Thesis
Report On
Accounting and Internal Auditing system of Mollah Quadir Yusuf & Co. Chartered Accountants.

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Program: Master of Business Administration (MBA)
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Letter of Transmittal

January 07,2025

Mst. Marium Akter
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Subject: Submission of Thesis Report on "Accounting and Internal Auditing system of Mollah Quadir Yusuf & Co. Chartered Accountants".

Dear Madam,
With most respectfully to state that I am pleased to submit my thesis report titled **"Accounting and Internal Auditing system of Mollah Quadir Yusuf & Co. Chartered Accountants**" This report is an essential part of my MBA degree requirements, and I had the privilege of completing my thesis at under your guidance. This report reflects the current Accounting and Internal Auditing practices essential for organizations in our country. I have made an effort to include relevant details while keeping the report concise.

I kindly request your assessment of this report. Your feedback would be greatly appreciated.

Yours Sincerely

Rakibul Azad
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Declaration of Student

I am **Rakibul Azad,** a student in the Master of Business Administration program with ID: MBA 2203027007 at Sonargaon University. I want to sincerely state that the report titled **"Accounting and Internal Auditing system of Mollah Quadir Yusuf & Co. Chartered Accountants**" has been genuinely created by me. During the preparation of this report, I ensured full compliance with international copy right regulations. I also want to clarify that this report has not been submitted anywhere else for the purpose of obtaining a degree.

Yours Sincerely

Rakibul Azad
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Letter of Authorization

I hereby confirm that the project report titled **"Accounting and Internal Auditing system of Mollah Quadir Yusuf & Co. Chartered Accountants** "is a genuine effort by **Rakibul Azad.** The research was conducted under my guidance. I also affirm that, to the best of my knowledge, the content presented in this report has not been included in any other project report or dissertation that led to the award of a degree to any candidate earlier, whether in the same context or a different one.

Mst. Marium Akter
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Acknowledgment

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Moving forward, I am grateful to Musfiqur Rahman FCA, Partner of **Mollah Quadir Yusuf & Co. Chartered Accountants** from whom I gained significant knowledge. I also extend special thanks to Administrative Officer Azizul Haque, along with heartfelt gratitude to all the other individuals at Mollah Quadir Yusuf & Co. Chartered Accountants main branch. I am thankful to the various staff members from different departments who generously contributed their valuable time and assistance in helping me gather data for this report.

Executive Summary

This report is based on **"Accounting and Internal Auditing system of Mollah Quadir Yusuf & Co. Chartered Accountants**". In today's dynamic business landscape, the role of robust Accounting and Internal Auditing systems cannot be overstated. This executive summary provides an overview of the critical functions and benefits of implementing a comprehensive system within an organization.

Mollah Quadir Yusuf & Co. Chartered Accountants" is a highly regarded and established firm known for its commitment to excellence in financial services. **Mollah Quadir Yusuf & Co. Chartered Accountants** one of the oldest and the largest accounting firms in Bangladesh around 26 years of professional experience and Central Banks ranking as one of the top Fifteen firms at their last ranking done in May 2020 and it have grown from strength to strength to offer wide spectrum professional services and have been able to establish a high level of good will among with their peers, top business community and above all, their clients.

1. Overview:

Effective financial management is the bedrock of a successful business. The Accounting and Internal Auditing system is designed to streamline financial processes, ensure compliance with regulations, and enhance overall transparency.

2. Operational Benefits:

- Efficiency: Automation of routine tasks accelerates processes, allowing the finance team to focus on strategic initiatives.

- Cost Reduction: Streamlined operations lead to cost savings, optimizing resource utilization and improving the bottom line.

-Real-time Reporting: Timely and accurate financial reports empower management with actionable insights for informed decision-making.

3. Security and Confidentiality:

The system prioritizes data security and confidentiality, implementing measures to protect sensitive financial information from unauthorized access or breaches.

4. Continuous Improvement:

Regular internal audits contribute to a culture of continuous improvement, identifying areas for enhancement and ensuring the adaptability of financial processes to changing business environments.

LIST OF ACRONYMS

IM	Ace Institute of Management
RD	Human Resource Department
HR	Human Resource
TT	Train the Trainer
TAR	System for Time and Recording
RIS	Human Resource Information System
RMS	Human Resource Management System
B	Organization Behavior
CA	Chartered Accountants
ICAB	The Institute of Chartered Accountants of Bangladesh
MQY	Mollah Quadir Yusuf & Co.
COGS	Cost of goods sold
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest and tax and depreciation and amortization

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Chapter: 01
Introduction

1.1 Introduction

Mollah Quadir Yusuf & Co. Chartered Accountants has a distinguished role in providing Accounting, Tax services and also engaging to provide Auditing activities, with a strong corporate orientation. The mission of Mollah Quadir Yusuf & Co. Accountants is to developed strong business relationships to achieve excellence in professional services by: Taking a genuine interest in our clients and striving to understand how they define success. Working hard to provide superior accounting, consultancy, and tax-related services on a timely, effective, and efficient basis, while maintaining the highest standards of professional integrity providing professional challenges, fulfilling careers, and opportunities for financial rewards. Fostering an enjoyable working environment, based on open communication and mutual respect, and encouraging initiative innovation, teamwork, and loyalty. Working to achieve profitable growth and long-term financial success for present and future generations. The company has actively contributed to the socio-economic progress of the country. Mollah Quadir Yusuf & Co. is a top fifteen CA Firm in Bangladesh.

Mollah Quadir Yusuf & Co. is a firm of Chartered Accountants established in 1998.The experience of the firm is thus reckoned as a round 26 years under the license of the Institute of Chartered Accountants of Bangladesh (ICAB).

1.2 Background of the study

In the dynamic and complex business environment of today, the role of **Accounting and Internal Auditing Systems in organizations** has become increasingly crucial. These systems serve as the backbone for financial integrity, transparency, and effective decision-making.

Accounting, as the language of business, plays a fundamental role in recording, summarizing, and interpreting financial transactions. It provides a comprehensive views of an organization's financial health, enabling stakeholders to make informed decisions. The accuracy and reliability of financial information are paramount for building trust among investors, creditors, and other stakeholders. On the other hand, Internal Auditing Systems act as the organization's internal watchdog, ensuring that internal controls are
in place and financial processes are in compliance with regulations and industry standards. Internal auditors play a proactive role in risk management, fraud prevention, and process improvement. Their objective insights contribute to the overall effectiveness and efficiency of an organization.

As businesses evolve and adapt to technological advancements, the landscape of **accounting and internal auditing** is also undergoing a transformation. Automated accounting systems and data analytics tools are being integrated to enhance accuracy, reduce manual errors, and provide real-time insights. These changes present both opportunities and challenges, making it imperative for researchers and practitioners to delve deeper into understanding the implications, benefits, and potential risks associated with these evolving systems.

This study aims to explore the current state of **Accounting and Internal Auditing Systems** within organizations, examining the integration of technology, the effectiveness of internal controls, and the impact on financial reporting. By doing so, we hope to contribute valuable insights that can inform best practices, guide future developments, and ultimately strengthen the financial governance of organizations in an ever-changing business landscape.

1.3 Scope of the Study

The report provides a brief idea about the Business Activities, Management System, Organizational Structure, internal audit & control of errors, financial performance as well as the financial position with the accounting system of Mollah Quadir Yusuf & Co. in Bangladesh.

The goal of this study is to obtain a concrete idea of the effectiveness of accounting and internal auditing systems in the CA firms in Bangladesh.

1.4 Objectives of the Study

Broad Objective:

The main objective of the report is to give an over view of the Accounting and internal auditing system of Mollah Quadir Yusuf & Co. of Bangladesh and the extreme level of informality in the approach of external audit of these organization.

Specific Objectives:

The Specific Objective is to prepare & submit a report on the topic **"Accounting and internal auditing system of Mollah Quadir Yusuf & Co. Chartered Accountants"**.

-To know the concept and over view of accounting and internal audit department of the company;

-To know about accounting Practice in the different sector in Bangladesh;

-To know about internal audit & control practice in the CA firms in Bangladesh.

-Evaluate the efficacy of MQY's audit methodologies and procedures.

1.5 Quantitative Research

Drawing from my educational background, I've acquired various research methodologies. This study provided me with the chance to apply my academic knowledge in a real-world context. Data collection predominantly involved secondary sources.

Primary Source:

- Face to face conversation with the institution's officers and staffs.
- Direct conversation with officers and staffs.

- Personal investigation with officers and staffs.
- Study of different files of different section of the institutions.
- Practical desk work.

Secondary Sources:

-Annual report of Mollah Quadir Yusuf & Co. Chartered Accountants.

-Books, manuals,

-Journals,

-Official publications,

-Websites,

-Scholarly articles,

-Different kinds of accounting books.

1.6 Limitations of the Study

During the course of my study, I encountered certain challenges that can be characterized as limitations or shortcomings of the research. These includes:

• **Limited Time frame:** The internship period was relatively short, which constrained the ability to gather all necessary information comprehensively.

• **Insufficient Data Availability:** The available case study data from an independent audit company was insufficient for conducting a thorough analysis.

• **Inadequate Records:** Inadequate records can be a significant limitation for various reasons. Firstly, it hampers the ability to track and analyze historical data accurately. Without proper documentation, it becomes challenging to understand past decisions, transactions, or processes, hindering the organization's ability to learned from its own history. Secondly, inadequate records can lead to compliance issues. Many industries and organizations are bound by regulations that require thorough record-keeping. Failing to maintain adequate records may result in legal consequences, fines, or other penalties.

• **Incomplete and Ambiguous Data:** This is another Limitation for properly completion our work because it is not possible to reach exact result based on incomplete and Ambiguous Data.

• **Uncooperativeness of Key Individuals:** Uncooperativeness of Key Individuals is the most important for us because if they did not gate proper support we don't reached properly our aim.

• **Exclusion of Cash Incentive:** Due to time constraints, the study was unable to cover the topic of cash incentives.

- **Others:** During my time with the firm the firm was visited by Quality Assurance Department of the Institute of Chartered Accountants of Bangladesh (ICAB) which also limited my scope of retrieving necessary information to prepare my report.

Chapter -02

Literature Review

2.1 Introduction

An accounting system is a system that is employed in an organization to organize financial information. It can be either manual or computerized. The main reason why you should be using an accounting system is to keep track of expenses, income, and other activities.

Another, Accounting is a way of recording, analyzing and summarizing of an entity.

- The transactions are recorded in ‘books of original entity’
- The transactions are then analyzed and posted to the ledgers.
- Finally, the transactions are summarized in the financial statements.

(Kleijn & Leeuwen, 2018) Defines "Auditing is the procedure by which a competent, independent individual gathers and evaluates evidence regarding quantifiable information’s related to a specific economic entity to evaluate and report on the degree of connection between the quantifiable information and predetermined requirements. “Numerous studies have been conducted on the effectiveness of audits, but very few studies have been conducted on the effectiveness of audit policy. (Baatwah & S.R., 2019) It was decided that the audit policy's success would be measured by criteria other from those specified in the audit practice handbook. In his opinion, the criteria should take into account the audit company's leadership and organizational structure, the auditor's independence, the significance of the audit to the firm, the expertise of the firm's partners and workers, and the significance of the audit itself.

The depth and breadth of the auditing team's expertise. (Amalia&F.A.,2021) It was decided that auditing policies should be drafted such that there is a direct correlation between the risks being evaluated and the audit's timeliness, scope, and other relevant details. When developing supplementary audit procedures, the auditor should think about the level of risk involved, the likelihood of a material misstatement, the type of transaction, account balance, or disclosures at play, and the existence of the entity's specific controls, such as whether they are manual or done by machines. Some very important concepts are included in this definition. The following concepts are introduced to help with the definition:

2.2 Competent, Independent Person:

On arrive at a sound judgment through the assessment of evidence, the auditor must possesstherequisitequalificationstofullygrasptheestablishedcriteriaandpossess knowledge regarding the various forms and volumes of evidence to be gathered. Furthermore, it is imperative that the auditor maintains an independent state of mind. In situations where impartial knowledge and objective reasoning are imperative for rendering judgments and forming conclusions, the collection of evidence by an individual who harbors biases offers minimal utility. While complete independence maybe unattainable, it is a pursuit that can be achieved to a certain extent.

2.3 Accumulating and Evaluating Evidence:

For the auditor, evidence encompasses all elements that facilitate the assessment of whether the data under scrutiny aligns with specific criteria. The auditor's reliance on evidence spans a diverse spectrum, including the auditee's own statements, correspondences like letters and emails from external sources, as well as first hand observations. The attainment of audit objectives hinges upon the acquisition of evidence that possesses both sufficient quality and quantity. It is the auditor's duty to delineate the suitable degree of verification and verify that the accessible information adheres to the predefined criteria.

2.4 Quantifiable Information and Established Criteria:

For In order to conduct an audit, two essential elements must be present: information that can be independently verified and criteria that can be employed to assess the accuracy of this information. Quantitative data can manifest in various forms, ranging from the scrutiny of an individual's tax return to the examination of a company's financial records, the assessment of task completion times, the evaluation of the overall costs associated with a government construction project, or even an audit of one's personal finances.

The standards applied to gauge the accuracy of quantitative data can vary significantly. For instance, when auditing an invoice from a supplier for the acquisition of raw materials, the audit may seek to determine whether the company received the correct quantity and

quality of materials, whether the procurement aligns with the organization's operational requirements, and whether the pricing is fair. The criteria employed in the audit process are contingent upon the specific objectives of the audit.

2.5 Economic Entity:

It is crucial to establish clear parameters for the auditor's scope of work before commencing an audit. The initial step in any economic analysis involves defining the economic influence and the timeframe under consideration. Typically, an economic entity is associated with a distinct legal identity, such as a corporation, government agency, partnership, or even a sole proprietorship. Nevertheless, in specific situations, the entity in question may be a subdivision, a department, or even an individual.

Audits can be conducted on various schedules, including monthly, quarterly, annually, or spanning the entire lifecycle of the entity. These timeframes are determined by the specific objectives and requirements of the audit.

2.6 Reporting:

The audit report stands as the ultimate outcome of an audit, serving as the mean to convey the findings to the intended audience. Various report types are designed for distinct purposes, yet they all share the common objective of informing the reader about the degree of conformity between the provided data and established standards.

Chapter -03

Organizational Overview

3.1 Introduction

Mollah Quadir Yusuf & Co. is one of the oldest audit firms in Bangladesh with around 24 years of professional experience and Central Banks ranking as one of the top fifteen firms at their last ranking done in March 2017. Recently, BB has published their latest enlistment of CA firms in Alphabetic Order and discontinued the ranking of firms. However, we are in the latest list in Alphabetic Order; Mollah Quadir Yusuf & Co. attends upon and meets the demand of the diversified services of its valued clients. It has developed expertise in Audit &Assurance, Forensic & Investigative Audit, Accounting Services, Taxation, Secretarial work, Corporate Finance, Stocks & Securities Management, Management Consultancy, Human Resources Consultancy, Information Technology Consultancy, Initial Public Offering (IPO) & Fund Raising, Outsourcing & Payroll Services, Feasibility & Market Study, Review of Financial Management System and Performance Audit of various national and multinational organizations. Our continuous efforts to ensure quality, practical advice, ethical solutions, and integrity have resulted in a magnificent growth of the firm over the last few years.

3.2 Vision

Through their excellent professional, providing innovative solution to Their excellent clients, we will be a recognized as an excellent professional service provider.

3.3 Mission

a) Taking a genuine interest in their clients and striving to understand how they define success. Working hard to provide superior accounting, consulting, and tax-related services on a timely, effective, and efficient basis, while maintaining the highest standards of professional integrity.

b) Providing professional challenges, fulfilling careers, and opportunities for financial rewards. Fostering an enjoyable working environment, based on open communication and mutual respect, and encouraging initiative, innovation, teamwork, and loyalty.

c) Working to achieve profitable growth and long-term financial success for present and future generations.

d) Maintain global standard both auditing, accounting, consultancy.

e) Build strong, lasting, relationship with clients and partners through trust and reliability.

3.4 Mollah Quadir Yusuf & Co. Services

SL No	Mollah Quadir Yusuf & Co. Services
1	External or Statutory Audit
2	Internal Audit
3	Functional Audit for banks and financial institutions
4	Credit Audit of big borrowers of banks and financial institutions
5	Performance Audit
6	Funds Audit (Provident Fund Audit, Gratuity Fund Audit, WPPF-Worker Profit Participation Fund Audit)
7	Public Finance Audit
8	Process and Compliance Audit
9	Agreed Upon Procedure Engagement
10	Risk Based Management Audit
11	Other Assurance Services

3.5 Mollah Quadir Yusuf & Co. Clients

Since the inception of our firm, we got enlistment with different external bodies which allows us to provide services to clients in diversified sectors. Enlistments with major organizations/ bodies are noted below (This is not an exclusive list):

- Bangladesh Bank (For audit of Listed Companies, post and pre-IPO and valuation services)
- Bangladesh Securities & Exchange Commission (BSEC)
- NGO Affairs Bureau (NGOAB) (Authorized to carry out audit of any foreign funded NGO/Project)
- Office of Inspector General, USAID RIG/Manila, Philippines
- Australian Trade Commission/Australian High Commission
- PKSF
- Micro-credit Regulatory Authority
- MISEREOR, Germany
- ICCO Cooperation, Germany
- The World Bank
- United Nations Development Program (UNDP)
- Union parishasd (UP)
- Upozila performance audit
- Shikba shobai solution

Chapter-04

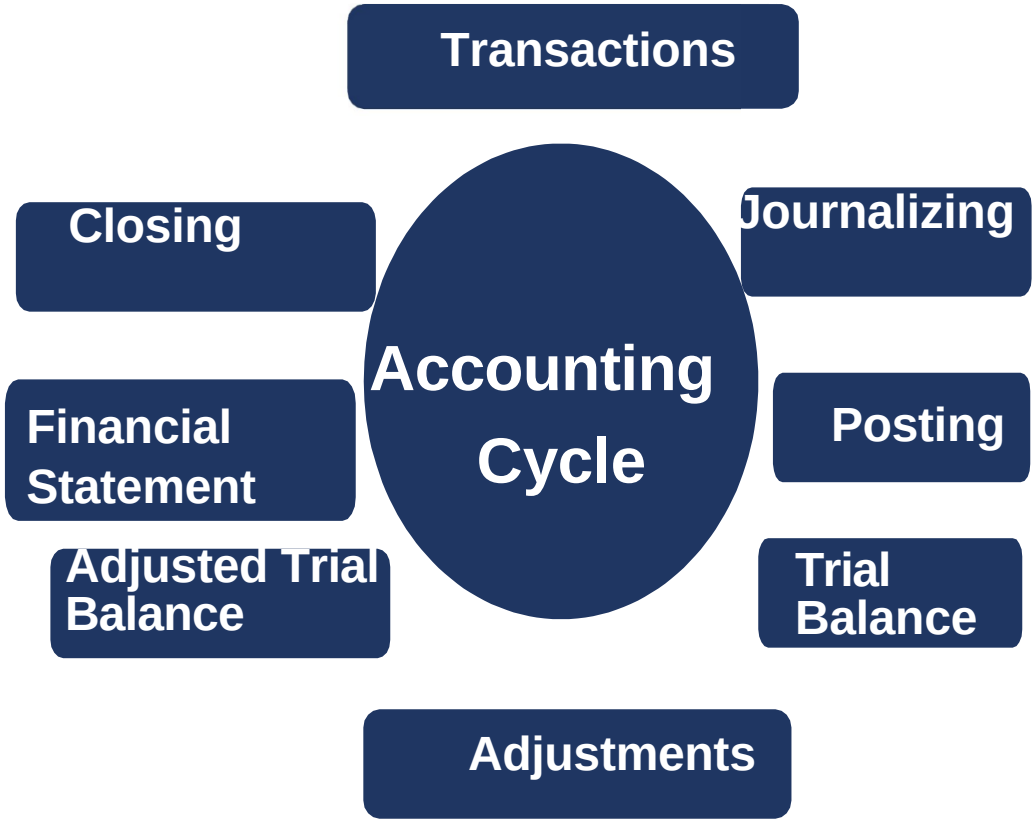
Analysis of Accounting and Internal Auditing system in Mollah Quadir Yusuf & Co. Chartered Accountants.

Accounting system of Mollah Quadir Yusuf & Co. Chartered Accountants.

4.1 Introduction

The essential characteristics of accounting are identification, measurement, and communication of financial information about economic entities to interested parties. Accounting is an information system that provides information regarding debt outstanding, sales increasing or decreasing, cash, asset, profit or loss, and so forth. An efficient accounting system is beneficial for every enterprise. Financial accounting is the process that culminates in the preparation of financial report on the enterprise as a whole for the use by both internal and external parties. Users of those financial reports include investors, creditors, managers, unions and governments agencies. However, managerial accounting is the process of identifying, measuring analyzing, and communicating financial information needed by management plan, evaluate and control an organization's operations.

A standard accounting cycle-



4.2 Accounting Procedures

In the book, Accounting Principles (9th Edition) written by Jerry J. Weygandt, Paul D. Kimmel, Donald E.Kieso, the definition of accounting system is given as, "The accounting information system collects and processes transaction data and communicates financial information to decision-makers. It includes each of the steps in the accounting cycle. It also includes the documents that provide evidence of the transactions and the records, trial balances, worksheets, and financial statements that result. An accounting system may be either manual or computerized." The accounting system of **Mollah Quadir Yusuf & Co. Chartered Accountants** has two major parts. The first one consists of manual works which include collecting, processing original or primary transaction data, classifying them, and maintaining those for future reference. And the second part is computerized which includes recording actual transactional data, analyzing, summarizing, interpreting, and presenting accurate information for decision making.

The accounting procedures used today are based on those developed in the late 15thcentury by an Italian monk, Brother Luca Piccioli. He defined the three main accounting elements assets, liabilities, and owners' equity. Assets are things of value owned by a firm. They may be tangible, such as cash, equipment, and buildings, or intangible, such as a patentor trademarked name. Liabilities—also called debts—are what a firm owes to its creditors. Owners 'equity is the total amount of investment in the firm minus any liabilities. Another term for owners' equity is net worth.

The relationship among these three elements is expressed in the accounting equation:

Assets = Liabilities + Owner's Equity

The accounting equation must always be in balance (that is, the total of the elements on one side of the equals sign must equal the total on the other side).

Following Accounting Procedures are followed by Summit Communications Limited (SCL) Mainly:

SL No.	Accounting Procedure
1	Identifying and Analyzing Transactions.

2	Recording in the Journals.
3	Posting to the Ledger.

4	Unadjusted Trial Balance.
5	Adjusting Entries.
6	Adjusted Trial Balance.
7	Financial Statements.
8	Closing Entries.
9	Post-Closing Trial Balance
10	Reversing Entries: Optional step at the beginning of the new accounting period

4.3 Yearly accounts, voucher creation and financial documents

Mollah Quadir Yusuf & Co. Chartered Accountants maintains its accounting cycle yearly. Here, the financial accounting year of **Mollah Quadir Yusuf & Co. Chartered Accountants** starts from July and ends in June of every calendar year.

All transactions are categorized into five broad accounting heads. These are as followed:
-Assets,

-Liabilities,

-Equity,

-Revenues,

-and Expenses.

There are many general ledgers under these five broad accounting heads. For better analyzing, summarizing, and decision making, **Mollah Quadir Yusuf & Co.** Chartered Accountants divides those general ledgers even more sub-division. Mollah Quadir Yusuf & Co. Chartered Accountants calls this division of general ledgers as Sub-ledgers. According to the nature of the transaction, vouchers are created under different sub-ledgers. Thus, original transaction data are collected and classified. Then, Vouchers are kept in different files according to their transaction category. Original transaction data, vouchers, and supporting documents are stored in files, which are named and numbered according to different sub- ledgers. Thus, all transaction data of an accounting year are categorically kept in many different files. After the end of an accounting year, all transaction data, original vouchers and supporting documents are kept aside for future reference and new files are installed for keeping data of the new financial year.

Voucher creation is the first step in recording transactions. Every voucher is created by one executive of the accounting department. Then those are checked by another executive of the department. Then finally, the manager of the accounts department is liable for approving those vouchers. Vouchers are signed with every involving people and are attached to supporting document. Then they are kept in different files, according to their sub-ledger, for future reference. All financial transaction data, original vouchers, and supporting documents of a financial year will be kept safe for at least the next five years. After five years, these will be disposed of under the direct supervision of higher and responsible authority of the Accounts and Finance Department. A descriptive list of disposed of documents will be prepared and kept for reference.

4.4 Broad Accounts Heads, Ledgers and Sub-Ledgers

Mollah Quadir Yusuf & Co. Chartered Accountants divides all of its accounts in to four steps. The first broad accounts heads which are-

Assets: An asset is a resource that a business controls as a result of past events and that can provide future economic benefits.

Liabilities: In accounting, liabilities are debts and obligations that a company owes to another party and must be paid over time. Liabilities are the opposite of assets, which are what a business owns.

Owner's Equity: Owner's equity is the portion of a business's assets that the owner can claim, or the amount of money left over after subtracting liabilities from assets.

Revenues: In accounting, revenue is the total amount of money a business earns from its sales of goods or services over a period of time. It's a business's gross income before subtracting any expenses.

Expenses: In accounting, an expense is a cost incurred by a business in an attempt to generate revenue. Expenses are the sum of all the activities that contribute to a company's cost of doing business.

Are categorized as Nature of Account. Then, each Nature of Accounts is divided into broad divisions as Position of Accounts. Current Assets and Fixed Assets are two broad divisions of Assets. In the same way, Revenues from Software Sales, Revenues from Software Services, and Revenues from Other Sources are a broad division of Revenues, which are categorized as Position of Accounts.

Then, each account head of the Position of Accounts is divided in too many General Ledgers. For example, Cash and Equivalents, Bank Balance, Receivables from Debtors, Security Deposits, Account Receivable, Account Receivable, Account Receivable SBO, are general ledgers under Current Assets Position.

In the final division of accounts, there are sub-ledges under general ledgers. As for example, there are many sub-ledgers under the general ledger Accounts Receivable SBO. Here, different sub-ledger is created for each customer of SBO. SBO is one of the revenue-generating software services. Transactions with a customer of SBO are recorded in a sub-ledger which is named after the particular customer. This additional division of general ledger allows the company to get informed and control to the utmost point. For mentioning, sub-ledgers can show exact transaction history with a particular customer, expense history at a particular time, like car fuel, and many more.

These divisions of accounts allow the company to getting information in a more focused view. If the company wants to control or to implement corrective measures, this division of accounts enables the company for being more judgmental.

Internal Audit

4.5 Concept of Auditing

During the 1960s and 1970s, audit professionals in many countries independently developed theories of auditing that could be applied to examination of many different areas, including financial statements. While practitioners may have differences of opinion as to the application of certain of the underlying concepts, the basic framework is generally accepted by auditors and the public. This framework has been codified in many countries around the world and is often called Generally Accepted Auditing Standards (GAAS).

4.6 Defined Auditing

Auditing is a systematic examination of books, accounts, documents, and vouchers of an organization to ascertain how far the financial statements present a true and fair view of the concern. It also ensures that the books of accounts are properly maintained by the concern as required by law.

Auditing is defined as a systematic and independent examination of data, statements, records, operations, and performances (financial or otherwise) of an enterprise for a stated purpose. In any auditing, the auditor perceives and recognizes the propositions before him/her for examination, collects evidence, evaluates the same and on this basis formulates his/her judgment which is communicated through his/her audit report.

4.7 Concept of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Professionals called internal auditors are employed by organizations to perform internal auditing activity.

"Develop and maintain a system of internal controls and internal audits comprising methods and procedures to be adopted by each organization that will safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourages adherence to prescribed managerial policies for accounting and financial controls.

4.8 Defined Internal Auditing

Internal audit is an independent appraisal or monitoring activity established within an organization for the review of operations as a service to management. Internal auditors examine, evaluate the planning, organizing, and reporting to management and the directors on the adequacy and effectiveness of components of the accounting and internal control system.

All systems, processes, operations, functions, and activities within an organization are subject to evaluations by internal auditors.

- Internal audit is generally a feature of large companies. It is a function, provided either by employees of the company or sourced from an external organization to assist management in achieving corporate objectives.
- Internal audit exists to assist management in achieving corporate objectives and these will vary from company to company and will be found, for example, in the company's mission statements and strategic plans.
- In principle, all companies will want good management, and internal audit is a recognized way of ensuring good corporate governance.

4.9 Internal Audit Activities

The Internal Audit Department performs a wide range of audit services to the company including financial audits, compliance audits, operational audits, information technology audits, consulting/advisory services, and special investigations.

- Financial Audits - A financial audit evaluates the accuracy and correctness of accounting transactions and reports. The purpose of this type of audit is to verify that the financial activity of a unit is accurately reflected in financial reports and that accounting records and financial documentation support the financial reports.
- Compliance Audits - determine the degree of adherence to laws, regulations, policies, and procedures of the company, the garments industry in Bangladesh, the Federal government of Bangladesh, and other regulatory agencies such as the BGMEA, BKMEA, BTMEA, and NBR etc.

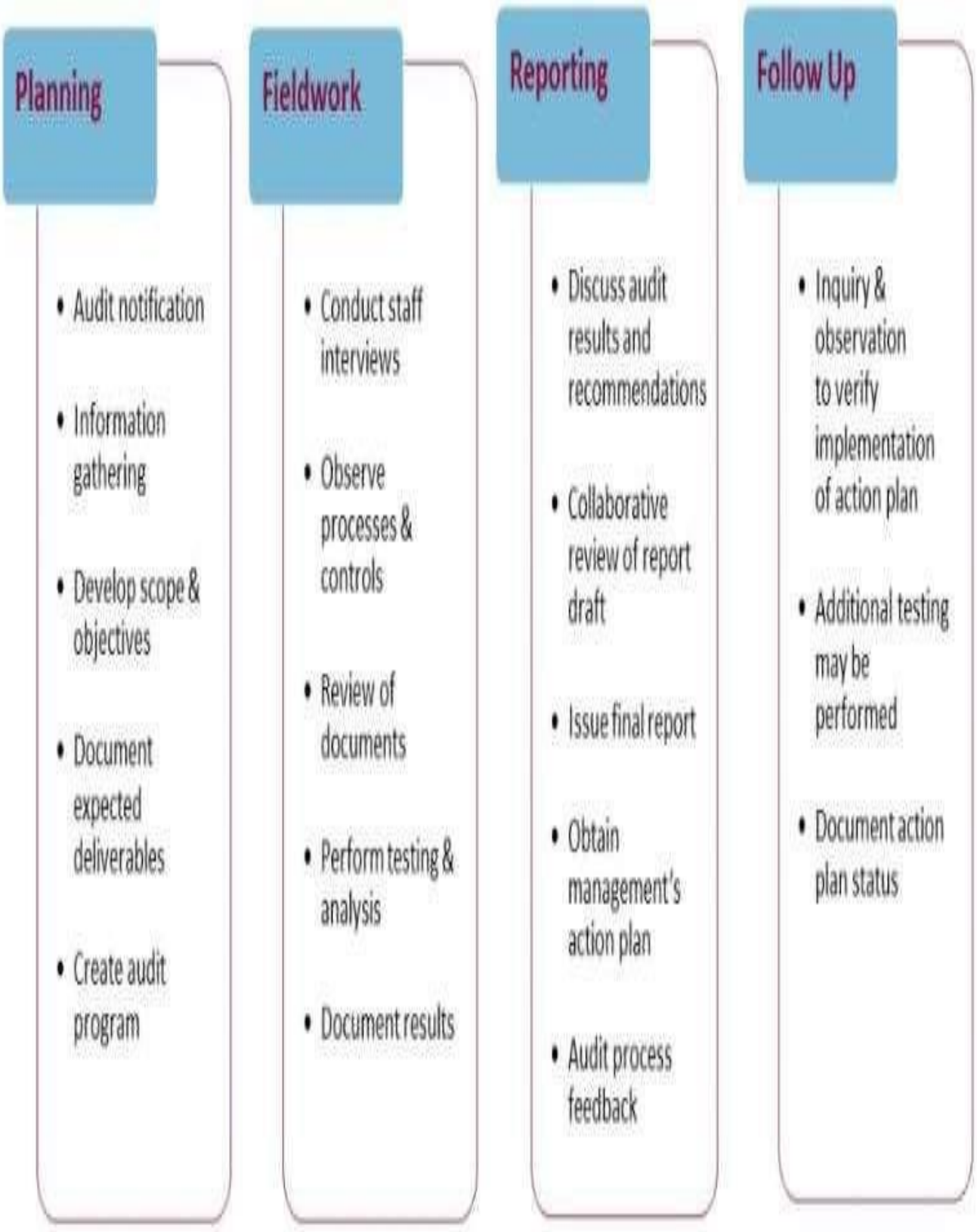
- Operational Audits review the use of resources and procedures/practices in the department being audited to determine if goals and objectives are being met in the most effective and efficient manner. A key component of operational audits is to assesstheinternalcontrolenvironmentoftheunittomanageandmitigateinherent risks.
- Information Technology Audits evaluate system processing controls, data security, physical security, systems development procedures, contingency planning, and systems requirements.

- Procurement Audits are designed to evaluate independence, objectivity and fairness of Department procurements.

- Consulting and Advisory Services are requested by management and encompass a wide range of activities. Internal Audits can provide management within-house consultation and advice on internal control procedures, accounting systems, and issues pertaining to employee improprieties. We are also available to consult on new system implementations, process and system redesign initiatives, and policy changes.

4.10 Internal Audit Process

The most successful audit projects are those in which the audit client, and Internal Audit have a constructive working relationship. Our objective is to have your continued involvement at every stage, so you understand what we are doing and why, while trying to minimize disruptions of your daily activities. A typical audit is comprised of four stages: planning, fieldwork, reporting, and follow-up.


Planning
Audit notification
Information gathering
Develop scope & objectives
Document expected deliverables
Create audit program
Fieldwork
Conduct staff interviews
Observe processes & controls
Review of documents
Perform testing & analysis
Document results
Reporting
Discuss audit results and recommendations
Collaborative review of report draft
Issue final report
Obtain management's action plan
Audit process feedback
Follow Up
Inquiry & observation to verify implementation of action plan
Additional testing may be performed
Document action plan status

4.11 Audit Evidence

Audit evidence consists of the documents you use during an audit to substantiate your audit opinion. While working on an audit, you encounter many different types of evidence (written, oral, and so on). Documents can be prepared by employees of the client or by outside parties. To properly evaluate the strength of evidence you gather, you have to understand the four concepts of evidence

- Nature: The form of the evidence—for example, oral, visual, or written.
- Appropriateness: The quality, relevancy, and reliability of the evidence.
- Sufficiency: The quantity of audit evidence—enough evidence to evaluate the audit client's management assertions.
- Evaluation: A decision on whether the evidence is compelling enough to allow you to form an opinion.

As per the latest annual report, the following information is available. Based on the given information, calculate the liquidity,

solvency, efficiency and profitability ratios of Apple Inc. for the year 2019.

Particulars	Amount (in millions)
Sales	$260,174
COGS	$161,782
EBIT	$63,930
EBITDA	$76,477
Interest Expense	$3,576
Net Income	$55,256
Total Debt	$108,047
Total Assets	$338,516
Net Fixed Assets	$37,378
Total Equity	$90,488
Current Assets	$162,819
Current Liabilities	$105,718
Cash & Cash Equivalents	$48,844
Accounts Receivables	$22,926
Inventories	$4,106
Accounts Payable	$46,236

Current Ratio is calculated using the formula given below

Current Ratio = Current Assets / Current Liabilities

Current Ratio	**1.54**

Quick Ratio is calculated using the formula given below

Quick Ratio = (Cash & Cash Equivalents + Accounts Receivables) / Current Liabilities

Quick Ratio	0.68

Cash Ratio is calculated using the formula given below
Cash Ratio = Cash & Cash Equivalents / Current Liabilities

Cash Ratio	0.46

Debt to Equity Ratio is calculated using the formula given below
Debt to Equity Ratio = Total Debt / Total Equity

Debt to Equity Ratio	1.19

Debt Ratio is calculated using the formula given below
Debt Ratio = Total Debt / Total Assets

Debt Ratio	0.32

Interest Coverage Ratio is calculated using the formula given below
Interest Coverage Ratio = EBITDA / Interest Expense

Interest Coverage Ratio	21.39

Receivables Turnover Ratio is calculated using the formula given below
Receivables Turnover Ratio = **Sales / Accounts Receivable**

Receivables Turnover Ratio	11.35

Inventory Turnover Ratio is calculated using the formula given below
Inventory Turnover Ratio = COGS / Inventories

Inventory Turnover Ratio	39.40

Payable Turnover Ratio is calculated using the formula given below
Payable Turnover Ratio = COGS / Accounts Payable

Payable Turnover Ratio	3.50

Asset Turnover Ratio is calculated using the formula given below
Asset Turnover Ratio = Sales / Total Assets

Asset Turnover Ratio	0.77

Net Fixed Asset Turnover Ratio is calculated using the formula given below
Net Fixed Asset Turnover Ratio = Sales / Net Fixed Assets

Net Fixed Asset Turnover Ratio	6.96

Equity Turnover Ratio is calculated using the formula given below
Equity Turnover Ratio = Sales / Total Equity

Equity Turnover Ratio	2.88

Gross Margin is calculated using the formula given below
Gross Margin = (Sales - COGS) / Sales

Gross Margin	37.8%

Operating Profit Margin is calculated using the formula given below
Operating Profit Margin = EBIT / Sales

Operating Profit Margin	24.6%

Net Margin is calculated using the formula given below
Net Margin = Net Income / Sales

Net Margin	21.2%

Return on Total Asset (ROA) is calculated using the formula given below
Return on Total Asset (ROA) = EBIT / Total Assets

Return on Total Asset	18.9%

Return on Total Equity (ROE) is calculated using the formula given below
Return on Total Equity (ROE) = Net Income / Total Equity

Return on Total Equity	61.1%

Internal Auditing System of Mollah Quadir Yusuf & Co. Chartered Accountants.

4.12 Audit Department of Mollah Quadir Yusuf & Co. Chartered Accountants.

The Internal Audit Department was created as part of the work being conducted with in the Organization to improve internal controls and audits, on the basis of their solution adopted by the Partners.

The main goals of the Internal Audit Department are:

- Assessing the effectiveness of the Organization's internal control system at the corporate level and the level of business-processes;
- Controlling the effectiveness of investment being implemented by the Organization;
-Conducting audits of business activities of the Organization and its branch;
-Assessing the effectiveness of risk management and developing recommendations on how to improve the risk management processes;

-Assessing the effectiveness of the management processes in the Organization and Branch and developing recommendations on how to improve them.

The main functions of the Internal Audit Department are:

-Interacting with the Organization's governance bodies, the Internal Audit commission and the Organization's external auditors, Internal audit commissions(auditors)and the auditors of the Organization's subsidiaries (affiliates);

-Submitting reports to the Board of Directors' Audit Committee on the Department's performance with the deadlines established by the Committee's work plan;

-Assessing the effectiveness of the risk management system and developing

recommendations on how to improve the risk management processes;

-Assessing the effectiveness of the internal control system at the corporate level and the level of business processes and consulting the Organization's management on the matters concerning its effectiveness.

4.13 Internal Audit and Control practice

Mollah Quadir Yusuf & Co. Chartered Accountants is a service-oriented organization. Here internal audit & control practice is necessary not only for checking and verifying internal documents of the company but also necessary for managerial planning and control. Detection of material frauds and errors as an incidental objective of independent financial auditing flows from the main objective of determining whether or not the financial statements give a true and fair view. As the Statement on auditing Practices issued by the Institute of Chartered Accountants of Bangladesh states, an auditor should bear in mind the possibility of the existence of frauds or errors in the accounts under audit since they may cause the financial position to be mis-stated. Fraud refers to intentional misrepresentation of financial information with the intention to deceive. Frauds can take place in the form of manipulation of accounts, misappropriation of cash and misappropriation of goods. It is of great importance for the auditor to detect any frauds, and prevent their recurrence. Errors refer to unintentional mistake in the financial information arising on account of ignorance of accounting principles i.e. principal errors, or error It is also necessary for compliance with legal requirements to fulfill the audit objectives. The organization follows the Generally Accepted Auditing Standards (GAAS) and Institute of Chartered Accountant of Bangladesh (ICAB) Rules and policies.

Chapter–05

Findings

5.1 Findings

All member firms within ICAB must adhere to specific compliance guidelines, and Mollah Quadir Yusuf & Co. Chartered Accountants diligently upholds these compliance standards. The objective of the assessment is to evaluate the effectiveness of Mollah Quadir Yusuf & Co. Chartered Accountants in carrying out its auditing responsibilities, with a keen focus on compliance issues. Based on the questionnaire results, it can be determined that Mollah Quadir Yusuf & Co. Chartered Accountants maintains approximately 85% compliance with these guidelines. There are exceptions in some cases and they are discussed below.

Some findings of Mollah Quadir Yusuf & Co.

1. Photo copy bill and challan is attached in the vouchers and also submit improper supporting for bill checking.
2. All Vouchers are not posting in the respective job wise.
3. Over writing and fluid vouchers are getting in some of the cases.
4. Expense memo is not being clear description all time.
5. No TDS deducted on doctor's Commission.
6. Revenue stamp not attached on entertainment, stationery, Advertisement bill.
7. VAT deducted at source but no challan collected.
8. MD's sign missing.
9. Entertainment, Fuel purchase & car parking memo not found in the voucher.
10. Voucher amount & supporting amount not match.
11. Loan disbursed to the members without following the Palli Sanchay Bank Loan Guideline.
12. Irregularities in the loan installment collection process.
13. Differences in loan recovery amount between the member's passbook and ledger book.
14. Non–compliance in member admission & loan disbursement.
15. Closing Bank balance was not agreed between Bank statement & Ledger book.

Chapter – 06
Recommendations and Conclusion

6.1 Recommendations

Mollah Quadir Yusuf & Co.'s internal audit activity represents a significant investment of the organization's resources that tracks progress and records action taken in response to audit recommendations reflecting better practices. There are some recommendations to improve performance are given below:

1. Voucher should be posted as per proper head wise and respective job wise.
2. Over writing and unclear voucher should be avoided fully
3. Work order must be issued favoring supplier in case of any purchase and unit price of the items must be approved by the higher authority of the organization.
4. Main copy of bill & challan must be submitted to the audit department as per delivery challan and order wise and Photocopy bill and challan should not be received from suppliers.
5. VAT should be properly deducted.
6. Revenue stamp must be attached where necessary.
7. Management should deduct vat and affixed revenue stamp where applicable.
8. Management should take prior approval from MD before any program.
9. Management should create voucher properly with proper supporting.
10. Voucher should be made with appropriate authorization.
11. Loan must be disbursed to the members by following the Palli Sanchay Bank loan Guideline.
12. Loan installment & collection process must be followed as per guide line.
13. Loan recovery amount between the member's passbook and ledger book must be agree.
14. Member admission & loan disbursement should be as per guide line.
15. Closing Bank balance must be agreed with Bank statement & Ledger book.

6.2 Conclusion

The goal of this study is to obtain a concrete idea of the effectiveness of accounting and internal auditing systems in Bangladesh. The CA Firm contributes considerably to the development of the national economy of Bangladesh. A CA can help a business with financial forecasting and budgeting, as well as with raising capital through loans or investments. A CA can advise on mergers and acquisitions, initial public offerings, and other corporate transactions. This study presents a picture of the present situation in this respect. However, the majority of the organization do have control systems in place. The institution is actually not maintaining conservatism while choosing from alternative accounting policies, there is no proper separation program for employees who leave the firm.

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