

## Implementation Dilemma of International Accounting Standards and International Financial Reporting Standards in Bangladesh

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### Abstract

*The present paper focuses on the burning issue of reporting aspects of accounting statements by the industry sector of Bangladesh, especially the manufacturing industries, which allegedly does not follow standard procedures of reporting to the stakeholders. The Government of Bangladesh has been long trying to rationalize the reporting practices of the corporate sector through enactment of a new law and has come up with the proposal of forming a separate authority named as Financial Reporting Council to establish discipline in this sector. Currently the listed companies of Bangladesh have to follow International Financial Reporting Standards (IFRS) as adopted through the Institute of Chartered Accountants of Bangladesh (ICAB). Before adoption of IFRSs, International Accounting Standards were applicable for different areas of accounting in the industry and corporate sector. However, the role and utility of several IASs and IFRS (as BFRS) have been recognized by the accounting community of Bangladesh. Implementation of IFRS and IAS in the area of reporting aspects of accounting offers a good prospect of complete disclosure. These provide a complete guideline about how to communicate vital accounting information to the stakeholders. Following IFRSs will enhance the quality of reporting standards of accounting statements and increase credibility of published accounts. Accounting professionals are to follow the guidelines of ICAB to oversee that IFRSs (as BFRSs) are being followed and that the companies comply with these. There are problems and difficulties in the implementation of IFRSs (as BFRSs) but the prospects of its adoption can save stakeholders from having poor quality accounting information.*

**Keywords:** BFRS, IFRS, IAS, ICAB

### Introduction

There has been a lot of discussion relating to adoption of IAS and IFRS in Bangladesh, especially its impact on the corporate accounting in Bangladesh. Appropriate implementation of IASs and IFRSs can bring revolutionary improvements in the corporate sector accounting.

International Financial Reporting Standards (IFRS) are Standards, Interpretations and the Framework (in the absence of a Standard or an Interpretation) adopted by the International Accounting Standards Board (IASB) or we can say that International Financial Reporting Standards (IFRS) is the collection of financial reporting standards developed by the International Accounting Standards Board (IASB). The IASB is an independent accounting standard-setting body, based in London. It consists of 14 members from nine countries, including the United States (Ashbaugh & Pincus, 20010). The IASB began operations in 2001, when it succeeded the International Accounting Standards Committee. It is funded by contributions from major

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accounting firms, private financial institutions and industrial companies, central and development banks, and other international and professional organizations throughout the world. The American Institute of Certified Public Accountants (AICPA) was a founding member of the International Accounting Standards Committee.

The first IFRS was issued in 2003, by which time at least 19 countries required compliance with the international standards. Since then, nearly 70 countries (including EU countries) have mandated IFRS for all listed companies. Further, about 23 countries have either mandated IFRS for some listed companies or allow listed companies to voluntarily adopt IFRS. Notably, however, as of 2007, at least 40 countries continue to require domestically developed accounting standards over IFRS, this list includes some large economies like Brazil, Canada, China, Japan, and India. By adopting IFRS, a business can present its financial statements on the same basis as its foreign competitors, making comparisons easier. Furthermore, companies with subsidiaries in countries that require or permit IFRS may be able to use one accounting language company-wide. Companies also may need to convert to IFRS if they are a subsidiary of a foreign company that must use IFRS, or if they have a foreign investor that must use IFRS. In addition, companies may benefit if they wish to raise capital abroad.

**As the work of the IASC Foundation has gained growing acceptance and its standards have been adopted by increasing numbers of national jurisdictions, there has been a commensurate interest in its activities.** More than 100 countries now require or permit the use of IFRSs or are converging with the International Accounting Standards Board's (IASB) standards. The aim of IFRS is to provide "a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements" (Lambart & Verecchia, 2007). IFRS are now required or permitted in nearly 100 countries, including the European Union and much of the Pacific Rim. India, Japan and Brazil have also announced plans to adopt or converge with IFRS (Lee, Walker & Christensen, 2008).

The US based Financial Accounting Standards Board (FASB) is working with the IASB to align standards, with the long term goal of a single set of quality standards. In the shorter term, the Securities and Exchange Commission (SEC), has published a preliminary timeline for US companies to adopt IFRS.

The objective of this IFRS is to ensure that financial statements and its interim financial reports contain high quality information that is transparent for users and comparable over all periods presented; provides a suitable starting point for accounting under International Financial Reporting Standards (IFRSs); and (c) can be generated at a cost that does not exceed the benefits to users.

In general, the IFRS requires an entity to comply with each IFRS effective at the end of its first IFRS reporting period. In particular, the IFRS requires an entity to do the following in the opening IFRS statement of financial position that it prepares as a starting point for its accounting under IFRSs: (a) recognize all assets and liabilities whose recognition is required by IFRSs; (b) not to recognize items as assets or liabilities if IFRSs do not permit such recognition; (c) reclassify items that it recognized under previous Generally Accepted Accounting Principles

(GAAP) as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity under IFRSs; and (d) apply IFRSs in measuring all recognized assets and liabilities.

The IFRS grants limited exemptions from these requirements in specified areas where the cost of complying with them would be likely to exceed the benefits to users of financial statements (Ball, 2005).

### **Objectives and Methodology**

The paper emphasizes on a rigorous evaluation of the IAS and IFRS status and the current problems relating to their implementation. In this regard the following objectives and methodologies have been followed.

#### ***Objectives:***

- a. To summarize the need for developing accounting standards in Bangladesh.
- b. To identify and present the standard setting process in Bangladesh by the professional bodies.
- c. To portray the current developments regarding IASs and IFRSs as also showing their status of implementation in Bangladesh.
- d. To highlight the problems of IAS and IFRS implementation in Bangladesh and also identify the prospects of broader application of IASs and IFRSs/BFRSs in Bangladesh.

#### ***Methodologies:***

- a. The paper has been developed mainly on the basis of case study of our regulatory body of financial accounting i.e., ICAB, which is entrusted to adopt IASs and IFRSs for our corporate accounting.
- b. Data gathered for the paper has been mainly from secondary sources in published and unpublished sources. Relevant website information has been used and duly acknowledged.
- c. The paper is descriptive and has been focusing on a summarization of the past, present and possible future implementation of IAS and IFRS in Bangladesh.

### **Need for Developing Accounting Standards**

The users of financial accounting statements have both coinciding and conflicting needs for statements of various types. The number of users and uses of financial accounting reports are large. For example, the banker considering a six month long loan to a firm, an investor planning to purchase or sell a firm's bonds, preferred stock or common stock, a manager analyst contemplating the acquisition of another firm, or a governmental agency considering antitrust action.

There are a variety of accounting methods and procedures that can be used in preparing financial statements. If each firm develops its own accounting methods and design its accounting reports to satisfy each of the various users of its financial statements, the cost of processing and

communicating accounting information will be enormous. Instead, a single set of general purpose financial statements can be prepared in an effort to satisfy the information needs of the various user groups. These statements are expected to present fairly, clearly and completely the economic facts of the existing operations of the enterprise. In preparing financial statements, accountants (like those involved in any communication process) are confronted with the potential dangers of bias, misinterpretation, inexactness and ambiguity.

To overcome these and also to enhance the understandability and comparability of these statements, a set of accounting principles generally acceptable to both statement preparers and users are developed by standard setting bodies (Belkaoui, 1994).

So in order to satisfy the needs of the different user groups and maintaining the consistency and comparability of the financial statements across the companies, over the years, the development of the accounting standards acceptable to all is very essential.

### **Literature Review**

There are scanty literatures available on the topic with direct relevance. However, there are quite a large number of related papers and other publications available. Only a limited number of those having material relevance to Bangladesh context have been discussed in this section.

A major research (Rahman, 1999) was attempted on 20 listed manufacturing companies in Bangladesh where mandatory and voluntary financial disclosure and reporting practices were discussed. Several other empirical studies were referred (Alam, 1989; Parry, 1989; Parry and Grooves, 1990; Ahmed and Nichols, 1994; Karim, 1995; Karim, et. al., 1996). Also referred were important studies in the relevant area of disclosure (Cerf, 1961; Shingvi, 1967 and 1968; Buzby, 1972 and 1974; Spero, 1979; Chow and Wong-Boren, 1987; Cooke, 1989). Among the regulations in Bangladesh relating to financial reporting, Companies Act 1994, Securities and Exchange Commission Rules 1987 and the International Accounting Standards (IAS) adopted by the Institute of Chartered Accountants of Bangladesh were examined.

A study (Siddiqui and Chowdhury, 2003) on the accounting standard setting process in Bangladesh from the economic and political point of view was done and interesting findings were revealed. FASB guidelines during 1960s came up in the discussion and later an emphasis on economic significance of accounting reporting were highlighted up to the contemporary time with the advent of IAS, SFAS and IFRSs. The conclusion included an observation that when political pressures are high, the standard setting bodies do compromise under such pressures.

A very important study (Bhattacharjee and Islam, 2009) was made on the adoption and application problems of IFRSs in Bangladesh, where it has been argued that though adoption of IFRSs throughout the world has been progressing rapidly but quality improvement through a set of standards has been lagging behind. Accounting quality has been found to be more dependent on the institutional, legal and political system of the country, of which Bangladesh is no exception. The paper advocates for a trade-off between advantages of IFRSs and the local advantage of decentralized adaptation. The paper also focuses on the problems of on

implementation of IFRSs in Bangladesh and remarks on better applicability of standards for ensuring transparent information environment.

Biswas and Rahaman (2012) published a paper focusing on Bangladesh Financial Reporting Standards (BFRSs) and Environmental Accounting with a survey on listed manufacturing companies.

IFRS Foundation itself made a study (ifrs.org, 2013) on the implementation status of IFRSs around the world. The implementation profile has been prepared and published in its website. Data gathered are from various sources but mostly through a questionnaire survey forwarded to country specific accounting regulatory bodies and international audit firms. Status of Bangladesh has been included in the paper.

Financial reporting issues coupled with ethical issues in Bangladesh as pursued by the ICAB have been the subject matter of an interesting paper (Rahman and Hossain, 2014). It has been emphasized that ICAB's "framework of presentation of financial statements" be followed and verified appropriately.

### **Current Developments and Changes of IAS and IFRS**

Development of accounting standards began with the generation of ideas by individuals. These ideas are put into practice by them and also transmitted to others, and then it becomes a concept. If an organization or institute takes the concept to discuss and gives its members as a proposal then it becomes a proposition. From 1985 a "Foreword to Statements of Accounting Concepts and Statements of Accounting Standards" has been included in the Members' Handbooks of the Australian Society of Certified Practicing Accountants and The Institute of Chartered Accountants in Australia (the Society and Institute) which, among other things, explains the procedures for the development of those pronouncements. Also, in 1985 the then Accounting Standards Review Board (ASRB) issued ASRB Release 200 "Procedures for the Approval of Accounting Standards" which explained the establishment and operation of the ASRB. Since 1985, the institutional arrangements for developing Statements of Accounting Concepts and Accounting Standards have changed as a result of the Accounting Standards Review Board being succeeded by the Australian Accounting Standards Board (AASB) in 1991.

It was necessary to revise the Foreword and Release 200, which therefore provided an opportunity for the AASB and the Public Sector Accounting Standards Board to invite comment from interested parties on the procedures employed in the development of Statements of Accounting Concepts and Accounting Standards from those with an Interest in financial reporting. There has been extensive discussion of the role of accounting standards in the period of financial crisis. There are a wide range of views about the merits of different accounting methods, in particular the use of fair value for certain debt securities and loans (Guenther & Young, 2000). However, judgments have to be made as to which methods best meet the needs of the investor and other constituencies that make economic decisions and assess the effectiveness of stewardship of financial institutions (Lambert & Verrecchia, 2007).

It is generally believed that the most appropriate standards are developed when standard setters are able to exercise independent judgment, relying on their skills and experience and supported by effective consultation with market participants and other stakeholders. That has been the position in the UK since 1990, with the establishment of the Accounting Standards Board (ASB). It is important that the responsibility for the setting of accounting standards remain with the relevant standard-setters. That support the IASB in its role as the standard setter for listed companies in the EU and elsewhere, including financial institutions, many of which raise capital from international investors (Hove, 1990). The announcements by the IASB and FASB of their commitment to a global approach to the development of solutions to the accounting challenges posed by the recent financial crisis are in line with setting reporting standards. Other experienced accounting standard setters, such as the ASB, can contribute to developing high quality solutions. The Boards have decided, in the light of comments received and other considerations, to introduce changes to the procedures for the development of Statements of Accounting Concepts and Accounting Standards.

The Boards will issue further Policy Statements detailing the nature and operations of their Consultative Groups and Project Advisory Panels. In addition to the changes adopted, the Boards are reviewing the feasibility of establishing an emerging issues task force as a means of formalizing the process of identifying and dealing with emerging issues. In considering changes to the procedures for the development of Statements of Accounting Concepts and Accounting Standards the Boards are mindful of the costs and benefits associated with the changes. The Boards have developed the procedures with regard to the resources presently available to them. Major changes have taken place recently in financial reporting. There have been various trends (such as the emergence of narrative reporting, including ‘management commentary’), but the most important change is convergence around IFRS. ‘National GAAP’ is becoming rare. In many countries it is being supplemented or replaced by the use of IFRS (Barth et.al., 2008).

The extent and manner of this varies from country to country. In some parts of the world, such as parts of Africa and the Caribbean, IFRS has become the national GAAP. In some cases (for example, Australia and Hong Kong), IFRS has been adapted so the result is not pure IFRS. In other cases, such as in the EU, national GAAP remains, but EU-endorsed IFRS has been mandated for the listed sector and permitted elsewhere. In the UK and Ireland, national GAAP is converging to IFRS so that it may in due course become the same as IFRS (Hung & Subramanyam, 2007).

Recent changes of IFRS and IAS includes the following:

- (a) **IFRS 7 on Financial Instruments Disclosure** elaborated the scope of disclosures and differences in scope with IAS 39. The concept of “classes” of financial instruments introduced. The challenge of reconciling fair value disclosures with the balance sheet and reconciling movements in reserves emphasized. Qualitative disclosures on risk management and new disclosures of detailed sensitivity analysis on market risks elaborated. Extensive additional disclosures (including collateral, defaults and breaches) are introduced.

- (b) *Revised IAS 1 in 2007*: On 6 September 2007, the IASB issued a revised IAS 1 Presentation of Financial Statements. The main changes from the previous version were to require that an entity must present all non-owner changes in equity (comprehensive income) either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity. Present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement. Disclose income tax relating to each component of other comprehensive income. Disclose reclassification adjustments relating to components of other comprehensive income.

IAS 1 changes the titles of financial statements as they will be used in IFRSs. 'Balance sheet' will become 'statement of financial position'. 'Income statement' will become 'statement of comprehensive income' and 'cash flow statement' will become 'statement of cash flows'. Entities are not required to use the new titles in their financial statements. All existing Standards and Interpretations are being amended to reflect the new terminology. The revised IAS 1 resulted in consequential amendments to 5 IFRSs, 23 IASs, and 10 Interpretations. The revised IAS 1 has been effective for annual periods beginning on or after 1 January 2009.

- (c) **Accounting for foreign exchange risk – focusing on IAS 21 Basic Concepts relating to the functional currency concept and accounting for foreign currency transactions and translation to the presentation of currency was introduced.** Foreign exchange hedging issues under IAS 39 (including effectiveness testing, managing the hedging reserve, hedging with options and structure products) has been included with latest update on Net Investment hedging.
- (d) **IAS 32 focused on Presentation of Financial Instruments.** Debt vs. equity classification has been shown with issues related to cash pooling and balance sheet netting.
- (e) Update on Key Concepts of IAS 39; scope and definitions, the latest concept on computing Fair Values and the Fair Value hierarchy. October 2008 amendment on reclassification of financial assets and embedded derivatives update.
- (f) IFRSs application dates onwards 2009 in Bangladesh with name changes etc. has been more elaborately presented in Table-2 of this paper.

#### IFRS and IAS in Bangladesh

The evolution of accounting in various countries has inevitably led to different practices and regulations. As the economic systems and trading conditions vary from country to country, so do the accounting models and methods (Ding et al., 2007). Factors influencing these variations include the degree of centralization in the economy, the nature of economic activity, the stage of economic growth, stability of the local currency and the style of government.

Bangladesh inheriting the colonial legacies of over two centuries, predominantly agrarian, driven by a hybrid economic philosophy; lack of good governance and absence of a pro-people legal

system all of these have profound effect on the approach to accounting and financial reporting. Besides, the country was heavily dependent on foreign aid. Aid is normally channeled through the government and thus becomes subject to civil service procedures for its distribution. For business entities, whether state or privately owned, access to such fund has been an important policy objective. Yet the allocation of these resources rarely depends on accounting measures of performance (Young & Guenther, 2002).

On the other hand, both in state-owned and private sector businesses, as managers and administrators are evaluated not fundamentally on the strength of financial criteria but on cultural or political factors accounting remains at best a routine and housekeeping job, at worst an optional extra ((Fan & Wong, 2002). The culture led attitude of the business community too has its contribution to the scenario, ‘the less you talk, the less you are embarrassed; the less you disclose, the less you are penalized.’ Thus, through not exactly hiding or concealing, a culture of minimum disclosure has developed. Another striking feature is that accountants have very thin presence in either administration or development process of the country (Parry & Grooves, 1990). Non-accountants have been much more reluctant to recognize that accounting has any positive impact or indeed any impact at all on management of the economy. During early period, developers preferred to think in macroeconomic terms. However, the harsh realities of 1980s have forced them to accept quite reluctantly, that at the very least; bad accounting is a hindrance to development.

Now Bangladesh is a member of International Federation of Accountants (IFAC). The Institute of Chartered Accountants of Bangladesh (ICAB) is the standard setting body in Bangladesh. While formulating the Accounting Standards, the Technical and Research Committee, the body formulating the accounting standard of the Council of the Institute tries to integrate the International Accounting Standards (IAS) with the local laws, conditions and practices. During the process of integration, departures from IAS sometimes become inevitable. But all out efforts are made to narrow down the difference. Understanding and using International Financial Reporting Standards (IFRS) may not seem like Bangladesh’s greatest concern at present. Now in the era of globalization it is hardly possible for any country to avoid this tide (Ball, 2001). So the importance of the adoption and implementation of IASs in Bangladesh is more than any time before.

However, a group of Bangladeshi finance professionals, academics and educators believe IFRS will underpin the development of Bangladesh’s economy, spurring growth and investment in both the public and private sectors. According to them, IFRS will benefit the Bangladesh economy in various ways like contributing to financial sector development, providing accurate information for decision-making in corporate markets and facilitating corporate sector (Wallace & Briston, 1993). International Financial Reporting Standards are endorsed for use by the country’s Securities and Exchange Commission and all members of the Institute of Chartered Accountants of Bangladesh study them (ICAB, 2008). However, at present, IFRS is not widely understood or used in the business world of Bangladesh (Mir & Rahaman, 2005).

IFRS Foundation in 2013 has made a global survey to find out IFRS application status in various countries of the world ([www.ifrs.org](http://www.ifrs.org)). The status of Bangladesh has been reflected through answers to a number of questions in a survey to determine commitment to global Financial



Reporting Standards. Participant in the IFRS Foundation Survey on application of IFRS is obviously ICAB, our national body on accounting practice and regulation.

The developments relating to IFRSs implementation in Bangladesh after 2009 onwards up to date can be seen in Table-2 of this paper in the relevant section.

Accounting Standard Setting Process in Bangladesh

In Bangladesh, there are two statutory bodies in the field of accounting. These are: Institute of Chartered Accountants of Bangladesh (ICAB) and the Institute of Cost and Management Accountants of Bangladesh (ICMAB). Soon after the independence of Bangladesh, the ICAB was created through an order named as, Bangladesh Chartered Accountants Order 1973 (Presidents Order no. 2 of 1973). It started functioning from the year 1972 in its new name inheriting most of the policy and practices from the erstwhile Institute of Chartered Accountants of Pakistan. In the year 1972, Bangladesh Institute of Industrial Accountants was created. But in the year 1977 the government passed an Ordinance (No.LIII of 1977) to create Institute of Cost and Management Accountants of Bangladesh. While ICAB takes care of all aspects of Financial Accounting including statutory audit of corporate sector accounts and the regulatory matters of the profession and professional accountants known as Chartered Accountants, the ICMAB looks after the practice and promotion including limited audit (cost accounting records) of cost and management accounting.

As regards standards setting and adoption of international standards relating to financial accounting is concerned, the ICAB is the sole authority for it (ICAB, 2006). It has a committee named as Technical and Research Committee (TRC) working under the guidance of ICAB Council for this purpose. The following is the chronological steps of standard setting procedure:

Table-1: Standard Setting Procedure of TRC of ICAB

Identification of the broad areas by the TRC for formulating the accounting standards.
Constitution of the study groups by the TRC for preparing the preliminary drafts of the proposed accounting standards.
Consideration of the preliminary drafts prepared by the study groups by the TRC and revision, if any, of the drafts on the basis of deliberations at the TRC.
Circulation of the drafts, so revised among the members of the Council of ICAB for comments.
Meeting with the representatives of specified outside bodies on necessary basis to ascertain their views on the drafts of the proposed accounting standards.
Finalization of the Exposure Draft of the proposed Accounting Standard, on the basis of comments received and discussions held with specific outside bodies, if required.
Issuance of the Exposure Draft inviting ICAB members to comment.
Consideration of the comments received on the Exposure Draft and finalization of the draft Accounting Standards on the basis of the same for submission to Council of ICAB for consideration and approval.
Consideration of the draft Accounting Standard by the Council of ICAB and if found necessary, modification of the draft in consultation with the TRC
The Accounting Standard, so finalized, is issued under the authority of the Council of ICAB as Bangladesh Accounting Standards (BAS).

Source: ICAB, Dhaka, Bangladesh

### **Problems of Application of IAS and IFRS (as BFRSs) in Bangladesh**

There can be identified a number of problems of application of International Accounting Standards and International Financial Reporting Standards in Bangladesh.

- a. The legal framework for financial reporting in Bangladesh is governed by companies Act 1994, Securities Exchange Rule 1987. Despite adoption of certain IASs there was no legal enforceability of these standards. Security and Exchange Commission has been made mandatory for all listed companies to comply with IASs. For others the compliance is optional.
- b. Many laws, rules and regulations are colonial in origin and their character is detrimental to the development of financial reporting with complete adoption of standards.
- c. The extent of disclosure requirements under IAS are progressively increasing, which is resented by the minimum disclosure oriented corporate culture prevalent in Bangladesh.
- d. The concept of transparency, accountability and corporate governance is a new and radical concept however, gaining importance gradually in society.
- e. Educational standards of the country are either inappropriate or not capable to understand, interpret and apply IAS and there is acute need for training the trainers. Lack of knowledge ability and familiarization with the IAS on the part of preparers and auditors of financial statements to ensure proper application of the standards in the presentation and audit of financial information. This professional constraint is a major obstacle which often impedes the practical benefits from implementation of standards and may even lead to misleading views being presented by financial information. This is essentially attributable to the educational/professional standards being inadequate to affect appropriate understanding, analysis and interpretation of the application of IAS and lack of relevant training facilities for preparers of financial information.
- f. IASs are more descriptive and less application oriented. Linguistic inadequacies often impede the correct interpretation, application and not the least, education.
- g. Users are generally unaware or non responsive. The preparation of financial statements is not fully ready to bear additional costs. Implementation of standards entails incremental costs of reporting entities in ensuring compliance with IAS through employment of appropriately qualified professionals for preparation of financial statements. Audit fees would also be increased for ensuring such compliance, which is resented and may even result in discontent for application of standards. Hence users reflect indifferent attitude and remain non-responsive to application of IAS.
- h. The dominance of government sector in the economy over the last 30 years without appropriate accounting and reporting systems.
- i. Difficulty in recruitment, training and retention of trained accountants in public sector because of poor compensation package.
- j. A substantial portion of the country's economy is outside the purview of any kind of formalized financial reporting structure let alone application of IAS (e.g. agriculture sector).

- k. Absence of specific standard on debt rescheduling.
- l. Exhaustive guidelines under IAS 21 for treatment of frequent currency devaluation effects.
- m. Problems with IAS 30 on loan classification in case of banks and financial institutions.
- n. Representation in IASC board is too costly and prohibitive for Bangladesh with a small but growing profession on financial grounds for IASC board membership entails contribution of US \$45000 besides traveling costs of representative and technical advisor.
- o. Non representation or involvement in the due process of IAS development i.e. project identification, research, steering committee, point outline, statement of principle, exposure draft, draft IAS, final IAS.
- p. Resource constraints of ICAB, the main change agent. Throughout the world accounting regulatory bodies do spend a lot of money on training, research and human resources development sector relating to accounting. In Bangladesh, this has been one of the most neglected areas. High profile persons with intellectual abilities are not employed and the result is that age-old course curricula, examination structure and systems are in place devoid of any forward looking approach. One of the main areas which ICAB must focus is on research. This regulatory body does not seem to understand the importance of it. But for future development of this profession, focus on applied research on accounting is a must.
- q. The application of IAS does not necessarily fulfill the level of public expectations. The first rule for company accounts is construed as - let the reader take care. It is often feared that the application of IAS is a promise that the profession cannot deliver. Every company has its unique features, and at best accounts can only give a very approximate impression of performance and financial position. The existence of standards tends to raise expectations about the precision and comparability of company accounts above what is sometimes practicably feasible.
- r. Standards are often inflexible and may tend to stifle independent judgment. IAS application may prohibit indigenous accounting in dealing with conditions which may be peculiar to a particular industry or an economy. This has an adverse effect on professional development, restricting accountants and auditors to checking compliance with rules and disclosures. Despite a particular IAS being meticulously prepared and vetted it may still be full of subjectivity and fail to serve the intended purpose.
- s. Under the prevailing regulatory framework there is a lack of appropriate monitoring of the application of IAS in practice. Non-compliance with the requirements of a particular standard is often not reported and disciplinary action is seldom taken.

### Prospects of Application of IAS/BAS and IFRS/BFRS in Bangladesh

To develop the overall standard of accounting practice in Bangladesh, ICAB needs to play a vital role in ensuring that IFRS and IAS are being implemented in right perspective. Despite the apparent constraints, there are positive prospects and potentials of the application of IAS in Bangladesh, some of which are mentioned below:

- a. The significant transformation in corporate culture and financial reporting practices in Bangladesh in recent years necessitate that adequate improvement in accounting practices are in place.
- b. The benefits of proper management, accountability and transparency of financial information along with the need for corporate governance have begun to increase progressively into our corporate structure and practices. This phenomenon is bound to have a positive impact on the application of IAS and IFRS.
- c. Professional managers and accountants are now changing their attitudes positively towards implementation of relevant standards, with a view to reorienting themselves for meeting the challenges of the next millennium successfully.
- d. The legal regulatory framework now requires mandatory compliance with all ICAB adopted IAS by all listed entities in Bangladesh. It is expected that certain non-listed companies may soon be brought under the purview of IAS application through changes in Company Law in the near future.
- e. There has been positive support for implementation of IAS coming from concerned agencies like the Board of Investment, Securities and Exchange Commission, Stock Exchanges, Chamber Bodies and Investment Forums in addition to external pressures from development partners of Bangladesh and donor agencies like World Bank and Asian Development Bank.
- f. Despite political differences, there has been a consensus between the government and opposition on such policy issues as adoption of market economy, privatization, economic liberalization and participation in the globalization process through the WTO which would have positive impacts favoring application of IAS and IFRS.
- g. The revision of professional curriculum, introduction of Foundation Course and particularly implementation of CPE programs on a mandatory basis by ICAB are positive steps to foster, develop and enhance the degree of updated knowledge ability, technical skill and competence for successful application of IAS and IFRS.
- h. It is heartening to note that Bangladesh Bank, on advice of ICAB, has recently amended the financial reporting format and contents of the financial statements for banks, in accordance with the disclosure requirements of IAS 30, with the disclosure requirements of IAS 30 with a view to resorting financial discipline and reflecting transparency of financial information in banking sector. This will greatly contribute to bringing about credibility to the financial reporting and auditing system in the country.

So we can say that despite many limitations of the implementation of IAS in our country, there are reasons to be hopeful for the better implementation of IAS and IFRS in Bangladesh in the near future. So far, the adoptions of IFRSs have been made as follows in Bangladesh:

**Table-2: IFRSs Adoption Status in Bangladesh**

IFRS No.	BFRS No.	Date of Adoption
IFRS-1	BFRS-1: First Time Adoption of BFRSs	An entity shall apply this BFRSs if its first BFRS Financial Statements are for a period beginning on or after January 1, 2009
IFRS-2	BFRS-2: Share-based Payment	For annual periods beginning on or after January 1, 2007. Effective date of 2008 amendments to Para 21A and 28A will be January 1, 2010
IFRS-3 (Supersedes IAS 22)	BFRS-3: Business Combination	On or after the beginning of the first annual reporting period beginning on or after January 1, 2010. If an entity applies this BFRS before January 1, 2010, it will disclose that fact and apply BAS-27 (as amended in 2008) at the same time.
IFRS-4	BFRS-4: Insurance Contracts	For annual periods beginning on or after January 1, 2010.
IFRS-5	BFRS-5: Non-current Assets Held for Sale and Discontinued Operations	For annual periods beginning on or after January 1, 2007.
IFRS-6	BFRS-6: Exploration for and Evaluation of Mineral Resources	For annual periods beginning on or after January 1, 2007.
IFRS-7	BFRS-7: Financial Instrument: Disclosures (Supersedes BAS-30)	On or after the beginning of the first annual reporting period beginning on or after January 1, 2010.
IFRS-8	BFRS-8: Operating Segments (Supersedes BAS-14)	On or after the beginning of the first annual reporting period beginning on or after January 1, 2010.

Source: ICAB, Dhaka, Bangladesh

### Conclusion

Currently, we are emphasizing on economic development through mobilization of our own resources. We are also visualizing Bangladesh to enter into the group of middle income nations and talking about digital Bangladesh. It has to be understood that the development wheel will be run basically by our corporate private sector, The Government can and should act as a facilitator only. The private sector businesses include large conglomerates and also multi-national companies. If accounting for these organizations are not regulated in a compliant and legal manner, then disaster like Enron and WorldCom may take place in our country.

The application criteria of IASs and IFRSs in the corporate sector of Bangladesh must be audited appropriately. ICAB should develop a checklist for the auditors so that they can report any deviation of adherences to the IASs/BASs and IFRSs/BFRSs which have been made applicable already. There may be pressures from vested quarters not to follow such standards which will ensure transparency in corporate accounting, but the audit community must resist such pressures. For the clean image and existence of the profession, a strong set of regulatory standards and a strong will must be there on the part of the accounting profession in Bangladesh.

So far we have not seen great business failures but corruption and embezzlement in the financial sector has been a big issue in the recent past. Only good and regulated accounting can make sure about the financial transparency and accountability. Good governance can only be ensured through standard accounting practices followed by standard guidelines. IAS and IFRS are the benchmark of accounting practices throughout the world. Bangladesh should not lag behind in their implementation. There must be adequate legal binding to follow IAS and IFRS as also reflected in the BAS. ICAB must play the role of vanguard in this regard, but other stakeholders should also come forward and put adequate pressure so that IAS, IFRS and BAS are practiced in their true spirit.

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