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The Application and Disclosures of IASs & IFRSs by the DSE Listed Companies of Bangladesh

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This paper examines the extent of application and disclosure of IASs and IFRSs among the listed companies in Dhaka Stock Exchange (DSE) of Bangladesh. The paper uses the data that have been collected randomly from the annual reports of the companies and a survey was conducted to independent accountants and company management during span of four years from 2010 to 2013. To serve the analysis, data have collected by using a sample of 98 companies from 17 different industries of Bangladesh. The study observed that 88.17% companies audited by the 'A' category firms rank by Bangladesh Bank revealed the disclosure of applying IASs and IFRSs. B category rank firms audited only 5% of the sample companies; 40% of the companies audited by these category firms did not disclose the application status of accounting standards.

Key words: International Accounting Standards, International Financial Reporting Standards, Industries, Adoption and Application.

Field of Research: Accounting

1. Introduction

This study mainly focuses the extent of application and compliance of IASs and IFRSs by the listed companies of DSE in Bangladesh. It also highlighted the extent of compliance of IASs and IFRSs in seventeen (17) industries. This study is of great importance in the field business because the users of accounting information heavily rely on the disclosure and compliance of accounting standards for making the investment and credit decisions. The greater degree of disclosure indicates the better reliance on the disclosed information and vice versa. The decision makers will be benefitted more by taking accurate investment and other financial decisions if the companies disclose the compliance of accounting standards properly. The researchers in this study focus the extent of disclosure of IASs and IFRSs as well as the

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reasons for non-disclosure of the same. This research work is different from others as no study has been conducted regarding the disclosure of accounting standards in Bangladesh till now. Very few research works have been done in this area in the developed world. The findings of current study are different from that of earlier studies from the context of disclosure, applicability and compliance. Therefore the objective of this study lies to analyze the extent of application of IASs and IFRSs as well as the reasons behind non-disclosure of accounting standards by the listed companies of DSE in Bangladesh. The first section of this study discusses the evolution of accounting standards and its adoption in Bangladesh, second section covers the literature review, third section includes the objectives of the study, fourth section describes the methodology of the study, fifth section depicts the findings & analysis, sixth section portrays consequences of non-disclosure of IASs and IFRSs and last section embodies the conclusion.

1.1 IFRS and Bangladesh: An Overview

International Financial Reporting Standards (IFRSs) are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. These are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries. These are predominantly replacing many different local accounting standards.

IFRSs first began as an attempt to harmonize accounting systems across the European Union (EU) but the value of harmonization quickly made the concept attractive around the world. They are sometimes still called by the original name of International Accounting Standards (IASs). IASs were issued between 1973 and 2001 by the Board of the International Accounting Standards Committee (IASC). On 1 April 2001, the new International Accounting Standards Board (IASB) took over from the IASC the responsibility for setting International Accounting Standards. During its first meeting the new Board adopted existing IASs and Standing Interpretations Committee standards (SICs). The IASB has continued to develop standards calling the new standards International Financial Reporting Standards.

It seems that a common trend that binds the literature together is that the role and relevance of the IASs in the developing world depend largely on the processes through which these standards are adopted. Carlson (1997) pointed out that there has been little analysis of the processes that are involved in the adoption of IASs by nations, while exploring the status of IASs and the harmonization drive. Carlson suggested that IASC might achieve a greater level of adoption of IASs if it were to more fully examine the processes of adopting standards rather than assuming that nations will use their products. Carlson further mentioned some recommendations that to achieve harmonization under the current approach, accountants and the IASC must demonstrate significant benefits to a wider group than just accountants. Watty and Carlson (1998) also pointed the paucity of studies which critically explore the adoption process of IASs in developing countries and call for further country-specific research in this area. This paper partly responds to this call through a case study of Bangladesh.

Accounting standards regulators in Bangladesh adopted IFRSs through three phases, and since the full implementation has not completed yet so far, the adoption is in the stage of allowing certain types of companies to follow IFRSs. In August 1999, the International Accounting Standards (IASs) adoption process was initiated following a US$200,000 World Bank grant to the Bangladeshi Government (Mir & Rahaman 2005). By the end of 1999 the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted 21 IASs, and 16 were "under consideration for adopting the IASs" (Mir & Rahaman 2005). Starting from 2005, all local listed companies in Bangladesh were required to use IFRSs (UNCTAD 2006). Besides, IFRS 3 and 5 were adopted as Bangladesh Financial Reporting Standards (BFRS) in December 2005, and IFRS 1, 4, 7 and 8 were adopted as BFRS in 2008 (ICAB 2007). In 2009, Bangladesh has adopted 8 IFRSs and 26 IASs (Shil, Das & Pramanik 2009). The adoption and implementation of IFRSs is an ongoing program till 2009, and ICAB plans to maintain this ongoing process till June 2010 (ICAB 2009).

2. Literature Review

Very few research works has been done over the disclosure and application of IASs and IFRSs in Bangladesh. But this kind of works has been impressively growing in developed nations. Some of them have been given priority on the basis of their contribution in the related field of adoption and implementation of IASs and IFRSs.

Working on the data of European firms, Armstrong et al. (2010) found out a positive reaction to IFRS adoption events for firms with high quality pre adoption information, consistent with investors expecting net convergence benefits from IFRS adoption. In his study of 1084 European Union firms during the period of (1995-2006), Siqi Li (2010) concluded that on average, the IFRS mandate significantly reduces the cost of equity for mandatory adopters. He also suggested in his research that this reduction is present only in countries with strong legal comparability are two mechanisms behind the cost of equity reduction. Cai & Wong (2010) in their study of global capital markets summarized that the capital markets of the countries that have adopted IFRS have higher degree of integration among them after their IFRS adoption as compared to the period before the adoption. Paananen & Lin (2009) gave a contrary view to prior research that IFRS adoption ensures better quality of accounting information. Their analysis of German companies reporting showed that accounting information quality has worsened with the adoption of IFRS over time. They also suggested that this development is less likely to be driven by new adopters of IFRS but is driven by the changes of standards. Latridis (2010) concluded, on the basis of data of firms listed on London stock exchange, that the IFRS implementation has favorably affected the financial performance (measured by profitability and growth potential) of firms. The study carried out by Callao et al. (2007) on financial data of Spanish firms revealed that local comparability is adversely affected if both IFRS and local Accounting Standards are applied in the same country at the same time. The study, therefore calls for an urgent convergence of local Accounting Standards with that of IFRS. Barth et al. (2008) in their study of financial data of firms from 21 countries examined whether application of IAS/IFRS is associated with higher accounting quality. The findings of the study confirmed that firms applying IAS/IFRS evidence less earning management, more timely loss recognition and more relevance of accounting numbers. The study also found out that the Firms applying IAS/IFRS experienced an improvement in accounting quality between the pre-adoption and post adoption period.

KPMG (2010) focuses and analyze the process of transition and implementation of IFRSs, including the preparation for transition and the impact on firms' financial statements. KPMG presents an overview of the results of survey of the segment disclosures of UK based 81 listed companies operating in ten sectors in their most recent financial statements, principally 2009 years end.

Another study investigates whether the adoption of a single set of accounting standards, such as IFRSs, guarantees harmonization of accounting practices within a country and across countries, or whether differences in reporting practices persist because of dissimilarities in reporting habits and institutional settings (Barbu et al. 2012). At the end of this study, they investigate whether the level of environmental disclosure under IFRSs is related to the size of the reporting firm, which has been shown to be a major determinant of voluntary environmental information, and the strength of legal and regulatory constraints on environmental disclosures in the country where the firm is domiciled. Results of this indicate that environmental disclosures imposed by IFRSs increase with firm size, just like voluntary environmental disclosures. This suggests that application of IFRSs is affected by the reporting practices that prevailed prior to IFRSs adoption. It also indicates that firms domiciled in countries with constrained environmental disclosure regulations (i.e. France and the UK) report more on environmental issues than do firms domiciled in countries with weakly constrained regulations (i.e. Germany). This suggests that national regulations strongly impact IFRSs reporting. Taken as a whole, their results support the view that IFRSs are not applied consistently across firms or across countries, notably because of persistence of reporting traditions and discrepancies in national legal requirements.

Based on surveys and interviews to companies, Jermakowicz (2004) studies the implementation of IFRSs in Belgium, Sucher and Jindrichovska (2004) in Czech Republic and Vellam (2004) in Polland. Abd-Elsalam and Weetman (2003) study the implementation of IASs in Egypt highlighting problems related to language and familiarity with the subjects. Weibenberger et al. (2004) analyze motivations that lead managers to change to IFRSs in Germany and identify to what degree the objectives are attained after adoption. Jones and Luther (2005) examine the possible impact of the IFRSs adoption on management accounting practices based on perceptions and expectations of managers in German companies.

Jahangir et al. (2009) empirically examine the extent of adoption of International Financial Reporting Standards (IFRSs) within three major South Asian countries such as India, Pakistan and Bangladesh. They have selected 566 non-financial listed companies for the financial year 1997–1998 out of which fifty-two measurement practices and 72 disclosure practices have drawn from 15 commonly adopted IFRSs. The result of their work shows that the overall level of adoption of IFRSs regarding measurement and disclosure practices is higher in Pakistan compared with India and Bangladesh. It also result that the adoption level is high for inventories, income statement for the period, research and development costs, retirement benefit costs, foreign currency translations, business combination and accounting for investment in associates, whereas the adoption level is low in the areas of cash flow statements, taxes on income, property, plant and equipment, accounting for leases, accounting for government grants, borrowing costs and consolidated financial statements.

Jain (2011) tries to analyze the information available on IFRS adoption process in India. It also discusses the IFRS adoption procedure in India and the utility for India in adopting IFRS. The paper discusses the problems faced by the stakeholders (Regulators, Accountants, and Firms etc.) in the process of adoption of IFRS in India and provides some recommendations to recover.

The research works as aforesaid has focused on different issues like reaction to IFRS adoption events for firms, effect of IFRS adoption on the cost of equity, pre and post effect of IFRS adoption on degree of integration, effect of IFRS adoption on the quality of accounting information and its effect on financial performance, effect on comparability of firms, process of transition and implementation of IFRS, level of environmental disclosure, language and familiarity with accounting standards, problems faced by stakeholders in the adoption process of IFRS. Based on the above research works it is clearly exposed that there is mostly absent of adoption and implementation of IASs and IFRSs in the listed companies of Bangladesh. As the users of accounting heavily relies on the disclosed information in the annual report following the IASs and IFRSs, therefore the decisions of the user also affected by the disclosures of accounting standards. If the disclosures quality is inferior, the decision makers suffer a lot. Moreover, the investors or creditors make the relevant decisions based on that information that are disclosed in financial reporting. That’s why the researchers have been interested to explore the gray area.

3. Methodology

This study is of exploratory in nature. The study covers the analysis of compliance of accounting standards. For this study the population was the total number of companies listed in Dhaka Stock Exchange (DSE). At present, there are 537 companies listed in DSE. Out of these the researchers collected the data of 98 companies based on random sampling method. The relevant data were collected from annual reports. We accumulated the annual report of the sample companies from the library of Securities and Exchange Commission (SEC) and Dhaka Stock Exchange (DSE). Moreover, the data for this study were collected from 64 company-accountants randomly, and 17 independent auditors conveniently. The researchers used descriptive statistics for the purpose of analysis of this study. The researchers in this study selected all the industries in their consideration as the stakeholders rely on the disclosed accounting information for their decision whether they are compiled with the standards as suggested by the standards issuing authoritative body. The data from company’s accountants and independent auditors’ collected as it was thought rational to the exact reasons behind non-disclosure of information properly by the companies.

The population and sample are illustrated in table-1:

Table-1: Industry wise distribution of listed companies in DSE

Serial Number	Name of the Industry	Population	Sample
01	Bank	30	16
02	Cement	07	04
03	Ceramics Sector	05	05
04	Engineering	25	10
05	Financial Institutions	23	07
06	Food & Allied	18	07
07	Fuel & Power	16	07
08	Insurance	46	09
09	IT Sector	06	04
10	Jute	03	02
11	Paper & Printing	01	01
12	Pharmaceuticals & Chemicals	27	08
13	Services & Real Estate	03	02
14	Tannery Industries	05	01
15	Telecommunication	02	02
16	Textile	34	09
17	Travel & Leisure	04	04
Total		255	98

Source: Monthly review of DSE, July, 2014

To serve the analysis in the second phase the researchers conduct a survey through structured questionnaire that administered to the internal accountants of different sample companies as well as to the independent auditors. However, the survey of questionnaire covers 64 companies and 17 independent auditors. In analyzing and interpreting the data descriptive statistics has been for this study. In this study we approached to find out the extent of application of accounting standards (IASs & IFRSs) by the companies in Bangladesh. We also conduct the level of consistency of applying the IASs & IFRSs in context of different industries listed in DSE. In analyzing the consistency level of complying accounting standards measure of standard deviation has been applied.

4. Findings and Analysis

4.1 Extent of Application and Compliance of IASs and IFRSs

The findings of this study are portrait in the different tables:

Table-2: Compliance of IASs in different industries

IAS	Types of Industry																
	Bank	Cement	Ceramics	Engineering	Financial institutions	Food & allied	Fuel & power	Insurance	IT Sector	Jute	Paper &Printing	Pharmaceuticals & Chemicals	Services & Real Estate	Tannery Industries	Telecommunication	Textile	Travel and Leisure
IAS 1	16 (1.00)	04 (1.00)	05 (1.00)	10 (1.00)	07 (1.00)	07 (1.00)	07 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IAS 2	05 (.3125)	04 (1.00)	05 (1.00)	10 (1.00)	05 (.7143)	07 (1.00)	07 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IAS 7	16 (1.00)	04 (1.00)	05 (1.00)	10 (1.00)	07 (1.00)	07 (1.00)	07 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IAS 8	15 (.9375)	04 (1.00)	05 (1.00)	08 (.80)	07 (1.00)	07 (1.00)	07 (1.00)	08 (.8889)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 10	15 (.9375)	04 (1.00)	05 (1.00)	10 (1.00)	07 (1.00)	07 (1.00)	07 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	05 (.625)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IAS 11	**	**	**	04 (.40)	**	07 (1.00)	07 (1.00)	08 (.8889)	**	02 (1.00)	**	04 (.50)	00 (.00)	**	02 (1.00)	**	04 (1.00)
IAS 12	16 (1.00)	04 (1.00)	05 (1.00)	10 (1.00)	07 (1.00)	07 (1.00)	07 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IAS 16	16 (1.00)	04 (1.00)	05 (1.00)	10 (1.00)	07 (1.00)	07 (1.00)	07 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IAS 17	05 (.3125)	04 (1.00)	05 (1.00)	09 (.90)	07 (1.00)	07 (1.00)	07 (1.00)	08 (.8889)	04 (1.00)	02 (1.00)	01 (1.00)	06 (.75)	00 (.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 18	16 (1.00)	04 (1.00)	05 (1.00)	10 (1.00)	07 (1.00)	07 (1.00)	07 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IAS 19	16 (1.00)	04 (1.00)	04 (.80)	09 (.90)	07 (1.00)	06 (.8571)	07 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	07 (.875)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IAS 20	**	**	**	**	**	**	01 (.1423)	07 (.7778)	**	02 (1.00)	**	**	**	**	01 (.50)	01 (.1111)	01 (.25)
IAS 21	16 (1.00)	04 (1.00)	05 (1.00)	09 (.90)	07 (1.00)	06 (.8571)	07 (1.00)	08 (.8889)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	00 (.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IAS 23	15 (.9375)	04 (1.00)	05 (1.00)	09 (.90)	06 (.8571)	07 (1.00)	07 (1.00)	07 (.7778)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 24	16 (1.00)	04 (1.00)	05 (1.00)	09 (.90)	07 (1.00)	07 (1.00)	07 (1.00)	08 (.8889)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 26	07 (.4375)	01 (.25)	04 (.80)	08 (.80)	05 (.7143)	06 (.8571)	07 (1.00)	08 (.8889)	04 (1.00)	02 (1.00)	01 (1.00)	07 (.875)	00 (.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 27	15 (.9375)	00 (.00)	04 (.80)	10 (1.00)	05 (.7143)	05 (.7143)	07 (1.00)	07 (.7778)	04 (1.00)	02 (1.00)	01 (1.00)	07 (.875)	00 (.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 28	05 (.3125)	01 (.25)	05 (1.00)	09 (.90)	05 (.7143)	06 (.8571)	07 (1.00)	07 (.7778)	04 (1.00)	02 (1.00)	01 (1.00)	07 (.875)	02 (1.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 29	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
IAS 31	03 (.1875)	00 (.00)	04 (.80)	08 (.80)	03 (.4286)	06 (.8571)	07 (1.00)	07 (.7778)	04 (1.00)	02 (1.00)	01 (1.00)	05 (.625)	01 (.50)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 32	16 (1.00)	**	**	**	07 (1.00)	**	**	08 (.8889)	**	**	**	**	**	**	**	**	**
IAS 33	16 (1.00)	04 (1.00)	05 (1.00)	10 (1.00)	07 (1.00)	07 (1.00)	07 (1.00)	08 (.8889)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 34	14 (.8750)	01 (.25)	04 (.80)	09 (.90)	07 (1.00)	06 (.8571)	07 (1.00)	07 (.7778)	04 (1.00)	02 (1.00)	01 (1.00)	06 (.75)	02 (1.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 36	15 (.9375)	00 (.00)	04 (.80)	09 (.90)	07 (1.00)	06 (.8571)	07 (1.00)	07 (.7778)	04 (1.00)	02 (1.00)	01 (1.00)	05 (.625)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IAS 37	16 (1.00)	04 (1.00)	05 (1.00)	10 (1.00)	07 (1.00)	07 (1.00)	07 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 38	14 (.8750)	04 (1.00)	04 (.80)	08 (.80)	07 (1.00)	05 (.7143)	07 (1.00)	07 (.7778)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	00 (.00)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 39	16 (1.00)	**	**	**	07 (1.00)	**	**	08 (.8889)	**	**	**	**	**	**	**	**	**
IAS 40	08 (.50)	00 (.00)	04 (.80)	09 (.90)	05 (.7143)	06 (.8571)	07 (1.00)	08 (.8889)	04 (1.00)	02 (1.00)	01 (1.00)	06 (.75)	01 (.50)	01 (1.00)	02 (1.00)	08 (.8889)	04 (1.00)
IAS 41	**	**	**	**	**	05 (.7143)	**	**	**	**	**	**	**	**	**	**	**

( ) The number stated in brackets expresses the ratio of compliance.
** Not applicable for the corresponding industry.
*** Adopted by Institute of Chartered Accountants of Bangladesh (ICAB) but not applicable in Bangladesh at present.

Table-2 illustrates that IAS 1, IAS 7, IAS 12, IAS 16 and IAS 18 are practiced by all companies of all industries listed in DSE. Whereas, the study finds that 38 companies followed IAS11; 13 companies complied IAS 20 and only 5 companies applied IAS 41. These three IASs are the least applied IASs.

Table-3: Compliance of IFRSs in different industries

IFRS(s)	Types of Industry																
	Bank	Cement	Ceramics	Engineering	Financial Institutions	Food & Allied	Fuel & Power	Insurance	IT Sector	Jute	Paper &Printing	Pharmaceuticals & Chemicals	Services & Real Estate	Tannery Industries	Telecommunication	Textile	Travel and Leisure
IFRS 1	16 (1.00)	04 (1.00)	05 (1.00)	10 (1.00)	07 (1.00)	07 (1.00)	06 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IFRS 2	00 (.00)	03 (.75)	05 (1.00)	09 (.90)	06 (.8571)	07 (1.00)	06 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IFRS 3	10 (.625)	03 (.75)	05 (1.00)	09 (.90)	06 (.8571)	07 (1.00)	06 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IFRS 4	00 (.00)	03 (.75)	05 (1.00)	09 (.90)	06 (.8571)	07 (1.00)	06 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IFRS 5	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**
IFRS 6	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**	**
IFRS 7	15 (.9375)	**	**	**	07 (1.00)	**	**	09 (1.00)	**	**	**	**	**	**	**	**	**
IFRS 8	15 (.9375)	03 (.75)	05 (1.00)	09 (.90)	06 (.8571)	07 (1.00)	06 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IFRS 9	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***	***
IFRS 10	09 (.5625)	03 (.75)	05 (1.00)	09 (.90)	06 (.8571)	07 (1.00)	06 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IFRS 11	02 (.125)	03 (.75)	05 (1.00)	09 (.90)	06 (.8571)	07 (1.00)	06 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IFRS 12	04 (.25)	03 (.75)	05 (1.00)	09 (.90)	06 (.8571)	07 (1.00)	06 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)
IFRS 13	09 (.5625)	03 (.75)	05 (1.00)	09 (.90)	06 (.8571)	07 (1.00)	06 (1.00)	09 (1.00)	04 (1.00)	02 (1.00)	01 (1.00)	08 (1.00)	02 (1.00)	01 (1.00)	02 (1.00)	09 (1.00)	04 (1.00)

( ) The number stated in brackets expresses the ratio of compliance.
** Not applicable for the corresponding industry.
*** Not adopted by Institute of Chartered Accountants of Bangladesh (ICAB).

Table-3 illustrates that only IFRS 1 is applied by 100% companies listed in DSE. IFRS 2, IFRS 4 and IFRS 9 were applied by all the industries other than banking companies. All the industries except Bank, Cement, Engineering and Financial institutions followed all the IFRSs except IFRS 2 and IFRS 4.

Table-4: Summary of IAS and IFRS application in different industries

Sl No.	Name of the Industry	Sample Companies	Number of IAS				Number of IFRS			
			Not applicable	Applicable	Applied	Applicable but not applied	Not applicable	Applicable	Applied	Applicable but not applied
01	Bank	16	03	25	25	-	02	10	08	02(2,4)
02	Cement	04	05	23	**19**	04 (27,31, 36,40)	03	09	09	-
03	Ceramic sector	05	05	23	23	-	03	09	09	-
04	Engineering	10	04	24	24	-	03	09	09	-
05	Financial institutions	07	03	25	25	-	02	10	10	-
06	Food and allied	07	03	25	25	-	03	09	09	-
07	Fuel and power	07	03	25	25	-	03	09	09	-
08	Insurance	09	01	27	27	-	02	10	10	-
09	IT Sector	04	05	23	23	-	03	09	09	-
10	Jute	02	03	25	25	-	03	09	09	-
11	Paper and printing	01	05	23	23	-	03	09	09	-
12	Pharmaceuticals and chemicals	08	04	24	24	-	03	09	09	-
13	Services and real estate	02	04	24	18	06(11,17,21, 26,27,38)	03	09	09	-
14	Tannery industries	01	05	23	23	-	03	09	09	-
15	Telecommunicat-ion	02	03	25	25	-	03	09	09	-
16	Textile	09	04	24	24	-	03	09	09	-
17	Travel and leisure	04	03	25	25	-	03	09	09	-

*IAS 29 has been adopted by Institute of Chartered Accountants of Bangladesh (ICAB) but not applicable in Bangladesh at present.
**IFRS 9 is adopted in Bangladesh.

Table-4 demonstrates that highest number (05) of not applicable IASs observed in IT sector. In the food and allied sector all adopted IASs are applicable and applied. However, in cement industry IAS 27, IAS 31, IAS 36 and IAS 40 are not applied in spite of being applicable in this industry. Moreover IAS 11, IAS 17, IAS 21, IAS 26, IAS 27 and IAS 38 are not applied though they are applicable in the service and real estate sector. In all other industries all the IASs have been followed. The highest number of IASs (27) were applied and complied in fuel and power industries. In case of IFRS all the industries all the applicable IFRSs are complied other than banks in financial reporting. IFRS 2, IFRS 4 and IFRS 6 have not been applied in banking industry. The table also depicts that the highest number of IFRSs (10) were applied and complied by the financial institution and insurance industries.

Table-5: Industry wise descriptive statistics for variability of IASs practice

Industry	Observation	Mean	Std. Dev.	Min	Max
Bank	25	13.12	4.484417	3	16
Cement	23	2.913043	1.703287	0	4
Ceramic sector	23	4.652174	.4869848	4	5
Engineering	24	9.041667	1.301476	4	10
Financial institutions	25	6.4	1.080123	3	7
Food and allied	25	6.44	.7118052	5	7
Fuel and power	25	6.76	1.2	1	7
Insurance	27	8.037037	.8077262	7	9
IT sector	23	4	0	4	4
Jute	25	2	0	2	2
Paper and printing	23	1	0	1	1
Pharmaceuticals	24	7.041667	1.267629	4	8
Service and real estate	24	1.416667	.8805466	0	2
Tannery industry	23	1	0	1	1
Telecommunication	25	1.96	.2	1	2
Textile	24	8.125	1.596532	1	9
Travel and leisure	25	3.88	.6	1	4

In the case of application of IASs, Table-5 shows that the banking industry has the highest standard deviation (4.484417) which is far behind from other sectors. Therefore, the highest inconsistency in the applied IASs is observed in this sector. Though the banking sector followed all the IASs in general, however it was found that there was variability in the application of IASs. At least one bank did not comply with at least one IAS. The table also discloses zero (0) standard-deviation results in four sectors, namely IT sector, Jute, Paper and Printing and Tannery industry in the application of IASs. Hence, these four sectors reveal the highest consistency in case of following IASs in the listed companies of DSE.

Table-6: Descriptive statistics for variability of IFRSs practice (Industry wise)

Industry	Observation	Mean	Std. Dev.	Min	Max
Bank	10	8	6.218253	0	16
Cement	9	3.111111	.3333333	3	4
Ceramics	9	5	0	5	5
Engineering	9	9.111111	.3333333	9	10
Financial institutions	10	6.2	.421637	6	7
Food and allied	9	7	0	7	7
Fuel and power	9	6	0	6	6
Insurance	10	9	0	9	9
IT sector	9	4	0	4	4
Jute	9	2	0	2	2
Paper and printing	9	1	0	1	1
Pharmaceuticals	9	8	0	8	8
Service and real estate	9	2	0	2	2
Tannery industry	9	1	0	1	1
Telecommunication	9	2	0	2	2
Textile	9	9	0	9	9
Travel and leisure	9	4	0	4	4

In the case of application of IFRSs, Table-6 shows that the banking industry has the highest standard deviation (6.218253) which is far more away from other sectors. Therefore, the highest inconsistency in applying IASs is observed in this sector.

The table also discloses zero (0) standard deviation results in 13 sectors, namely Ceramics, Food and allied, Fuel and power, Insurance, IT sector, Jute, Paper and printing, Pharmaceuticals, Service and real estate, Tannery industry, Telecommunication, Textile and Travel and leisure in the application of IFRSs. Hence, these sectors reveal the highest consistency in the application of IFRSs in the listed companies of DSE. The observation made by researcher disclose that those firm did not make the disclosure of standards properly which were audited by B category of firms rated by Bangladesh Bank. It also reveals that the audit was made by same firm audited different companies but in case of some companies they disclosed the standards have been followed in a structured form and in some other cases did not do so. Therefore, it was identified that the reasons behind non-disclosure was mainly posed due to the desire and awareness of the management of the companies.

Table-7: Disclosure status of companies, audited by CA firms as ranked by Bangladesh Bank

As per the ranking of CA firms by Bangladesh Bank	Total	IAS & IFRS	
		Disclosed	Not disclosed
Audited by “A” category firms	93	82	11
Percentage	94.90%	88.17%	11.83%
Audited by “B” category firms	5	3	2
Percentage	5.10%	60%	40%
Total	98	85	13

Source: Survey of annual reports of the companies

From the observation of annual report it was found that out of 98 sample companies 93 companies which is equivalent to almost 95% of the sample company were audited by ‘A’ category firms ranked by Bangladesh Bank. 88.17% companies audited by the ‘A’ ranked firms mentioned specifically the status of following IAS/BAS and IFRS/BFRS. The remaining 11.83 % of the companies audited by the A category firms did not mention disclosure status properly. Whereas, 5.10% of the sample companies were audited by B category ranked firms. Out of the firms audited by B category firms, 60% companies disclosed the application status of IAS/BAS and IFRS/BFRS. But a bigger portion equivalent to 40% did not disclose the disclosure status of accounting standards practices. It was also observed that two or more different companies audited by the same company for a particular one the auditor reported a detail chart of disclosure status whereas for another one the same firm did not do so.

Table- 8: Responds from company-accountants

Sl. No.	Factors for non-disclosure of accounting standards	Disclosure status	
		Yes	No
01.	Standards are irrelevant to the company	42(65.62%)	22(34.37%)
02.	Insufficient audit time period	22(34.37%)	42(65.62%)
03.	Costs of audit	26(40.63%)	38(59.37%)
04.	No regulatory bindings to make the disclosure	35(54.69%)	29(45.31%)
05.	Emerge of business risk due to disclosure	48(75%)	16(25%)
06.	Chance of losing the potential investors	46(71.88%)	18(28.12%)

Source: survey study

Two different set of questions were asked to the company accountants and the independent accountants. In the survey study to the company accountants it was revealed that from the part of company accountants believe that three factors are dominants for non-disclosure of accounting standards properly that are adherence to business risk , chance of losing potential customers and the standards are irrelevant to the company. 75% of the company accountants believe that if the company makes detail disclosure, the company will lose the customers. 71.88% company administrator argued that they have the chance of losing customer and 65.62% expressed that the non-regulatory bindings are the reasons mainly for the non-disclosure of accounting standards.

Table- 9: Responds from the independent auditors

Sl. No.	Factors for non-disclosure of accounting standards	Disclosure status	
		Yes	No
01.	Desire of the management of the company	13(76.47%)	4(23.53%)
02.	Particular Standard(s) are irrelevant to the company	7(41.18%)	10(58.82%)
03.	Influence of the management over auditors in reporting	10(58.82%)	7(41.18%)
04.	Insufficient audit time period	3(17.65%)	14(82.35%)
05.	Low audit fees and remunerations	4(23.53%)	13(76.47%)
06.	Intention of management to hide important information	15(88.24%)	2(11.76%)
07.	Regulatory bindings to make the disclosure	6(35.29%)	11(64.71%)
08.	Chance of window dressing of financial statements	6(35.29%)	11(64.71%)
09.	Adherence of business risk due to disclosure	11(64.71%)	6(35.29%)
10.	Chance of losing the potential investors due to the disclosure	14(82.35%)	3(17.65%)
11.	Adverse mindset of the entrepreneur to disclose the information	13(76.47%)	4(23.53%)
12.	Inadequate expertise of the accountants to measure different elements where fair value of financial instruments is applicable	13(76.47%)	4(23.53%)
13.	Awareness of the users of accounting information to get the information in the form as a statement of disclosure	13(76.47%)	4(23.53%)
14.	The contemporary tax law, company law and other applicable laws are not consistent and in the line with recognizing and measuring assets, liabilities, revenues and expenditures for presenting the position and performance of the business.	15(88.24%)	2(11.76%)

Source: survey study

The survey study covers 14 separate question asked to the independent auditors that reveals that the major influencing factors behind non-disclosure of practices of BASs and BFRSs are intention of the management of the company to hide important information, lack of expertise in measuring and reporting value of items by the company, chance of losing the potential investors, adverse mindset of the entrepreneur to disclose the information, inadequate expertise of the accountants to measure different elements where fair value of financial instruments is applicable, awareness of the users of accounting information to get the information and adherence of business risk.

5. Consequences of Non-disclosure of IASs and IFRSs

The SEC has made mandatory to prepare the financial statements by the public limited companies. Since, the interest of the individual investor, creditor and other external users are concerned in the financial reporting. As the agent of the government the SEC has initiated this action, companies will provide financial information that satisfy the qualitative characteristics such as relevant and reliable information, timeliness of information, comparable and understandable information are to be presented in the financial statement for the decisions for the users of information. Lack of investors' confidence on the reliability of financial information reported on the financial statements, during the collapse of stock market in Bangladesh and the aftermath shows the investors' behavior that they could not even rely on the data from the financial statements for fundamental analysis to invest their money in the market. Investments of the marginal investors became insecure as because they made their investment based on heavily relying on the annual report prepared by the companies.

6. Conclusion

The extent of compliance of IASs and IFRSs provide the grounds for reliability and accuracy of financial reporting. Therefore, those companies follow and disclose the information with regard to accounting standards will safeguard the interest of the stakeholders. All the companies of all the industries follow the applicable IASs and IFRSs in general. However, some discrepancies were observed in cement industry and service and real estate industry with regard to IASs practice. Both industries do not comply with six (06) applicable IASs. In case of IFRSs only banking industry do not comply with three (03) applicable IFRSs. In this study the influential factors of non-disclosure is identified as the desire of management of the company, emerge of business risk, chance of losing potential customers, adverse mindset of the entrepreneur or owner, inadequate expertise of the company accountants and management in evaluating the assets and other items where fair value principle is applicable and the constraints in the contemporary laws. As the investors' decisions heavily depends upon the financial statements, to make knowledgeable worthy decisions about investment, credit, and cash flows the companies should report and communicate the information by satisfying the accounting standards. To enhance the reliability of information the company should properly disclose the application status of IASs/BASs and IFRSs/BFRSs. The management of the company should be honest, fair and ethical in providing the information, as because the success of the company is influenced by the different stakeholders rather than the owner or management of the company. The company should employ professional expertise in measuring and valuation of certain assets where it needs proper disclosure. The adverse mindset of the owner or the management is to be changed for providing information.

This study pointed out the degree of application and disclosure of accounting standards in a way that which sector follows and discloses higher number of IASs and IFRSs. The study depicts why the companies do not disclose the list of accounting standards those complied by them. The future study could cover the relationship of disclosure of accounting standards with the corporate financial performance and effect on the stock price fluctuation.

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Appendix

Appendix 1(A): List of abbreviations

IASs : International Accounting Standards
IFRSs : International Financial Reporting Standards
ICAB : Institute of Chartered Accountants of Bangladesh
IASC : International Accounting Standards Committee
IASB : International Accounting Standards Board
DSE : Dhaka Stock Exchange

Appendix 1(B) - Adoption Status of International Accounting Standards (IAS) by ICAB as Bangladesh Accounting Standards (BAS)

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

Source: Anwaruddin Chowdhury FCA, ICAB MEMBERS' CONFERENCE on Harmonization of Financial Reporting and Audit Practices – Bangladesh Perspective, Dhaka, 23 February, 2013

Appendix 1(C) - Adoption Status of International Financial Reporting Standards (IFRS) by ICAB as Bangladesh Financial Reporting Standards (BFRS)

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

Source: Anwaruddin Chowdhury FCA, ICAB MEMBERS' CONFERENCE on Harmonization of Financial Reporting and Audit Practices – Bangladesh Perspective, Dhaka, 23 February, 2013

Appendix 1(D) - Structured questionnaire to the company management and accountants as well as to the independent auditors

Research Question: What are the reasons behind non-disclosures of applicable IASs and IFRSs by the companies in their annual report?

(N.B. Please make a tick mark on the appropriate box stated for the question below.)
Questionnaire to the company accountants and management:

1. Are the standards (IAS or IFRS) irrelevant to the company?

   ☐ Yes ☐ No

2. Is the period for conducting audit insufficient?

   ☐ Yes ☐ No

3. Is the cost of associated for making disclosure high for the company?

   ☐ Yes ☐ No

4. Is there any regulatory concern/bindings to make such disclosure?

   ☐ Yes ☐ No

5. Is there any business risk associated with that disclosure of IAS and IFRS?

   ☐ Yes ☐ No

6. Is there any chances to loose potential investor for making such disclosure?
- ☐ Yes ☐ No

Questionnaire to the independent auditors:

1. Are the disclosures of standards (IAS or IFRS) depend on the desire of management?
- ☐ Yes ☐ No

2. Are the particular standards (IAS or IFRS) irrelevant to the company?
- ☐ Yes ☐ No

3. Do the management influence the auditors in financial reporting?
- ☐ Yes ☐ No

4. Is the period for conducting audit insufficient?
- ☐ Yes ☐ No

5. Is the fees for audit below the expected level for making detail disclosure of IASs and IFRSs?
- ☐ Yes ☐ No

6. Is there any intention of management to hide important information for business gain?
- ☐ Yes ☐ No

7. Is there any regulatory concern/bindings to make such disclosure?
- ☐ Yes ☐ No

8. Is there any chances to make a window dressing of financial statement?
- ☐ Yes ☐ No

9. Is there any business risk associated with that disclosure of IAS and IFRS?
- ☐ Yes ☐ No

10. Is there any chances to loose potential investor for making such disclosure?
- ☐ Yes ☐ No

11. Whether the entrepreneurs possess adverse mindset to disclose IAS and IFRS related to the organization?
- ☐ Yes ☐ No

12. Does the accountant possess inadequate expertise to measure the value of different elements such as fair value of financial instruments in disclosing the information as per IAS and IFRS?
- ☐ Yes ☐ No

13. Do the users of accounting information related to IAS and IFRS are aware of having the applicable IAS and IFRS to be disclosed?
- ☐ Yes ☐ No

14. Are the contemporary tax law, company law and other applicable laws are in line with the IFRS for recognizing and measuring assets, liabilities, revenues and expenditures for presenting the financial position and performance of an organization?
- ☐ Yes ☐ No