PORTFOLIO

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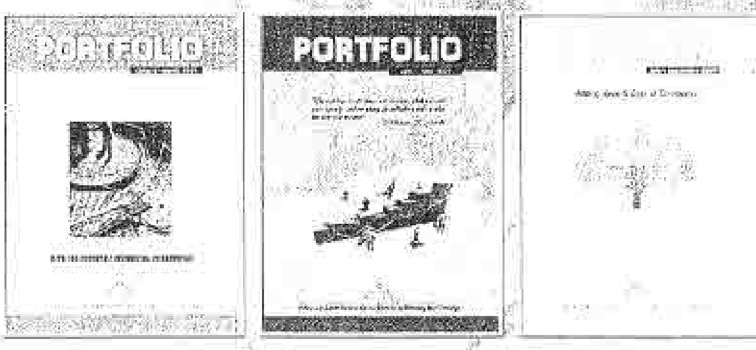
Perhaps the most striking is that the most prized communication between companies and investors takes place outside the confines of the accounts and annual reports ....



.... There are myriad views on what exactly is wrong - but there is a growing consensus that corporate reporting has reached a crossroads ....

A Review of Capital Market & National Economy by Chittagong Stock Exchange

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Corporate Reporting

Abdul Khalek FCA

1.0 Preamble

Corporate report is readily understandable, timely, reliable and relevant information for the stakeholders of an organization to initiate most appropriate economic decision. Generally corporate reports are found in the form of annual report. The annual report has long been used by an enterprise as a primary vehicle of communication, not only with its investors or members, but also with other audiences who, for a variety of reasons, have a legitimate interest in the affairs and operations of the enterprise. The annual report provides information about the strategic plan, financial and operational trend, business and activities and events, key operations, corporate governance, value addition, economy, market and competitors, business risks and how the risks are mitigating, financial position, performance and changes in financial position, etc. of an entity.

The corporate report is part of the whole virtuous circle of governance for a business. Whatever the legislative environment, there is something deeply natural about the directors giving an account of their stewardship. Directors need to be accountable to be effective, and the annual report and the Annual General Meeting (AGM) are the axles, which drive this accountability.

Corporate reporting is recognised as a fundamental part of good business by investors and stakeholders. An effective report will tackle key issues in a way that builds trust and confidence in a company's ability to manage and communicate its material non-financial impacts. A growing number of corporations use annual reports to inform the community about their contributions, activities, policies, and guidelines.

For years, public corporations have disclosed financial performance in annual reports, which allows stockholders, employees, customers, partners, and potential investors to review verifiable data that are critical to making decisions about a company. Standards for measuring, reporting, and verifying corporate financial data have become well established. Increasingly, companies are expected to measure environmental, health, safety, and sustainability performance and share the results. These measures indicate corporate risk and reputation, and serve as indicators of a company's desirability as an investment, partner, supplier, or employer.

Corporate reporting provides a means for an organisation to communicate with diverse stakeholders. Reporting organisations have discovered many benefits from the process, including:

- Reduced resource use, waste and operating costs
- Improved community support
- Improved customer confidence
- Improved relationships with regulators
- Improved attractiveness to investment
- Improve competitive advantage
- Improved global exposure
- Improved supply chain advantage

Annual reports meet the common needs of most users. However, it do not provide all the information that users may need to make economic decisions since they largely portray the financial effects of past events and do not necessarily provide financial information in every details.

2.0 Users of corporate reports and their information needs

The users of corporate reports include present and potential investors, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies and the public. They use financial statements in order to satisfy some of their different needs for information. These needs include the following:

a) Investors: The providers of risk capital and their advisers are concerned with the risk inherent in, and return provided by, their investments. They need information to help them determine whether they should buy, hold or sell. Shareholders are also interested in information, which enables them to assess the ability of the entity to pay dividends.

b) Employees: Employees and their representative groups are interested in information about the stability and profitability of their employers. They are also interested in information, which enables them to assess the ability of the entity to provide remuneration, retirement benefits and employment opportunities.

c) Lenders: Lenders are interested in information that enables them to determine whether their loans, and the interest attaching to them, will be paid when due.

d) Suppliers and other trade creditors: Suppliers and other creditors are interested in information that enables them to determine whether amounts owing to them will be paid when due. Trade creditors are likely to be interested in an entity over a shorter period than lenders unless they are dependent upon the continuation of the entity as a major customer.

e) Customers: Customers have an interest in information about the continuance of an entity, especially when they have a long-term involvement with, or are dependent on, the entity.

f) Governments and their agencies: Governments and their agencies are interested in the allocation of resources and, therefore, the activities of entities. They also require information in order to regulate the activities of entities, determine taxation policies and as the basis for national income and similar statistics.

g) Public: Entities affect members of the public in a variety of ways. For example, entities may make a substantial contribution to the local economy in many ways including the number of people they employ and their patronage of local suppliers. Financial statements may assist the public by providing information about the trends and recent developments in the prosperity of the entity and the range of its activities.

While all of the information needs of these users cannot be met by corporate report, there are needs, which are common to all users. As investors are providers of risk capital to the entity, the provision of financial statements that meet their needs will also meet most of the needs of other users that financial statements can satisfy.

3.0 Corporate reporting – General practice in Bangladesh

In compliance with legal and regulatory provisions listed companies in Bangladesh prepare and publish general-purpose corporate reports including the following components

3.1 Corporate directory

3.1.1 Company profile

Annual report of a listed company generally includes a statement describing the basic information such as: formation of the company, its legal status, history, operations, business, sourcing of raw materials, products, market share, etc.

3.1.2 Board of directors and management team

List of directors and management are generally included in a published annual report. The list informs about the name and designation of individuals working as directors of the company with their portfolio and the name and designation of individuals working for the management of the company with their portfolio. The compositions of the following committees are also included in an annual corporate report.

a) Audit Committee
b) Risk Committee
c) Nomination Committee
d) Remuneration Committee
e) Executive Committee
f) Purchase Committee

3.1.3 Biography of the directors

Biography of directors is generally given in annual reports of a company. The biography portrays the background of directors including academic and technical qualification, work experience, etc.

3.1.4 Locations of establishment

A list of addresses and contacts of the locations of branch offices, plants, sales offices, warehouses and other location of the company's working places are generally included in a published corporate report

3.1.5 Events highlight

Events and activities of reporting entity are often depicted in a corporate report. These events and activities generally include big business events like signing of agreement with third parties, opening of a branch or office, award receiving or giving ceremonies, social and cultural activities, environmental activities, events concerning discharging of social responsibilities, etc

3.2 Vision of the reporting entity

Every company has a vision, which is literarily a vivid mental image concerning future direction and outcome of an enterprise.

> "We shall remain the benchmark in our industry -
> being an innovative and technology driven company
> consistently delivering world class products ensuring best
> consumer satisfaction through continuous value added
> services provided by highly professional and committed team"

3.3 Mission of the reporting entity

The mission identifies the basic purpose or function or tasks of an entity. Every kind of organised operation has, or at least should have a mission if it is to be meaningful.

> "For Customers: Relentless pursuit of customer satisfaction
> through delivery of top quality service
>
> For Shareholders: Maximise shareholders wealth through
> a sustained return their investment
>
> For Employees: To make the company a centre of excellence
> with opportunity for career development
>
> For Society: To remain a responsible corporate citizen"

3.4 Objective of the reporting entity

Objectives are the ends towards which activity is aimed. They represent not only the end point of planning but also the end toward which organising

3.5 Strategy of the reporting entity

Strategy is the determination of the basic long-term objectives of an entity and the adoption of courses of action and allocation of resources necessary to achieve the goals of the entity.

Strategies mean grand plans made in light of what it was believed an adversary might or might not do. While the term still usually has a competitive implication, managers increasingly use it to reflect broad areas of an enterprise's operation.

3.6 Code of conduct and ethical principles

Companies, supported by their professional advisers and encouraged by the investor community, have the primary responsibility for achieving high standards of reporting and governance. An ethical approach to business and fair code of conduct for performing business activities should make the achievement of these standards.

3.7 Notice of annual general meeting

Section 81 of the Companies Act, 1994 reads: every company shall in each year of the Gregorian calendar hold in addition to any other meeting a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. Section 85 requires that an annual general meeting may be called by fourteen days notice in writing.

The notice generally contents the following:

a) Receive and adopt the financial statements and the reports of the auditors and directors thereon;
b) Declaration of dividend; and
c) Appointment of auditors and directors of the company.

3.8 Value added statement

The value added statement is very common in the corporate reporting. The statement is divided in two parts. In the first part, it shows how much the entity adds during an accounting period. In the other part, it shows how the added value was distributed among the shareholders, employees, national exchequer, and how much the entity retains for its further growth

3.9 Risk management

A statement regarding business risks both controllable and uncontrollable is also given in corporate reports. The risks include market risks, risks associate with supplies of inputs, economic risks in general, etc. The statement also informs that how such risks are being mitigated and about the remaining risks.

3.10 Chairman's report

As required by Rule 37(5) of the Dhaka Stock Exchange Listing Regulations, annual published accounts and report shall contain among other information a Chairman's Report which shall include events occurring after the balance sheet date as required by the BAS 10 Events after the Balance Sheet Date. The chairman's statement generally includes the following:

a) Review of business environment
b) Business & financial performance
c) Business development
d) Future outlook
e) Appreciation to shareholders, employees and other concern persons

3.11 Directors' report

Section 184 of the Companies Act, 1994 requires that a report by its Board of Directors shall be attached to every balance sheet laid before a company in general meeting. The report of the directors depicts state of the company's affairs, reserves, dividends, material changes and commitments. The Chairman of the company signs such report in compliance with the law. The report is also required by corporate governance guidelines issued by Securities and Exchange Commission and the Rule 37(5) of the Stock Exchange Listing Regulations. The major issues covered by the report are as following:

3.11.1 Financial highlights and analysis

An annual report summarises financial highlights and analysis of financial data of at least preceding three years as per Securities and Exchange Commission requirement. However, in general published financial annual reports of listed companies contain financial highlights and analysis of financial data of preceding five years. The highlights and analysis are presented in both numeric and graphic form.

3.11.2 Corporate social responsibility statement

Corporate social responsibility is a concept with a growing currency around the globe. CSR is a concept that frequently overlaps with similar approaches such as corporate sustainability, corporate sustainable development, corporate responsibility, and corporate citizenship. While CSR does not have a universal definition, many see it as the private sector's way of integrating the economic, social, and environmental imperatives of their activities. As such, CSR closely resembles the business pursuit of sustainable development and the triple bottom line. In addition to integration into corporate structures and processes, CSR also frequently involves creating innovative and proactive solutions to societal and environmental challenges, as well as collaborating with both internal and external stakeholders to improve CSR performance.

3.11.3 Corporate Environmental compliance statement

Environmental compliance statement encompasses the followings:

a) The company's environmental policy
b) The impact of company/industry operations on the environment
c) Environmental issues that are pertinent to the company/industry
d) Initiatives regarding air, water, and/or land pollution abatement
e) Environmental expenses (both operating and capital) or contingencies
f) Applicable legislation and other environmental protection measures

The other issues covered by the Directors' Report are cited below:

a) Global and national economy
b) Principle activity
c) Human resources management
d) Future prospects
e) Corporate governance
f) Contribution to national exchequer
g) Dividend
h) Earning per share
i) Re-election of directors
j) Auditors appointment
k) Appreciation to shareholders, employees and other concern persons

3.12 Pattern of shareholdings

A disclosure is required to be made in the annual report of a listed company concerning composition of shareholding by sponsors, foreign investors, institutional investors and general public. The compositions of shareholding by number of shares owned by different categories of shareholders are also given in the report.

3.13 Statement of attendance of Board Members and Committee Members in relevant meetings.

A chart depicting attendance of Board Members and Committee Members in relevant meetings is incorporated in corporate reports.

3.14 Corporate governance

According to the corporate government guidelines, issued by the Securities and Exchange Commission vide notification no. SEC/CMRRCD/2006-158/Admin/02-08 dated 20 February 2006, Listed companies in Bangladesh are required to report the following issues in their annual report:

a) Board's size
b) Independent directors
c) Appointment of independent director by elected directors
d) Individual chairman of the board and chief executive and clearly defined roles and responsibilities
e) The directors' report to the shareholders on compliance of
i) Fairness of financial statement
ii) Maintenance of books of accounts
iii) Adoption of appropriate accounting policies and estimates

iv) Compliance with International Accounting Standard (IAS)
v) Soundness of internal control system
vi) Continue as going concern
vii) Significant deviations from last year
viii) Presentation of last three years data
ix) Declaration of dividend
x) Details of board meeting
xi) Shareholding pattern
f) Appointment of CFO, head of internal audit and company secretary
g) Attendance of CFO and company secretary at board of directors' meeting
h) Audit committee
i) External / statutory auditors

3.15 Auditors' report and financial statements

3.15.1 Auditor's report

This is to land credibility upon the financial statements prepared by management.

3.15.2 Audited financial statements

Audited financial statements with required disclosures mentioned herein under is the key elements of corporate reports.

Financial statements comprising of the followings:

a) balance sheet;
b) an income statement;
c) a statement of changes in equity showing either:
   i) all changes in equity, or
   ii) changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders;
d) a cash flow statement; and
e) notes, comprising a summary of significant accounting policies and other explanatory notes.

3.16 Proxy form

Every annual report published by listed companies attaches a proxy form. The proxy form allows members of the company to attend in the AGM by a proxy.

4.0 Communication of corporate reports (Bangladesh Perspective)

4.1 Annual financial statements

Within thirty days from the date on which the financial statements were laid before a company at an annual general meeting the financial statements shall be filed with the registrar as per section 190 of the Companies Act.

Section 191 of the Companies Act, 1994 and Rule 12(4) of the Securities and Exchange Rules require that every listed company shall furnish the annual report, together with the audited financial statements to the shareholders at least fourteen days before the annual general meeting of the shareholders of the company at which the report is to be laid before them and shall simultaneously furnish a copy of such report to the stock exchange or exchanges on which its securities are listed and to the government.

Every listed company shall send to the Exchange its financial results; both in the case of half-yearly and annual financial statements in such form as may be prescribe by the commission as soon as approved by the directors of the company.

4.2 Half yearly financial statements

Rule 13 of the Security and Exchange Rules requires that every listed company shall, within one month of the close of the first half of its accounting year, prepare and transmit to the stock exchanges on which its securities are listed and to its security-holders and the government a profit and loss account for, and a balance sheet as at the end of, that half-year whether audited or otherwise.

5.0 Disclosure requirements (Bangladesh Perspective)

5.1 Mandatory/legal disclosures requirements

5.1.1 Companies Act, 1994

5.1.1.1 Balance sheet

The Act allows both horizontal and vertical form of balance sheets. The break-up of a balance sheet is as follows:

1. Share Capital
2. Reserves
3. Loans
4. Current Liabilities
5. Fixed Assets
6. Investments
7. Current Assets

The Act also requires that the balance sheet should also disclose the followings.

1. Previous year's corresponding figures
2. Disclosure of material facts
3. Statement of important accounting policies
4. Disclosures of material post balance sheet events
5. Brief description of the business

5.1.1.2 Profit and loss account

According to the Companies Act, 1994 the profit and loss account discloses the following information:

1. Turnover and volume by class of goods
2. Commission and discounts paid
3. Raw material costs and volumes by item

4. Opening and closing stocks
5. Work in progress
6. Depreciation
7. Taxes
8. Provisions
9. Consumption of spares and stores
10. Power & fuel
11. Rent
12. Salaries, wages & bonuses (and other details)
13. Repairs to building and machinery (separately)
14. Contribution to provident and other funds
15. Staff welfare expenses
16. Insurance
17. Property rates & taxes
18. Income from investments
19. Profit or loss on disposal of investments
20. Detailed remuneration of Directors and Managers
21. Dividends paid, payable and unclaimed
22. Auditors remuneration split by service
23. Installed capacity and actual production other details
24. Value of imports by category
25. Proportion of raw materials, spares, etc, to total
26. Foreign exchange spent on raw material and spares imported
27. Foreign exchange spent on royalties, professional fees, etc.
28. Number of non-resident shareholders, their share holding foreign exchange spend on dividend to them
29. Details of foreign exchange earnings

5.1.2 Securities and Exchange Commission Rules, 1987

The financial statement of an issuer of a listed security shall be prepared in accordance with the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh. In addition to the requirements of IASs the following disclosures also required to be made in the annual report.

1. Full list of Investments
2. Holding in Associate & Subsidiaries
3. Classification of Shareholders
4. A Directors Report, in addition to the requirements of the Companies Act 1994 shall contain:
   a) Name of the directors
   b) Activities of the company and subsidiaries
   c) Significant changes in fixed assets and market value of land
   d) Issue of new shares and debentures
   e) Acquisition of share or debenture by directors
   f) A Statement of each Directors on interest in any other body corporate within the group

g) Segment analysis of
   i) Turnover
   ii) Operating Profit
   iii) Assets
h) Contribution to charities exceeding Tk. 50,000/-
i) Amount for the immediately preceding year
5. Contingencies and events occurring after the balance sheet date

5.1.3 Compliance with BAS/BFRS

According to the Securities and Exchange Rules, the financial statements of an issuer of a listed security shall be prepared in accordance with the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh.

List of ISAs and IFRSs so far adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) is given below:

Number	Title	Effective date	Remarks
INTERNATIONAL FINANCIAL REPORTING STANDARDS			
IFRS 1	First-time Adoption of International Financial Reporting Standards	Not yet adopted	Under review by ICAB
IFRS 2	Share-based Payment	01 January 2007	Adopted by ICAB effective from 01 Jan 07
IFRS 3	Business Combinations	01 January 2007	Adopted by ICAB on 15 Dec 2005 & effective from 01 Jan 07
IFRS 4	Insurance Contracts	Not yet adopted	Under review by ICAB
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	01 January 2007	Adopted by ICAB on 15 Dec 2005 & effective from 01 Jan 07
IFRS 6	Exploration for and Evaluation of Mineral Assets	01 January 2007	Adopted by ICAB effective from 01 Jan 07
IFRS 7	Financial Instruments: Disclosures	Not yet adopted	Under review by ICAB
IFRS 8	Operating Segments		Effective from 01 Jan 2009
INTERNATIONAL ACCOUNTING STANDARDS			
IAS 1	Presentation of Financial Statements	01 July 1999	Revised IAS 1 considered by ICAB & effective from 01Jan 07
IAS 2	Inventories	01 January 1999	Revised IAS 2 considered by ICAB & effective from 01Jan 07
IAS 7	Cash Flow Statements	01 January 1994	Last revised in 1999
IAS 8	Accounting Policies, Changes in Accounting Estimates, and Errors	01 January 1995	Revised IAS 8 considered by ICAB & effective from 01Jan 07
IAS 10	Events After the Balance Sheet Date	01 January 1995	Revised IAS 10 considered by ICAB & effective from 01Jan 07
IAS 11	Construction Contracts	01 July 1999	
IAS 12	Income Taxes	01 January 1998	Last revised in 1999

Number	Title	Effective date	Remarks
IAS 14	Segment Reporting	01 January 2004	
IAS 16	Property, Plant and Equipment	01 January 1995	Revised IAS 16 considered by ICAB & effective from 01Jan 07
IAS 17	Leases	01 January 2004	Revised IAS 17 considered by ICAB & effective from 01Jan 07
IAS 18	Revenue	01 January 1995	Revised IAS 18 considered by ICAB & effective from 01Jan 07
IAS 19	Employee Benefits	01 January 2004	Revised IAS 19 not yet considered by ICAB
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	01 January 1999	
IAS 21	The Effects of Changes in Foreign Exchange Rates	01 January 1995	Revised IAS 21 considered by ICAB & effective from 01Jan 07
IAS 22	Business Combinations	01 January 2004	Superseded by IFRS 3 which is considered by ICAB wef 01Jan 07
IAS 23	Borrowing Costs	01 January 1995	Revised IAS 23 considered by ICAB & effective from 01Jan 07
IAS 24	Related Party Disclosures	01 January 2004	Revised IAS 24 considered by ICAB & effective from 01Jan 07
IAS 25	Accounting for Investment	01 January 1999	Superseded by IAS 39 & 40 but not yet considered by ICAB
IAS 26	Accounting and Reporting by Retirement Benefit Plans	01 January 2004	Revised IAS 26 considered by ICAB & effective from 01Jan 07
IAS 27	Consolidated and Separate Financial Statements	01 January 1999	Revised IAS 27 considered by ICAB & effective from 01Jan 07
IAS 28	Investments in Associates	01 January 2005	Revised IAS 28 considered by ICAB & effective from 01Jan 07
IAS 29	Financial Reporting in Hyperinflationary Economies	Not yet adopted	
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	01 January 1999	
IAS 31	Interests In Joint Ventures	01 January 2004	Revised IAS 31 considered by ICAB & effective from 01Jan 07
IAS 32	Financial Instruments: Presentation	Not yet adopted	Under review of ICAB
IAS 33	Earnings Per Share	01 January 1999	Revised IAS 33 considered by ICAB & effective from 01Jan 07
IAS 34	Interim Financial Reporting	01 January 1999	
IAS 35	Discontinuing Operations	01 January 2005	Superseded by IFRS 5 which is considered by ICAB wef 01 Jan 07
IAS 36	Impairment of Assets	01 January 2004	Revised IAS 36 considered by ICAB & effective from 01Jan 07
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	01 January 2004	Revised IAS 37 considered by ICAB & effective from 01Jul 07

Number	Title	Effective date	Remarks
IAS 38	Intangible Assets	01 January 2005	Revised IAS 38 not yet considered by ICAB
IAS 39	Financial Instruments: Recognition and Measurement	01 January 2007	
IAS 40	Investment Property	01 January 2005	Revised IAS 40 considered by ICAB & effective from 01Jan 07
IAS 41	Agriculture	01 January 2007	

5.2 Optional/customary disclosures

5.2.1 SAFA Criteria for best annual report

5.2.1.1 Report of chairman/CEO

The report simply stated or deals with policies implemented to pursue attain these

1. Vision/Mission
2. Objective and goals
3. Core values or corporate focus
4. New Technology
5. Giving an overview of the company and how it is place with the economy
6. A general review of the performance of the company
7. Description of the performance of the various activities/products of the company and its group companies during the period under review.
8. A brief summary of the business risks facing the organization and steps taken by management to mitigate such risks
9. A general review of future prospects/outlook
10. Outline of the contribution of the organization towards the economy of the country
11. Information on how the company contributed to its responsibilities towards the staff and the society at large
12. Report on environment impacts

5.2.1.2 Disclosures

1. Segmental review of operations with description of the performance and future prospects of each segment. Segment analysis of

a) Turnover
b) Operating Profit
c) Net Assets

2. Disclosure of accounting policies

a) All policies disclosed in one place
b) All policies relevant for treatment of assets & liabilities are disclosed
c) Treatment of profit and loss account is disclosed

3. Policies in line with Best Presented Accounting Practices and the IAS (Or relevant local standards if available, provided they are more stringent than the IAS)
4. Adequately /properly worded accounting policies
5. Significant departure from standards should be adequately explained and quantified unless it is impracticable to do so

5.2.1.3 Stakeholders information

1. Shareholder information
2. Distribution of shareholders
3. Shares held by Directors/Executive
4. Graphical/pictorial data on
   a) Earning per share
   b) Net assets per share/Market price per share
   c) Shareholders funds/Return on shareholders fund
5. Five -year summary trading results
   a) Turnover
   b) Profit before tax
   c) Profit after tax
6. Balance Sheet
   a) Shareholders Fund
   b) Property, Plant & Equipment
   c) Net Current Assets
   d) Long-term liabilities
7. Profitability, dividends & investors information
8. Earnings per share- basic and Diluted
9. Net assets per share
10. Effective dividend rate
11. Market price per share
12. Price Equity Ratio
13. Current Ratio
14. Value added statement & distributed of added value
15. Employees remuneration
16. Government taxes
17. Providers of capital
18. Shareholders dividends
19. Retained within the business

5.2.1.4 Report presentation

1. Cover and Printing including the theme (on the cover)
2. Effectiveness of photographs and their relevance
3. Effectiveness of charts and graphs
4. Layout of contents
5. Clarity, simplicity and lucidity in presentation of accounts

5.2.1.5 Timeliness in issuing and holding AGM's

1. A three months' time period to produce the annual report and hold an Annual

General Meeting is considered reasonable for full marks
2. For each month's delay, deduction of 2 marks is to be made
3. If the period is over six months- no marks

5.2.1.6 Financial aspects of corporate governance

1. Adherence to the financial aspects of corporate governance, financial review and analysis
2. Statement of Directors' responsibilities for preparation and presentation of the financial statements
3. Audit Committee
4. Remuneration Committee

6.0 Best corporate reporting practice - A snapshot of Sunshine Standards

The Sunshine Standards provide direction for corporate reporting to stakeholders. Stakeholders include employees, customers, communities, suppliers, and others who contribute significantly to the success of the corporation, or are affected significantly by its actions.

Four disclosure standards are grounded in one fundamental principle. The statement of standards is followed by an amplification providing examples and details.

These standards are designed to complement and extend "generally accepted accounting principles" issued by the Financial Accounting Standards Board and its predecessors that currently guide corporate reporting to stockholders. Corporate reporting to stockholders and other financial investors is mandated by the governments across the globe; stakeholders are no less entitled to full and fair disclosure.

The Stakeholder Alliance, a coalition of organizations and individuals representing more than 5 million persons concerned with the interests of corporate stakeholders, has developed the Sunshine Standards for Corporate Reporting to Stakeholders to provide guidance on disclosure expected from corporations in return for the privileges of (1) endowment with a public charter, (2) participation in a free market system, with accompanying rights and responsibilities, and (3) the substantial benefits extended to corporations by stakeholders and society.

6.1 Fundamental principle

Corporations must provide information that stakeholders need in order to make rational, informed decisions in a free market system, and to protect themselves from negative consequences of corporate actions. Disclosure must be complete, accurate, timely, objective, understandable, and public. Stakeholder "right to know" takes precedence over cost, inconvenience, or risk to the corporation.

6.2 The standards

6.2.1 Frequency and availability

The Corporate Report to Stakeholders will be issued annually and will be freely available to the public; it will be supplemented when appropriate by ad hoc disclosures.

6.2.2 Customers

Information shall be disclosed necessary for customers to make informed decisions for purchase and use of products and services, and to satisfy concerns regarding workplace conditions, environmental impact, commitment to sustainability, and other areas of corporate social responsibility.

6.2.3 Employees

Information shall be provided that will enable (a) present and potential employees to make fully informed employment decisions, and to protect themselves in the workplace and in other relations with the corporation; and (b) consumers, government agencies, and other stakeholders to fairly assess the company's workplace conditions on issues such as fair pay, child labor, sweatshop conditions, and the right to organize.

6.2.4 Local, State, National, and Global Communities

A. Information shall be provided sufficient to permit residents and local authorities to fully comprehend environmental risk, as well as risks associated with the company's transportation, storage, processing, and disposal of radioactive, toxic, hazardous, and dangerous materials.

B. Disclosure shall be made of both charitable and political contributions (whether through a company political action committee or directly), to permit assessment of the company's efforts to influence public policy.

C. Information shall be provided necessary for public decisions regarding tax abatements, industrial development bonds, zoning exemptions, and other special concessions and benefits for the corporation, including past performance in response to such benefits.

6.3 Amplification of the Standards

Compliance with the fundamental principle and four standards is mandatory for an entity to be identified as satisfying the Sunshine Standards. The following examples and details, while not incorporated into the mandatory standards, will represent appropriate and achievable disclosure for most companies. Additional disclosure will also be necessary for some companies and in unusual circumstances.

An annual "Corporate Report to Stakeholders" should be issued publicly by all larger corporations. In addition to being freely available for examination and copying at corporate offices, copies should be placed in relevant Government offices and public libraries, and union offices wherever the company has major facilities. A complete copy should also be available on the Internet. The annual report should be supplemented by ad hoc reports as necessary to immediately apprise stakeholders of changes with which they may be concerned.

Form of the report is less important than content. For most companies the report should be divided into three sections for customers, employees, and local, state, national and global community. Financial reports may be incorporated by reference to Securities & Exchange Commission (SEC) filings publicly available on line

The reporting format should consist primarily of text and quantified numerical disclosures; these may be supplemented with, but not replaced by, graphs, charts, and illustrations. Comparative data, covering a five-year period when possible, may be essential to place current disclosure in perspective. Promotional and self-congratulatory material should not be included; it will dilute the reports, and may produce skepticism regarding the accuracy and completeness of factual disclosure.

6.3.1 Customer Information Needs

1. Product information
A. Measurement of customer satisfaction
B. Risks of injury from normal usage
C. Noise, odors, and other nuisances or problems associated with use
D. Design for recycling
E. Biodegradability of products and packaging
F. Unusual life cycle costs
G. Warnings, with appropriate detail, regarding unusual contamination and adulteration exposure and risks during production, shipping, marketing, and storage.
H. Emissions ratings, by specific model, for products that generate air pollution.

Content, additives, and treatments of foods and medicines, sufficient to allow reasonably informed customers to make rational market decisions and to protect themselves and their families.

J. Recall and additional safety-related information for automobiles, trucks, farm equipment, vans, campers, and other vehicles and equipment when their use may represent a safety threat.

K. In general terms, provide disclosure for:

i) Significant characteristics of products that are expensive or are purchased only infrequently.
ii) "Well-hidden characteristics".

2. Actions brought by customers and regulatory authorities regarding products, services, and market practices

A. Comprehensive record of claims, legal, and regulatory actions relating to products and services, including product liability, injury, and wrongful death claims, covering all jurisdictions for previous five years. Describe each claim and its disposition. Classify claims by specific product to facilitate consumer market choices.

B. Indictments and citations for regulatory violations during previous five years, giving details of each incident and resulting penalty, settlement, or other disposition.

3. Social responsibility information

Customers may legitimately base purchase decisions on considerations of corporate social responsibility, such as working conditions under which products are manufactured, sustainability of production and business methods, or activities of a company's political action committee (PAC).

6.3.2 Employee Information Needs

1. Employment security and stability
   A. Information regarding facility closings:
   B. Layoff record for previous five years, showing for each layoff event:
   C. Unemployment compensation rating and record
2. Health and safety risks, classified by site
   A. Employee exposure to radiation, noise, temperature and humidity extremes, chemicals, fumes, toxic substances, fibers, and emissions, and to inhalation of smoke, chemicals, and dust
   B. Hazards associated with use of tools and equipment, including risk of repetitive motion injury and radiation exposure from computer monitors, laser printers, televisions, and microwaves
   C. Unusual threats specific to pregnant women
   D. Data on past accidents, injuries, illness, and medical complaints.
3. Employment equity, security, and diversity
   A. Data tabulated for previous five-year period and classified by gender and race
   B. Ratio of compensation, including benefits, bonuses, and stock options, for top executives to that for lowest level employees
   C. Turnover statistics classified by department, job level, gender, race, and age
   D. Promotions from within compared with external hires
   E. Statement of company policy regarding payment of a living wage, and whether such policy accepts any geographical locations
4. Employee grievances
   A. Statistics on grievances filed by employees, classified by nature of grievance and office or agency with whom filed.
   B. Employment-related lawsuits (such as for discrimination or sexual harassment) filed, adjudicated, or settled during the past five years
   C. A statement indicating whether mandatory arbitration is required as a condition of employment or retention
5. Pension programs
6. Future plans

6.3.3 Community Information Needs

1. Company ownership information

Names, addresses, and number of shares held by the twenty largest shareholders excepting any shareholder with less than one-tenth of one percent of outstanding shares.

2. Environment and sustainability

A. Material usage and waste

(1) Radioactive, toxic, hazardous, and dangerous materials used, transported, or stored, showing sites and routes

(2) Chemicals that pose a significant risk of cancer or of reproductive toxicity

(3) Estimated annual water consumption

(4) Annual quantities of waste and sewage expected to be generated by company operations, classified by risk to health and safety and identifying disposal methods and locations. Provide separate estimates of waste from consumption of company products.

B. Pollution emissions data

(1) Current estimates of air and water emissions, by specific site, category and quantity, along with actual emission for the previous five years

(2) Data on penalties, settlements, and judgments related to environmental violations during the past five years

C. Sustainability: statement of policies respecting sustainable development

D. Recycling: material type and quantity of non-product output returned to process or market by recycling or reuse

3. Prior performance in response to special public benefits

Results achieved in response to corporate commitments, such as creation of a certain number of new jobs

4. Legal and regulatory profile

Legal and regulatory actions, civil or criminal, brought against the corporation in all jurisdictions during preceding five years.

5. Financial data

Financial information as per SEC requirement covering the past five years, plus current quarterly reports.

6. Taxes paid

Taxes paid to all jurisdictions, classified by type of tax

7. Materials sourcing

Geographic breakdown of international materials sources

8. Facility construction data

Plant construction data having impact upon the safety of the community.

9. Vehicular activity

Estimated number of vehicles, annual mileage, and annual ton-miles projected to be driven in city/communities in which the corporation has significant activity

10. School impaction data

Potential school impact of children of employees

11. Investments

Breakdown of financial investments by location

12. Contributions

Corporate charitable contributions broadly classified by purpose, type, and location of beneficiary.

13. Lobbying and political activities

A. Corporate contributions to political organizations at all political levels, directly or through political action committees (PACs).

B. Names of all PACs established by the company, and amounts dispensed in contributions.

C. Amounts spent on lobbying activities at all political levels.

D. Amounts contributed by the company to trade associations for special political or lobbying campaigns.

E. Amounts contributed to ad hoc political or lobbying organizations created for special campaigns.

F. Amounts committed to "issue advocacy" campaigns, classified by issue.

6.3.4 Social and Public Policy

1. Statements regarding company adherence or non-adherence to:

A. Universal Declaration of Human Rights, particularly Article 23 concerning the right to form and join unions.

B. International Labour Organization (ILO) Convention Number 29 on forced labor.

C. ILO Convention Concerning Discrimination in Respect of Employment and Occupation.

D. ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy.

E. Convention on the Elimination of all forms of Discrimination Against Women (CEDAW).

F. International Convention on the Elimination of All Forms of Racial Discrimination.

G. Convention on the Rights of the Child.

2. Amount and content of trade with countries that is officially discouraged as a matter of national policy (because of, for example, hostile relations or abuse of human rights).

3. Foreign exchange generated and used, to permit an assessment of the extent to which the corporation is contributing, favorably or unfavorably, to balance of trade.

4. Major government contracts, by nature and dollar amount, and amount and nature of penalties for malfeasance associated with government contracts.

> Great corporations exist only because they are created and safeguarded by our institutions; and it is our right and our duty to see that they work in harmony with these institutions . . . . The first requisite is knowledge, full and complete; knowledge which may be made public to the world.
>
> Theodore Roosevelt, first message to Congress

7.0 Steps for developing a report

1 - Investigate rationale

- Identify potential benefits and pitfalls in producing a report
- Identify the scope and coverage
- Assess costs and benefits and attain top management commitment

2 - Identify key stakeholders

Identify key stakeholders and their needs in a report, both at this initial stage by consultation and at the review stage through feedback mechanisms

3 - Identify key aspects and impacts

Identify key environmental and/or social and/or economic issues and resulting significant aspects for reporting purposes

4 - Develop performance indicators

Identify and prioritise relevant (operational and management) performance indicators and condition indicators for reporting purposes

5 - Set Objectives and Targets

Set appropriate performance objectives and targets including time lines aimed at meeting established commitments for sustainability performance

6 - Measure and evaluate

Develop a framework for measurement including data collection, collation and evaluation

7 - Strengthen effectiveness of communication

In reporting ensure honesty, clarity, neutrality, credibility, continuity, validity, understandability, relevance, completeness and comparability. Independent verification may also provide additional external assurance to readers

8 - Publish, distribute, use and review

Choose reporting format(s) and period that suits your organisational and stakeholder requirements

- Distribute and use the report appropriately
- Include a feedback mechanism and contact details for feedback, queries and

further information

- Review feedback, environmental, social and economic aspects, environmental, social and economic indicators; stakeholder needs and objectives and targets.

8.0 An empirical observation on existing corporate reporting

" I pretend they've gone away for a year and want to know what's happened. They want to hear what I'm worried about and what I'm pleased about;" Says Warrant Buffet, the second richest man in the world.

Sir Michel Rake, outgoing global head of KPMG, the accounting firm, and incoming chairman of BT, the telecommunication group, has described the corporate reporting model as "broken"

Role Campos, a commissioner at the Security and Exchange Commission of USA says: " Investors are clearly not receiving through current financial statements what they need. There is not even a consensus as to how to define the problem."

Anne Simpson, executive director of the International Corporate Governance Network, which represents an assortment of big-name investors, has said a " struggle for the soul" of corporate reporting is underway.

Sir Ian Prosser, audit committee chairman at BP, the oil giant, says annual reports are in danger of becoming "compliance documents".
David Philips, a partner at PwC, points to another manifestation of what is wrong with corporate reporting: the ever-present gap between the value of most companies' balance sheet and their value in the eyes of the market. If regulated reporting better expressed what companies are and what they do, that gap would be much narrower, if it exist at all.

Globally the size of corporate report is enlarging .The latest tome from HSBC, the UK-based bank, runs to 454 pages and is so heavy the bank says the Royal Mail has had to limit the number of copies postman deliver each day. But size, say many, is not translating into clarity. The notion of greater transparency as an unequivocal good is being debunked as it becomes clear that excessive disclosure can be counterproductive: when information is unfamiliar or irrelevant, too technical or too promotional, the essentials get lost.

Perhaps the most striking is that the most prized communication between companies and investors takes place outside the confines of the accounts and annual reports. Share prices are more likely to move on the content of earnings press release -than on accounts (which take longer to read) or annual report (which take longer to arrive).

There are myriad views on what exactly is wrong-but there is a growing consensus that corporate reporting has reached a crossroads and radical thoughts are emerging about how to set it on a new path..

In Bangladesh the corporate reporting is largely compliance documents. Stakeholders other than equtyinvestors and few research students takes little interest in corporate reporting. Since, the number of listed companies in different industries are very few and sometime only one in one industry, companies are conservative in disclosuing information. However, communsurate with capital market the situation is improving encouragingly.

9.0 The future of corporate reporting

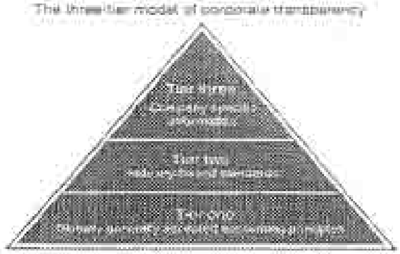
The needs of investors and other stakeholders for more and better information about corporate performance, now underscored by a lack of trust in those responsible for reporting that information, has led to a greater demand for improved corporate transparency. This is a vision of the future of corporate reporting - a revised model for corporate disclosure underpinned by transparency, accountability, and individual integrity. Building Public Trust: The Future of Corporate Reporting delivers four key ideas based on three central themes.

- The three-tier model of corporate transparency
- The corporate reporting supply chain
- XBRL as a technology enabler
- The audit profession's role in closing the expectations gap

9.1 The three-tier model of corporate transparency

Building public trust: The future of corporate reporting staunchly advocates that companies should provide investors and other stakeholders a much broader range of information than financial reporting regulations require. It also says that these groups will benefit only if companies communicate the information in an integrated fashion that provides a holistic view of the enterprise—its marketplace opportunities, its strategies, its value drivers, and its financial outcomes.

The three-tier model of corporate transparency



9.1.1 Tier one: Global GAAP

Today's world of global capital markets, global companies, global competition, and global investors unquestionably needs one set of truly global generally accepted accounting principles (Global GAAP) that applies to companies in all countries. If Global GAAP existed, investors could more easily compare the performance of any company, in any country, in any industry. Developing and implementing a principles-based Global GAAP will not only require collaboration among the world's major accounting standards setters, but will also require mechanisms for creating interpretative and enforcement functions that work on a global basis.

9.1.2 Tier two: Industry-based standards

Tier two encompasses industry-specific, industry-developed standards for financial and non-financial information that supplement the basic financial information at tier one. Much of this information is encompassed in the value platform category of PricewaterhouseCoopers' value reporting framework, including intangible assets such as human and intellectual capital and non-financial value drivers such as customer relationship management and the product development process. Because value drivers differ so greatly among industries, the corresponding measures and standards will necessarily be industry specific.

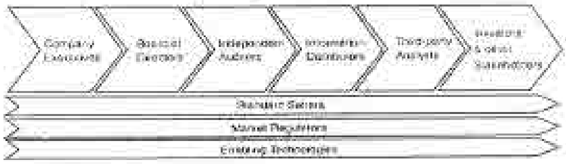
9.1.3 Tier three: Company-specific information

At this tier is information unique to an individual company, including its strategy, projections and plans, risk management practices, corporate governance, compensation policies, and performance metrics. While well-defined external standards cannot be developed for tier three content, general guidelines for content, as well as external standards for the format of reporting such information, certainly could be developed.

9.2 The corporate reporting supply chain

The corporate reporting supply chain includes all the groups that participate in the production and consumption of the information and analysis upon which the capital markets rely. Like all supply chains, its effectiveness depends on how well all of the elements work together.

The Corporate Reporting Supply Chain



The corporate reporting supply chain begins with company executives who are responsible for producing information at all three tiers, for both internal and external reporting purposes. The board of directors then approves the financial information at tier one. An independent audit firm provides an audit opinion on these financial statements. Information distributors, including data vendors and the news media, deliver information from companies and many other sources to a wide variety of users.

These users include third-party analysts, such as the research analysts in investment banks, who provide analysis and stock recommendations to individual and institutional investors. Investors and other stakeholders use information and analysis from many sources to make their decisions. All of the supply chain participants depend on standard setters and market regulators to establish and enforce the rules under which they fulfil their roles. Supporting the entire supply chain are enabling technologies of many kinds.

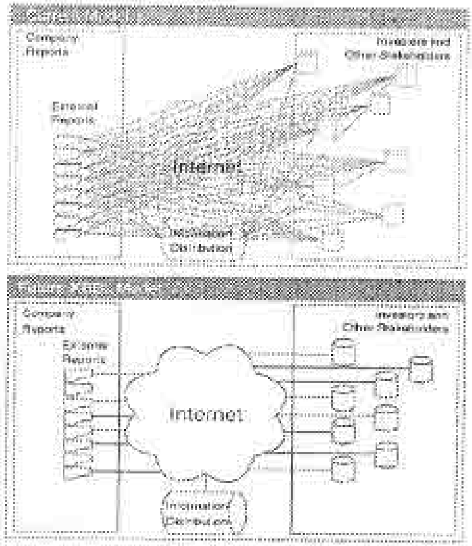
9.3 XBRL as a technology enabler

Despite advances in electronic technology, most financial content is still reported in formats that are little more than electronic versions of paper. Today companies can also report the information using a new Internet-based technology called Extensible Business Reporting Language—XBRL.

XBRL will play an essential role in achieving the corporate transparency embodied in the three-tier model because of its ability to tag individual pieces of information with a precise contextual description. XBRL will also improve investor access and dramatically increase the speed at which users can obtain information. Once adopted on a broad scale, XBRL will greatly simplify how information is produced and consumed, as illustrated in the accompanying exhibit. Every member of the corporate reporting supply chain will benefit enormously through:

- Higher quality information
- Information obtained more quickly and more frequently
- More useful information
- More complete information

How the XBRL Changes the Consumption of Corporate Reports



The consumption of corporate reports is transformed by the XBRL-enabled model. Investors will no longer have to retrieve opaque electronic paper documents from individual company Web sites and multiple information distributors, but will have access to information from any source on demand over the Internet. XBRL documents will allow many users, including the information distributor, to consume information in a very efficient manner over the Internet and conduct their analysis with timely, relevant, accurate, and complete information.

9.4 The audit profession's role in closing the expectations gap

Today auditing firms focus primarily on producing audit opinions on financial information at tier one. Even here there is a broadly perceived "expectations gap" between what an audit opinion actually means (assurance that the financial statements are a "true and fair" view of the company's financial performance) and what some believe or hope it means (validation of the health and soundness of the company).

Closing the expectations gap will require a broader audit opinion at tier one regarding such aspects as estimates made by management, the possibility of fraud, risks, liquidity, and future scenarios. This alone, however, will not close the expectations gap. Doing so will also require assurance at tier two and tier three, which in turn will require resolving issues of liability related to both companies and those who audit them.

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FISCAL POLICY- AN INSTRUMENT OF DEVELOPING COUNTRIES FOR SUSTAINABLE ECONOMIC DEVELOPMENT

Abdul Khalek, FCA

INDUSTRY is the foundation of sustainable economic development. It accelerates the growth by long-term employment, substantial value addition and velocity of money.

The key function of an industry is to manufacture a product or to create service. The survival of an industry is dependent upon its product, while product survives in the market. Quality and price are the two core attributes of a product to survive in the market particularly in present open market economy. These two elements cannot work independently rather interdependently. A product may posses an excellent quality but without price attribute cannot penetrate the market. Again, the product may be very cheap, but will not see the light of the sun unless quality is up to the desire of the consumer. The quality of a product is depends upon its ingredients and technical know how, while market determines the price by the interaction of supply and demand.

An uninterrupted economy facilitates natural flow of resources that is essential to ensure equitable development of global economy. But, that long cherished dream of economist is still in book because of the politically motivated economic decision of world custodians. The world economy was divided in line with political block, till the end of the cold war in late eighties. Then a new era of open market economy was ushered. Movement of product became freer and manufacturer worldwide locked into competition to capture the market. Cold war has turned into an economic war.

In traditional war, invaders waged war to capture land while in economic war market is the target. Product has turned into soldier and policy has become weaponry. World Bank, IMF, ADB and other multilateral funding agencies have taken up the job of policy guidance, while WTO, G8 and other international trade body turn from facilitator to dictator. Import policy, export policy, monetary policy and fiscal policy are the important weapons, usually applied by different nations to protect own market as well as to intrude into others. Out of said four policies, fiscal policy found most powerful, especially for protection.
Income Tax, Value Added Tax and Customs Duty are the three wings of fiscal policy, generally practiced by most nations including Bangladesh. These three fiscal measures have substantial impact upon product price and thereby market.

Statement of product price computation Product : 1 Ltr Plastic Emulsion Paint		
Particulars	Coy. X-1 (Bangladesh)	Coy. Y-2 (USA)
Input Cost:		
Imported Items (Bangladesh 10, USA 1)		
Transaction Value = (a)	50.00	5.00
Import Duty in average 15% of (a) = (b)	7.50	0.75
Supplementary Duty in average 10% of (a) = (c)	5.00	0.50
IDSC and/Or other Govt. Levies 3% of (a) = (d)	1.50	0.15
Clearing and O/charge, BD 10% USA 2% of (a) = (e)	5.00	0.10
T. Duty and Charges on imported input (b to e)=(f)	19.00	1.50
Cost of imported input (a+f) = (g)	69.00	6.50
Cost of indigenous input (h)	31.00	76.00
Total input cost (g + h) = (i)	100.00	82.50

[Director (Finance) & Company Secretary, Berger Paints Bangladesh Ltd.]

Value Added by Manufacturer :		
Fixed Cost (m)	12.00	8.00
Variable Cost (n)	8.00	12.00
Total manufacturing overhead (m+n)=(p)	20.00	20.00
Cost of production (j +p) = (q)	120.00	102.50
Export subsidy, incentive & DD 25% of (s) = (r)	N/A	(20.50)
Trans.Value for import to B. desh (q-r) = (s)	N/A	82.00
Import Duty @ 25% on (s) = (t)	N/A	20.50
VAT 15% on q/(s + t) = (w)	18.00	15.38
Duty on Finished Goods (w)/ (t + w) = (x)	18.00	35.88
Wholesale Price (q + x)/ (s + x)	138.00	117.88

In an idle situation, the product price is made up the cost of input, value added by manufacturer, wholesaler and retailer. But, this idle situation has largely been distorted by the fiscal measures, on its motivated, applications. The impact of fiscal measures upon product price can be better explained by the following example.
This is a notional price computation of 1 Ltr Plastic Emulsion paint, manufactured by the company, 'X' in Bangladesh and company 'Y' in USA. Once both the companies were subsidiary to a holding company based in UK and therefore the formulation followed by two companies are almost the same. Instance -1 represents the wholesale price offered by Bangladeshi Company 'X', while the price offered in Bangladesh by the sole Distributor of USA Company 'Y' has been presented under instance - 2. Company 'X' has no opportunity for export, while Company 'Y' is to cater vast export market.

- Import duty, supplementary duty and relevant charges are indirect tax leviable upon the transaction value or tariff value of the imported merchandise. Those duty and charges turn into cost, when associated with the raw material used for a product. The transaction value of the material consumed for the production of 1 Ltr paint as shown in rows (a) and (h) of above statement is Tk. 81.00 under both instances. But, marking a difference of Tk. 17.50, the actual material cost in Bangladesh raised to Tk.100. The difference caused by the amount of duty and charges levied on the imported raw material used for the production of said paint. Based on the availability of raw material, the amount of such difference differs from country to country. Consequent to the dearth of mineral resources, production in Bangladesh is largely dependent upon imported material, whereas mineral rich USA operates their plants mostly with indigenous material. In this example, the ratio of imported and indigenous material is 62:38 in Bangladesh, whereas it is 6:94 in USA. Had there been no imported material or no duty and charges thereon, irrespective of the source, the cost of raw material would, be almost equal.

Subsidy, cash incentive and duty drawback are the Government policy backing to a product for intruding into foreign market. Those are the elements of price discrimination, usually done to assign artificial price competence on any product. Having substantial cost to the Government, the degree of such backing dependent upon the economic strength of the exporting countries. In instance-2, on consideration of a moderate subsidy rate of 25% on export earning, the cost of said backing stand at Tk. 20.50.

Traditionally, a country imposes highest rate of import duty on finished goods, primarily to protect own industry. On attaining self-sufficiency in paints sector, Bangladesh has also imposed highest rate of import duty on finished paints, several years back. The amount of such duty at the rate in force is Tk. 20.50. This could improve the price competence of the paints produced by the Bangladeshi company 'X'. But, the amount has failed to provide any protection, as the same has been eaten up by the export subsidy and incentives provided by the USA Government to the product of company 'Y'. Therefore, the differential duty and charges on imported raw material will push the price of locally manufactured paint by Tk. 17.50 (19.00-1.50).

Then comes the impact of another fiscal measure Value Added Tax (VAT), which is leviable on the summation of the assessment value, import duty and supplementary duty (if any), in case of import and on the price realized by manufacturer from customer, in case of locally manufactured product.

The rate of VAT is 15% in Bangladesh. If the some total of assessment value, import duty and supplementary duty of imported product is higher than the summation of input cost and the value added by the manufacturer, than VAT acts as a protection to local industry. On the contrary, reversed happens. The base for the computation of VAT is Tk. 120 under instance-1, whereas it is Tk. 102.50 under instance-2. Consequently, VAT has favoured imported paint by Tk. 2.62.

Thus, in this example, the fiscal measures net of export incentives have favoured imported paint by Tk. 20.12. As the quality of two products are almost even and the consumers of developing country have fascination to foreign goods, the product of Bangladeshi company 'X' will gradually be wiped out of market.

In 1994, the rate of import duty, on finished paint was 50%. Had the rate been in force till date, instance-2 the duty on imported goods would go up-to Tk. 59.45 [(82.00 X 50)=41.00 + {82.00 + 41.00) X 15%} = 18.45] and thereby the fiscal measures could favour the product of company 'X' by Tk.3.45. However, being a signatory to WTO Agreement, Bangladesh had to reduce the rate of duty by phase, targeting to zero in 2005.

VAT was introduced in Bangladesh as a substitute of excise duty and sales tax in 1991. Curving the wide variation in the rate of excise duty and sales tax, the rate of VAT was fixed to a uniform rate of 15%. Had there been a differential rate of 30% VAT on imported paints, in instance-2 the amount of VAT would be Tk. 30.75 {(82.00 + 20.50) X 30%} and thereby, the price gap caused by fiscal measures would reduce to Tk. 4.75.

Income tax is known as direct tax. In fact, it is not a tax on income, rather contribution of a part of income to national exchequer, for the continuation of state operations. For an individual it is a reduction is disposable income, while sharing corporate profit, it causes a reduction in the rate of return to the shareholder. Investment is the key to industrialization. Irrespective of caste, creed and territory, investment runs behind return. Income tax policy has significant impact upon the return on investment. The provisions for tax rebate encourage an individual to invest in productive and thrust sector, while investment allowance and tax holiday are the key attraction to corporate investor for investment in industrial sector. The impact of income tax policy upon industrialization can be better explained by the following examples.

Mr. 'X' is a Government employee. His total income for the assessment year 2006-2007 was Tk. 3,75,000. In pursuance with the provision of the laws in force, he required to contribute Tk. 37,500 into national exchequer as income tax. But, the terms of his employment, the amount deemed to be paid by the Government. Mr. 'X' was entitled to a tax rebate of Tk. 11,250 for an investment of Tk. 75,000 in productive sector. As the tax had no impact upon his disposable income, he has not bothered to enjoy the facility. Therefore, the nation has been deprived of an investment of Tk. 75,000.

Instead of, defraying the tax burden of the employees, had the Government been with a policy to pay Tk. 11,250 as tax allowance, Mr. 'X' would invest Tk.75, 000 to enjoy the tax rebate of Tk.11, 250, which is substantial in context of his income.

ABC Bangladesh Limited, a multinational paints company placed a proposal to its Group on January 2002 for the expansion of existing production facilities, at a cost of Tk. 400 million. On consideration of the provision for tax holiday, the proposal has shown a pay back period of 5 years. On 5th June 2002, the company has got the clearance from its Group, to go ahead. Meantime the Government withdrew the benefit of tax holiday from expansion unit by the Finance Act 2002. Resulting from the change in fiscal policy, the payback period of the project has enhanced from 5 years to 8 years. ABC Bangladesh Limited has informed the withdrawal of the facility to the Group and in observance of relatively longer pay back period; the Group postponed the expansion project.

The fiscal, measures like the provision for tax holiday, imposition of higher rate of import duty on finished goods and differential rate of VAT on imported product are very effective in protecting local industry. But, a developing country cannot apply them independently, because of the pressure from aforesaid international funding agencies and trade bodies, which have been hammering for the withdrawal of all protection, with the plea of open market economy. Unfortunately, the developing country could do little, in pace of those powerful agencies, as their development budget largely, dependent upon overseas fund.

International funding agencies and trade bodies are in fact, the creation, of developed world. Those organizations are running under the direct and indirect control of developed countries, mostly to serve their purposes. At the backdrop of long industrialization history, developed countries are capable to produce quality product in cost effective manner. But, most of the developing countries are still at elementary stage of their industrialization. Resulting from inherited limitations, the products of developing countries are not even to their competition from the developed world. Therefore, the prescription for open market economy is highly derogatory to the growing industries of developing countries. It is interesting to note that the developed countries, who are now great pleader for open market economy, once was great protector to their industries and still maintaining the protection, wherever they required.

Therefore, the industries of developing country need protection for the survival of their product and in this regard, the fiscal measures are the proven tools.

ATTENTION! ATTENTION!! ATTENTION!!!

10TH ANNIVERSARY OF ICSMB

The Institute of Chartered Secretaries and Managers of Bangladesh (ICSMB) came into being in 1997. To commemorate the 10th Anniversary, the Institute has decided to celebrate the occasion in a befitting and colorful manner and a program "National Convention 2007" followed by Convocation and Cultural Function will be held on Saturday, 04 August 2007 at Bangladesh -China Friendship Conference Centre (BCFCC) under the theme "Corporate Governance:Achieving Global Standards".

Please register yourself as a participant. Seats are limited. HURRY UP!

The detailed program and other paper, would be communicated in due time.