



**Internship Report on**  
**Disclosure and Compliance of IAS 16 in DSE listed**  
**Pharmaceuticals Companies in Bangladesh**

**Submitted to:**

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**Date: 12<sup>th</sup> April, 2018**

**Disclosure and Compliance of IAS 16 in DSE listed  
Pharmaceuticals Companies in Bangladesh**

## **Letter of Transmittal**

April 12, 2018

Saif Hossain

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BRAC Business School

BRAC University

Subject: Submission of Internship Report on *'Disclosure and Compliance of IAS 16 in DSE listed Pharmaceuticals Companies in Bangladesh.'*

Dear Sir,

It is my pleasure to submit the internship report on *'Disclosure and Compliance of IAS 16 in DSE listed Pharmaceuticals Companies in Bangladesh'* as a part of the requirement of my internship. I have tried my level best to collect relevant information from the annual reports of DSE listed Pharmaceutical companies in order to prepare this report.

This investigation is both educative and practical, and has given me the access to the investigation of new learning from genuine utilization of accounting standard. I have put in my best effort to contribute towards the successful completion of the report I cordially thank you to give me the chance to undertake the study. This report is not free of slip-ups because of a few impediments. I hope you accept it with thoughtful consideration.

Thanking you

Yours Sincerely

Sk. Abdullah Al-Mumen

ID - 14104032

## **Acknowledgement**

Firstly, with due respect, I would like to express my gratitude and indebtedness to my faculty, **Mr. Saif Hossain**, Senior Lecturer and BBA Program Coordinator, BRAC Business School, BRAC University for his constant and continuous support, guidance, encouragement and suggestion during the preparation of my internship report. I cordially thank him for sparing his valuable time to read my report.

Secondly, I would like to convey my sincere gratitude to **Mr. Muhammad Aminul Hoque**, **FCA**, Audit & Assurance Partner, ACNABIN Chartered Accountants, for his guidance, constants support and supervision. Without his help, I would not have ended up being an interne in ACNABIN Chartered Accountants. Moreover, upon his guidance I have worked in the External Audit Team where I have gathered hands on experience on the procedure of external audit. For all these, I am highly grateful to him.

## **Executive Summary**

This report presents the findings of the study conducted under the title '*Disclosure and Compliance of IAS 16 in DSE listed Pharmaceuticals Companies in Bangladesh*'. A comprehensive checklist based on IAS 16 was built. In addition to that, the annual reports of the DSE listed Pharmaceutical companies were examined in order to cross-check against the checklist. After that, some statistical measures were taken to yield the overall compliance composition. Some important issues from the checklist were presented graphically. The study shows that in spite of 54% compliance composition score, a significant amount of sample falls under the non-compliance and not applicable condition. However, the study contains a few impediments for which the investigation cannot be generalised for all the DSE listed Pharmaceuticals companies.

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# **Part 1 - Organization Part**

## **Organization Overview**

ACNABIN was formed in February 1985, with a mission to constantly include an incentive by helping customers succeed. The then biggest association firm was established with a dream to construct a foundation which would cultivate a domain for initiative, nonstop development, learning, and joint efforts. Over the past, the firm has turned out to be one of the main and most trustworthy chartered accountancy firms in Bangladesh with worldwide affiliations. At exhibit, ACNABIN has ten partners whose skill in the field of inspecting, bookkeeping, evaluating, business counselling, business process outsourcing, innovation arrangements, preparing and tax assessment has set up the firm as a multidisciplinary association. The partners have numerous times of involvement of working both at home and abroad and with universal advisors and associations working locally and internationally. ACNABIN is viewed as one of the best firms of sanctioned bookkeepers in the nation setting and has critical presentation in the relative market (ACNABIN Chartered Accountants, 2018).

Since the association's beginning, ACNABIN has been giving business sector overview, administration, audit and consultancy administrations to customers effectively engaged with industry, exchange, fund, microfinance, instruction, wellbeing, social administrations, and agribusiness in the private, open and NGO areas all through Bangladesh, and additionally to different UN organizations and other advancement accomplices. ACNABIN has been delegated by different legislative and non-administrative associations to complete consultancy administrations for benefactor supported advancement ventures (ACNABIN Chartered Accountants, 2018).

The worldwide affiliations of ACNABIN have empowered the firm and its kin to acquire preparing abroad and breakthrough data and information in the calling. Presently, ACNABIN is an autonomous part firm of Baker Tilly International. ACNABIN was related with Arthur Andersen, LLP the then worldwide pioneer in the calling till the conclusion of the bookkeeping aggregate in 2002 (ACNABIN Chartered Accountants, 2018).



## **Vision**

*“We go beyond the traditional auditor and client relationship by becoming your Trusted Business Advisor.” (ACNABIN Chartered Accountants, 2018)*

## **Mission**

*“We adhere to the strictest principles of client confidentiality. The sensitive and competitive nature of proprietary information-and the maintenance of trust-demands it. We have built our success on such principles. We do our utmost to earn-and keep-client trust.” (ACNABIN Chartered Accountants, 2018)*

## **Strategic Intent**

*“We want to become trusted leader in the market ensuring highest level of professional ethics and competencies. While securing safe & trusted position in the market for financial institutions, telecommunications, foreign branch & liaison offices and NGOs/NPOs, we still see wider space for us to get involved in other sectors in the country and in the region.” (ACNABIN Chartered Accountants, 2018)*

## **Our Values**

*“Our culture is driven by the Baker Tilly Internal core values:*

- To lead by example*
- To deliver quality services with integrity*
- To communicate openly, to act ethically*
- And to foster a community built around civic responsibilities and teamwork.”*

*We are passionate about helping our clients, while at the same time developing our people’s potential (ACNABIN Chartered Accountants, 2018).*

# **Part 2 – Project Part**

## **Introduction**

### **Rationale of the study**

Financial reporting should be a valuable component for users. From the point of view of usefulness to decision making, financial reporting ought to have the capacity to exhibit valuable data to enable financial investors and creditors to settle on economic decision in a reasonable way. Companies in Bangladesh set up their financial reports in congruity with legal provisions for accomplishing investors' certainty.

The financial reporting is regulated by the Companies Act, 1994 and SEC Rules, 1987 in Bangladesh. Then again, the International Accounting Standards accepted as Bangladesh Accounting Standards by ICAB are also obligatory for the listed companies. Keeping in view the significance of IASs accepted as BASs in the preparation of financial statements the study tries to assess the financial statements in the light of the application of BAS 16 or IAS 16. Stock Exchanges in various nations including Bangladesh have certain prerequisites for listed companies to publish their yearly evaluated or audited accounts within a predetermined period after the end of their bookkeeping or financial period by following accounting standards (Hossain, 2014).

The analysis of this study includes building a different check list in view of the BAS 16, to clarify the level of divulgence by the listed pharmaceutical companies in Bangladesh.

### **Objective of the study**

- To figure out whether the listed pharmaceutical companies in Bangladesh are practicing the accounting treatment for property, plant and equipment.
- To comprehend whether such practices are in compliance with IAS-16.
- To exemplify the degree of compliance to the provisions prescribed in IAS-16 using a comprehensive checklist.

### **Limitation of the study**

The information in light of which the study is conducted has been gathered carefully and fastidiously. The examination is likewise directed with due diligence and determination. Be that as it may, the study may in any case stay subject to a few confinements. The limitations which are available in this study are as per the following:

- The study is limited to only one industrial sector and covers a period of only one year (2016-2017). In addition, out of 28 listed pharmaceutical companies, only twelve companies are taken as sample. Larger sample size could have produced better and precise findings.
- All the data of this study have been collected from secondary sources. So, the reliability cannot be said to be of greatest extent.
- The study has been made within a short-span of time which has limited the scope for a broader study.
- There still remains a large part of listed companies on which the study can be conducted as well.
- Applications of relevant and frequently used BASs are studied in the context of sample pharmaceutical companies. Therefore understanding of other BASs is of very minimal level.

Thus the findings related to this study cannot be generalized for the listed pharmaceutical companies of Bangladesh.

## **Review of Related Literature**

### **Pharmaceutical Industry in Bangladesh**

The pharmaceutical industry is one of the quickest developing ventures in Bangladesh (Masud, 2013). Among the rundown of 49 LDCs, Bangladesh is simply the only nation that is self-sufficient in pharmaceuticals with local pharmaceutical organizations fulfilling 97 percent of the nation's demand. Moreover, the pharmaceutical industry is the third biggest contributor to government income in Bangladesh, and is a standout amongst the most innovatively progressed enterprises in the nation (Hussain, 2013).

### **IAS 16 –Property, Plant and Equipment**

Fixed assets or property, plant and equipment alongside intangible assets make up the assets obtained by an organization to use in the function of the business which is not planned for resale (Meigs, 1987, p. 418). The present standards for the estimation of property, plant, and equipment are given in IAS 16. IAS 16 permits two bookkeeping models for the measurement of property, plant, and equipment consequent to starting acknowledgment. Under the cost model, property, plant, and equipment are conveyed at historical cost less accumulated depreciation and any accumulated impairment loss. Under the revaluation model, property, plant, and equipment are conveyed at fair value at the date of revaluation less subsequent depreciation. Revaluations are to be made regularly enough with the goal that the carrying amount does not altogether vary from fair value at the balance sheet date (IAS 16 - Property, Plant and Equipment).

### **Adaptation of IAS in Bangladesh**

As the world moves towards accentuating a decent financial reporting, Bangladesh is likewise anticipated to move in tandem with the world's aspiration, particularly the bookkeeping framework. Bangladesh not just should be reliable with the world changes, yet in addition with the improvement and advancement in business dealings (Islam, 2014). Epstein and Mirza (1997) characterize the IASB's objectives as to begin with, to advance the acknowledgment of proposed

accounting guidelines over the world; and second, to proceed with change in the harmonization of accounting benchmarks, directions, and strategies. IAS 16 is adopted by organizations in Bangladesh since 2007. The Institute of Chartered Accountants of Bangladesh (ICAB) delivered a manual in regards to the bookkeeping practises in Bangladesh, named as "Bangladesh Accounting Standards" (BAS) in consistence with the IAS with little modifications (The Institute of Chartered Accountants in Bangladesh (ICAB) 2007).

## **Research Methodology**

### **Sample selection**

For the purpose of the study, out of 28 DSE listed Pharmaceutical companies, 12 companies were selected. Random selection method was used while selecting the companies. Following tables contains the list of the selected companies used as sample for this study.

<b>Serial No</b>	<b>Company Name</b>
1	ACI Pharmaceuticals Ltd
2	The ACME Laboratories Ltd
3	Ambee Pharmaceuticals Ltd
4	Pharma Aids Ltd
5	Square Pharmaceuticals Ltd
6	Orion Pharma Ltd
7	Renata Ltd
8	Beacon Pharmaceuticals Limited
9	Central Pharmaceuticals Ltd
10	Kohinoor Chemical Company Bangladesh Ltd
11	The IBN SINA Pharmaceutical Industry Limited
12	Far Chemical Industries Ltd

### **Selection of Period for Historical Data**

The study involves investigation of financial report of the DS listed Pharmaceuticals companies. That is why the annual data reports of latest period i.e. 2016-2017 FY are used for checking against the IAS 16 Disclosure Check-List.

## **Data Sources**

Data used for this study is secondary in nature all of which was collected from individual organization's official website.

## **Content Selection**

A manual approach has been taken after to gather the contents of this investigation. The checklist (Appendix-I) which comprises of 15 extensive inquiries has been utilized to assemble the information with the end goal of further examination. A portion of the inquiries have sub-questions which, thus, have exhibited a sum of 40 inquiries to be checked for each organization. The greater part of the inquiries has been checked independently for every one of the 12 organizations and the outcomes have been displayed in Yes/No/NA as the circumstance required. At that point the discoveries have been ascertained manually for every checklist. This procedure has determined the aggregate number of compliance, non-compliance, and not applicable circumstances for each organization. The findings have been displayed in an extensive shape in Appendix – II.

## **Calculation of the Total Score**

After the information of aggregate score for every individual organization had been orchestrated in a thorough frame, the aggregate score for each of the 12 organizations was estimated. The quantities of compliance, non-compliance and not-applicable circumstances for the aggregate sample have been computed by summing-up the individual outcomes and the percentage of the total results have also been derived along with that. These sums have been exhibited in the Appendix – II of the report.



**Techniques Used for Data Analysis:**

Some statistical techniques such as: Mean, Standard Deviation, Standard Error have been used in this study to analyze the findings more appropriately. Results were derived using Microsoft Excel.

## **Analysis and interpretation of the Data**

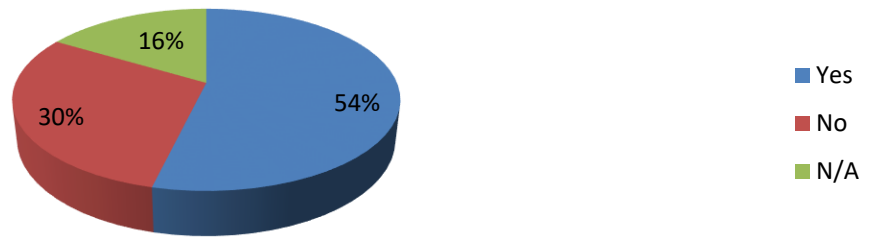
As it has been discussed about before that this study is focused to analyse the accounting treatment of property, plant and equipment in accordance with BAS 16 by the listed pharmaceuticals complies. This segment will now exhibit the analysis of the findings of the study in two parts:

- (i) Overall Compliance Situation – here the overall findings will be discussed in details along with statistical analysis.
- (ii) Some important questions from the Disclosure Check List will be present along with graphical representation to further clarify the objectives of the study.

### **(i) Overall Compliance Situation**

The data for total 12 companies has been gathered according to the techniques exhibited in the research methodology section. After compilation of all results, the total performance has been produced for each company. Appendix - II of the report demonstrates the detailed findings of this part. It is not unavoidable to unveil here again that IAS 16 checklist is not a performance measurement indicator nor does the compliance composition say anything in regards to the quality of the accounting treatment of property, plant and equipment. It just shows how many companies have followed the requirements or necessities exhibited in the checklist of this study. The measure of 'Yes' implies the companies have followed those practices, 'No' means the non-compliance with those practices and the choice 'Not Applicable' has been utilized as a part of those circumstances where the organization does not fall in the criteria of that prerequisites either for their temperament or for they have unveiled about the non-applicability in their explanatory notes. It can be seen from the chart underneath that 54% of the prerequisites have been trailed by the contemplated organizations which shows that the practices depicted in IAS 16 checklist is acknowledged by and large.

## Overall Compliance Composition



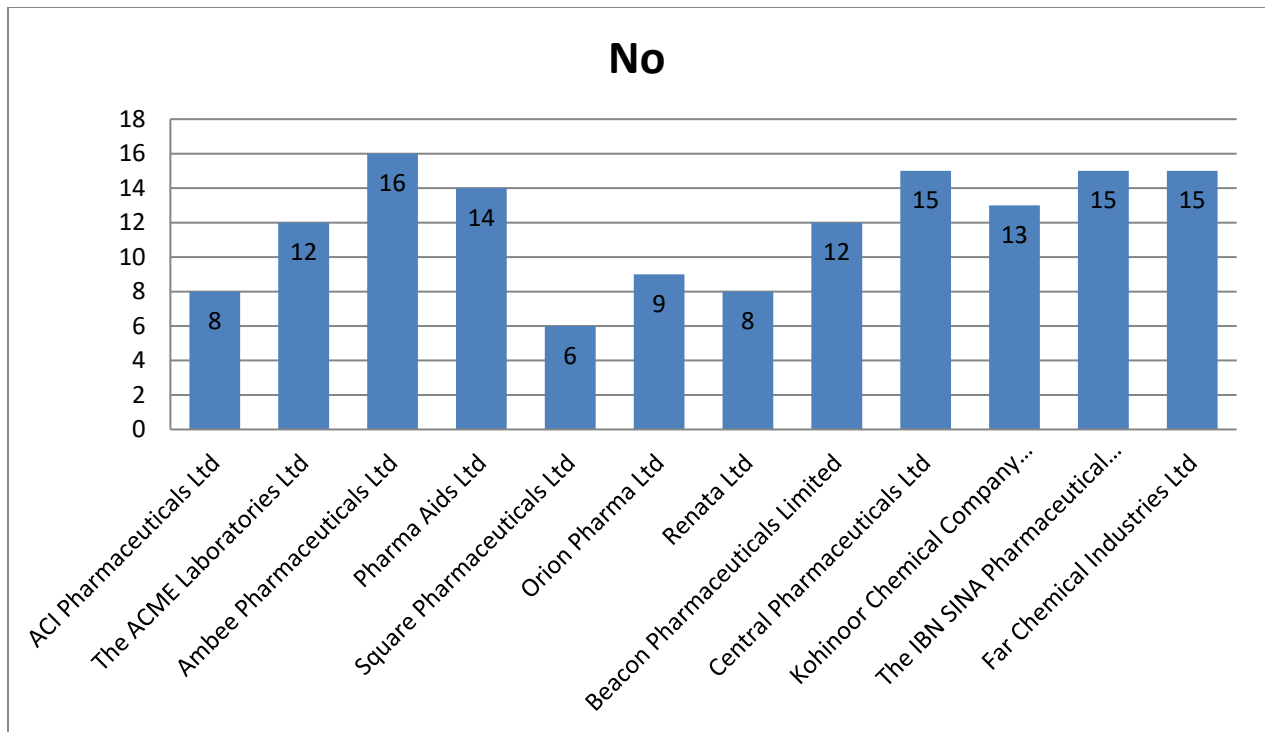
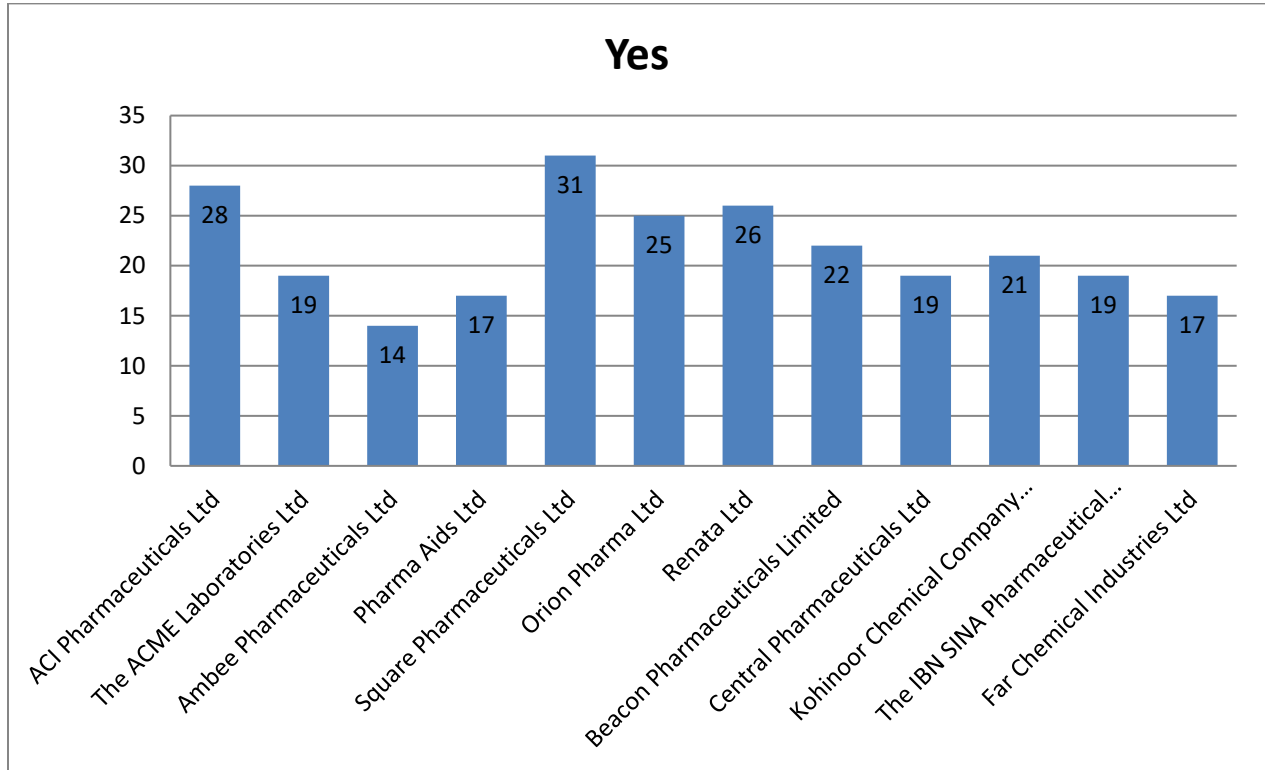
### Statistical Analysis of the findings

To further break down the findings of this study, some statistical techniques have been utilized. The average levels of each option along with standard deviation, sample variance skewness, etc have been inferred through that procedure. Following table demonstrates that, on an average, the studied companies have conformed to 21.5 (22 roughly) practices and the deviations from that outcome is likewise not that significant 5.05 (5 around). The maximum compliance has been accomplished by Square Pharmaceuticals Ltd (refer to Table 2). The table also demonstrates the normal measure of non-compliance which is 12 roughly and the normal non-applicable circumstances which is 7 around.

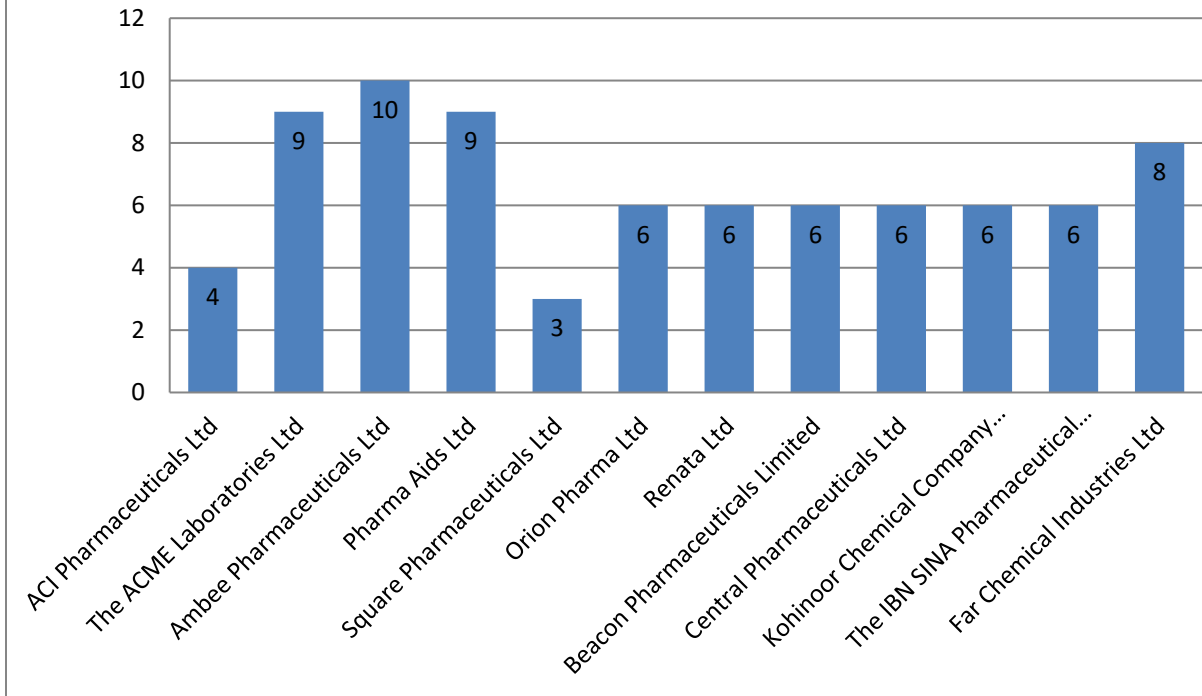
**Table 1 - Average Compliance Composition & Dispersion**

	Yes	No	N/A
Mean	21.5	11.83333	6.666667
Standard Error	1.459037	0.944147	0.643538
Median	20	12.5	6
Mode	19	15	6
Standard Deviation	5.054251	3.270622	2.229282
Sample Variance	25.54545	10.69697	4.969697
Skewness	0.519629	-0.60839	0.385118
Range	17	9	8
Minimum	14	6	3
Maximum	31	15	11
Sum	258	142	80
Count	12	12	12

**Table 2 – Compliance Composition Score of each of the Pharmaceutical Company**



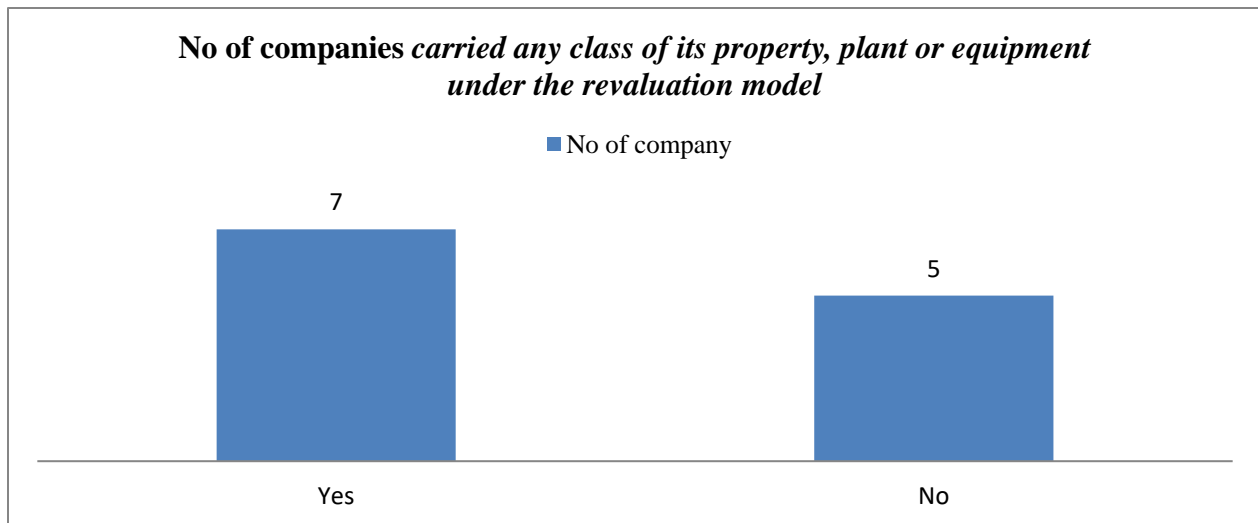
N/A



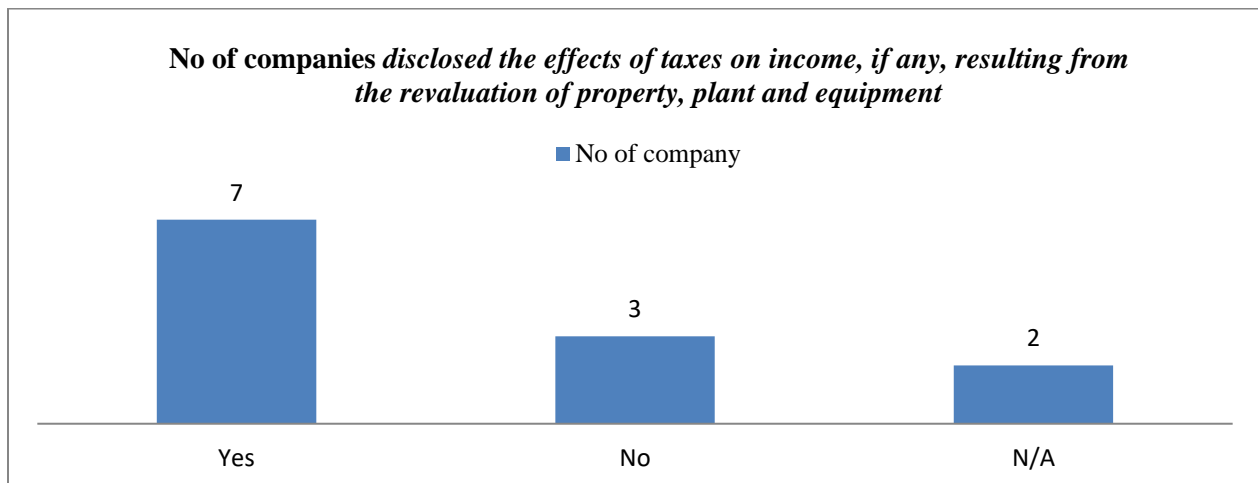
**(ii) Some Important issues from Disclosure Check-List:**

In spite of the fact that there are in total 40 practices checked for each organization by the checklist of this examination, the accompanying six practices hold somewhat more significance to be exhibited separately. The diagrams beneath display the situation for total of 12 studied organizations.

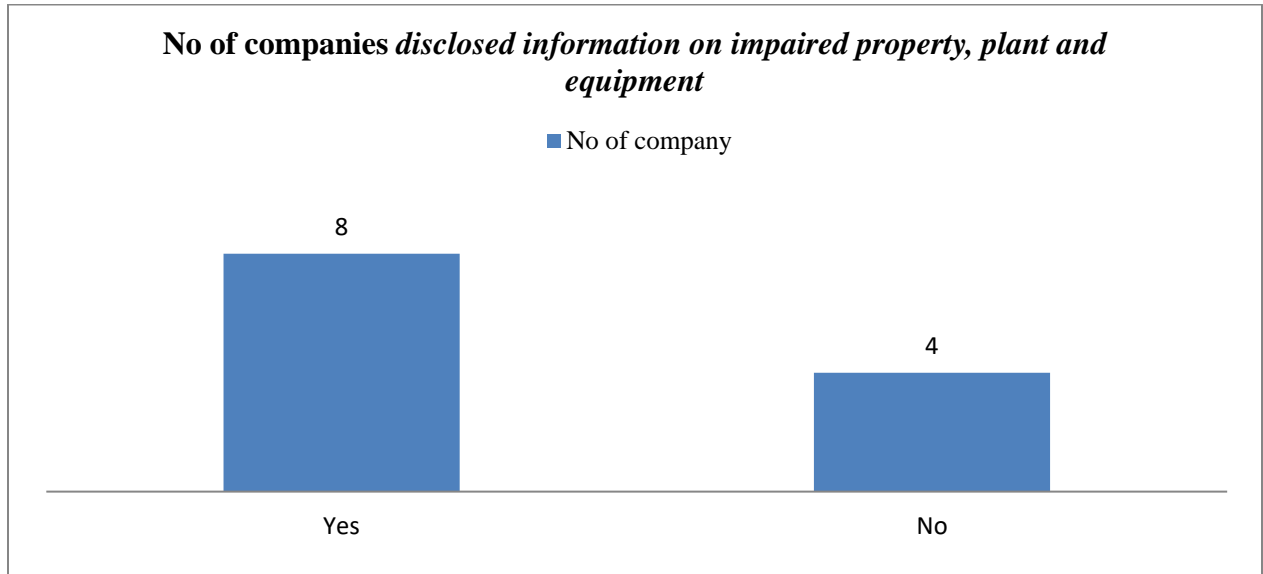
- **Did the entity “carry any class of its property, plant or equipment under the revaluation model?” (KPMG, 2016)**



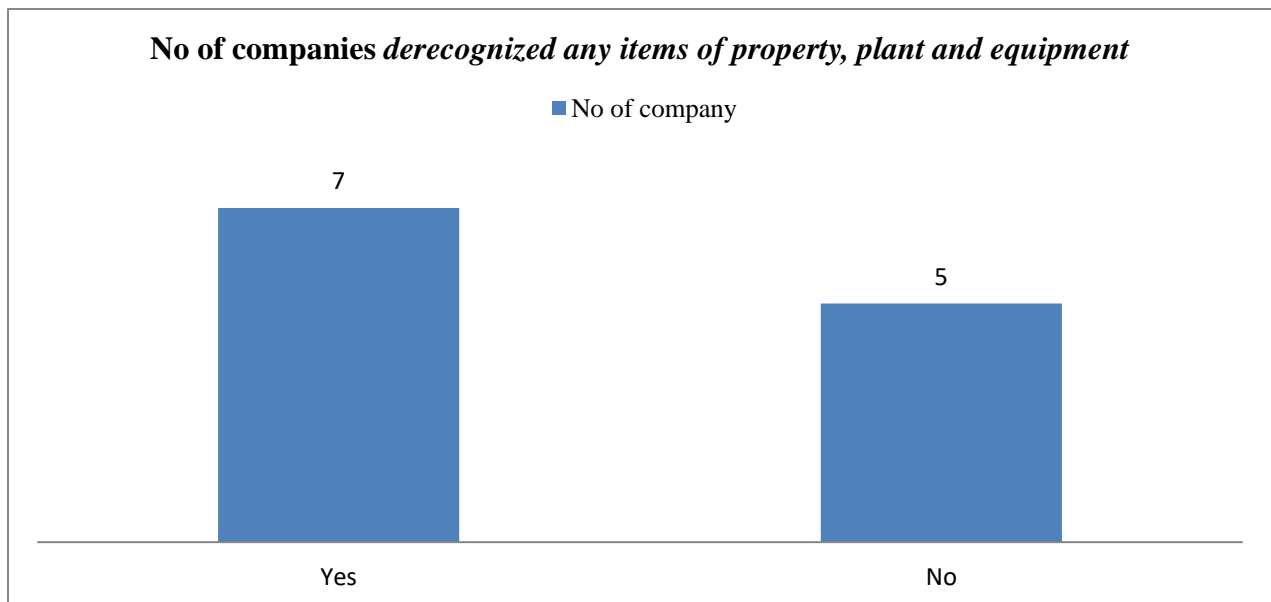
- **Does the “effects of taxes on income, if any, resulting from the revaluation of property, plant and equipment are recognized and disclosed in accordance with IAS 12 Income Taxes?” (KPMG, 2016)**



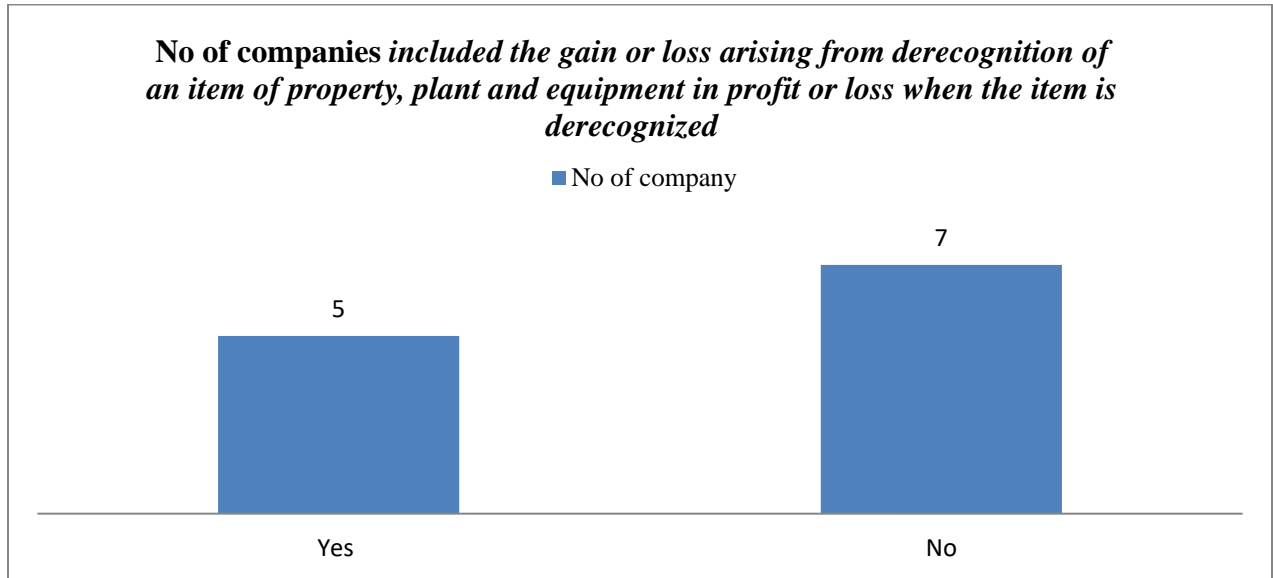
- ***“In accordance with IAS 36 Impairment of Assets, in addition to the information required by paragraph 73(e) (iv) to (vi) of IAS 16, does an entity disclose information on impaired property, plant and equipment?”*** (KPMG, 2016)



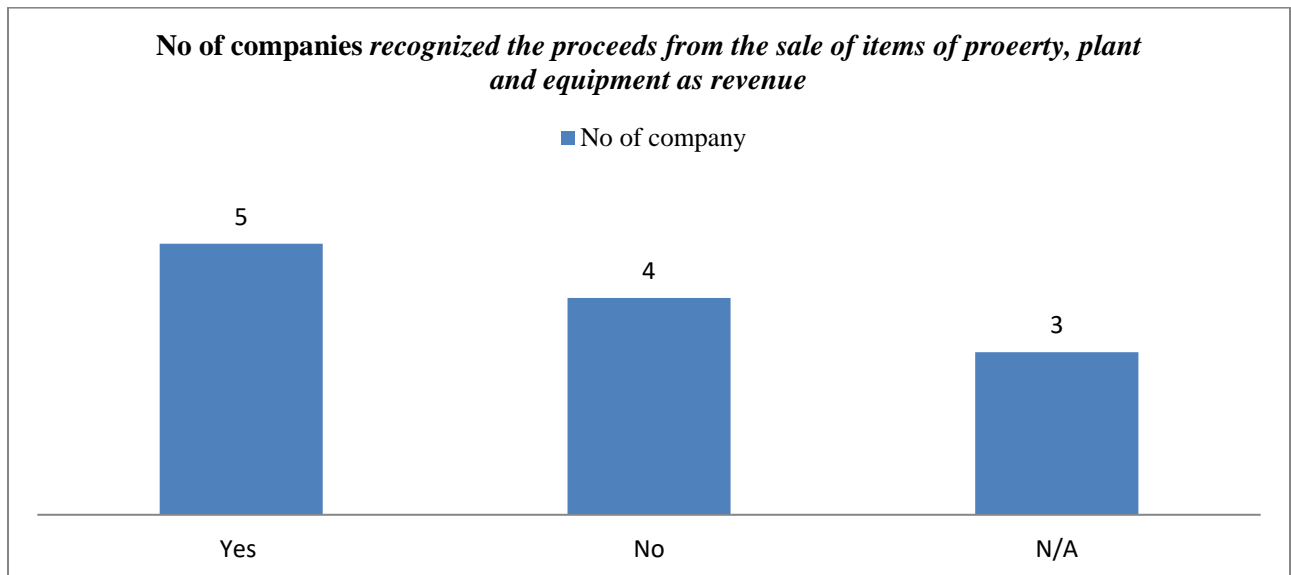
- ***“Did the entity “derecognize any items of property, plant or equipment during the period?”*** (KPMG, 2016)



- Does the entity “include the gain or loss arising from derecognition of an item of property, plant and equipment in profit or loss when the item is derecognized?” (KPMG, 2016)



- Does “the entity recognized the proceeds from the sale of items of property, plant and equipment that an entity has held for rental to others and that it routinely sells in the course of its ordinary activities as revenue?” (KPMG, 2016)





## Findings of Study

- The studied companies follow 54% of the property, plant and equipment treatment practices of the checklist (refer to Appendix –II).
- Non- compliance and non-applicable rate is 30% and 16% for the studied companies.
- Each of the studied companies follows on an average of 22 practices of the total 40 mentioned in the checklist.
- The average level of non-compliance is 12 for the studied organizations.
- The highest compliance has been found in Square Pharmaceuticals Ltd.
- The highest non-compliance has been found in Ambee Pharmaceuticals Ltd.
- 7 out of 12 studied companies “*carried any class of its property, plant or equipment under the revaluation model*” (KPMG, 2016). The rest 5 studied companies have chosen the cost model as an accounting policy for the entire class of property, plant and equipment.
- 7 out of 12 studied companies “*disclosed the effects of taxes on income, if any, resulting from the revaluation of property, plant and equipment*” (KPMG, 2016). While applying the revaluation model to any class of its property, plant and equipment, the studied 7 out of 12 companies, have made revaluation surplus and has disclosed the effects of taxes on income in the financial statement.
- 8 out of 12 studied companies “*disclosed information on impaired property, plant and equipment*” (KPMG, 2016).
- 7 out of 12 studied companies “*derecognized any items of property, plant and equipment*” (KPMG, 2016).
- Only 5 out of 12 studied companies “*included the gain or loss arising from derecognition of an item of property, plant and equipment in profit or loss when the item is derecognized*” (KPMG, 2016).
- Only 5 out of 12 studied companies “*recognized the proceeds from the sale of items of property, plant and equipment that an entity has held for rental to others and that it routinely sells in the course of its ordinary activities as revenue*” (KPMG, 2016).

## **Conclusion**

In spite of 54% compliance composition score, a significant amount of sample falls under the non-compliance and not applicable condition. This however evinces that there is scope for the DSE listed Pharmaceutical companies to look after the loopholes or issues for which they are not practising the accounting treatment of property, plant and equipment in accordance with IAS 16.

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## Appendix – I

### Disclosure Check-List: IAS 16 (KPMG, 2016)

Presentation/disclosure requirement	Yes	No	N/A
<b>General disclosures</b>			
Did the entity hold or acquire any property, plant or equipment?			
<i>If yes :</i>			
The financial statements shall disclose, for each class of property, plant and equipment:			
a) the measurement bases used for determining the gross carrying amount;			
b) the depreciation methods used;			
c) the useful lives or the depreciation rates used;			
Note: Selection of the depreciation method and estimation of the useful life of assets are matters of judgement. Therefore, disclosure of the methods adopted and the estimated useful lives or depreciation rates provides users of financial statements with information that allows them to review the policies selected by management and enables comparisons to be made with other entities. For similar reasons, it is necessary to disclose:  a) depreciation, whether recognised in profit or loss or as part of the cost of other assets, during a period; and  b) accumulated depreciation at the end of the period.			
d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;			

e) a reconciliation of the carrying amount at the beginning and end of the period showing:			
i) additions;			
ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> and other disposals;			
iii) acquisitions through business combinations;			
iv) increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 of IAS 16 and from impairment losses recognised or reversed in other comprehensive income under IAS 36 <i>Impairment of Assets</i> ;			
v) impairment losses recognised in profit or loss in accordance with IAS 36;			
vi) impairment losses reversed in profit or loss in accordance with IAS 36;			
vii) depreciation;			
viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and			
ix) other changes.			
The financial statements shall also disclose:			
a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;			
b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction;			

c) the amount of contractual commitments for the acquisition of property, plant and equipment; and			
d) if it is not disclosed separately in the statement of comprehensive income, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.			
An entity shall disclose the nature and effect of any change in an accounting estimate relating to property, plant and equipment that has an effect in the current period or is expected to have an effect in subsequent periods, in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .			
Note: Such disclosure may arise from changes in estimate with respect to:			
<ul style="list-style-type: none"> <li>• residual values;</li> <li>• the estimated costs of dismantling, removing and restoring items of property, plant or equipment;</li> <li>• useful lives; and</li> <li>• depreciation methods.</li> </ul>			
<b>Assets carried at revalued amounts</b>			
Did the entity carry any class of its property, plant or equipment under the revaluation model?			
<i>If yes :</i>			
If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed in addition to the disclosures required by IFRS 13 (see IFRS 13P):			

a) the effective date of the revaluation;			
b) whether an independent valuer was involved;			
c) [deleted]			
d) [deleted]			
e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and			
f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.			
The effects of taxes on income, if any, resulting from the revaluation of property, plant and equipment are recognised and disclosed in accordance with IAS 12 <i>Income Taxes</i> .			
<b>Impairment</b>			
In accordance with IAS 36 <i>Impairment of Assets</i> , in addition to the information required by paragraph 73(e)(iv) to (vi) of IAS 16 (see above), an entity discloses information on impaired property, plant and equipment.			
<b>Presentation of gains and losses arising on derecognition</b>			
Did the entity derecognise any items of property, plant or equipment during the period?			
<i>If yes :</i>			
The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised (unless IAS 17 <i>Leases</i> or IFRS 16 requires otherwise on a sale and leaseback).			
Gains arising from the derecognition of an item of property, plant and equipment shall not be classified as revenue.			

The proceeds from the sale of items of property, plant and equipment that an entity has held for rental to others and that it routinely sells in the course of its ordinary activities shall be recognised as revenue in accordance with IAS 18 <i>Revenue</i> or IFRS 15 <i>Revenue from contracts with customers</i> .			
<b>Additional encouraged disclosures</b>			
Entities are <u>encouraged</u> (but not required) to disclose the following amounts:			
a) the carrying amount of temporarily idle property, plant and equipment;			
b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;			
c) the carrying amount of property, plant and equipment retired from active use and <u>not</u> classified as held for sale in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> ; and			
d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.			



## Appendix – II

### Overall Compliance Composition

Serial No	Company Name	Yes	No	N/A	Total
1	ACI Pharmaceuticals Ltd	28	8	4	40
2	The ACME Laboratories Ltd	19	12	9	40
3	Ambee Pharmaceuticals Ltd	14	16	10	40
4	Pharma Aids Ltd	17	14	9	40
5	Square Pharmaceuticals Ltd	31	6	3	40
6	Orion Pharma Ltd	25	9	6	40
7	Renata Ltd	26	8	6	40
8	Beacon Pharmaceuticals Limited	22	12	6	40
9	Central Pharmaceuticals Ltd	19	15	6	40
10	Kohinoor Chemical Company Bangladesh Ltd	21	13	6	40
11	The IBN SINA Pharmaceutical Industry Limited	19	15	6	40
12	Far Chemical Industries Ltd	17	15	8	40
	<b>Total</b>	<b>258</b>	<b>143</b>	<b>79</b>	<b>480</b>
	<b>Percentage</b>	<b>54</b>	<b>30</b>	<b>16</b>	<b>100</b>