Sonargaon University (SU)
147/I, Green Road, Tejgaon, Dhaka-1215, Bangladesh.

Internship Report
on

Audit and Assurance procedure of Mahfel Huq and Co.

Submitted by:

Rogina Akhter
ID: BBA2001019096
Program: BBA (Major: Accounting)
Department of Bachelor of Business Administration
Sonargaon University (SU)

Submitted to:

Department of Business Administration
Sonargaon University (SU)
Submitted for the partial fulfillment of the degree of
Business Administration

Date of Submission: January 05, 2023

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Submitted to:

Mst. Marium Akter
Lecturer
Department of Business Administration
Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of
Business Administration

Date of Submission: January 05, 2023

Letter of Transmittal

January 05, 2023

Mst. Marium Akter
Lecturer
Department of Business Administration
Sonargaon University (SU)

Subject: Submission of Internship Report on "Audit and Assurance Procedure of Mahfel Huq and Co.".

Dear Madam,
I am pleased to present the comprehensive report titled **"Audit and Assurance Procedure of Mahfel Huq and Co.,"** encapsulating my internship experience at your esteemed organization. This document represents the culmination of my endeavors to comprehend and document the intricate audit and assurance processes implemented at Mahfel Huq and Co.

Throughout my internship, I had the privilege of collaborating with dedicated professionals who generously shared their expertise and insights. The report delves into various aspects of audit and assurance procedures, encompassing methodologies, internal controls, and compliance protocols, aiming to provide a comprehensive overview.

I extend sincere gratitude for the guidance and support received during my internship at Mahfel Huq and Co. I trust that this report accurately mirrors the firm's commitment to excellence.

I welcome any discussions or clarifications that may arise from the report's contents.

Yours Sincerely

_____

Rogina Akhter
ID: BBA2001019096
Program: BBA (Major: Accounting)
Department of Business Administration
Sonargaon University (SU)

Declaration of Student

I, Rogina Akhter, a student registered in the Bachelor of Business Administration program with ID BBA2001019096 at Sonargaon University, confirm the genuine authorship of the document titled "Audit and Assurance Procedure of Mahfel Huq and Co." During the creation of this report, I meticulously followed international copyright regulations. It is crucial to emphasize that this report has not been presented elsewhere for the fulfillment of degree requirements.

Yours Sincerely

Rogina Akhter
ID: BBA2001019096
Program: BBA
Major: Accounting
Department of Business Administration
Sonargaon University (SU)

Letter of Authorization

This is to certify that Rogina Akhter, ID: BBA2001019096, is an intern of BBA program. She has completed her internship successfully on **"Audit & Assurance Procedure with Mahfel Huq & Co.".** Rogina Akhter demonstrated exceptional dedication, professionalism, and a deep understanding of audit methodologies. Their contributions were highly valuable to our team, illustrating a commitment to upholding elevated standards in auditing practices. I am delighted to acknowledge Rogina Akhter's successful completion of the internship and extend my sincere best wishes for their continued success in both academic and professional pursuits.

The internship report has prepared as a partial requirement of BBA program. No part of this report has been published in any journal before or copied from any report.

_____

Mst. Marium Akter
Lecturer
Department of Business Administration
Sonargaon University (SU)

Acknowledgment

I begin by expressing profound gratitude to the Divine for granting me the strength, courage, and ability to successfully conclude my internship program and compile this report within the allotted timeframe, despite encountering various challenges.

My sincere thanks extend to numerous individuals whose unwavering support and encouragement, whether direct or indirect, made a significant impact on the creation of this report during my internship journey.

Foremost, I deeply appreciate my academic supervisor, **Mst. Marium Akter**, Lecturer, Department of Business Administration, Sonargaon University (SU). Her continuous support, invaluable guidance, constructive supervision, instructions, and advice played a pivotal role in shaping this report. Her encouragement served as a constant source of motivation throughout this endeavor.

Heartfelt appreciation is also extended to all the dedicated employees of Mahfel Huq and Co who generously assisted me during my tenure with the organization. Their collaboration and guidance greatly enriched my internship experience, leaving it truly memorable.

Crucially, it is imperative to acknowledge that this report is the outcome of extensive dedication and hard work. Sincere gratitude is extended to all those individuals who made noteworthy contributions to the successful and timely completion of this report. Without their support, this report might not have materialized.

Once again, I am genuinely thankful for the opportunities, guidance, and support received throughout this internship, all of which played an integral role in fostering my personal and professional growth.

Executive Summary

I am delighted to present a succinct overview of an exciting internship opportunity in the field of Audit and Assurance at Mahfel Huq & Co Chartered Accounting Firm. Mahfel Huq & Co, a well-respected and long-established firm, is renowned for its dedication to excellence in financial services. Operating since 1974, it stands as one of Bangladesh's oldest and largest accounting firms, having earned a remarkable reputation over four decades for providing a diverse range of professional services. This reputation is attributed to the unparalleled client services delivered by a talented group of professionals who uphold integrity, accountability, and urgency.

During the internship at Mahfel Huq & Co, participants will gain valuable exposure to the intricacies of Audit and Assurance. Collaborating closely with seasoned professionals, interns will be involved in diverse audit projects, refining their skills in planning, executing, and reporting audits. This hands-on experience encompasses financial statement analysis, ensuring adherence to accounting standards, and assessing regulatory compliance. Interns will also delve into the crucial area of internal controls, contributing to clients' efforts to strengthen their control environments.

A notable strength of this internship lies in the mentorship provided by experienced professionals. Interns will receive guidance and support to foster their personal and professional development. Moreover, they will have the privilege of working on real audit engagements, applying academic knowledge to real-world situations—an invaluable experience for building a solid foundation for future career pursuits.

This internship offers ample networking opportunities, enabling interns to connect with industry experts and potential future employers. Equally important, the program emphasizes the development of communication skills, as interns will be expected to interact with clients, present findings, and provide valuable recommendations. Overall, the Audit and Assurance internship at Mahfel Huq & Co provides a comprehensive and immersive experience, equipping interns with the skills, knowledge, and industry exposure needed to excel in the dynamic field of auditing and accounting. It represents an opportunity to embark on a rewarding career path within a firm recognized for its commitment to professionalism and ethics.

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Acronyms

- IAS- International Accounting Standards
- ACA- Associates of Institute of Chartered Accountants.
- ACCA- Association of Chartered Certified Accountants.
- CDP- Committee for Development Policy
- ISA- International Standards on Auditing
- IAS- International Accounting standard
- APM- Audit Practice Manual
- ICAB- Institute of Chartered Accountants of Bangladesh
- IFRS- International financial reporting standards
- PWAVG- Period Weighted Average

Chapter-1

Introduction

In today's landscape, it's increasingly evident that academic education alone isn't enough for students to competently pursue their ambitions (Almasria, et al., 2021). At Sonargaon University's BBA department, a mandatory three-month internship is a pivotal step for practical learning and real-world exposure.

This internship, integrated into my BBA curriculum, provided a unique chance to delve into auditing procedures. Its primary goals were twofold: understanding the intricacies of auditing within a chartered accounting firm and gaining hands-on experience across diverse sectors, including corporations, businesses, and nonprofits.

Moving from theory to practical application is crucial for broadening our understanding and preparing us for the complex business sphere. After completing our BBA program, we each embarked on assignments in different organizations for firsthand experience. My placement at Mahfel Huq and Co, a respected chartered accounting firm in Bangladesh, perfectly aligned with my ambition to become a chartered accountant. This internship was an invaluable opportunity to observe and apply genuine audit techniques practiced by a reputable firm.

Throughout this internship, I had the privilege of translating my theoretical knowledge of auditing into practical, real-world scenarios.

1.1 The Beginning of the Report

The internship program is a graduation requirement for students in the Department of BBA at Sonargaon University.
I worked at Mahfel Huq and Co. for almost four months as part of the internship program. I now understand how an audit is carried out. I also learnt about the MHC firm's auditing processes and how engagements are handled in the case of an annual audit. As a result of my observations, I've decided to create a report regarding MHC's auditing techniques.

1.2 Objectives of the Study

The study's main goal is to gain a general understanding of Mahfel Huq and Co's audit and assurance methods. The additional goals are as follows:

- Gain hands-on expertise and practical insights into Mahfel Huq and Co (MHC) audit procedures, as well as audit methodologies used in different corporate, commercial, and charity sectors.
- Understand the strategies for gathering and evaluating evidence required for thorough audit reports.
- Gain a thorough grasp of audit techniques particular to Bangladesh's regulatory environment.
- Assess the effectiveness of MHC's audit methodology and processes.

1.3 Scope of the Report

I was assigned to MHC, which provided me with an excellent chance to learn about the organization's auditing methods. During my assignment, I concentrated on the following essential areas:

Investigating the organization's history and current state.

Immersion in the specific audit processes followed by the business throughout its auditing activities.

Investigating the audit procedures used by the company in its audit assignments.

Investigating the company's audit management methods throughout the audit processes.

Understanding how transfer pricing analysis is integrated into the audit framework of the company.

1.4 Data Collection Methodology

To acquire a thorough knowledge of MHC's audit methods, I will gather data from two separate sources:

Primary Source: Consultations with the Engagement Manager and Team: Engaging in talks with the engagement manager, members of the engagement team, and other audit teams to get personal expertise.

Active Participation in several Audit Teams: Active participation in several audit teams to monitor and grasp the audit process in practice.
Secondary sources include:

Review of Client communication Files: Examining communication files of various clients to gain access to relevant audit information.

Annual Report and Management Audit Report Analysis: Examining client annual reports and management audit reports to get insight into how MHC's audit processes are used.

Standard Operating Procedures of Mahfel Huq and Co: Investigating the firm's standard operating procedures to comprehend the standardized approach to audits.

Audit Working Papers and Accounting System Examination: Analyzing MHC's audit technique by

analyzing the accounting system and audit working documents.

1.5 Research Limitations

The fundamental purpose of this research has been to learn about external audit methods. This study, however, has various reasons and limitations, which include:

Limited Internship Duration: Because the internship term was very short, the capacity to obtain all relevant information systematically was limited.

Inadequate Case Study Data: The case study data obtained from an independent auditing firm was inadequate to undertake a complete investigation.

Audit Protocol Variations: Due to time restrictions and other constraints, it was not always feasible to precisely adhere to the audit methods.

Lack of experience: Considering this internship was my first practical experience, it was troublesome to get in-depth understanding of all aspects of audit procedures.

Financial Incentive Exclusion: Due to time limits, the study was unable to address the subject of financial incentives.

CHAPTER-2

Review of Literature

Kleijn & Leeuwen, 2018) Defines "Auditing is the procedure by which a competent, independent individual gathers and evaluates evidence regarding quantifiable information related to a specific economic entity to evaluate and report on the degree of connection between the quantifiable information and predetermined requirements."

Numerous research on the efficacy of audits have been undertaken, but relatively few studies on the effectiveness of audit policies have been conducted. Baatwah and S.R. (2019) It was agreed that the success of the audit policy would be judged using criteria different than those mentioned in the audit practice manual. According to him, the criteria should consider the audit company's leadership and organizational structure, the auditor's independence, the importance of the audit to the firm, the skill of the firm's partners and workers, and the importance of the audit itself. The competence of the auditing team's depth and breadth.

Amalia and F.A. (2021) It was agreed that auditing procedures should be written in such a way that there is a direct link between the risks being examined and the timeliness, scope, and other important parameters of the audit. When developing supplementary audit procedures, the auditor should consider the level of risk involved, the likelihood of a material misstatement, the type of transaction, account balance, or disclosure at issue, and the presence of the entity's specific controls, such as whether they are manual or automated.

This definition includes several extremely significant topics. To assist with the definition, the following notions are introduced:

2.1 Competent, Independent Person

In order to arrive at a good conclusion through evidence assessment, the auditor must have the necessary credentials to fully comprehend the set criteria as well as knowledge of the different kinds and quantities of evidence to be gathered. Furthermore, the auditor must preserve his or her independence of thought. In circumstances when unbiased information and objective thinking are required for making decisions and reaching conclusions, gathering evidence by someone with biases serves little purpose. While total independence may be impossible to obtain, it is a goal that may be attained to some extent.

2.2 Gathering and Evaluating Evidence

For the auditor, evidence includes all factors that aid in determining if the data under consideration corresponds with certain criteria. The auditor relies on evidence from a wide range of sources, including the auditee's own declarations, communication such as letters and emails from other sources, and direct observations. The achievement of audit objectives is dependent on the collecting of evidence that is of adequate quality and quantity. It is the auditor's responsibility to determine the appropriate level of verification and to ensure that the available information meets the stated

standards.

2.3 Quantifiable data and pre-established criteria

For Two key aspects must be present in order to perform an audit: information that can be independently verified and criteria that can be used to assess the correctness of this information. Quantitative data may take many forms, ranging from the examination of an individual's tax return to the collection of statistics.

Examining a company's financial records, estimating job completion times, calculating the overall expenditures of a government building project, or even auditing one's own finances are all examples of audits.

The criteria used to assess the correctness of quantitative data might vary greatly. For example, when auditing a supplier's invoice for raw material acquisition, 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 used in the audit process are determined by the audit's unique goals.

2.4 Economic Entity

Before beginning an audit, it is critical to set clear criteria for the auditor's scope of work. The first stage in any economic study is to define the economic influence and period under examination. An economic entity is typically connected with a unique legal status, such as a company, government agency, partnership, or even a sole proprietorship. However, in other cases, the entity in question might be a subsidiary, a department, or even an individual.

Audits might be performed on a monthly, quarterly, yearly, or lifetime basis. These timelines are established by the audit's unique objectives and criteria.

2.5 Reporting

The audit report is the final result of an audit, providing as a way of communicating the findings to the target audience. Although different report kinds are developed for different reasons, they all share the common goal of informing the reader about the degree of conformance between the submitted data and predefined criteria.

CHAPTER-3
Organizational Overview

3.1 Information on MHC

Mr. Howlader Mahfel Huq founded Mahfel Huq& Co. in 1974 as a lone practitioner accounting business, becoming the first accounting firm registered in independent Bangladesh.
The business merged with Abu Mohammad Kaiser & Co in 2002 and became a partnership, but kept its initial name.
For the previous four decades, the business has evolved to deliver unrivaled client services and has expanded significantly to be able to give top-tier client services that are unrivaled in the market.

This cements MHC's position as the leading accounting company in Bangladesh. This reputation is the result of a half-century of providing clients with solid technical competence as well as unwavering honesty, impartiality, and independence. The MHC is now being run by five partners, including

Howlader Mahfel Huq FCA
Md. Abu Kaiser FCA
Md. Mahmudul Ambia FCA
Wasequl H Reagan FCA
Md. Abdus Satter Sarkar, FCMA, FCA

Dhaka Paltan is the city's principal operations base.

Audits, tax planning, consultancy, and other business solutions are among the services offered by MHC. MHC has established a name for itself in Bangladesh among national and international enterprises, public sector firms, and development organizations.

Creating a detailed vision and mission statement for Mahfel Huq & Co., an audit firm, involves understanding its core values, objectives, and aspirations. Here's an elaboration:

Vision:

"At Mahfel Huq & Co., our vision is to redefine the landscape of auditing by fostering a culture of unwavering integrity, innovation, and excellence. We aspire to be the vanguard of trust and reliability, setting new standards in the industry through our commitment to precision, transparency, and client-centric solutions.

Mission:

- **Precision in Oversight**: Conducting audits with meticulous attention to detail, ensuring accuracy, and maintaining the highest standards of financial scrutiny.

- **Ethical Practices and Compliance**: Upholding ethical principles and regulatory compliance, ensuring transparency and integrity in all our dealings.

- **Client-Centric Solutions**: Tailoring our services to address the unique needs of each client, providing not just compliance but strategic insights that drive growth and resilience.

- **Innovation and Adaptability**: Embracing innovation and continuously evolving methodologies to adapt to changing business landscapes and emerging trends.

- **Empowering Partnerships**: Cultivating enduring partnerships built on trust, proactive communication, and a deep understanding of our clients' businesses.

- **Professional Development**: Nurturing a culture of continuous learning, growth, and development for our team to deliver expertise that exceeds expectations.

- **Social Responsibility**: Contributing positively to society by integrating sustainable practices, supporting community initiatives, and promoting responsible business conduct.

Mahfel Huq & Co.'s mission embodies its commitment to excellence, integrity, innovation, and social responsibility, reflecting its dedication to clients, employees, and the broader community.

3.2 MHC Services

MHC's services have been divided into various departments over the years. They are as follows:

3.2.1 Audit and Consulting Services

The Audit and Advisory Services practice of Mahfel Huq and Co provides complete accounting and financial reporting counsel and support to a wide range of customers, including audit and non-audit clients. Their services include, but are not limited to, the application of new or amended accounting standards, the simplification of financial reporting procedures, and the preparation for Initial Public Offerings (IPOs). MHC provides expertise to a number of multinational corporations and financial investors, with a team that possesses a diverse set of skills ranging from technological proficiency and knowledge of relevant regulations and industry standards to a thorough understanding of complex financial transactions and events. Process optimization and good project management are also among their talents.
The following is a more in-depth overview of the services provided by this department:

i. **Audit of Financial Statements:** Financial Statements Audits provide an important public-interest function by guaranteeing the accuracy of financial data used by investors and the broader financial system. The specialists at MHC's Audit practice take this responsibility very seriously. They use stringent data analysis methods to bolster audit evidence and get sophisticated insights. These audit services are provided on a statutory or group basis.

ii. **Risk Assessment:** The risk assessment evaluates how vulnerabilities might possibly disrupt operations as well as the interdependencies between them. MHC's auditors now have access to a greater range of information for risk assessment, which will eventually improve the quality of their audits. This complete risk assessment also enables MHC to give customers with up-to-date information that may help them make educated decisions about risk mitigation and monitoring inside their companies.

i. Tax Services

MHC's tax staff actively participates in conversations and deliberations about tax transparency and accountability. They counsel customers on developing tax strategies that are in accordance with the tax system's standards and adhere to all applicable tax procedures. The goal is to guarantee that these tactics can survive examination from tax authorities and the general public, especially when it comes to tax practices used by both global corporations and local businesses.
Our primary concentration is in two areas:

Adaptation to New Reporting Standards: We investigate how multinational firms might adapt to changing reporting standards successfully. This involves determining if their current infrastructure is prepared to meet the increased tax requirements imposed by these criteria.

Obligations for Multijurisdictional Reporting: Multinational firms must also assess the ability of its infrastructure to fulfill the demands of new multijurisdictional reporting obligations. This includes ensuring that their reporting systems can handle complicated cross-border tax compliance effectively.
Furthermore, MHC is dedicated to maintaining a thorough and strong Global Code of Conduct that is available to the public. This reflects our commitment to openness and responsible taxation practices.
Our tax specialists also follow the Concepts for a Responsible Tax Practice, which establish a set of essential ethical principles and procedures that drive our approach to tax advice services.

Price Transfer

This section assists organizations in efficiently addressing transfer pricing by offering services in the areas of planning, compliance and documentation, implementation, and dispute resolution. Accounting experts, tax practitioners, specialists, benchmarking professionals, and finance professionals are just a few examples. These folks provide essential local knowledge in a global context. GTPS helps firms to plan transactions, capital structures, and investment arrangements more effectively, as well as submit yearly transfer pricing reports and documentation and deal with tax authority issues. Transfer pricing services are categorized further into the following categories:

i. Transfer Pricing Planning: Transfer Pricing Planning aids in the establishment of financially sound transfer pricing strategies for international transactions, capital restructuring, and investment. It focuses on identifying and advising on potential transfer pricing concerns through the assessment of draft agreements between related enterprises and financial institutions.

ii. aid with transfer pricing analysis and documentation/study: Professionals aid with transfer pricing analysis and documentation/study by assisting and reviewing reports of international transactions between connected businesses to guarantee that the arm's-length principle is followed for transfer pricing reasons.

iii. Transfer Pricing report Preparation: Assist in recognizing foreign transactions and producing a transfer pricing report.

iv. Dispute Resolution: Transfer Pricing Professionals help in the resolution of transfer pricing issues at various levels of competent authorities by offering a variety of services.

3.2.2 My Duties as an Audit Assistant

During my time at Mahfel Huq and Co, I was allocated to a prominent responsibility in the Audit and Advisory Services department. I worked as an audit assistant for Badsha Group and Bangla German Shompriti, specialized in Statutory audit, from July to September. The annual audit task was divided among team members depending on financial statement components. Several categories, including Cash and Cash Equivalents, Property Plant Equipment, Provision for Expenses, Other Manufacturing Expenses, Advance Deposits and Prepayments, and Other Selling and Distribution Expenses, were assigned to me for audit. This encounter gave me a thorough grasp of the auditing process.

One of auditors' key roles is to assess the relevance of various aspects of a company's performance. Auditors must use professional judgment to give relevant information to stakeholders making investment choices based on financial accounts. This importance is measured by applying a percentage to a standard, such as Profit Before Tax (PBT) or net assets. I had to utilize the materiality percentage I calculated for the company to randomly choose transactions from the general ledger under the assigned subheadings. Following that, I verified these transactions for correctness, completeness, appropriate recordkeeping, asset protection, and overall compliance. To detect any possible flaws, this method necessitated a thorough assessment of the transaction approval procedures, the internal control system, and the implementation of corporate rules.

During the audit, one notable discovery I noticed was that the firm did not keep effective asset labeling. This discovery was incorporated into the audit reporting deliverables.

CHAPTER-4

Internship Responsibilities

4.1 Internship Responsibilities

Data Analysis and Documentation: Assisting with data analysis utilizing audit software tools to detect abnormalities or inconsistencies in financial data.
Documenting audit findings and creating work documents for senior auditors or supervisors to examine.

Compliance and regulatory checks include understanding local regulatory standards and ensuring that audit methods are in accordance with Bangladesh's legal and regulatory frameworks.

Participating in compliance audits to ensure conformity with local accounting standards and legislation.

Client Communication and Interaction: Working with the audit team to communicate with clients, understand their operations, and acquire data for the audit process.

Audit Testing and Procedures:
Assisting in the preparation of audit reports and presentations for client evaluation.
Participating in substantial testing and analytical techniques to evaluate the quality and dependability of financial data.
Learning and implementing audit procedures to assess internal controls and risk management processes.

Professional Development:
Participating in training sessions and seminars to improve understanding of auditing standards, accounting concepts, and applicable legislation in Bangladesh.
Seeking advice from experienced auditors in order to enhance auditing skills and knowledge of best practices.

Ethical Considerations and Independence:
Adherence to ethical norms, as well as independence and objectivity throughout the auditing process.
Learning the value of professional skepticism and critical thinking when doing auditing jobs.

Team Collaboration and Support:
Working cooperatively with the audit team, generating ideas, and providing help in a variety of audit-related operations.
Being proactive in searching out new learning opportunities and accepting duties to help the team.

Remember that exact tasks during an internship may vary depending on the firm's emphasis, the complexity of audits, and the degree of exposure interns get. During your internship in Bangladesh, it is critical to be proactive, ask questions, and explore chances to learn and improve in the field of external auditing.

4.2 Job Responsibilities

I worked as an External Auditor at Mahfel Huq & Co. from the beginning of my career.

The inspection and evaluation of an organization's financial statements and associated documents by an independent, external auditor is referred to as external audit. The fundamental goal of an external audit is to give an independent review of the correctness, dependability, and fairness of an entity's financial information. This procedure is critical for guaranteeing financial openness, accountability, and confidence.

- **Financial Statement Examination:** The process of reviewing and scrutinizing financial statements, such as the balance sheet, income statement, and cash flow statement, to ensure their accuracy and conformance to accounting rules.

- **Audit Planning:** The process of planning an audit, which includes analyzing the client's company, identifying risks, and designing an audit strategy specific to the organization's operations.

- **Risk Assessment:** Identifying and analyzing the risks of major misrepresentation in financial statements, taking into account both internal and external variables that may effect financial reporting accuracy.

- **Internal Control Evaluation:** Assessing and verifying the efficacy of the organization's internal controls meant to avoid financial reporting mistakes or fraud.

- **Audit processes:** Conducting substantive testing, analytical processes, and other audit techniques to collect adequate and suitable audit evidence to support the amounts and disclosures in the financial statements.

- **Objectivity and Independence:** Maintaining objectivity and independence throughout the audit process to guarantee impartial judgments and findings.

- **Communication and Reporting:** Communicating with management to gather information, discuss findings, and provide audit progress reports.

Creating audit reports that contain the audit findings, observations, and conclusions.

- **Conformity and Regulatory Adherence:** Ensuring conformity with appropriate accounting standards, rules, and regulations regulating financial reporting.

- **Client Relationship Management:** Establishing and sustaining professional connections with clients, responding to inquiries, and advising on how to improve internal controls and financial reporting systems.

- **Continuous Improvement and suggestions:** Based on audit findings and best practices, provide suggestions for improving internal controls, simplifying procedures, and improving financial reporting.

- **Professional Development:** Maintaining competency and effectiveness by continuing education and remaining current on changes in auditing standards, laws, and industry practices.

An external auditor's function is crucial in assuring stakeholders of the dependability and integrity of financial information. Their responsibilities go beyond simple figure crunching to

include a thorough evaluation of an organization's financial health as well as adherence to norms and laws.

4.3 Job Description

The following are important features of external audits:

- **Independence:** External auditors must preserve their independence from the organization they are auditing. This independence assures that the audit opinion is impartial and unbiased.

- **Financial Statements:** External auditors examine the financial statements, which include the balance sheet, income statement, and cash flow statement, to ensure they are produced in line with applicable accounting rules.

- **Accounting Standards Compliance:** Auditors determine whether financial statements conform to generally accepted accounting principles (GAAP) or International Financial Reporting Standards (IFRS), depending on the reporting structure.

- **Audit methods:** Auditors perform a variety of audit methods, such as substantive testing and analytical procedures, in order to collect adequate and suitable audit evidence to support the amounts and disclosures in the financial statements.

- **Internal Controls:** Auditors assess the efficacy of a company's internal controls. Internal controls are processes and procedures that are meant to offer reasonable certainty about the accuracy of financial reporting and the security of assets.

- **Risk Assessment:** Auditors detect and evaluate the risks of substantial misrepresentation in financial accounts. Understanding the business environment, industry hazards, and the organization's internal controls are all part of this.

- **Audit Opinion:** The external auditor gives an audit opinion at the end of the audit. The opinion shows whether the financial statements portray the financial condition, results of operations, and cash flows fairly in all relevant ways in accordance with the appropriate financial reporting system.

- **Communication with Stakeholders:** External auditors report their findings and observations to management and, in certain situations, the board of directors or shareholders of the firm. Transparency and accountability are improved as a result of this communication.

- **Continuous Improvement:** Based on their findings during the audit, external auditors may provide suggestions for enhancing internal controls and financial reporting systems.

External audits are critical in ensuring financial reporting accuracy and giving confidence to stakeholders such as investors, creditors, and regulatory organizations. The audit process assists stakeholders in making informed decisions by instilling confidence in the quality of financial information. External audits are frequently required by regulatory requirements for specific types of firms to guarantee compliance with financial reporting standards and legislation.

4.4 Clients Types

An audit farm's clients come in a variety of shapes and sizes.
=>Public Limited Companies
=>Private Limited Companies
=>Government Companies
=>NGO
I have audited one NGO and two Private Limited Company. The name three clients I audited below-

i. Centre for Mass Education in Science (CMES): It was my first external audit with Mahfel Huq & Co. of a NGO to prepare the year ended Financial Statement.

ii. Badsha Group of Industries: I did three concerns external audit for the year ended 30 June 2023. The concerns are-

=>Badsha Textiles Ltd.
=>Kamal Yarn Ltd.
=>Pioneer Denim Ltd.

iii. Adamjee Cantonment College: In this college I had prepared three years financial statements in a single period. Because they invited auditors after three years for Covid purpose.

CHAPTER-5

Audit Procedure

5.1 Accounting versus Auditing

Confusion between auditing and accounting is common since auditors frequently study accounting data in depth and have in-depth understanding of financial difficulties.

Despite their close relationship, these two fields remain distinct.

Accounting experts are in charge of gathering, integrating, reporting on, and offering useful insights into financial data.

Accounting in finance is the methodical recording, categorizing, and summarizing of linked events to aid decision making.

Accounting's overarching purpose is to offer reliable numerical information to decision makers, whether they are from enterprises or local governments.

To deliver relevant data, accountants must have a full grasp of the principles and standards for creating accounting information.

Accountants must also devise efficient systems for thoroughly documenting a company's financial transactions in a timely and cost-effective manner.

In contrast, an audit evaluates the overall fairness of financial accounts using a fact-based framework akin to the legal system.

A financial statement audit is performed to examine whether the facts shown in the financial statements correctly and fairly reflect the economic activity that happened during the accounting period under examination.

Accounting standards are critical for auditors who work with accounting data because they serve as benchmarks for evaluating the correctness of accounting information.

5.2 MHC Organizational Structure

The majority of audit firms, including MHC, have a hierarchical organizational structure. MHC closely adheres to a well-defined linear hierarchy, with the most influential partners at the apex holding the most authority. Because MHC is a partnership business, significant and critical decisions often require consensus among all partners. However, the senior partner wields significant influence over these decisions.

Following the senior partner comes the Quality Assurance Director, who is followed by a senior manager, manager, assistant manager, and a senior manager.

In decreasing order, qualified (serving article), tax specialist, IRM (information and risk management) specialist, senior auditor, semi-senior auditor, and junior auditor.



Figure 1: Organizational Hierarchy.
Source: (Zhu, 2019)

5.3 Audit Procedure in Bangladesh

Auditing is a widely accepted, methodical practice based on scientific principles. While auditing processes are largely uniform throughout the world, the key differences are in the rules and regulations that each country must follow. The audit policy of an auditor specifies the procedures for gathering evidence to verify the correctness of financial books and records. Following that, the auditor assesses the information's dependability and appropriateness.

Various areas of a company's operations, such as raw material procurement, account payable and receivable administration, and the efficacy of its internal control system, are inspected during an audit. The Institute of Chartered Accountants, which serves as the auditing industry's regulating organization in Bangladesh, is in charge of overseeing chartered accountants. The Audit Practice Manual (APM) defines a four-stage systematic procedure that auditors are required to follow.

5.3.1 Planning

Meticulous preparation is one of the most important components of the auditing process. Adequate planning is required for an audit to be carried out effectively, ensuring that no vital facts are neglected. It provides auditors with a clear grasp of the audit's framework and specifies the precise tests that teams must do in order to complete the audit effectively. A well-structured audit strategy is also useful in avoiding needless delays, as audits that lack sufficient preparation can become time-consuming.

The International Standards on Auditing (ISA) has made audit organization in line with the ISA 300 standard a necessary practice for auditing companies in Bangladesh. This method allows team members to be assigned tasks based on their areas of expertise, resulting in more effective resource use and a more complete and accurate audit.

5.3.2 Collecting Evidence

The Audit Practice Manual does not specify the number of audited components. Instead, it requires the auditor to use professional judgment, taking into consideration the client's unique circumstances in regard to the item being examined. Rather of merely "filling out forms," it is preferable to personalize evaluations to the client's specific needs. As a result, the APM should be used as a framework for making changes or building new procedures and standards.

It is critical that the sample is taken from a representative population and that the sample size is large enough to derive accurate findings. Determining an appropriate sample size necessitates careful assessment of inherent risk factors, population characteristics, and materiality. While these considerations provide a solid theoretical framework, the final decision must be guided by professional judgment.

5.3.3 Control and documentation

This phase entails meticulous recording of all planning efforts. It is the first step of fieldwork, during which all parts of the audited corporate domains, including assessments, are extensively scrutinized. These assessments serve as the foundation for interpreting the evidence gathered, which is subsequently documented. At this point, risk evaluations and materiality estimates are carried out.

There are two forms of risk assessments, both of which adhere to recognized auditing criteria. First, a thorough risk assessment dives into the company's commercial and regulatory environments, offering a thorough analysis. This study investigates the relationship between management integrity and business uncertainty, offering information on the enterprise's overall risk profile.

Second, a specific risk assessment is performed to determine the risk associated with the specific activity. A risk assessment has two broad aims. For starters, it determines if it is viable to streamline the whole audit program depending on the unique circumstances of the audit in question. Second, it assists in assessing the probable impact of various risks on certain parts of financial statements. This method enables auditors to concentrate on the most essential concerns inside the audit while remaining aware of the bigger picture.

5.3.4 Opinion and Review

The last stage of the audit process is centered on the Auditor's assessment and opinion. During this step, the audited company's management extensively reviews the audit report and gives input on the concerns raised. This type of debate frequently generates useful ideas. Following that, the detected concerns are discussed with the appropriate audit manager. Management expresses its viewpoint, and any unresolved issues are referred to a partner at a Chartered Accountants firm for additional review. The partner then conducts a thorough evaluation of the full audit and develops an opinion.

The Audit Practice Manual includes a number of auditing checklists, some of which are as follows:
Partner completion
Completion of the audit successfully
Questionnaire for determining compliance with auditing requirements
Internal control system evaluation questionnaire
Accounts Critical Review Questionnaire

Audit report justification, and more.

The auditor undertakes a comprehensive evaluation of the facts at hand using these checklists. If the auditor is satisfied with the replies and findings, he or she may express an unqualified opinion on the client. In all other cases, when concerns remain, they may offer a qualified, disclaimer, or unqualified opinion depending on their evaluation.

5.4 MHC Audit Procedure

Mahfel Huq and Co's audit method was separated into four phases. The procedures are as follows:

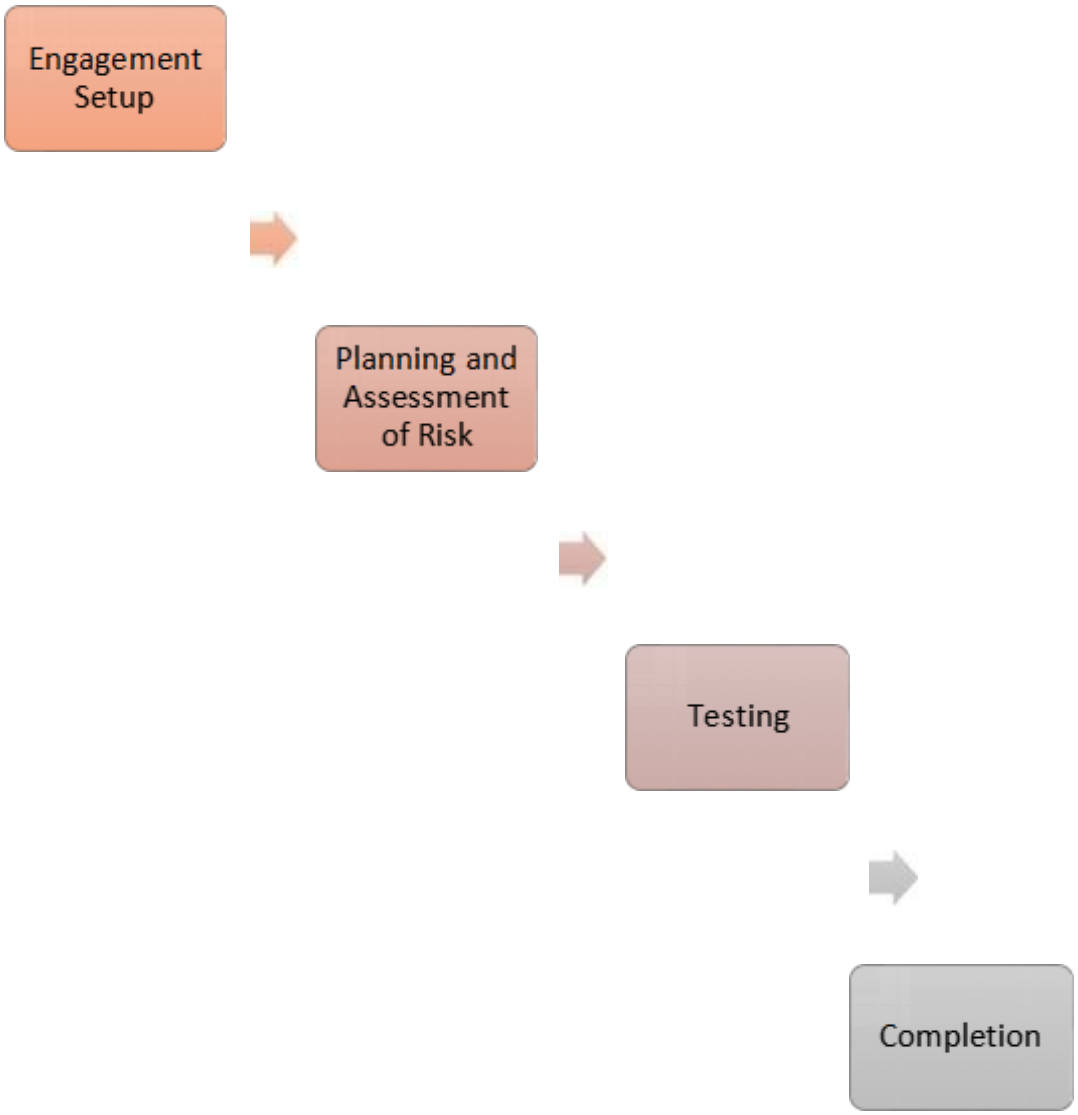


Figure 2: Audit Procedure of MHC.

5.4.1 Engagement Planning

Every interaction involves three unique parties: the "responsible party," the "intended user," and the "assurance practitioner." MHC's assurance practitioner rigorously examines a variety of variables before providing engagement services:

i. This Engagement's Rational Purpose: A well-defined and realistic aim is required for an assurance engagement. When determining a valid purpose, several factors must be considered. These factors include determining if the client has all of the relevant subject matter components and adequate competence, validating the lack of work-related limitations, and ensuring the identifiability of the persons participating in the audit engagement.

ii. The Subject Matter should be Appropriate: Accepting a professional job sometimes includes evaluating the appropriateness of the topic matter. It is critical that the subject matter be easily recognizable and that it can be measured or assessed consistently in line with established criteria.

iii. Interaction Addresses User Needs: When evaluating an interaction, it is critical to analyze how well it matches with the needs and expectations of the users engaged.

iv. The Management-Developed Criteria are Appropriate: Only when the criteria in use are functional and understandable can the assurance process begin. It is critical to validate the suitability and adequacy of the criteria provided by the responsible party, ensuring they are comprehensive, dependable, unbiased, and user-friendly.

v. Enough information can be gathered: The level of confidence required specifies the amount of proof MHC need. MHC strives to reduce the possibility of severe errors to the maximum degree feasible. To decrease the danger of major mistakes in instances where the possibility for significant errors is high, a large volume of evidence may be necessary. As a result, if MHC determines that a scope limitation necessitates the inclusion of disclaimers in the opinion, we are restricted by ISAE 3000 from accepting the engagement.

5.4.2 Planning and Risk Analysis

MHC's assurance approach is built on a series of essential decisions taken in response to engagement risks identified through risk analysis and planning assessments. The breadth of activities, the most pressing issues to be addressed, the importance of the objectives, and the type of the involvement are all important considerations in the planning process. The planning team develops the overall testing schedule and evidence-gathering methodology when MHC wants to acquire evidence through control testing and the engagement of subject matter experts, external specialists, internal audit, and other member businesses.

There are three types of engagement risks that necessitate preventive measures: inherent risk, which refers to the subject matter's susceptibility to errors or misstatements; control risk, which refers to the potential failure of internal controls to detect errors or misstatements in the subject matter; and detection risk, which refers to the risk that tests will fail to detect significant misstatements. MHC considers the following extra criteria throughout its risk analysis and planning processes:

I. Critical Areas for Risk Assessment: Whether we're talking about a quantitative statistic like a key performance indicator or a more abstract idea like governance quality, it's clear that these factors are important.

II. Assurance Engagement on the Clients Report: Examining the client's engagement report aids in the identification of critical areas.

Fraud in Assurance Services: Fraud is defined in the context of an assurance engagement as the purposeful manipulation of the subject matter. The planning and risk assessment process at MHC includes an analysis of the underlying nature of fraud risks as well as the selection of relevant tests to reduce these risks. This involves assessing particular fraud concerns relating to the topic.
When dealing with these hazards, MHC does a materiality evaluation to establish the extent to which an inaccuracy might influence the final choice made by the target audience. For matters such as data, materiality requirements are sometimes necessary. When determining materiality levels, MHC considers a number of elements, including:

i) Statement, including an omission, is likely to damage the target audience's requirements, whether individually or collectively.
ii) ii) Compliance with established criteria, which may describe what is considered material in the context of the interaction.

Materiality criteria are important in determining the hazards associated with large misstatements, impacting the type, frequency, and depth of testing. Furthermore, these criteria are useful in determining the impact of observed differences on the subject matter. Discrepancies are captured and aggregated for further examination to determine whether an adjustment is necessary based on the materiality criteria defined within the relevant data environment.

5.4.3 Testing

During this phase, we rigorously test the organization's controls. This control review is in response to the significant misstatement risks highlighted during MHC's risk assessment. Controls are tested to see how successful they are at either preventing significant misstatements or discovering them before they cause considerable harm.

Before establishing tests of controls that produce relevant audit evidence, it is critical to define the performance requirements as well as the deviation criteria that indicate poor performance. MHC's evaluation also involves a look at whether these precautions are in place and being used effectively.

MHC moves on to substantive testing after evaluating operational effectiveness controls. This guarantees that all components of a transaction are genuine and that all necessary documentation is appropriately documented.

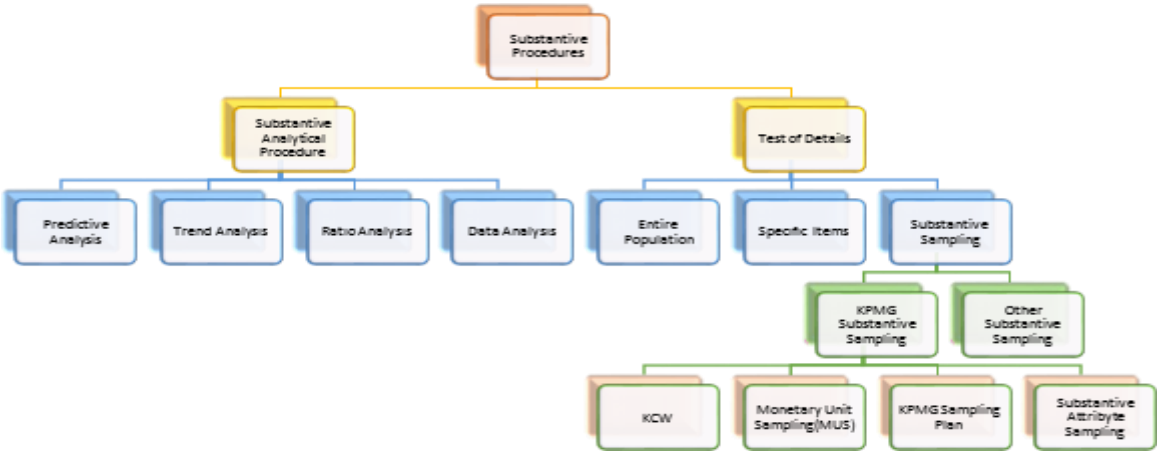


Figure 3: Substantive Procedure followed by MHC

This is the technique used to acquire information, which includes substantial analytical procedures and detail testing. When developing and implementing substantial analytical methods, MHC must meet the following criteria:

- Assess the hazards and the requirement for testing of individual statements' specifics to evaluate whether substantive analytical processes are relevant to those assertions.

- Develop hypotheses based on known facts, such as ratios or numerical values.

- Determine whether the expectation is sufficiently accurate, when combined with audit evidence from other audit procedures (if applicable), to detect a misstatement that could result in significant misstatements in the financial statements, either independently or in conjunction with other misstatements.

- Establish the greatest permissible difference between actual and forecasted values that would justify additional inquiry.

- Evaluate the dependability of the data used to develop expectations of recorded numbers or ratios, taking into account factors such as the source, comparability, nature, relevance, and conformity with applicable rules.

In contrast, during thorough testing, queries are used. Although queries may give significant audit evidence or signal a misstatement, they may not provide enough audit evidence to clearly affirm the absence of a serious mistake at the assertion level. For detail testing, many auditing approaches may be used, with the following being especially beneficial when used in tandem:

=>Evaluation
=>Monitoring
=>External validation
=>Recalculation
=>Re-performance.

Particular situations determine the applicability of particular testing methodologies.

i. When computer-assisted auditing procedures may only be used to a small sample or the entire population, the testing selection must include all items or the entire population.

ii. The identification of items that meet specific criteria, such as exceeding performance materiality in quantity, remaining idle in inventory for more than six months, or having overdue payments to vendors for more than three months, followed by the selection of these items for testing.

iii. When working with a large number of objects, it is sometimes more practicable to perform auditing operations on a subset of that population. We may use approaches such as currency unit sampling, the KPMG sampling strategy, or substantive attribute sampling in such instances.

5.4.4 Finishing

MHC sets and performs final analytical processes in the last phases of the audit to examine the financial statements' conformity with our understanding of the firm. As the project nears completion, MHC undertakes a thorough assessment of the financial accounts and disclosures. Any remaining analytical processes, particularly those connected to revenue up to the end of the reporting period, are carried out. This helps MHC with:

i) Ensuring that the financials match our knowledge of the organization.
ii) Assessing MHC's conclusions on crucial accounting and disclosure information.
iii) Confirming the absence of major misstatements across the financial statements.

Finally, the auditor's opinion is issued on the following conditions:

• A qualified opinion is provided if the financial statements include a serious misrepresentation with material but not widespread ramifications.
• An unfavorable opinion is provided if there are major misstatements in the financial statements that have far-reaching and material repercussions.
• A qualified opinion may be granted if acquiring all essential data would be extremely time-consuming and unlikely to be effective.
• A qualified opinion may be issued if there is a severe and widespread lack of information.

5.5 Assessing the Effectiveness of the MHC Audit Procedure

The following Questionnaire has been prepared to assess the efficacy of MHC's audit procedure-

Questions	Presence	Absence	Partially Present
1. Is there any Prospective engagement evaluation processes?	✓	-	-
2. Did the audit team have the necessary knowledge and skills to meet the company's audit requirements?	✓	-	-
3. Was there a proper plan in place about how the audit is going to be conducted?	✓	-	-
4. Proper way to establish materiality in assurance engagements?	✓	-	-
5. Scope of the audit – does it cover all relevant areas?	✓	-	-
6. Timing of the audit – is the timetable appropriate?	-	-	✓
7. Is there a proper policy in place to collect audit evidence?	✓	-	-
8. Proper action plan for misstatements identified during testing?	✓	-	-
9. Effective testing to ensure internal controls intended result?	✓	-	-
10. Are sampling tools appropriate to decide items to be tested?	✓	-	-
11. Was there communication between the auditor and the audit committee, including discussions regarding the company's management and the quality of the accounting policies and information?	-	✓	-
12. Is the firm completely independent of the client?	✓	-	-
13. Do the firm follow audit practice manual to form opinion?	✓	-	-

Table 1: Questionnaire to evaluate the Effectiveness of Audit Procedure of RRH.

CHAPTER-6

Transfer Pricing Arm's Length Price Analysis

6.1 Comparable search techniques

The goal of this search is to find a group of autonomous entities that are involved in operations comparable to those of ABC International Limited and have functional and risk profiles similar to those of ABC Bangladesh. The search for comparable firms involves a series of stages, which are detailed in the following sections.

6.2 CompStat Global Database Search

We decided to perform an arm's length examination by looking for functionally equivalent organizations in Asia and the South Pacific area. This search was carried out using data from the MHC Transfer Pricing Engine - Comparable Insights, which draws information from the Compustat Global database. MHC used the following technique for benchmarking to locate comparable companies:

6.2.1 Selection of Criteria, Data Sufficiency, and Quantitative Screening

MHC used its Compustat Global database, especially the KTPE October 2022 Data edition, to identify probable comparable firms with functional, asset, and risk profiles similar to ABC Bangladesh's. The search parameters used resulted in the discovery of 67,666 possibly relevant businesses. The particular search criteria and procedure used are detailed below:

6.2.2 Qualitative Evaluation

MHC evaluated the remaining 291 possibly comparable firms to determine their qualitative comparability. **Appendix A** contains a summary of the results of the qualitative screening procedure, as well as other significant facts, and the key criteria that led to elimination.

Search Step		Reasons for the Step	Search Result
Criteria Selection			
Standardized Industry Classification	Appendix C lists enterprises that manufacture woven and printed labels, as well as various forms of textile accessories, using US Standardized Industry Classification (SIC) designations.	The goal of this phase is to include only firms who operate in the same industry as ABC Bangladesh and perform similar functions.	676 companiesare selected from 67,666companies.
Status Marker	All companies that are active for the last 3 years.	This step eliminates inactive companies.	Leaving the number of companies to 489.
Search Step		Reasons for the Step	Search Result
Region of Incorporation	We looked for corporations incorporated in any of the Asia and South Pacific nations listed below. [1]	Because various regions have distinct economic situations, we sought comparable enterprises from ABC Bangladesh's tight economic nexus.	Leaving the number of companies to 327.
Data Sufficiency and Quantitative Screens			
Financial Data Availability	We searched for those companies which have revenue for at least 2 years.	The Purpose of this step is to improve the reliability of the data byeliminating companies with only three years of financial data thereby ensuring sufficient datato calculate the ratios.	Leaving the number of companies to 291.

6.3 Last Comparable Set

For costs of a similar kind, 8 comparable firms were picked from the Compustat Global study, and 3 comparable companies were chosen from Capitaline Plus. This benchmarking approach yielded a total of 11 similar firms for comparing the company's or tested party's arm's length pricing or consideration. The three-year Period Weighted Average (PWAVG) of Operating Margin, computed as OP/Net sales for comparable costs, is shown below: [Include the figures for the PWAVG Operating Margin].
Australia, Bangladesh, Brunei Darussalam, China, Hong Kong, India, Indonesia, Japan, Kazakhstan, Korea (the Republic of), Malaysia, Marshall Islands, Myanmar, New Zealand,Papua New Guinea, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, and Vietnam. are among the Asia and South Pacific nations evaluated in this research.

S.N.	S[2]	Comparable Company Name	Operating Margin			
			FY 2019-20	FY 2020-21	FY 2021-22	PWAVG
1	C	Arex Industries Ltd	13.78%	9.48%	5.23%	9.49%
2	K	Fuji Seal International Inc	8.01%	7.85%	7.60%	7.82%
3	K	Fujian SBS Zipper Science	1.32%	3.54%	8.24%	3.95%
4	K	Huhtamaki India Ltd	5.74%	7.98%	5.73%	6.52%
5	K	KDS Accessories Ltd	9.82%	9.41%	11.87%	10.29%
6	K	Koan Hao Enterprise Co Ltd	1.39%	2.52%	10.62%	4.80%
7	K	Olympic Accessories Ltd	14.49%	11.86%	-6.34%	10.55%
8	C	Premco Global Ltd	4.67%	4.70%	17.75%	9.97%
9	C	Uniroyal Industries Ltd	5.74%	3.98%	1.38%	3.81%
10	K	Zhejiang Jiemei Electronic And Technology Co Ltd	22.67%	12.30%	24.85%	20.85%
11	K	Zhejiang Weixing Indl Dev	16.03%	12.51%	13.42%	13.99%
Summary Ranges - Percentile Method						
Number of Observations						11
Average						9.28%
70th Percentile						**10.29 %**
Median						9.49%
30th Percentile						**6.52%**

Based on our data, the arm's length range (30th to 70th percentile) for comparable firms' operating margins lies between 6.52% and 10.29%, with a median value of 9.49%. ABC Bangladesh achieved an operating margin of 34.32% (please see Appendix-B for specifics) at the entity level during the fiscal year under review. This operating margin is substantially within the arm's length range, since it greatly surpasses the comparable firms' 30th percentile margin.

S=Database Source, K=KTPE, C=CapitaLine Plus

CHAPTER 7
Findings

7.1 Findings

All ICAB member businesses are required to follow stringent compliance criteria, which MHC carefully enforces. The assessment's goal is to evaluate MHC's performance in carrying out its auditing tasks, with a particular emphasis on compliance concerns. Based on the findings of the questionnaire, MHC is in roughly 85% compliance with these criteria. In practice, it has been noticed that the company is not fully different from its customers, bringing possible conflicts of interest in the audit process, particularly when the business also supplies clients with tax and transfer pricing services. Furthermore, the time limits placed on audit engagements appear to be extremely restrictive and should be reconsidered. There is also need for improvement in terms of defining detailed procedures for evidence collecting, as getting data from clients might be difficult at times. While the company is gradually improving its procedures and rules, there is still room for improvement.

The audit technique is intended to discover major errors in financial statements and to concentrate on the financial elements of transactions and occurrences. In this report, I'd want to convey some of the complications on my behalf. The following are the findings:

i. An auditor may misinterpret a circumstance at times, causing the auditor to ignore a financial statement mistake and base their assessment on that.

ii. Because frauds are designed to be concealed/hidden by the guilty party, they represent a high danger of being undetected by auditors.

iii. In order to execute the audit efficiently and cost effectively, auditors use sampling techniques to restrict the number of transactions and balances selected for audit testing. However, the outcome may not be representative of the total population and may fail to discover a major mistake in the financial statement owing to auditors' incompetence.

iv. Although auditors gather audit evidence from a variety of sources, they prioritize external evidence. Too often, they must rely on management's representation in order to determine the reasonableness of financial statement items. It is sometimes difficult to substantiate management's depiction of appropriateness.

CHAPTER-8
Recommendation and Conclusion

8.1 Recommendations

- Instead of following a consistent method for all customers, the audit duration should be altered when evidence collecting presents major obstacles.
- MHC should increase the number and timeliness of training sessions to ensure that audit procedure information is successfully distributed.
- The working atmosphere could be modified further to better accommodate articled students.

8.2 Conclusion

Mahfel Huq and Co. is largely regarded as one of the country's leading law companies. It has a solid reputation for performing audits with rigorous respect to compliance and consistent policy adherence. The business provides a welcoming and supportive learning atmosphere, providing many opportunities for hands-on exposure with audit methods. Thanks to the firm's dedication to offering broad learning opportunities, a plethora of auditing information was learned during the course of a three-month internship.

However, it is critical to recognize the likelihood of rare differences that might lead to noncompliance. MHC maintains strict customer anonymity, with "ABC Ltd" serving as a fictional name for client analytical reasons. Several areas for potential improvement are indicated in the suggestions section.

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Appendix-A

Steps for qualitative screening

MHC did a thorough analysis of the business descriptions of possibly comparable enterprises to examine the comparability of the remaining independent companies. Dow Jones Companies & Executives, corporate websites, and annual reports were used as information sources for this review. Our particular goal was to find organizations involved in similar activities as the tested party and reject companies from the comparable set that have significant variations in functions, asset ownership, and risk profiles compared to the tested party.

The following criteria were used to investigate independent firms selected from multiple databases for qualitative evaluation:

1. Companies that provide various services were rejected.
2. Companies producing various items were rejected.
3. Companies that do not operate as separate entities or are subsidiaries are rejected.
4. Companies that have lost money for three years in a row have been rejected.
5. Companies with inadequate information were rejected.

The table below summarizes the key causes for exclusion, as well as the related numbers. Appendix F contains full findings of the quantitative screening techniques.

Purchase of raw materials, Purchase of replacement components, and Sale of completed items are the transaction categories.

Qualitative Screening

Screening process	Compustat Global Database		Capitaline Plus Database	
	Eliminated	Remaining	Eliminated	Remaining
Different Functions	16	275	12	201
Different Products	266	9	197	4
Independence	0	9	0	4
Loss-making	1	8	0	4
Insufficient Information	0	8	1	3

Appendix-B

ABC International Limited's profitability is evaluated using financial data supplied by the firm for the fiscal year ending December 31, 2020. The following financial information is provided:

Particulars	**Amounts in BDT (From 1 Jan 2020 to 31 Dec 2020)**
A. Revenue	**1,059,197,993**
B. Cost of sales	(609,451,998)
C. Gross profit	**449,745,995**
D. Other income	60,003
E. General and administration	(84,000,743)
F. Selling and distribution	(2,334,612)
G. Operating profit	**363,470,643**
Operating Margin (OM)= G/A	**34.32%**
Net Cost Plus (NCP)=G/(B+E+F)	**52.24%**

Appendix-C

The following primary SIC codes and NIC codes are used:

To perform a search for comparable closely like A-TEX International Limited, we used the SIC codes in the Compustat Global database and the NIC codes in the Capitaline Plus database.

No	Primary SICCodes	Description
1	224	Narrow Fabrics & Oth Smallwares Mills: Cotton, Wool, Silk, Man Made Fiber
2	2269	Finishers of Textiles, Nec
3	2292	Lace Goods (Inactive)
4	2297	Nonwoven Fabrics
5	2299	Textile Goods, Nec
6	2389	Apparel & Accessories, Nec
7	2393	Textile Bags
8	26	Paper and Allied Products
9	396	Costume Jewelry & Novelties, Buttons & Misc Notions, Ex Precious Metal
10	4783	Packing and Crating