
24	IAS 1.56	When current and non-current classification is used in the statement of financial position, do not classify deferred tax assets (liabilities) as current assets (liabilities).
25	IAS 1.78(a)	Disclose items of property, plant and equipment disaggregated into classes
26	IAS 1.78(b)	Disclose receivables separately from trade customers, receivables from related parties, prepayments and other amount
27	IAS 1.78(d)	Disclose provisions separately into provisions for employee benefits and other items
28	IAS 17.49	Lessors present assets subject to operating leases in their statement of financial position according to the nature of the asset.
29	IAS 1.54(a)	Property, plant and equipment
30	IAS 1.54(b)	Investment property
31	IAS 1.54(c)	Intangible assets
32	IAS 1.54(d)	Financial assets, excluding amounts shown under IAS 1.54(e), (h) and (i)
33	IAS 1.54(e)	Investments accounted for under the equity method
34	IAS 1.54(h)	Trade and other receivables
35	IAS 1.54(i)	Cash and cash equivalents
36	IAS 1.54(k)	Trade and other payables
37	IAS 1.54(l)	Provisions
38	IAS 1.54(m)	Financial liabilities, excluding amounts shown under IAS 1.54(k) and (l)
39	IAS 1.54(n)	Liabilities and assets for current tax
40	IAS 1.54(o)	Deferred tax liabilities and deferred tax assets
41	IAS 16.73(a)	The measurement bases used for determining the gross carrying amount of property, plant and equipment
42	IAS 16.73(d)	Disclose the accumulated depreciation for each class of property, plant and equipment at the beginning and end of the period.
43	IAS 16.73(e) (i) to (xi)	A reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the period showing additions/disposals/impairment loss/revaluation gain/(loss), assets classified as held-for-sale. (Fixed Assets Schedule)
44	IAS 16.74(a)	Disclose the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities
45	IAS 17.35(a)	Disclose the total future minimum lease payments under non-cancellable operating leases for each of the following periods
	IAS 17.35(a)(i)	Not later than one ;
	IAS 17.35(a)(ii)	Later than one and not later than five; and

	IAS 17.35(a)(ii)	Later than five;

Statements of Profit and Loss Account and OCI

Sl no.	IAS Ref. no.	Items to be disclosed
46	IAS 18.35(b)(i)	Amount of revenue recognized from sale of entity's products
47	IAS 18.35(b)(ii)	Revenue recognized from rendering of services (Fee/commission income)
48	IAS 18.35(b)(iii)	Revenue recognized from Interest income
49	IAS 18.35(b)(v)	Revenue recognized from Dividends
50	IAS 24.17	Disclose key management personnel compensation in total of the entity
51	IAS 19.53	Provisions for contributory Provident fund
52	IAS 19.53	Provisions for gratuity
53	IAS 12.80(a)	Current tax expense (income)
54	IAS 12.80(b)	Any adjustments to current tax for prior periods
55	IAS 12.80(c)	Amount of deferred tax expense (income) relating to the origination and reversal of temporary differences
56	IAS 12.80(d)	Amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes
57	IAS 12.81(a)	Disclose separately the aggregate current and deferred tax relating to items that are charged or credited to equity
58	IAS 12.81(ab)	The amount of income tax relating to each component of OCI
59	IAS 12.81(c)	An explanation of the relationship between tax expense (income) and accounting profit in either or both of the following forms:
	IAS 12.81(c)(i)	a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), also disclosing the basis on which the applicable tax rate(s) is (are) computed; or
	IAS 12.81(c)(ii)	a numerical reconciliation between the average effective tax rate and the applicable tax rate, also disclosing the basis on which the applicable tax rate is computed;
60	IAS 12.81(d)	An explanation of changes in the applicable tax rate(s) compared to the previous accounting period
61	IAS 33.69	Present basic and diluted earnings/ (loss) per share
62	IAS 33.70(a)	Disclose the amounts used as the numerators in calculating basic and diluted earnings/(loss) per share
63	IAS 33.70(b)	Disclose the weighted-average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other
64	IAS 36.126(a)	Amount of Impairment losses recognised and the line item(s) in which those impairment losses are included
65	IAS 36.126(b)	Amount of impairment losses reversed and the line item(s) in which those reversal included

Shareholders' equity

Sl no.	IAS Ref. no.	Items to be disclosed
66	IAS 1.134–135	To enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital, disclose based on information provided to key management personnel:
67	IAS 1.79(a)(i)	The number of shares authorized
68	IAS 1.79(a)(ii)	The number of shares issued and fully paid, and issued but not fully paid
69	IAS 1.79(a)(iii)	Disclose par value per share, or that the shares have no par value
70	IAS 1.79(a)(iv)	A reconciliation of the number of shares outstanding at the beginning and at the end of the period;
71	IAS 1.135(a)	Qualitative information about objectives, policies and processes for managing capital, including: a description of what is managed as capital
72	IAS 1.135(a)(ii)	When the entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital
73	IAS 1.135 (a) (iii)	How the objectives for managing capital are met
74	IAS 1.135(d)	Whether during the period the entity complied with any externally imposed capital requirements to which it is subject
75	IAS 1.136	When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of the entity's capital resources, disclose separate information for each capital requirement to which the entity is subject.
76	IAS 1.106(d)	A reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from profit or loss; OCI and transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.
77	IAS 1.106A	Present for each component of equity, either in the statement of changes in equity or in the notes
78	IAS 1.107(a)	Disclose the amount of dividends recognized as distributions to owners during the period
79	IAS 1.137(a) a.	Amount of dividends proposed or declared before the financial statements were authorised for issue but not recognized as a distribution to owners during the period and the related amount per share.
80	IAS 1.79(b)	Disclose a description of the nature and purpose of each reserve within equity

Statement of Cash Flows

Sl no.	IAS Ref. no.	Items to be disclosed
81	IAS 7.10	Report cash flows during the period classified as operating, investing and financing activities
82	IAS 7.18, 18(a) and 18(b)	Report cash flows from operating activities under either: the direct method or the indirect method
83	IAS 7.31	Disclose separately cash flows from interest and dividends received and paid, classified in a consistent manner from period to period as operating, investing, or financing activities.
84	IAS 7.35	Disclose separately cash flows from taxes on income in operating activities
85	IAS 7.45	Disclose the components of cash and cash equivalents and a reconciliation of the amounts in the statement of cash flows with the equivalent items reported in the statement of financial position

Accounting Policies and Notes to the financial statements

Sl no.	IAS Ref. no.	Items to be disclosed
86	IAS 16.73(a)	The measurement bases used for determining the gross carrying amount
87	IAS 16.73(b)	The depreciation methods used
88	IAS 16.73(c)	The useful lives or the depreciation rates used
89	IAS 1.107(b)	Disclose the related amount of dividends per share.
90	IAS 7.46	Disclose the accounting policy adopted for determining the composition of cash and cash equivalents.
91	IAS 1.129(a)	Disclose the nature of the assumption or other estimation uncertainty
92	IAS 1.129(b)	Disclose the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity
93	IAS 1.129(d)	An explanation of changes made to past assumptions
94	IAS 19.151(b)	Information about related party transactions with post-employment benefits for key management personnel.
95	IAS 37.84(a)	The carrying amount of each class of provision at the beginning and end of the period
96	IAS 37.84(b)	Additional provisions made in the period for each class of expenses
97	IAS 37.84(c)	Amounts incurred and charged against the provision during the period
98	IAS 37.84(d)	Unused amounts of provision reversed during the period
99	IAS 19.151(a)	Information about related party transactions with post-employment benefit plans
100	IAS 24.17(a)	Disclose short-term employee benefits
101	IAS 24.17(b)	Contribution to post-employment benefit plans e.g. provisions for gratuity
102	IAS 24.17(c)	Other long-term benefits; e.g. pensions
103	IAS 24.17(d)	Termination benefits; voluntary retirement scheme (VRS)

104	IAS 24.17(e)	Share-based payments to key management personnel
Sl no.	IAS Ref. no.	Items to be disclosed
105	IAS 24.18	At a minimum, disclose for this related party (i.e. do not combine with disclosure for other related parties) for associates, parent, subsidiary companies and with key management personnel:
106	IAS 24.18(a)	The amount of the transactions with related parties
107	IAS 24.18(b)	The amount of outstanding balances, including commitments with related parties
108	IAS 24.18(b)(i)	The terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement of related party transactions
109	IAS 24.18(b)(ii)	Details of any guarantees given or received to or from the related party
110	IAS 24.18(c)	Provisions for doubtful debts related to the amount of outstanding balances from the related party
111	IAS 24.18(d)	The expense recognized during the period in respect of bad or doubtful debts due from the related party.
112	IAS 1.137, IAS 10.13	Disclose the amount of dividends proposed or declared before the financial statements were authorized for issue but not recognized as a distribution to owners during the period and the related amount per share
113	IAS 37.85(a)	Disclose a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits
114	IAS 37.85(b)	An indication of the uncertainties about the amount or timing of those outflows. When necessary to provide adequate information, disclose the major assumptions made concerning future events
115	IAS 37.86	Disclose each class of contingent liability
116	IAS 37.86(a)	Disclose an estimation of financial effect of each contingent liability.
117	IAS 37.86(b)	Disclose the indication of the uncertainties relating to the amount or timing of any outflow
118	IAS 37.86(c)	Disclose the possibility of any reimbursement.
119	IAS 17.33	Disclose whether the payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.
120	IAS 37.89	If an inflow of economic benefits is probable, then disclose a brief description of the nature of the contingent assets at the reporting date and, when practicable, an estimate of their financial effect.

Appendix - H

Design of disclosure index

ICAB, the apex professional body in Bangladesh has been evaluating corporate annual report every year and giving national awards to the companies for best published accounts since 2001. ICAB evaluates companies annual reports based on SAFA Regional Criteria since inception. I took three best 3 accounts from each banking, insurance and non banking financial institutions (NBFIs) sectors. Based on the IAS/IFRSs compliance checklist published by the companies in the annual report, I prepared a common list of IAS/ IFRS applicable across Banking, Insurance and NBFI Companies. Based on these IAS/IFRS, I prepared a disclosure checklist with the help of checklist suggested by ICAB.

IAS/IFRS	Title	Year of acceptance	Ranking of companies in terms of best published accounts 2014									IAS taken to test Disclosure Index / Disclosure Score
			Bank			Insurance			Financial Institutions			
			Rank 1	Rank 2	Rank 3	Rank 1	Rank 2	Rank 3	Rank 1	Rank 2	Rank 3	
1	Presentation of Financial statements	1998	A	A	A	A*	A*	0	A*	PA	A	Taken to test DI
2	Inventories	2007	N	A	N	N	N	0	N	N	N	
7	Statement of Cash Flow	1999	A	A	A	A	A	0	A	PA	A	Taken to test DI
8	Accounting policies, change in accounting estimates and errors	2007	A	A	A	A	A	0	A	A	A	
10	Events after the balance sheet date	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
11	Construction contracts	1999	N	A	N	N	N	0	N	N	N	
12	Income taxes	1999	A	A	A	A	A	0	A	PA	A	Taken to test DI
16	Property, plant and equipment	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
17	Lease	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
18	Revenue	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
19	Employee benefits	2004	A	A	A	A	A	0	A	A	A	Taken to test DI
20	Accounting for government grants and disclosure of governments assistance	1999	N	N	N	A	A	0	N	N	N	
21	The effect of change in foreign exchange rates	2007	A	A	A	A	A	0	A	A	A	
23	Borrowing cost	2010	N	A	N	A	A	0	A	A	A	
24	Related party disclosure	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
26	Accounting and reporting by retirement benefits plan	2007	N	N	N	A	A	0	N	N	A	
27	Consolidated and separate financial statements	2010	A	A	A	A	A	0	A	A	A	
28	Investment in associates	2007	N	A	N	N	N	0	N	N	A	
31	Investment in joint ventures	2007	N	A	N	N	N	0	N	A	A	
32	Financial instruments: disclosure and presentations	2010	A*	A	A	A*	A*	0	A*	PA	A	
33	Earning per share	2007	A	A	A	A	A	0	A	A	A	Taken to test DI
34	Interim financial reporting	1999	A	A	A	A	A	0	A	A	A	
36	Impairment of assets	2005	A	A	A	A	A	0	A	A	A	Taken to test DI
37	Provision, contingent liabilities and contingent assets	2007	A*	A	A	A	A	0	A	A	A	Taken to test DI
38	Intangible assets	2005	A	A	A	A	A	0	A	A	A	
39	Financial instruments: recognition and measurement	2010	A*	A	A	A*	A*	0	A*	PA	A	
40	Investment property	2007	N	A	N	N	N	0	N	N	N	
41	Agriculture	2007	N	N	N	N	N	0	N	N	N	
BFRS 1	First tine adaption of BFRS	2009	N	N	N	N	N	0	N	N	N	
2	Share Base payment	2007	N	N	N	N	N	0	N	N	N	
3	Business combination	2010	A	A	N	N	N	0	N	N	N	
4	Insurance contracts	2010	N	N	N	A*	A*	0	N	N	N	
5	Non-currents assets held for sale and discontinued operation	2007	N	N	N	N	N	0	N	N	N	
6	Exploration for and evaluation of mineral resources	2007	N	N	N	N	N	0	N	N	N	
7	Financial instruments : disclosure	2010	A*	A	N	A*	A*	0	A*	PA	A	
8	Operating segment	2010	A	A	N	N	N	0	N	A	A	
9	Financial Instruments	2018	N	A	N	N	N	0	A	N	N	
10	Consolidated Financial Statements	2013	A	N	N	N	N	0	A	A	A	
11	Joint Arrangements	2013	N	N	N	N	N	0	A*	N	N	
12	Disclosure of Interests in Other Entities	2013	N	N	N	N	N	0	ND	A	N	
13	Fair Value Measurement	2018	A	A*	N	N	N	0	ND	A	N	
14	Regulatory Deferral Accounts	2018	N	N	N	N	N	0	ND	N	N	
15	Revenue from Contracts with Customers	2018	N	N	N	N	N	0	ND	N	N	