Internship Report

On

"Accounting for NGO: A Case Study on Buro Bangladesh"

Submitted by:

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ID: BBA 2103024083

Program: BBA

Major: Accounting

Department of Business Administration

Sonargaon University (SU)

Submitted to:

Department of Business Administration

Sonargaon University (SU)

Submitted for the partial fulfillment of the degree
of BBA in Accounting



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147/1 Green Road, Panthopath, Dhaka

Internship Report
On
"Accounting Practice of Unilever Bangladesh Ltd."

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Submitted for the partial fulfillment of the degree
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Sonargaon University (SU)
147/1 Green Road, Panthopath, Dhaka

Date of Submission: 30th August, 2025

LETTER OF TRANSMITTAL

Date: 30th August, 2025

Professor Md. Al-Amin Molla
Dean, Faculty of Business
Department of Business Administration
Sonargaon University (SU)

Sub: **Submission of the Internship Report on "Accounting for NGO: A Case Study on Buro Bangladesh"**

Dear Sir,

I am submitting my internship report titled **"Accounting for NGO: A Case Study on Buro Bangladesh"** I have tried my best to find out the current situation of real estate sector in Bangladesh and its Accounting Practice. Please pardon me for any kind of mistake in this report. It was not possible for an individual to complete this report without your motivation and cooperation toward me; I would not be able to complete this report.

I sincerely hope that you will get current scenario of real estate developments and Accounting Practice. I have acquired the valuable experiences through this project report under supervision of you. I would like to thank you and the University for giving me the opportunity to do project and for helping me to prepare the report.

If you have any further queries regarding the report, please inform me.

Thank you

Sincerely yours,

_____

Sultana Akter
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DECLARATION OF STUDENT

Actually, this report is submitted as a fulfillment of the requirement of Bachelor of Business Administration degree. I am **Sultana Akter** hereby declare that the work presented in this report titled **"Accounting for NGO: A Case Study on Buro Bangladesh"** has been carried out by me and has not been previously submitted to any other University, College or Organization for any academic qualification, certification, diploma or degree.

_____

Sultana Akter
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LETTER OF AUTHORIZATION

The internship report titled **"Accounting for NGO: A Case Study on Buro Bangladesh"** submitted as partial requirement of BBA degree at Sonargaon University (SU). This report has been prepared by **Sultana Akter** ID: BBA 2103024083, Program: BBA (Major: Accounting), Department of Business Administration**,** Sonargaon University (SU) under my supervision and guidance. The data and findings presented in the report seem to be authentic. Thus the internship report has been approved for presentation.

I wish her every success in life.

_____

Professor Md. Al-Amin Molla
Dean, Faculty of Business
Department of Business Administration
Sonargaon University (SU)

ACKNOWLEDGEMENT

First of all I would like to express my deep gratitude to the almighty Allah for fruitfully preparing this internship report.

I express my deep sense of gratitude and heartily respect to **Professor Md. Al-Amin Molla,** Dean, Faculty of Business, Department of Business Administration, Sonargaon University (SU) for his valuable suggestions and instructions to complete this report. I would also like to convey my gratitude to all the members who directly or indirectly has helped me to prepare this report.

I express my personal gratitude to my Professor Md. Al-Amin Molla for helping me with the valuable suggestion about the source of information and other key issues to prepare this report.

EXECUTIVE SUMMARY

In Bangladesh NGOs have appeared as the savior of countless number of people without food, cloth, education and basic health facilities. The NGOs are working on poverty eradication by directly involving the poverty stricken population.

BRAC is a leading humanitarian organization fighting global poverty. They place special focus on working alongside poor women since women have the power to help the whole family and the entire community to escape poverty. Their efforts are to improve basic education, prevent the spread of diseases, increase access to clean water and sanitation, expand economic opportunities and protect natural resources. They also deliver emergency aid to survivors of wars and natural disasters and help people rebuild their lives. BRAC has substantial operation in a growing number of Asian and African countries. They work in countries where they achieve a major impact on reducing poverty and improving livelihoods.

BRAC has a moderate accounting department which ensures cash flows of qualified budgeting, employees' salary, organizational financial activities, and sorting the process of donors' financial activities. I did my term paper on the accounting procedures of BRAC. The term paper focuses on the accounting practices and the internal control system done by the NGOs. The report attempts to identify in Bangladesh context Fiduciary responsibility of NGOs and their compliance to those, the way the state of Bangladesh regulates NGOs which finance charitable work through foreign donations. The regulatory requirement and framework of operation are limited to hold NGOs accountable to the beneficiaries. The requirements of the existing NGO accountability frameworks in Bangladesh are skewed towards the demands of the two influential groups – the donors and the state. The paper is limited to one NGO—BRAC (Bangladesh Rural Advancement Committee).

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CHAPTER 1
Introduction

1.1 Background

In today's world, education is the imperative tool for understand the real world and apply knowledge for betterment of the society as well as in Business Sector. From the education session the theoretical knowledge is obtained from various courses throughout the programs, which is only the half way of the subject matter. Practical knowledge has no alternative. To face much more complex and challenging business world in the challenging business areas, practical knowledge is essential to expand our theoretical base. As per my supervisor's direction the topic of the report has been chosen as **"Accounting for NGO: A Case Study on Buro Bangladesh."**

The report focuses on the accounting practices and the internal control system done by the NGOs. The report attempts to identify in Bangladesh context Fiduciary responsibility of NGOs and their compliance to those, the way the state of Bangladesh regulates NGOs which finance charitable work through foreign donations. The regulatory requirement and framework of operation are limited to hold NGOs accountable to the beneficiaries. The requirements of the existing NGO accountability frameworks in Bangladesh are skewed towards the demands of the two influential groups – the donors and the state. The paper is limited to one NGO—Buro Bangladesh.

1.2 Objectives

The Objectives of this report are as follows:

- To get an insight into the history and operations of NGOs in Bangladesh
- To bring out an overall picture of the nature, extent and process of NGOs
- To find out the responsible authority and their responsibility regarding monitoring and guiding of NGO and to find out the legal and regulatory framework of the NGO and their fiscal incentives offered by the laws
- To identify the relevant NGO's recording process.
- To show the flow of fund for the project.
- To visualize the internal control system.
- To discuss different accounting related aspects.
- To discuss the reporting process.

- To identify the auditing aspects.
- To try to make an overall picture of NGO accounting practices in light of the practices of Buro Bangladesh.

1.3 Scope

The scope of the study is defined by the extensiveness of the facts covered by the study. An insight into the history and operations of NGOs in Bangladesh is given in the report. The regularity authorities, the legal framework for NGOs in Bangladesh, the accountability framework are described in the report. Then the accounting and internal control procedure of one renowned NGO in Bangladesh named BURO BANGLADESH is discussed. The final part of the article discuses issues relating to financial report and financial transparency of the NGO. Compliance of International Accounting Standards by BURO BANGLADESH is given in the report. Some relevant recommendations are also placed at the end.

1.4 Methodology

The methodology followed in preparation of the report was to just finding the details of the accounting and related aspects and not to evaluate. Both secondary and primary data were collected.

Case study Method

Another mention worthy dimension that is followed the case study method to make conclusions and have tried to generalize the overall NGO accounting practices in light of one NGO. The reasons for doing that is such:

- There are no specific standards for preparation of accounts of NGOs.
- NGOs differ roughly in terms of procedure followed
- Projects undertaken differ in terms of accounting practice.
- Time and Cost would be huge to analyze more than one NGO.

As the rationale for following case study method in analyzing above, I have tried to generalize as much as possible.

1.4.1 Data Collection

Data were collected in the following manner:

- Primary data was collected through in-depth open ended interviews of Front-end management personnel at Buro Bangladesh
- Face-to-face conversation with the respective officers and staffs of the Buro Bangladesh
- Relevant field study as provided by the officer concern.
- Practical Deskwork
- Buro Bangladesh website and other related websites.
- Annual report of Buro Bangladesh .
- Company printed materials such as different manuals and publications.
- Unpublished data received from the Head Office.
- Information was collected through inspection of official documents, that is, accounting reports; internal audit report etc. of the selected NGO
- Unstructured interviews with key NGO official were conducted.
- Various laws, regulations, circulars were collected from internet, books.

1.4.2 Data Analysis

- In analyzing the collected data, the annual report, the internal audit report and the verbal information were compiled.
- The interviews are administered by formal and informal discussion. No structured questionnaire is used.
- I analyzed the data with the objective of preparing the overview, not comparing with any set of standards.
- When analyzed, I also have considered the NGO's nature, requirement etc.
- Collected data were categorized according to the relevant field of accounting for better understanding and conceptualization & organization.
- Different diagrams were drawn for finding the interrelation and better analysis.

1.5 Problem Statement

Like any other study the limitations of this study is not out of questions. But the following factors seem to me the main points of weakness of this study.

The problems I faced include:

- Large-scale research was not possible due to constraints and restrictions posed by the organization.
- The main constraints of the study are inadequate access to information, which has hampered the scope of analysis required for the study.
- Carried out such a study for the first time so inexperience is one of the main objects of the study.
- Many procedural matters were conducted directly in the operations by the top management level, which may also gave some sort of restrictions.
- Lack of available formal means to collect data.
- I had to rely only on some very restrictive verbal information.
- To conclude about the overall NGO practices by doing one case study was hard.

CHAPTER 2
NGOs in Operation

2.1 Emergence of NGO

Non-government Organisation (NGO) generally means any organisation not established by government. However, in the context of NGO work over the last three decades, the term now refers to social organizations, mostly of voluntary and non-profit character, that are engaged in development work. These include informal associations and formal corporations limited in character, as well as registered societies. Development NGOs engaged in broad socio-economic uplift of the poor in rural and urban areas are sometimes termed as private voluntary development organizations (PVDO) or voluntary development organizations (VDO). Socio-economic programs of development, advocacy, legal aid, environment and relief programs are also taken up by development NGOs.

International non-governmental organizations have a history dating back to at least 1839. Rotary, later Rotary International, was founded in 1904. It has been estimated that by 1914 there were 1083 NGOs. International NGOs were important in the anti-slavery movement and the movement for women's suffrage, and reached a peak at the time of the World Disarmament Conference. However, the phrase "non-governmental organization" only came into popular use with the establishment of the United Nations Organization in 1945 with provisions in Article 71 of Chapter 10 of the United Nations Charter for a consultative role for organizations which are neither governments nor member states. The definition of "international NGO" (INGO) is first given in resolution 288 (X) of ECOSOC on February 27, 1950: it is defined as "any international organization that is not founded by an international treaty". Rapid development of the non-governmental sector occurred in western countries as a result of the processes of restructurisation of the welfare state. Further globalization of that process occurred after the fall of the communist system and was an important part of the Washington consensus.

Globalization during the 20th century gave rise to the importance of NGOs. Many problems could not be solved within a nation. International treaties and international organizations such as the World Trade Organization were perceived as being too centered on the interests of capitalist enterprises. Some argued that in an attempt to counterbalance this trend, NGOs have developed to emphasize

- Humanitarian issues

- Developmental aid and
- Sustainable development.

2.2 Bangladesh History

The wave of the growth of the NGOs globally also has Crossed over Bangladesh. The fragile and fragmented development of the formal political institutions coupled with availability in donor aid, have Driven the spectacular emergence and growth of a third sector in Bangladesh consisting of numerous NGOs during 1990s. During this period Bangladeshi NGOs expanded their activities at all levels of society to meet the needs of the poor. There are more and bigger NGOs here than in any other country of equivalent size

The growth of NGOs in Bangladesh began in the aftermath of the war of liberation in 1971 when such organizations stepped in to participate in the massive task of rehabilitating a war-ravaged country. As the need for relief and rehabilitation receded, some of these organizations moved on to support direct interventions to promote social and economic empowerment of the rural poor. Now they form an integral part of the institutional framework addressing issues such as poverty alleviation, rural development, gender equality, environment protection, disaster management and human rights. The phenomenal growth of NGOs in Bangladesh is also attributed to the limitation of the government to meet the enormous challenges of poverty. It is difficult to ascertain the exact number of NGOs in the country because they are not registered under one authority and many of them operate even without any registration at the central level. A major institution that gives registration to NGOs is the Department of Social Welfare, which registered 58000 NGOs in last four decades (source:Daily Protham Alo-07.04.11).

NGOs receiving or applying for foreign funds or are interested in receiving funds from sources outside the country are required by law to register with the NGO Affairs Bureau (NGOAB).,which was Created in 1990 and is part of the Prime Minister's Office. As of December 1999, the number of such NGOs registered with NGOAB stood at 1,429. There are several apex bodies representing NGOs, and the largest among them is the Association of Development Agencies in Bangladesh (ADAB) which is the apex body of local, national and international NGOs engaged in development activities in the country.

2.3 Activities of NGOs in Bangladesh

At the time of introducing NGO in Bangladesh it perform only several welfare activities. But over the last three decades, NGO activities have been concentrated in a number of areas of intervention. Keeping in view their long-term objectives and visions these areas may be identified as:

a) *Establishment of effective democratic process at the grassroots*
b) *Poverty alleviation*
c) *Women's rights*
d) *Formal and non-formal education*
e) *Health and nutrition*
f) *Family planning,*
g) *Disaster management*
h) *Environment.*
i) *Micro-Credit activities*
j) *Human rights and advocacy*
k) *Water supply and sanitation*
l) *Group formation & training*
m) *Agriculture and related activities*
n) *Legal aid and other areas*

The distribution and involvement of NGOs in Bangladesh cut across all sectors and virtually all areas of intervention with development agenda. These NG0s are known all over the world for their innovations. To mention a few of them, these innovations are the successful models in micro-Credit, NON-FORMAL EDUCATION and primary health care developed mainly by GRAMEEN BANK, Buro Bangladesh, and ASA. These NGOs are also constantly exploring new frontiers by venturing into new areas of activities and social life, experimenting with new interventions and spearheading ideas.

2.4 NGO Regulation in Bangladesh

Regulatory Authority

To monitor the Activities of NGO govt. has set up several regulatory bodies.

2.4.1 The NGO Affairs Bureau (NGOAB)

Was created by the Government in 1990 to meet the need for a one-stop service to the NGOs. Located under the Prime Minister's Secretariat, NGOAB has been assigned all responsibilities to coordinate NGOs under the 1978 Foreign Donations (Voluntary Activities) Regulation Ordinance and the 1982 Foreign Contribution (Regulation) Ordinance. The Bureau eNGOABles the NGOs to obtain their registration clearance, approval and permission through a single agency of the Government within a specified time frame. The aim of NGOAB is to ensure quality performance of the NGO sector and its accountability to the state.

Functions:

- Register NGOs, process and approve NGO project proposals, and disburse project funds
- Approve appointment and tenure of services of expatriate officials and consultants
- Review and comment on reports and statements submitted by NGOs
- Coordinate, monitor, inspect and evaluate NGO programmes
- Identify and approve Chartered Accountants for auditing NGO accounts
- Realize fees/service charges from NGOs
- Carry out field level inspections of NGO income and expenditure
- Maintain liaison with NGOs and donor agencies

Ordinances/regulations/circulars vest the NGOAB with all its responsibilities regarding coordination, regulation and monitoring of foreign and foreign assisted non-governmental voluntary organizations and individuals working in Bangladesh. While considering the application for registration, the NGOAB is required to seek approval from the Home Ministry.

2.4.2 Department of Social Welfare (DSW)

The principal work of the Directorate of this Department is to register and to deal with those NGOs whose purpose in to render welfare service in the fields listed above; the DSW also dispenses public funds under a program of government assistance to social welfare NGOs.

When an applicant for registration applies to the DSW for registration, the officers, departmental clerks, who are the best-informed people with respect to the process, give the applicant both oral and written guidelines. If the application form meets the guidelines, the inspector and the field officer of DSW process the application and inspect the NGO's offices. On the basis of their report and site inspection, the decision on registration is taken. If there is some problem or objection to registration or in the application form, the DSW says that it works with the NGO to correct and or amend its application. The DSW also works with NGOs to develop their constitutions, though there is no indication that any formal recommendations are made with respect to internal governance standards.

2.4.3 Government NGO Consultative Council (GNCC)

The Government-NGO Consultative Council (GNCC) was created in 1996 as a forum for open dialogue between the government and the NGOs. Its objectives are to identify and discuss issues which impede GO-NGO cooperation and develop and improve the policy and institutional environment for GO-NGO cooperation, suggest modalities for greater involvement of NGOs in national policy formulation and in implementation of government development projects, and propose measures for simplifying and improving the regulatory system governing NGO activities and for strengthening the monitoring and evaluation capacity of NGOAB.

From the above discussion we have a clear picture of the manner/procedure regarding the way the state of Bangladesh regulates those NGOs which finance charitable work through foreign donations.

2.5 Legal Framework for NGOs in Bangladesh

A number of laws exist under which NGOs can secure a legal identity with a recognized Government structure. Establishment of a new NGO can be registered under any of the act but it should be fall under appropriate category. NGOs in Bangladesh may be formed or established under the following pieces of legislation:

1. Societies Registration Act of 1860
2. Trusts Act of 1882
3. Cooperative Societies Act 1925
4. Companies Act of 1913 (amended in 1994)
5. THE FOREIGN CONTRIBUTIONS (REGULATION) ORDINANCE, 1982

CHAPTER 3
(Accounting for NGO: Case Study on Buro Bangladesh)

3.1 NGO Accountability Framework in Bangladesh

The NGO accountability in Bangladesh is expected to be centered round three groups of stakeholders – the beneficiaries, the donors and the state. However, the requirements of the existing NGO accountability frameworks in Bangladesh are skewed towards the demands of the two influential groups – the donors and the state. The NGOs receiving foreign funding are subject to the tight accountability requirements of the respective donors. All NGOs (both foreign and locally funded) are subject to government control. Those in receipt of foreign funds are subject to the Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978 and Rules under the Ordinance, administered by the NGO Affairs Bureau (NGOAB).

The voluntary organizations are subject to the Societies Act of 1961 and Rules made under the Act. The Government's regulatory framework is mainly concerned with ensuring that NGO activities are lawful, and do not conflict with government policies (The World Bank Country Study 2002). Funds from donors are sent directly to NGOs' bank accounts, but they cannot be lawfully drawn on until the NGOAB has approved the relevant project. NGOs are required to submit their project proposals to the NGOAB, which consults with the relevant government ministries and gives clearance to NGO's banks holding donor funds to allow withdrawals. If a bank pays out without NGOAB's approval, it is disciplined through the Bangladesh Bank (the central bank of Bangladesh). There is no doubt that this control function of the NGOAB is necessary to ensure legitimate sources of funding. However, often it is observed that NGOAB extends its regulatory power to determine which activities NGOs are allowed to pursue.

Maintaining accounts of foreign donation:

- The Rules require only double entry accounting, Cashbook and ledgers but NGO practices are varied.
- Some use cash accounting, some use accrual accounting.
- Every voluntary organization would collect foreign donations through only one bank account.

- The vouchers of expenditure should be maintained safely for 5 years in the head office and the field offices would do the same.
- The books of accounts for foreign donations would be kept according to form FD-5.
- The books would be maintained half yearly; one form 1st July -31st December, another from 1st January -30th June.

Submission of Annual Reports

NGOs are required to prepare annual reports on their activities within three months of the end of the financial year and send copies to the NGOAB, the relevant Ministry, Divisional Commissioner(s), Deputy Commissioners and the Bangladesh Bank.

The reports must hold the following information.

1. In the annual report, every project should be described individually. The real outcome of the projects compared with the budgeted expenditure should be disclosed according to District and Thana.
2. Full list of fixed and current assets including vehicles.
3. The details of sources of income and expenditure of the organization itself.
4. The description of traveling abroad of the employees of the organization.
5. The details of investment mentioning sectors of revolving credit fund.
6. Descriptions of the projects implemented through the agreements with different ministries and departments of the Government or fund collected from any other sources.
7. In the annual report, a description of the employees (whose monthly salary & allowances are 5000 or more or one time grant is 10000 or more) mentioning name, position, age, nationality, total salary, allowances and duration of employment.

   [S Munima., S. Mohammad Jahan, A.K.M. Delwar,Accounting System and financial Reporting of NGOs]

Power of Inspection

The state may, at any time inspect the accounts and other documents of NGOs. The state may require the NGO to submit a declaration as notified in the official gazette (Ordinance No. XLVI- Section 4(l): 1978). Failure to produce any accounts or other documents or failure to furnish any statement or information by the NGO is a contravention of state regulations (Ordinance XLVI: Section 4(3): 1978). The NGOAB has the responsibility and power to

audit and inspect the accounts of NGOs [Circular: Section 10(a): 2001 (correction of circular1993)].

The Rules under the Ordinance have enumerated the books of accounts to be kept. Annual accounts are required and audit is done by chartered accountants selected by the NGO from a list approved under the Rules. According to the Rules, the audit reports are due within two months of the end of each financial year. The Ordinance empowers the Government to inspect NGO books and to carry out its own audits if necessary. Annual reports must also be submitted to the NGOAB. Although NGOs are required to submit annual reports to the NGOAB, the NGOAB is rarely concerned about the real outcome of the project. On the other hand, donors do demand project-based accounting but they are only interested to work out the use of their funds rather than the outcome of the use of their funds.

NGOs in Bangladesh can be categorized in following 3 types (Bala and Mir, 2005)
Category 1: One NGO whose majority of funding comes from foreign donors.
Category 2: Two NGOs whose majority of the funding come from their own sources.
Category 3: One NGO whose majority of funding come from local donors.

3.2 About Buro Bangladesh (Brief Description)

Through its years of struggle against chronic deprivation, hunger and injustice, Bangladesh has been home to many innovations in tackling poverty. Buro Bangladesh (Bangladesh Rural Advancement Committee), a development organisation founded by Fazle Hasan Abed in February 1972, soon after the liberation of Bangladesh, has acted as both the initiator and catalyst for many such innovations and change. Our initial focus was on assisting the refugees returning from India to their newly independent country.



BURO Bangladesh is a national level 'not-for-profit' non-government development organization set up in 1990 with a view to work for the poor on a sustainable basis to reduce poverty. It is a specialized micro-finance institution that provides high quality flexible financial services to low-income people, particularly the women, who are regarded as its prime customers. To meet their ever-growing financial needs, BURO has launched six loan products, a specialized product SME clients, two savings products and one insurance scheme.

It has a nationwide Remittance program which aimed at channeling foreign earnings of Bangladeshi expatriates who have been working abroad and sending their earnings to their relatives at home.

It introduces agriculture loan to small and marginal farmers and stepped up loans to the entrepreneurial clients called enterprise loan. The organization also has a wide range of hardcore poor development program and a disaster mitigation program for the affected and vulnerable group of people. BURO has been achieving milestones of success and eventually attained financial sustainability.

BURO Bangladesh stands for Basic Unit for Resources and Opportunities of Bangladesh

BURO Bangladesh is a national non-government social development organization was established in 1990 intended to work for the poor and rural people to reduce both income and human poverty. Over the period, the organization emerges as a front ranking specialized

microfinance institution. It provides high quality flexible financial and social services to one million low-income people, particularly the poor women.

BURO Bangladesh currently serves 1.7 million poor women through its 802 branch offices which are managed by 7,771 full time work forces.

BURO Bangladesh is one of the first MFIs in the country to articulate a clear, unequivocal commitment to achieve financial sustainability by using commercial capital, and established itself as an independent institution. Since then it has been achieving milestones of success and eventually has attained financial sustainability.

3.3 Accounting Practices [Case Study: BURO BANGLADESH]

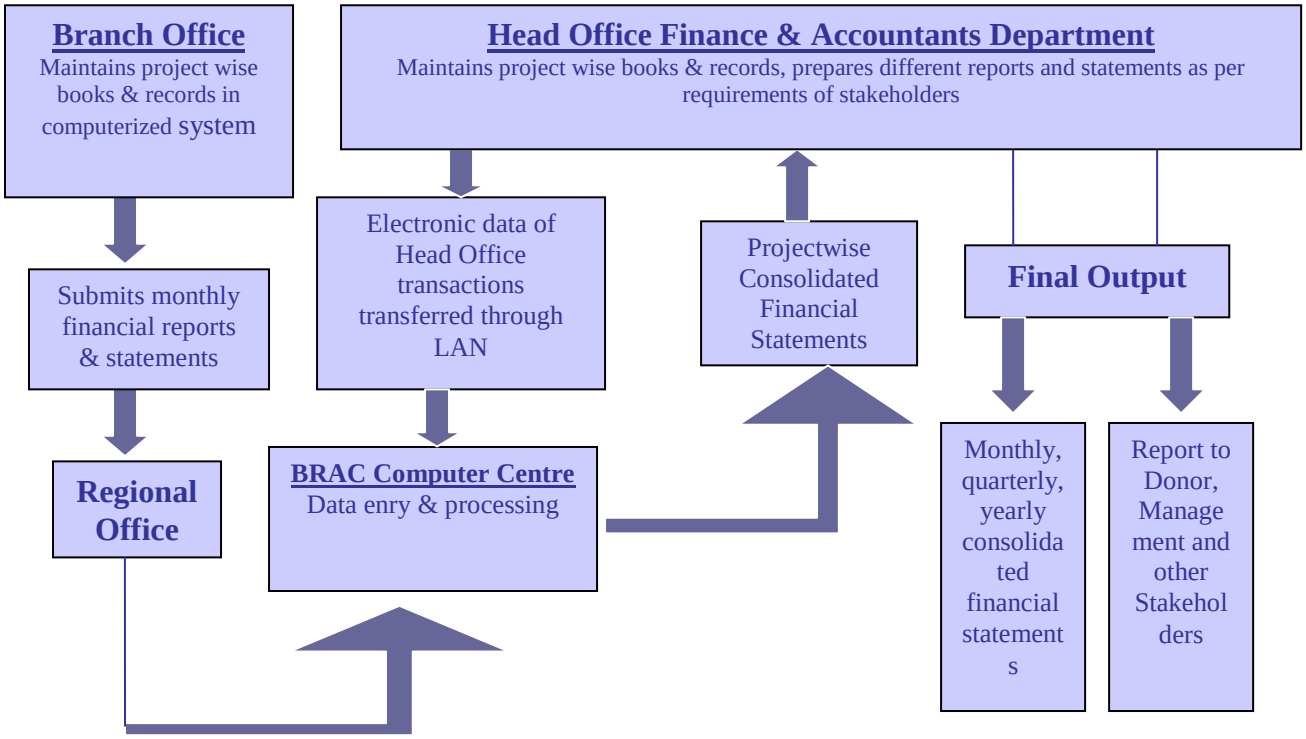
Accounting Procedure and aspects

Accountants at every level in the departments have an inherent responsibility for effective and economical management of the operations and resources entrusted to them. A well designed accounting system, which regularly furnishes management with current meaningful financial data by assigned areas of responsibility and program elements, can be of valuable assistance in fulfilling these responsibilities

3.3.1 Overview of Accounting System

BURO BANGLADESH , a national private development organization, was formed in 1972 under the Societies Registration Act 1860. Although it was first set up to resettle refugees in post-war Bangladesh, BURO BANGLADESH later redesigned its strategies in accordance with its philosophy of poverty alleviation and empowerment of the poor. At present, BURO BANGLADESH has a large number of development programs that cover the areas of health, education, credit, employment and training for the poor people of Bangladesh. BURO BANGLADESH carries out licensed banking activities through the BURO BANGLADESH Bank Ltd. And also runs other income generating projects such as Aarong Rural Craft, BURO BANGLADESH Printers, BURO BANGLADESH Printing Pack, BURO BANGLADESH Dairy and Food project, BURO BANGLADESH Tea Estates, and various programme support enterprises

The flowchart of accounting activities of BURO BANGLADESH is given below:



The flowchart of accounting activity of BRAC

3.3.2 Summary of Significant Accounting Policies

According to the IAS-1, non-profit, government and other public sector enterprises seeking to apply this standard may need to amend the description used for certain line items in the financial statements and for the financial statements themselves. BURO BANGLADESH prepares its financial statements on a going concern basis, under the historical cost convention, except for investments in shares in listed companies classified within investment in securities and others, which are stated at fair value. BURO BANGLADESH generally follows the accrual basis of accounting or a modified form thereof for key income and expenditure items.

The significant accounting policies followed in the preparation and presentation of financial statements are summarized below:

1. Basis of preparation of Financial Statements

BURO BANGLADESH maintains its books of account and records on a programme or project-wise basis. The Head Office maintains records of all treasury, investment and management functions. All cash balances, including those held for programmes, are held by the Head Office and transferred to programmes as required. Balances between projects are eliminated upon combination for the purposes of presentation of the financial statements.

These financial statements include the financial statements of BURO BANGLADESH and, on an equity accounted basis, those of the related undertakings set out in Note 4 in which BURO BANGLADESH has equity interests through which it excercises control or significant influence.being a society under the Societies Registration Act, 1860, is not subject to any requirement to prepare consolidated financial statements.

In contrast to the ownership of equity interest in related undertakings, BURO BANGLADESH also extends gratuitous grants or provides donor liaison assistance to certain organisations that, in some instances may bear names with resemblance to BURO BANGLADESH , such as BURO BANGLADESH University, BURO BANGLADESH Afghanistan, BURO BANGLADESH Sri Lanka, BURO BANGLADESH Tanzania, BURO BANGLADESH Uganda, BURO BANGLADESH Southern Sudan, BURO BANGLADESH Pakistan, BURO BANGLADESH Liberia and BURO BANGLADESH Sierra Leone. However, no equity is held in these entities, and BURO BANGLADESH 's financial statements therefore do not include the financial statements of these entities.

2. Non-consolidation

BURO BANGLADESH , being a society registered under the Societies Registration Act, 1860 is not subject to any requirement on the preparation of consolidated financial statements. Accordingly, BURO BANGLADESH ’s investments in related undertakings wherein the effective equity interests are more than 50% are accounted for by the equity together with related undertakings in which the effective equity interests are between 20% and 50%.

3. Donor Grants

BURO BANGLADESH preserve and accumulate foreign grants according to Foreign Donations (Voluntary Activities) Regulation Ordinance, 1978. At present three practices are widely followed by NGOs in recognition of grants: Grants recognized as income, grants recognized as liabilities and grants recognized as income only to the extent of the expenditure incurred. BURO BANGLADESH recognize grants as income when conditions on which they depend have been met. If the grants are specified for the funding of specific project, then income is recognized equal to expenditure incurred on the project or program. For donors' grants which involve funding fixed assets, income is recognized as the amount equivalent to depreciation expenses charged on the fixed assets concerned. All donors' grants received are initially recorded at fair value as liabilities in the "Grants Received in Advance Account". For grants utilized to purchase fixed assets are transferred to deferred income accounts [according to IAS 20].

4. Revenue Recognition

Income generating projects - Aarong Rural Creditaft Centre, BURO BANGLADESH Printers and Printing Pack and BURO BANGLADESH Dairy and Food Project.

Programme Support Enterprises - mainly comprising poultry farms, feedmills, seedmills, fish and prawn hatcheries, hoticulture nurseries, chilling centres, broiler rearing and meat marketing, salt production and marketing recycle paper production and health product related activities.

Revenue is recognized based on billings, net of discounts and allowances.

Service charge on loans to VO members

Interest on bank accounts, fixed deposits, debentures

Revenue is recognized as the interest accrues unless collectibility is in doubt.

Other income

All other income are recognized when BURO BANGLADESH 's right to receive such income has been reasonably determined and all conditions precedent are satisfied.

(According to IAS 18)

5. Expenses

Programme related expenses arise from goods and services being distributed to beneficiaries in accordance with the programme objectives and activities. BURO BANGLADESH 's Head

Office overhead expenses are allocated to various projects and programmes at a range of 5% to 10% of their costs, based on agreement with donors or management's judgment.

6. Property, Plant & Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided for on a straight-line basis over the estimated useful lives at the following annual rates:

Depreciation on Fixed Assets	
Item	**Annual Rate (%)**
Building	4-10
Furniture & Fixtures	10-20
Equipment	15-33.33
Vehicles	20
Bicycles , Machinery , Deep tube wells and tanks, Hatcheries ,Motorcycles , Camp/Poultry/Livestock sheds	20
Creates/Mannequins/Samples	33.33

No depreciation is charged on freehold land and construction work-in-progress.

7. Loans to VO (village organization) Members

BURO BANGLADESH 's activities include providing micro-finance loans to group members without collateral, on a service charge basis under various programmes. Loans inclusive of service charge are stated net of provision for loan losses.

8. Provision for Loan Losses

BURO BANGLADESH generally provides for loan losses based on 2% of loan disbursements made. Management regularly assesses the adequacy of the loan loss provision based on the age of the loan portfolio. At the year end, BURO BANGLADESH calculates the required provision for loan losses based on the loan classification and provisioning methodology which is shown below and any adjustments, if required, are made and accounted for in the financial statements for the year.

Loan Classification	Days in Arrears	Provision Required
Standard	Current(no arrears)	2%
Watch list	1-30	5%
Substandard	31-181	20%
Doubtful	181-350	75%
Loss	Over 350	100%

9. Writing off Loans

For the purpose of assessing the risk judged by their age loans are continuously monitored and categorized into several classifications. The classifications are:

Age	Classification
Within maturity period	Current
More than one month	Late
More than one year after being classified late	Non-interest bearing(NIBL)

The total amount of NIBL, which are considered bad and have no possibility of recovery, is referred to the Governing Body of BURO BANGLADESH for approval of write off, generally within one year from the date when a loan is transferred to NIBL. Generally loans are written off twice a year i.e. July and December. Any collections realized from loans previously written off are Credited to the statement of income and expenditure.

10. Provision for liabilities

According to IAS-37 Provisions for liabilities are recognised when BURO BANGLADESH has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

11. Accounts Receivable

Accounts receivable arise principally from BURO BANGLADESH ’s income generating activities and programme support enterprises, and are stated net of provision for doubtful debts.

12. Inventories

Retail inventories are stated at cost based on selling price less average mark-up, and other inventories are stated at cost. Cost is determined using the weighted average basis. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Provision is made for obsolete or slow moving items, to reduce their carrying amounts to net realizable value.

13. Foreign Currency Translation

BURO BANGLADESH maintains its books of account in Bangladesh Taka. Transactions in foreign currencies are translated into Taka at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Bangladesh Taka at exchange rates prevailing at that date, and any gain or loss is recognized in the statement of income and expenditure.

14. Deferred taxation

Deferred taxation is provided for, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxation benefits are only recognised when their realization is probable.

15. Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case these costs are capitalised as part of the cost of that asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

16. Impairment of assets

At each balance sheet date, BURO BANGLADESH reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use.

An impairment loss is recognised as an expense in the statement of income and expenditure immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognized for the asset no longer exists or have decreased.

17. Goodwill

Goodwill represents the excess of the cost of acquisition over BURO BANGLADESH 's interest in the fair value of the identifiable assets and liabilities of investments in related undertakings at the date of acquisition.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

An impairment loss for goodwill is not reversed unless the specific external events that caused the impairment loss is reversed by a subsequent external event. Goodwill arising on the acquisition of related undertakings is included within the respective carrying amounts of the related undertakings concerned.

18. Financial instruments

Financial instruments are recognized in the balance sheet when BURO BANGLADESH has become a party to the contractual provisions of the instrument.

a. Investments in related undertakings: Investments in related undertakings are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with section impairment of assets.

b. Receivables*:* Receivables are carried at anticipated realizable values. Bad debts are written off when identified and an estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

c. Payables*:* Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

d .Interest-Bearing Borrowings*:* Interest-bearing bank loans, overdrafts and securitized financing are recorded at the amount of proceeds received, net of transactions costs.

19. Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows comprise cash and bank balances and unfledged fixed deposits, against which bank overdrafts, if any, are

deducted. Included in cash and bank balances are donations which are received through donor grants. By virtue of donor agreements, the manner in which such donations are to be applied may be restricted to specific projects and/or assets.

3.3.3 Books, Forms & Register

BURO BANGLADESH uses the following books, forms and registers to record and analyze transactions and institute an effective internal control:

1. Cash book
2. General Ledger
3. Salary Register
4. Pay Slip
5. Advance Ledger
6. Staff Loan Ledger
7. Voucher Forms
8. Debit/Credit notes
9. Money Receipt
10. Income Tax Deduction At source register
11. VAT Deduction At source register
12. IOU Form
13. Fixed Asset register etc.

Register/forms 1 to 11 of the above list are computerized. Fixed asset register is also computerized and maintained in independent software.

1. Cash Book

Buro Bangladesh maintains a cash book at the head office, which records all cash and bank transactions, irrespective of projects they relate to. Cash book provides details of daily transactions and balance of each bank account. Three types of transactions are recorded in the cashbook;

1. Payments
2. Receipts
3. Transfers

The format of cash and the bank registers are as follows:

BURO BANGLADESH
Cash Register
For the month of ----20------
Project

Voucher No.	Transaction Date	Account Code	Debit Amount	Credit Amount	Cash/ Bank	Bank Code	Cheque No.	Descrip -tion

The bank register the format of which is given below is maintained according to each bank account:

BURO BANGLADESH
Bank Register
Date From: -------to-------
Name of the bank: Account No: Print Date:

Date	Cheque No	Particulars	Debit	Credit	Balance

The bank balance shown by bank register is checked with bank statement and if there is difference bank reconciliation is prepared.

2. General Ledger

General ledger records both cash and non-cash transactions. Each project has its own general ledger book. The cash transactions are automatically transferred to the general ledger book. Non-cash transactions are separately entered through journal vouchers. The format of general ledger is given below:

BURO BANGLADESH
General Ledger(Detailed)
For the month of ------20--------
Project:

Account Code	Particulars/ Transaction Details	Date	Voucher No	Debit Amount	Credit Amount	Balance

Transactions related to a particular account are listed separately. Thus balances of all accounts are separately available.

4. Voucher Forms

Voucher is the most basic document needed for recording financial transactions.
BURO BANGLADESH Head-office has four types of vouchers:

1. Debit Voucher
2. Credit Voucher
3. Transfer Voucher
4. Journal Voucher

Debit Voucher

For example a format of Debit voucher which is prepared to record all cash and bank payments is given below:

VIN:		**BURO BANGLADESH** Location: Head Office Debit Voucher		Voucher No.: Transaction Date Edition:
Project Code & Name	Accounts Code	Heads Of Accounts	Cash/Bank(CREDIT)	Particular
In Words:				
---------- Received By Name:	---------- Originator		---------- Checker	---------- Authorized by
T#	UID			Print Date--Time

[VIN= Voucher Identification, UID=User Identity]

 # Journal Voucher

All non-cash transactions are recorded in the books of accounts through journal vouchers. Provident fund, income tax and other deductions from salary, expenses or income transfer from one project to another or from Head Office to field office & vice versa, depreciation on fixed assets etc. are recorded in the book accounts through journal voucher .

The format is given below:

VIN:		**BURO BANGLADESH** No.: Location: Head Office Journal Voucher		Voucher Transaction Date
Project Code & Name	**Accounts Code**	**Heads Of Accounts**	**Debit / Credit**	**Particular**
In Words:				
Name:		---------- Originator	---------- Checker	---------- Authorized by
T#	UID			Print Date--Time

5. Forms of Inter office transactions

5.1 Debit/Credit Note

Debit/Credit note communicate a transaction performed by an office that has bearing on another office.

- ✓ Debit notes are issued by the office which spends money or other value on behalf of another.
- ✓ Credit note is issued by the one which receives money or other values on another's behalf.
  - ❖ ***Accounting for Debit/Credit note:***
- ➢ ***Debit note received***: when Head office receives a Debit note from the field office the following entry is made:

Particulars	Debit.	Credit
Related account Head Current account with field office	********* 	 *********.

- ➢ ***Debit note issued:*** When goods (revenue or capital) are sent to or an expense is incurred on behalf of a field office, a Debit note is issued. The related transaction is recorded in the following manner:

Particulars	Debit.	Credit
Current account with field office Related account Head	********* 	 *********.

- ***Credit note received from field office:***

Particulars	Debit.	Credit
Current account with field office Related account Head	********* 	 *********.

- ***Credit note issued:***

Particulars	Debit.	Credit
Related account Head Current account with field office	********* 	 *********.

6. Money Receipt

Money receipt is used to acknowledge cash or cheque. Receipts are prepared in three copies, which are used for the following purposes:

1. Customer copy
2. Voucher copy (attached with voucher)
3. Filing Copy

Following is the format of money receipt:

BURO BANGLADESH
Kamrangirchar College Road, PO- Ashrafabad, PS-Kamrangirchar, Dhaka 1211
01733-220298
MONEY RECEIPT

MRN No.:
Date

Received with thanks from ……..
……the sum of Taka……
Being ……..
Received from…….against ……by cash/cheque…….
……..amount……..cheque date……..Bank name…….

Tk.

For BURO BANGLADESH

Received by

Authorized signatory

7. Income Tax Deduction at Source (TDS) Register

According to IT ordinance 1984, it is mandatory to deduct tax from the bills of the suppliers, contractors, professional service providers etc. The finance section of head office records all these deductions in a subsidiary register, which is fully computerized.
A format is given below:

BURO BANGLADESH
Tax Deduction at Source

From date:---------- To date:---------- Print date:----------

SL No.	Name of Party	Address	Bill Amount	Tax(tk)

Prepared & Checked by

Authorized by

Similarly VAT Deduction at Source (VDS) Register is also prepared.

8. IOU (I Owe You)

The short term advance is given through IOU to staffs. Advance through IOU does not require any accounting entry. IOUs are considered cash. At any point of time cash balance

shown by cash book should be equal to cash in hand plus value of outstanding IOUs. In case of delay in adjustment, money is recovered from staff salary.

9. Payroll Register & pay slip

BURO BANGLADESH Head Office maintains computerized payroll register. The register contains the following information:

- Basic amount (base salary)
- House rent
- Conveyance
- Medical allowance
- Other amount (special allowance)
- Utilities
- Entertainment
- Technical allowance
- Non-practice allowance
- Provident fund
- Income tax
- Transport
- Loan realization
- Without pay
- Employee welfare fund

The payroll register is updated whenever there is a change in information. After updating the information, the accountant generates the following reports:

- Salary analysis sheet/Salary register
- Payslip
- Provident fund deduction list
- Income tax deduction list
- Project wise salary charge list
- List of salaries transferred to bank
- Other adjustment
- Loan listing (position of loans of which installments have been realized from salary)

Chief Accountant (Finance) approves the payroll or salary register before the salary is given to staffs.

Accounting entries for different deduction

- **When taxes are deducted from salary**

	Debit	Credit
Salary and benefits	**********	
Income tax payable		**********

- **On payment of taxes to the Govt.**

	Debit	Credit
Income tax payable	**********	
Bank/cash		**********

❖ **Entry for deduction of transport charge**

	Debit	Credit
Salary and benefits Transport running	**********	 **********

❖ **When loan is given to staff**

	Debit	Credit
Staff Loan Cash/bank	**********	 **********

❖ **When loan is realized from salary**

	Debit	Credit
Salary and benefits Staff Loan	**********	 **********

❖ **When employee contribution to Provident Fund is realized from salary**

	Debit	Credit
Salary and benefits Provident Fund Trustees	**********	 **********

❖ **When BURO BANGLADESH contribution is provided for**

	Debit	Credit
Salary and benefits Provident Fund Trustees	**********	 **********

❖ **When Provident fund liability is settled(that is amount paid to PF)**

	Debit	Credit
Provident Fund Trustees Bank	**********	 **********

3.3.4 Transfer of Funds to Field Offices

In order to make effective use of fund monies are transferred to field offices on weekly basis. Money is usually sent in response to requisitions.
The accounting entries for transfer of money are following:

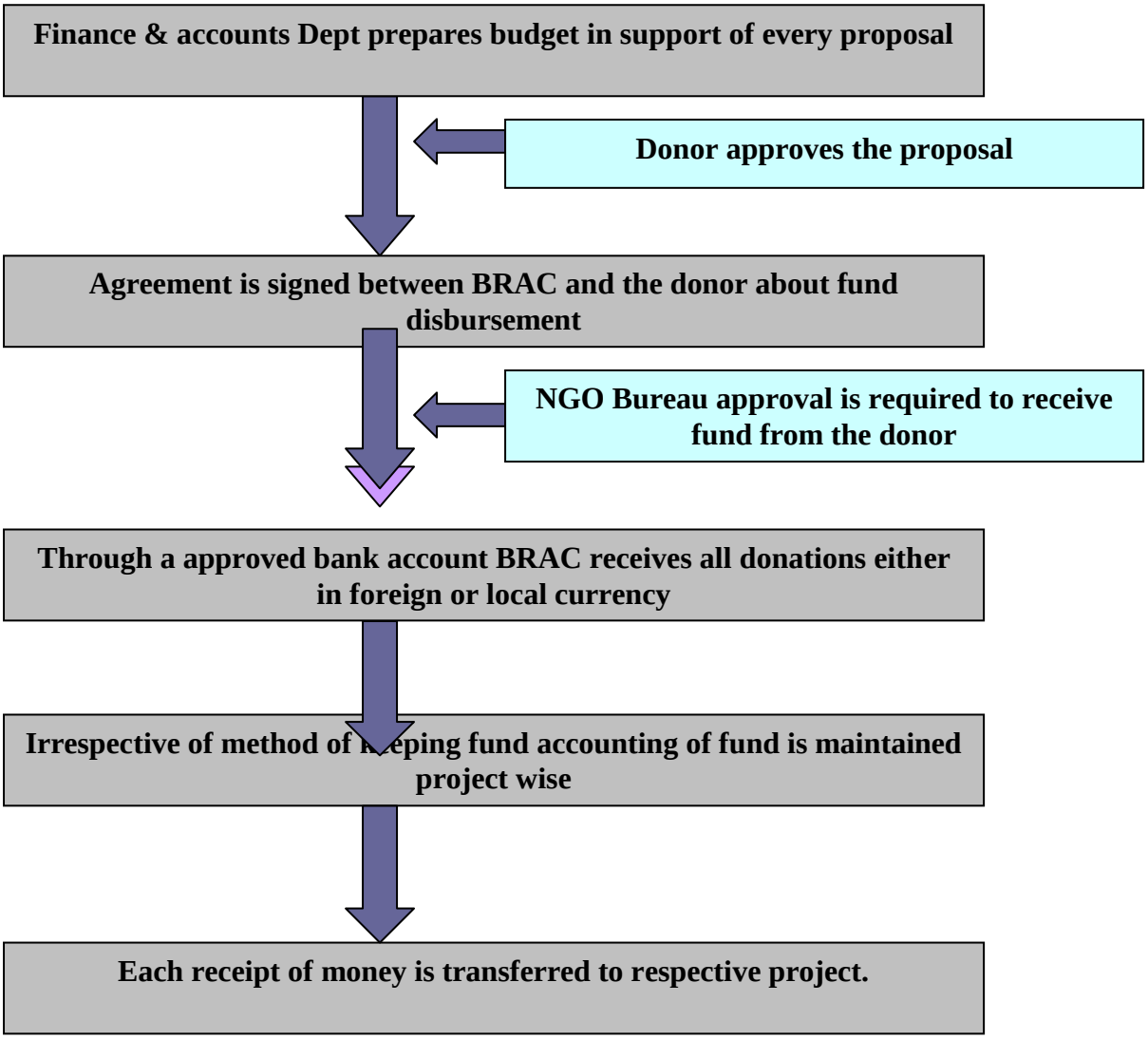
- ***When money is sent to field office:***

Particulars	Debit	Credit
Current account with field office Bank/Cash account	*********	********.

- ***When money is received from field office***

Particulars	Debit	Credit
Bank/Cash account Current account with field office	*********	********.

Grant management of BURO BANGLADESH is shown by drawing a Flow Chart:



Internal control: All bank accounts are operated under joint signatures and withdrawal of money above a certain limit requires signatures of the member of Governing Body. The chief executive officer authorizes all of the bank signatories. In addition to HO bank accounts there are numerous bank accounts in the field. Funds are transferred to those accounts from HO as and when required. These accounts are also operated under joint signatures of the local staff.

The field offices supply data to HO finance and accounts dept, which then prepare all of the financial reports like:

- Income and Expenditure Statement
- Balance Sheet
- Cash flow Statement
- And financial report from these data

Accounts are prepared project-wise. The account clearly depicts grants received; funds expended and balance of grants remaining unspent.

3.3.6 Fund Control

Head Office maintains one cash book to record all cash and bank transactions. To account for funds available to a project an account called "Fund Control" is used. The accounting entries made in cash book and in general ledger to account for receipt , expenditure and transfer of funds are shown below:

Cash Book	**General Ledger**
Fund receive from donor	
Cash/bank Account Debit Grants received in advance	Fund Control Debit Grants received in advance
Fund expended at HO	
Relevant account head Debit Cash/Book	Relevant account head Debit Fund Control
Fund transferred to field offices	
Current account with field office Debit Cash/bank	Current account with field office Debit Fund Control

The general ledged maintains records according to projects. The "Fund Control" account of a project shows how much money is available or how much has been borrowed. A Debit balance tells that fund is available while Credit balance indicates that fund has been overspent.

The cash book and general ledger are integrated. When an entry is made in the cash book it is automatically transferred to general ledger. In the project ledger the 'cash' or 'bank' Accounts are renamed as "Fund control".

3.3.7 Cash Section: Control over Cash

The control system employed by Treasury section has the following elements:

- Use of Voucher system
- Minimum cash handling
- Surprise check of physical cash
- Acknowledgement of all receipts
- Receipting all payments
- Different authorization level
- Internal check system
- Bank reconciliation

3.3.8 Receipts

There can be different kinds of receipts. They are broadly classified as:

1. Receipt from donors against project
2. Other receipts

Other receipts include:

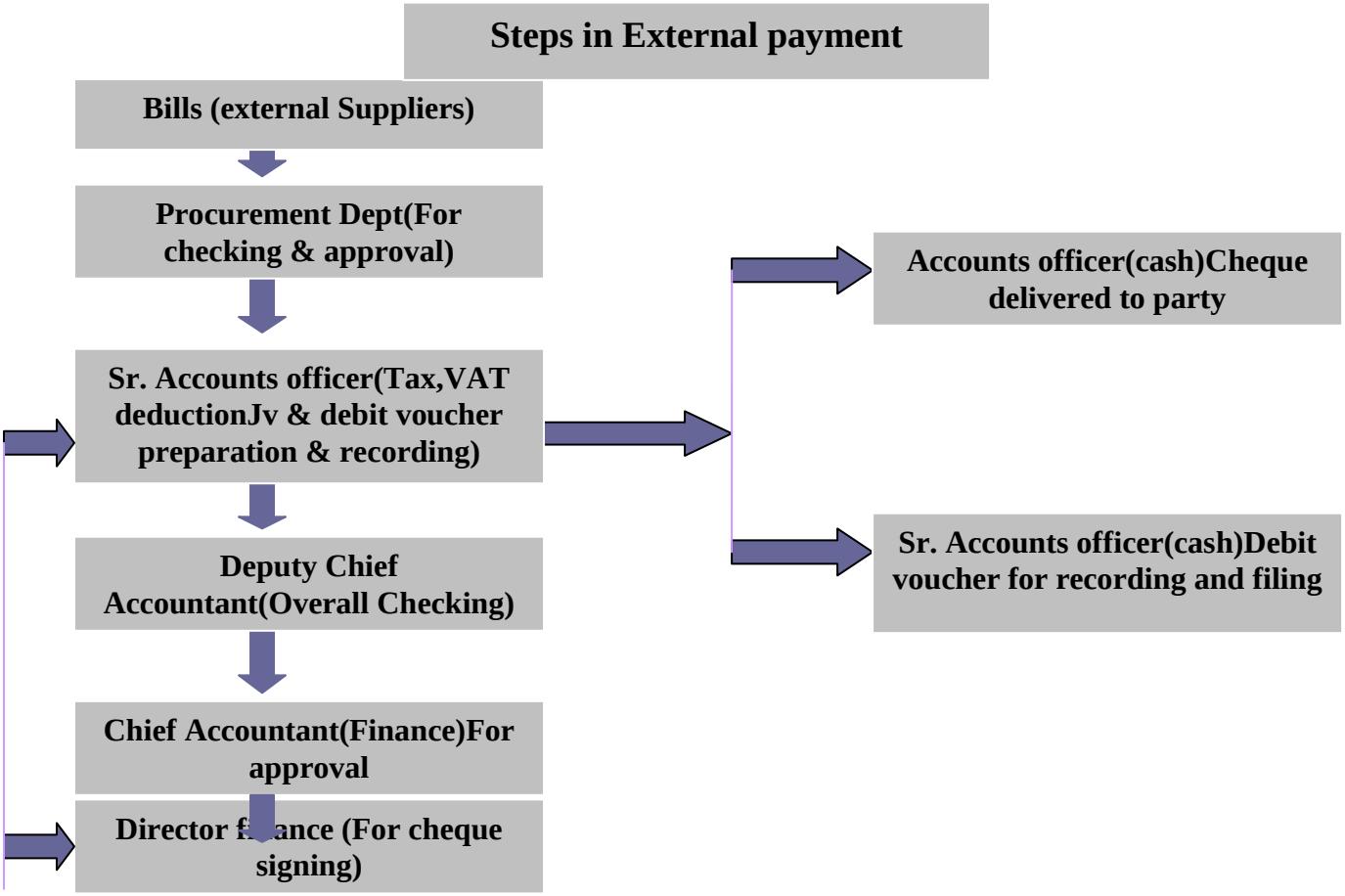
a. Sale of program material
b. Sale of books and other materials which BURO BANGLADESH produces
c. Fees received such as against training

Receipts are accounted for through Credit vouchers. Appropriate heads in the respective project is Credited for the receipt.

3.3.9 Payments

BURO BANGLADESH ’s payments can be categorized as follows:

1. Internal Payments
    a. Salary Payment
    b. Staff Final Payment
    c. Traveling and other payment
2. External Payment



3.3.10 Fixed Asset

1. Procurement of fixed asset

Fixed asset is always recorded at original cost plus any other capitalized cost. The accounting entries for transactions in relation to fixed assets are:

	Debit	Credit
1. When fixed asset is purchased		
Fixed assets Bank/cash/Creditors	******	******
2. When fixed assets are under construction		
Work in progress Cash/Creditors	******	******

3.When construction is completed and certified for use		
Fixed assets Work in progress	******	******
4.When advance is given for purchase of fixed asset		
Advance to 3rd party Cash/bank	******	******
5.When advance is adjusted against fixed assets		
Fixed assets Advance to 3rd party	******	******

2. Fixed asset register

Each Project has individual fixed assets register to maintain the details of fixed assets. The register is computerized. The format of the register is as follows:

BURO BANGLADESH
Fixed Assets Register

Group of assets:
Group-code:
Description:---------- Rate of depreciation----------

Date of Purchase/ Sale/ Transfer/ Depreciation	Voucher No.	Asset Identification No.	Location	Qty	Rate	Cost(tk)				
						Total cost	Depreciable cost	Dep.	Acc. dep	WDV
1	2	3	4	5	6	7	8	9	10	11

Brief description of fixed asset register is given below:

- Voucher no: Number of Debit voucher in case of purchase, number of Credit voucher in case of sale and number of journal voucher in case of transfer and depreciation.
- Location: Where the item of fixed asset is being used.
- Depreciable Cost: Cost minus salvage value. BURO BANGLADESH usually considers zero salvage value for its assets.
- WDV-Written Down Value: Book value, or cost minus accumulated depreciation
- Asset identification no.: Identification no. is written on all movable fixed assets with indelible ink. The following procedures are followed in assigning identification number.
    1. Three-digit number for project number
    2. Two-digit number for group of the assets

3. Two-digit number for particular assets within the group of assets
4. Three-digit number for identification of individual piece of assets

Example of Asset Identification Code:

Group of assets		*Asset within group*		*Specific Identification(example)*	
Group name	No	Name	Code	Item	No
Land	01	Chair	01	1st chair	001

3. Depreciation

When depreciation is charged the following entry is passed in the book:

	Debit	Credit
Depreciation Expense	**********	
Accumulated depreciation		**********

4. Sale/disposal of fixed asset

If any fixed asset gets permanently unusable, broken or obsolete or is no longer necessary then the asset is sold. For selling the asset prior approval is required from appropriate party.

5. Fixed asset transfer

Sometimes fixed assets are transferred from one office to another for various purposes. Accounting entries for such transfer in Head Office books are:

	Debit	**Credit**
1. When fixed asset is transferred from head office to field office		
Current account with field office	******	
Accumulated depreciation		******
Fixed assets		******
2. When fixed assets is received from field office		
Fixed assets	******	
Accumulated depreciation		******
Current account with field office		******

3.3.11 Inventory

Inventory comprises a significant portion of BURO BANGLADESH 's asset. Inventory can be categorized into:

1. Inventory of raw material, work-in-process and finished goods of income generating projects
2. Inventory of fixed assets and other goods awaiting to be transferred to field.
3. Inventory of program materials.
4. Inventory of supplies.

The commercial projects like Aarong, BURO BANGLADESH Dairy, BURO BANGLADESH Printers, and BURO BANGLADESH Printing Pack have their own stores where they keep inventories. Development projects maintain their stocks of program

materials at the central store of BURO BANGLADESH . Transferable assets/goods are also kept in central store. This store is basically used to keep inventories for a short period of time. Depending on the nature of the project, same materials/items can be charged to expense or recognized as inventory.

1. Procurement of stock

- When materials are purchased the following accounting entries are made:

	Debit	Credit
1. Aarong		
Purchase	******	
Bank/cash/Creditors		*****
2. BURO BANGLADESH printers		
Stock	******	
Bank/cash/ Creditors		******
3. BURO BANGLADESH Dairy and Food		
Stock of raw materials	******	
Stock of spares	******	
Bank/cash/ Creditors		******
4.Central Store		
Stock of transferable goods	******	
Bank/cash/ Creditors		******

[The program materials which have been charged to expense are not accounted for in accounting system. They are just handed over to storekeeper who maintains record of receipts and disbursement. Disbursements are made against requisitions]

2. Issue of stock (Aarong)

	Debit	Credit
1.For distributing raw materials to producer		
Receivables	******	
Purchase transfer		*****
2. When finished goods are transferred to sales center		
Current account with shops	******	
Purchase transfer		******
3. When branch receives the goods		
Goods from central service	******	
Current account with central service		******
4.When goods are received back from producers		
Purchase	******	
Receivables		******

3. Stock Register

The commercial projects including Aarong and BURO BANGLADESH printers, maintain details (value,balance etc) of their inventories in stock register. Each project has its own stock register to have control over inventories. Following is the format of stock register.

BURO BANGLADESH
Stock Register

Description of items……..

Date	Requisition No	Challan no	Program/ project/ sector	Area	Received			Issued			Balance			Remarks
					Qty	Rate	Amt	Qty	Rate	Amt	Q	R	A	

4. Stock Taking

BURO BANGLADESH 's Audit Dept and Inventory & Internal financial Monitoring Unit of Finance & Accounts Dept. conduct stock taking at year end. They also conduct stock taking at different points as per special requirement of the management. Stock-taking is conducted at Aarong sales centers, Aarong Central Store, BURO BANGLADESH Printers Store and stores of other commercial projects and BURO BANGLADESH Central Store.

When counting is done obsolete or damaged items are identified and separated. After all items are counted, the team compares the counted balance with the register balance.

3.3.12 Advances

In case of BURO BANGLADESH staff, the advance is adjusted either against the bill or against salary. In case of outside suppliers, advances are adjusted against bills submitted by them.

Types of advances

a. Advances to staff

- Advance against salary(interest free, through IOU)
- Advances against conveyance and transportation expenses(through IOU)
- Advance against purchase of goods

b. Advances to Third Party

- Advance against purchase
- Advance against house rent
- Advance against contractors

❖ **Accounting entries for suppliers' advances are:**

When money is advanced		
	Debit	Credit
Advance to Third party Cash/bank	********** 	 **********

When suppliers' bill is paid or settled		
	Debit	Credit
Related account head Advance to Third party Cash/bank	********** 	 ********** **********

❖ Advances through IOUs are considered as cash and no accounting entry is required when such advance is given. When IOUs are adjusted the related accounts heads are Debited and cash is Credited for the amount spent (which may be more or less than the advance).

3.3.13 Investment

BURO BANGLADESH has both short term and long term investment. Its investments are categorized into:

1. Investment in related undertakings
2. Investment in Securities and others(outside investment)

1. Investment in related undertakings

Related undertakings refer to separately established undertakings in which BURO BANGLADESH has effective equity interest of more than 20%. BURO BANGLADESH 's investments in these undertakings are accounted for by the equity method whereby the investments are initially recorded at cost and subsequently adjusted to reflect BURO BANGLADESH 's share of results for each period.

Following are the accounting entries passed in the books in relation to investments in related undertakings:

	Debit	**Credit.**
1. When funds are invested		
Investments in related undertakings Bank/cash	********** 	 **********
2.When a profit is declared by the undertakings(to recognize proportion of BURO BANGLADESH 's share)		

Investments in related undertakings Income from Investments in related undertakings	**********	**********
3. When a loss is declared by the undertaking		
Loss on Investments in related undertakings Investments in related undertakings	*********	**********
4. When dividend is received		
Bank/cash Investments in related undertakings	*********	*********

2. Investment in Securities and others (outside investment)

The accounting entries in relation to outside shares and securities are:

	Debit	**Credit**
1.When securities are purchased		
Investments in Securities and others Bank/cash	*********	********
2.When securities are sold		
Bank/cash Investments in Securities and others Income from sale of Investments in Securities and others	*********	********* *********
3.When securities are sold(loss)		
Bank/cash Loss on Investments in Securities and others Investments in Securities and others	******** ********	******
4.When dividend income is accrued on securities and others		
Accounts receivable Income from sale of Investments in Securities and others	********	********
5.When dividend is received		
Bank Accounts receivable	********	********
6. When there is a diminution in market price of shares & debentures of listed companies		
Loss on Investments in Securities and others Investments in Securities and others	********	********

3.3.14 Donor Fund Accounting

BURO BANGLADESH 's major projects are financed by donor grants. BURO BANGLADESH accounts for the donor funds through the following account head:

1. Donor Fund- grant received in advance
2. Donor Fund- Investment in fixed asset
3. Donor Fund- Investment in Loan fund
4. Donor grants

❖ **To record receipt of grant:**

Fund control	Debit	*******	
Grant received in advance	Credit		*******

❖ **When donation is utilized for fixed asset**

a. Fixed Asset	Debit	*******	
Cash/bank	Credit		*******
b. Grant received in advance	Debit	*******	
Donor fund-investment in fixed asset	Credit		*******

❖ **When depreciation is charged**

Donor fund-investment in fixed asset	Debit	*******	
Income & expenditure	Credit		*******

❖ **When the donation is used for loan fund purposes**

Grant received in advance		*******	
Debit			*******
Donor fund-investment in Loan fund			
Credit			

❖ **Entry for other expenses**

Donor fund-Grant received in advance		*******	
Debit			*******
Donor Grants			
Credit			

❖ **Project Completion:** When a phase of a project ends the unutilized donor fund is treated according to the terms of the agreement. If any refunding clause exists in the agreement, the fund is refunded to the donor. Otherwise the remaining balance is used for new phase of the project or, if there is no new phase, for a similar project.

3.4 Financial Reports and Statements

Financial Reports and statements are the ultimate products of the management systems. All financial transactions generated throughout the year are recorded in a set of books in the computerized accounting system. The system facilitates accountant to prepare financial Reports and statements as per the requirement of the stakeholders.

3.4.1 User of BURO BANGLADESH ’s Report

Following is the list of users of BURO BANGLADESH ’s financial reports:

- Internal users
  - BURO BANGLADESH Management
- External users
  - Donors
  - Government of Bangladesh
  - Financial Experts/researchers
  - Regulatory Bodies
  - Others

To meet requirements of above users, the reports are prepared under the following groups:

- Internal Reports
- Donor reports
- Statutory reports

1. Internal Reports

Finance and Accounts Dept generates various reports and statements for the internal users throughout the year. Some of these are generated monthly, some quarterly and some yearly. Following are the examples of internal reports:

a. Monthly receipts and expenditure statement (Head office)

It shows mainly the cash and bank position of a particular month. This report helps to project next month's cash and bank requirement. The format is given below:

BURO BANGLADESH **Head Office** **Receipts and Expenditure Statement** For the month of…….				
Head of Accounts	Month(tk)	Previous month(tk)	Cumulative(tk)	Increase/(decrease) For the month
Opening Balance:				
Cash in hand				
Cash at bank				
Receipts				
Total available				
Expenditure:				
Total expenditure				
Closing balance:				
Cash in hand				
Cash at bank				

b. Quarterly Cash Flow Statement

It shows total cash inflow and outflow of the projects under different categories. The format is given below:

BURO BANGLADESH **Project name:……..** **Cash Flow Statement** For the quarter……			
Sl no	Head of accounts	Code No	Amount
A.	Cash flows from operating activities		
	Net cash providing from operating activities		
B	Cash flows from investing activities		
	Net cash used in investing activities		
C	Cash flows from financing activities		
	Net cash from financing activities		
D	Net increase/decrease in the end of the month	(A+B+C)	
E	Cash in hand in the beginning of the month		
	Cash at the bank at the end of the month	(D+E)	

c. Half yearly project wise financial statements

Balance sheet, income & expenditure statement and Receipts and payment statements are prepared half yearly for all the projects. Consolidated financial statements are also prepared six monthly.

d. Project wise budget variance analysis

It is done monthly or sometimes quarterly to find out the variance between budgeted and actual data. The format of the statement is follow:

---------- Program Receipts and payment statement (quarterly budget variance report) For the period from---------to---------			
	Budget(tk)	Actual(tk)	Variance
Receipts:			
Total Receipts			
Payments:			
Total expenditure			

2. Donor Reports

Finance & Accounts Dept. generates various reports and statements for donors. They include:

a. Quarterly Financial Report

It is prepared project wise and includes budget, actual expenditure and analysis of budget variance for the quarter.

b. Half yearly Financial Report

3. Statutory Reports

Statutory reports are prepared as per requirements. Some of these required by the constitution of the organization while some are legal requirements. These reports are:

a. Annual Accounts

The annual accounts provide the followings:

- Cash Flow Statement
- Income & expenditure statement
- Balance Sheet
- Segmental Statements

Audited annual accounts (January-December) are usually published by 30th March of the following year. The annual report is also published in the website.

b. Project wise report for NGO Bureau

BURO BANGLADESH submits financial reports along with auditor's certificate (FD-4) for each donor- funded project to NGO Bureau annually

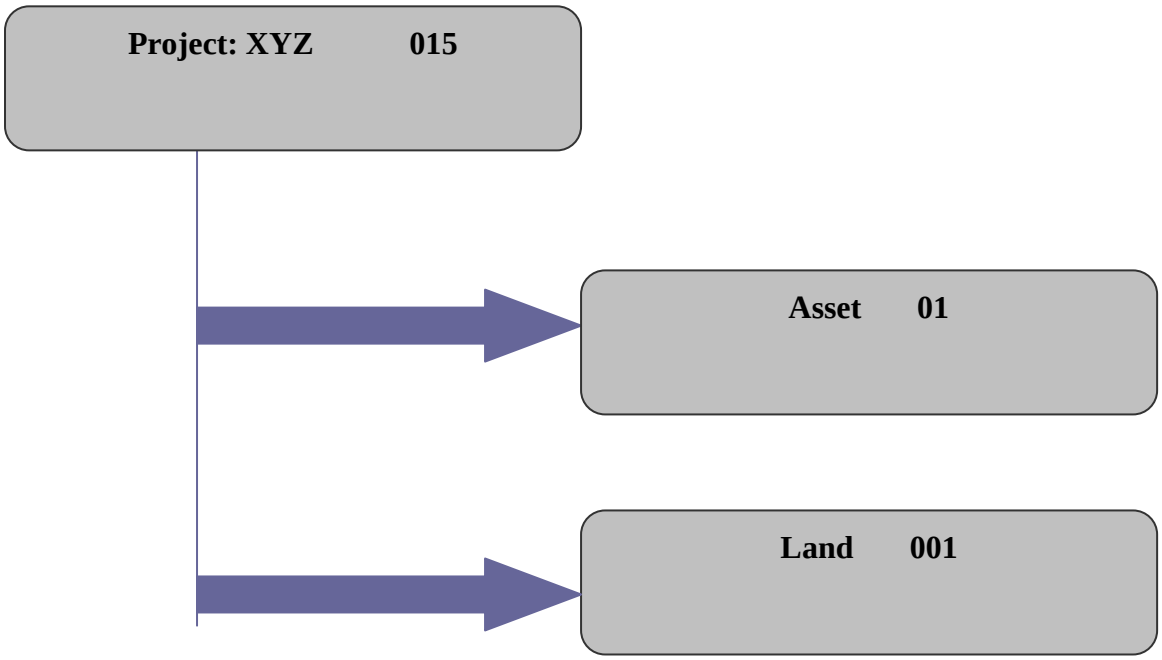
c. Reports to Income Tax Authority/ Bangladesh Bank

Finance and Accounts dept requires submitting different sorts of reports to different bodies throughout the year. They include annual accounts and income tax return for Income Tax Authority and various reports to Bangladesh Bank.

3.5 Chart of Accounts

Chart of accounts are prepared on the basis of project budget. Each project has its unique chart of accounts. But some heads are common in all Chart of Accounts. All the codes are 8 digits. Out of 8 digits, first three digits represent the project. Second 2 digits symbolize main component of the budget. And the last 3 digits represent line item.

As an example, Accounts code for Land of XYZ project will be: 01501001, as explained below:



3.6 Internal Control System

BURO BANGLADESH Internal Control System

BURO BANGLADESH Internal Control System is designed to get reasonable assurance about effectiveness and efficiency of operations, reliability of financial data and compliance of applicable rules, regulations and procedures. Management's integrity, attitude, actions, and ethical values help to raise consciousness control among the staff. BURO BANGLADESH management believes that controls are important to achieve the objectives and communicates its view to staff at all levels. Clear policies and procedures, documentation process, table of authority, segregation of staff duties, supervision and accountability have made the organization transparent. Considering the internal control a continuous process BURO BANGLADESH periodically reviews and modifies the system in the changing circumstances. At the top of its control mechanism, there exists the willingness of BURO BANGLADESH Governing Body to ensure internal control and transparency.

Internal Audit Department

The Role of the Internal Audit Department is to assist the management of BURO BANGLADESH by providing independent advice on operations and performance and by assessing the effectiveness of internal control. The function aims to add value, improve operational efficiency, economy and effectiveness of management process, risk management and internal control systems.

Professional Standard

The Internal Audit Department shall comply with the Standard on International Audit Guidelines and Practices. Work of the Internal Audit Department and results of each audit shall be confidential to BURO BANGLADESH and will not be disclosed to third parties, except to the external auditors, unless by the consent of Executive Director /Managing Director and/ or the Chair of the Audit Committee

Internal Audit Department shall ensure:

- That all internal audit assignments are undertaken with due professional care.
- Audits are completed by suitably skilled, experienced and competent auditors, whether internal or external resources are used.
- Audit Programs, Working papers and reports are conducted and prepared in accordance with the required professional standards.
- All staff undertakes training to maintain their professional development.

[Source: Internal audit charter from BURO BANGLADESH website]

BURO BANGLADESH ’s Finance & Accounts Department

This dept. performs a vital role within the organisation in improving programme efficiency, enhancing management decision-making capabilities, and promoting transparency and accountability. Under this department, financial data from all transactions carried out at different cost centres in the organisation are collected and stored. Data useful for decision-making is processed into information. The Finance and Accounts Department prepares BURO BANGLADESH 's financial statements in accordance with international reporting standards. BURO BANGLADESH strives for excellence and transparency in financial reporting. BURO BANGLADESH has received numerous national and international awards recognising its accomplishments for the preparation, disclosure and maintenance of a commendable financial reporting platform.

CHAPTER 4
Conclusion

4.1 Findings

- BURO BANGLADESH maintains accounting standards according to NGOs rules and regulations.
- BURO BANGLADESH uses software base accounting system instead of manual system.
- BURO BANGLADESH maintains internal control system which helps external auditors to provide favorable audit report.
- Middle management capacity, retaining incentives, cost-effectiveness and leadership succession are key challenges as NGOs deliver more complex services.
- Legal framework (registration, oversight, tax) outdated and the multiple
- Implementing agencies lack capacity.
- Lack of coordination between NGOs and the Government.
- Laws relating to internal governance, accounting, disclosure and transparency are rudimentary.
- NGO Boards face similar corporate governance problems as corporate sector (family members, lack of term limits, lack of role clarity)
- Donor financial reporting requirements are questionable.
- Quality of external audits and public access to reports are significantly low and vary from NGO to NGO in a large scale.
- After audit and inspection, if a complaint is lodged against an NGO, virtually no appropriate action is taken. Usually a note is passed to the NGO to correct the error, which is a trivial remedial measure. Due to the strong support of donors for NGOs, in the recent past the state has had to scrap its own desire to withdraw the registration of a number of NGOs and even had to change the head of the NGOAB when that individual appeared tough with NGOs that had indulged in irregularities.
- Despite the negative effects, ironically real in most cases, NGOs are accountable to the donor countries rather than the state of Bangladesh.

4.2 Recommendation

The following recommendations would improve the existing accounting and legal status of NGOs in Bangladesh, by reducing differences, bureaucracy, removing legal contradictions and making NGOs more accountable:

Like BURO BANGLADESH other NGOs should follow the appropriate accounting standards in accounting for the transactions. In financial reporting with donors the beneficiaries should be given equal importance. Accountability to the Govt. should be considered with importance.

State Rules, Acts and Ordinances should be replaced or modified to reflect the current critical atmosphere. The state should remove all administrative and procedural bottlenecks credited through promulgation of various Ordinances and streamline the existing working procedures, enabling NGOs to complete all formalities within the shortest time possible. The state should evaluate the strength and weakness of current measures for regulating NGOs and ensure promulgation of flexible and effective rules and regulations.

To enable NGOs to prepare budgets and implement projects within the time limit of financial year, if the report about a particular NGO is satisfactory, then the NGO could be given clearance for other projects in the same year without further investigation by the NGOAB.

The existing procedure that requires projects and clearance of funds be annually approved by the state should be changed. NGOs that have approval for a project should be able to use foreign funds until the project is completed, without annual renewal. Since the funds must be received through specific NGO bank accounts, the state will be able to monitor the flow of foreign funds to the NGO sector and to each NGO. It will be the business of NGOAB officials to check whether an NGO has several bank accounts.

The state audit system is ineffective. A mechanism must be developed under which the state officials involved in the development process make regular field visits to NGO programmes. Such officials should also conduct impact evaluations upon the completion of a project to enhance the state's understanding of the programme dynamics and the operation of NGOs.

Commercial activities of NGOs should be duly taxed and profits from them should be used for development work. The law should be changed accordingly and NGOAB should make sure that it is implemented properly. In conformity with law, immediate legal action ought to be taken against the officials of several NGOs who are involved in misappropriation, embezzlement or accused of misconduct, irregularity or lawbreaking.

Theoretically, the state is accountable to Parliament and ultimately to the public for its activities and programs, but NGOs remain unaccountable. This is unacceptable. NGOs must be regulated by Parliament. If the government can remain above narrow party interests and if the opposition party can remain strong and responsible, then an effective parliamentary committee could be created to scrutinize and evaluate the activities and programs of the NGOs.

4.3 Conclusion

Due to many limitations Govt. itself could not provide every facility to its commuter in basic needs. Now, with the assistance of multilateral aid organizations, NGOs have taken on an even broader role in attaining the objective of Hunger reduction. Still there have some places in the country where govt. facilities reached yet or reached at a nominal rate. At those places NGOs do a greater contribution in development of the commuters in the field of poverty reduction, education, health, women empowerment, establishing human rights etc. Though the role of NGOs is appreciable there have drawback in their activities. Hence proper regulation is needed to monitor their activities. But in Bangladesh monitoring of NGO activities is poor. The govt. of Bangladesh should strengthen the regulatory body. NGOs cannot function in isolation from the mainstream of political, economic and social life in this Country. They must conform to certain standards, adhere to state regulations and have their work coordinated at the state level. Accounting practices followed by NGOs play a vital role in transparent financial reporting. If internal control systems of NGOs are strong and delegation of authority within the organization are clear and appropriate then the accountability will be automatically increased. In recording the transactions and in reporting the NGOs develop own system suitable to them. Accounting Standards are only matter of concern for some big NGOs like BURO BANGLADESH . Though there is not any specific standard for NGO accounting, the existing standards can be applied in recording and in accounting for the transaction. In my report I tried to show how different aspects of transactions are recorded and accounted for by BURO BANGLADESH . The differences with other for profit businesses mainly are in fund maintenance and in fund accounting. The internal control aspects and the type of reports produced for different users are described. As most of the activities of the NGOs are donor financed the requirements and instructions imposed by the donors are given first preference by the NGOs. The NGOs are not listed companies. So they are not bound to disclose the information, the accounts to the public. And this matter is misused by the NGOs. The beneficiaries need and well being are ignored in most of the cases. The significance of accounting practices by the NGOs should be considered by all concerned bodies. In Bangladesh ensuring the accountability of NGO needed to establish to protect the members interest. NGOs need to be transparent to their clients, donors and the state both functionally and financially if they really want to represent the interests of the poor or at least provide services to them.

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