



Inspiring Excellence

Internship report on

Case on Lease Accounting of a Multinational Telecommunication Company
(Robi Axiata limited, Bangladesh)

Course Code: BUS400

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Subject: Submission of Internship Report

Sir,

Attached herewith is my internship report for the course BUS400 that I wrote from my internship experience at Robi Axiata Limited, Nafi tower, 53 Gulshan Avenue during the semester of summer 2018.

My Internship period of 12 weeks allowed me to obtain lot of information regarding the operation of finance division of Robi Axiata Limited. It allowed me to apply my fresh conceptual learning of my academic life into use on practical work field through firsthand experience and interaction.

I have tried my best to make this report detailed and focused on the topic and I hope this report will fulfill your requirement. I am very much grateful to have this opportunity.

Sincerely yours,

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Acknowledgement

At first I want to Thank Almighty Allah for blessing me with expertise and integrity to successfully complete this internship report. I would like to express my deepest appreciation to all those people who continuously supported me to prepare this report and also help me to apply my fresh knowledge in the work place and understand the work place culture

I would like to thank Mr. Saif Hossain, Senior lecturer, BRAC University Business School. As an internship instructor he repeatedly offered constant guidance and suggestion. His constant guidance helped me to understand critical issue regarding the paper which at first seemed to be almost impossible to understand.

I am extremely pleased to Robi Axiata Limited, Bangladesh and people the organization as they offered me a very friendly environment to work and also helped me in every single step during my three months internship period. Moreover I like to thank Mr. Avee Das; Manager; Financial Reporting; Finance Division for giving me the opportunity to work in Financial Accounting and Management Reporting Department. His continuous inspiration and guidance allowed me to achieve some real life work experience. I would also like to thank Human Recourse employees for making my life easier in the internship period; they allowed me to enjoy flexible work hour and other benefits almost like a permanent employee. Apart from Finance Division other division's employees also showed me great respect and also took time out of their busy schedule to show the work process and also provided their valuable information for this report.

At last I want to thank my family to supporting and encouraging me during my internship period. Without their unconditional support I doubt I would not be able to complete my internship period and report. And thanks to all my friends who helped me in every possible way.

Executive Summary

This report has been prepared to present the obtained experience and knowledge during my 12 weeks internship period at Robi Axiata Limited, 53 Gulshan Avenue. Purpose of This report is to describe detailed information about lease related activities and accounting procedures that a Multinational Telecommunication Service Provider Company generally follows. To meet the purpose there are three objectives and those are understanding different type of lease and lease agreement, Factor that a multinational telecommunication company considers when they take lease and lease accounting procedure under IAS17 & IFRS16. To meet these objectives my methodologies are, went through Robi Axiata Limited's lease agreements, interviewing a specialist of service and facilities department of Robi Axiata Limited and interviewing Manager, Financial Accounting & Management Reporting department. In general there are two types of lease under IAS17 those are Finance lease and Operating lease and in a lease agreement there are thirty two clause that describes all the terms and condition between lessee and lessor Moreover telecommunication service providing company took lease for their warehouse, walk in center, admin office and BTS tower building purpose there are different sets of factors to consider for each of those purpose. Currently Robi Axiata limited following IAS17 as their lease accounting method but from 1st January 2019 they will follow IFRS16 as their new method. There are two types of lease under IAS17 in the perspective of lessee these are Finance lease and Operating lease there are five tools to decide the classification. But the new standard IFRS16 eliminates the complexity of lease classifications. IFRS16 will treat all the lease in a single classification by testing three simple condition.

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Company Profile

According to (Robi Axiata Limited, 2016) Robi Axiata Limited is a subsidiary organization of Axiata group. Which is a Malaysia based company. Robi Axiata Limited is now holding second position among all the telecommunication service providing companies in Bangladesh. In the beginning of year 2018 Robi Axiata Limited had more than 44 million subscribers across the country. Robi Axiata Limited also introduced 4G technology for the first in Bangladesh. This company started their journey in 1997 under the brand name of AKTEL. In the year of 2016 Axiata Group of Malaysia, Bharti Airtel of India & NTT Docomo of Japan together started a joint venture company under the name Robi Axiata Limited. So far this is the biggest merger in the history of telecommunication industry of Bangladesh. Axiata possess more than 68% of the entity and rest of the controlling stakes is in possession of Bharti Airtel & NTT Docomo. Apart from telecommunication service this company heavily invested in other digital services like mobile financial services, Islamic services, and mobile sports media services etc. Robi Axiata Limited also showed their high appreciation towards sports industries by sponsoring Bangladesh National Cricket team. Robi Axiata Limited also follows a strict corporate governance frame work with a bunch of dedicated employees and they are constantly showing their uncompromising integrity and I can, I will attitude in everyday business operation. Robi Axiata Limited Achieved fifth best employer award at the 22nd World HRD congress in the year of 2014 moreover Robi Axiata limited also gained Forrest & Sullivan award in the year of 2013, last but not the least Robi Axiata Limited is also known as World largest socially devoted brand. Robi Axiata Limited showed excellent corporate responsibility towards our society by their several projects like ‘Gori Nijer Bhubisshot’, ‘internet4u’, ‘10 minutes school’ and ‘Robir Alo’. In recent days Robi Axiata Limited is practicing Green technology governance by taking some key steps like green BTS, decreasing electricity wastage and sharing infrastructure with other telecommunication network operators. Robi Axiata Limited has 9 members in their board of directors. Tan Sri Ghazzali Sheikh Abdul Khalid is the chairman and 8 other directors are Thaya Sangara Pillai, Michael Kuehner, Sarvjit S. Dhillon, Nilanjan Roy, Vivek Sood, Mahtab Uddin Ahmed, Waliur Rahman Bhuiyan, & Mahbub Jamil.

Introduction

According to the (Institute of Chartered Accountants Bangladesh, 2015) lease is a treaty between lessee and lessor and lessor allows lessee to hold possession of a property and use it for a particular period of time, in return lessor will get a single or several payment. Nowadays lease became an everyday practice for almost every business organizations. Benefits from lease activities are now playing significant role in a business organization According to (Kieso, Weygandt, & Warfield, 2013) “lease brings up six advantages those are hundred percent financing, obsolescence, flexibility, lower cost financing, Tax advantages and off balance sheet financing”. Lease allows a company to pay its lease payments from the revenue arising from the leased asset. Most significant contribution of lease is it creates chance for an organization to use updated and most recently invented technology. Cancelable lease allows management to cut cost if leased equipment is not generating expected revenue and lease payments which are charged as an expense in income statement also give some tax benefits. On the other hand there are also some disadvantages of lease. Liability arising from the operating lease, no ownership always underestimates company’s assets, and maintenance cost of leased equipment can be a burden for an organization. That’s why managing lease activities as it can maximize profit and minimize risk is one of the biggest challenges. The current lease accounting standard is known as IAS17 which is first issued in 1982. According to (Institute of Chartered Accountants Bangladesh, 2015) this standard can be used for all leased property but, apart from lease of natural and non-regenerative resources, licensing agreements, copyright and patents. IAS17 also recognize leases in two types which are finance lease and operating lease, in terms of finance lease lessee can enjoy all the benefits but also carry out all the risks arising from the lease agreement, in operating lease lessee recognize lease agreement as a liability. From 1st January 2019 a new standard have to be followed by the companies which are reporting under International Financial Reporting Standard. This new standard is known as IFRS16. IFRS16 will make the lease accounting procedure more efficient and simple because it will remove complexities regarding lease classification. It will recognize all the leases in a single type. As it is a new standard now it is very important to adapt its new standards and procedures and also understand its impact on the business and most importantly understand difference between previous and latest standards. The main purpose of the report is to explain how a multinational

telecommunication network operator implemented the previous standard IAS 17 and how they will implement the new standard IFRS 16 and its impact on the financial statements.

Objective

The main purpose of this report is to explain all the lease related activity of a multinational telecommunication company. To meet the purpose here I come up with three objectives those are

- 1) Understanding Different type of lease and lease agreement
- 2) Factor that Robi Axiata Limited Consider when they take lease
- 3) Understanding the lease accounting method under IAS17 & IFRS16

Methodology

To meet those objectives I went through lease agreements of Robi Axiata Limited where I came to know about the general terms and conditions took place in a lease agreement paper and both the lessee and lessor are bound to respect those terms and condition. Moreover I interviewed a specialist of ‘Service and facilities’ department of Robi Axiata Limited to understand the factors that Robi Axiata Limited consider when they took a property on lease. Basically they take lease for admin, WIC, warehouse building purpose or to build BTS tower site. They have different set of consideration for these two different purposes. Furthermore I also Interviewed Avee Das who is a manager of ‘Financial Accounting and Management Reporting’ department to understand how they treat leased out asset in their financial reporting and also came to know that Till now they are following IAS 17 to treat their leased out asset but from 1st January 2019 they will follow a new standard IFRS16. Since, IFRS16 is a new standard and not implicated yet so that’s I did some literature review and went through some reports published by IFRS Foundation and PwC.

Types of lease

Finance lease

Under IAS17 a lease is recognized as finance lease when a lessee can enjoy all the benefits generated by leased asset and also bear all the risk of managing that asset along with the transfer of ownership. To recognize a lease as a finance lease the lease terms and condition cannot carry out a cancelable option. To recognize a lease as finance lease under IAS17 there are four criteria that have to be fulfilled. Those criteria are described below

- 1) **Transfer of Proprietary:** The lease agreement have to allow the transfer of proprietary of the asset to lessee. This criterion does not carry out any confusion and also can easily applicable in practice.
- 2) **Bargain Purchase option:** Bargain purchase option means it gives a chance to the lessee to acquire the leased property in a minimum amount which is also remarkably lower than the fair value of the asset in the end of lease period.
- 3) **Economic Life:** If the lease agreement period is the maximum portion of the economic life of that asset in that case lessee can recognize the lease as a finance lease. But in this criterion there is confusion because IAS17 did not set any scale to measure the maximum portion of an assets economic life.
- 4) **Recovery of Investment:** If present value of all the minimum lease payment cover up the maximum amount of the fair value of leased asset or become equal or become greater than the fair value in that situation a leased property can be treated as finance lease. In this criterion there is again a confusion arising because IAS17 did not set any boundary to decide whether it is covering maximum amount or not. To calculate present value of all the lease payment there are three important aspects to look on those are Minimum lease payment, Discount Rate & Executory Cost. Minimum lease payments means inclusive of minimum rental payment, if there are any guaranteed salvage value promised by lessee and penalty of failure to renew, or bargain purchase option. Discount rate means implicit interest rate or incremental borrowing rate with in the country and executor cost consist of all the maintenance costs in time of calculating the present value executor costs should be excluded from the lease payments.

If a lease agreement satisfies these criteria an organization can treat a leased asset as a finance lease.

Operating Lease

According to (Institute of Chartered Accountants Bangladesh, 2015) excluding finance lease all other lease is operating lease. That generally means if a lease terms and conditions does not satisfy any of those four criteria described in IAS17 it should be recognized as an operating lease. In operating lessee rent expense accrue regularly for lessee for using the property. Since in operating lease there are no transfers of proprietary so all the maintenance cost becomes the responsibilities of lessor. A finance lease have to be non-cancelable apart from that it cannot be a finance lease but in case of operating lease it can be cancelable but in the agreement nowadays it became common trend to consider a lock in period to avoid loss of the both parties. If an operating lease carry a non-cancelable term than it becomes lessees' responsibility to disclose all the operating leases as long term liability. During lock in period both the lessee and lessor cannot terminate the lease agreement. Rent expense of an operating lease can be accrue on period basis like annually, semiannually, quarterly or monthly. Or can be accrue on the use basis like for an equipment rent is only accrue when a particular unit of product has been produced by using this lease equipment. Additionally in operating lease lessor is not able to recover the assets fair value every time. It might happen that to recover the full amount or maximum portion lessor have to depend on sale of the asset or renew the lease agreement. As there are no transfer of proprietary operating lease carry out an advantage of off balance sheet financing if a certain operating lease does not carry a non-cancelable term in that case this operating lease is eventually not adding anything in the balance sheet for this reason most of the financial ratio remain same as before taking the operating lease.

Contents of a lease agreement

Lease Agreement

In general a lease agreement starts with a title. Purpose of the lease can be mentioned in the title or only 'Lease agreement' can be as a title. After title for tracking purpose there can be a presence of a site code and the date in which the particular lease agreement signed.

After that the first paragraph starts with the name of lessor, his or her father's name, Address: Village name, post office name & police station name. After those declarations, as a lessor and this expression also include his or her successor in interest, heirs, representative and assignees as a first party.

Second paragraph starts with the name of lessee, if the lessee is an organization then the particular company act under which the organization got registration and operation, registered office address. If lessee is not an organization then lessee's name, father's name and address are mentioned. After that declaration as a lessee and this expression also includes representatives, administrator, assigns, associated company as a second party.

In the third paragraph it is mentioned that the lessor represents that he or she is the absolute, legal and beneficial owner in possession of the property and he is entitled to lease out the property and also entitled to enjoy the benefit as a lessor.

In the fourth paragraph lessor's willingness to lease out the property and lessee's willingness to take on lease the demised premises for the particular purpose is declared.

After these introductory paragraphs lease terms and conditions are described in different clauses. In general there are 32 clauses in a lease agreement and end of the lease agreement there could be several annexure.

Clause 1: In the clause 1 lessor have to declare that the lessor have the right to use and enjoy quiet and peaceful possession along with other facilities like all right of easement, common entrance, passages, areas, sewerage, water supply, electricity and right of access etc. without any hindrance eviction or infringe or disturbance.

Clause 2: Contents of clause 2 are, effective date and expiry date, for how many years the lease agreement will be valid, is the lease agreement extendable or not, if extendable lease terms and condition will remain same or not, and scope of termination by prior notice.

Clause 3: Clause 3 is the most important clause of a lease agreement. In this clause rental payment for the asset are mentioned and whether the rent is inclusive or exclusive of all taxes and levies. After that the beneficiary name (most of the time lessor himself is the beneficiary), bank name, account number and brunch name take place. Then the medium of the payment like cash, account payee cheque or pay order is stated after that. The lessee recognizes rent of the concerned year/month as paid, as soon as the rent amount deposited to the lessor's account. And other terms and condition regarding rental payment also described in this clause.

Clause 4: If there is any rent free period in the agreement it should be disclosed in the first line of this clause. And how the rent shall accrue (weekly/monthly/yearly) and in which basis (weekly/monthly/yearly) lessee shall pay the rent is also disclosed in this clause.

Clause 5: In this clause the details about rental increment should be disclosed. And if there is no increment in the rent this information should also be disclosed in this clause.

Clause 6: In this clause, if lessee failed to obtain all the permission from concerned authority for the purpose they took out the lease, then the process both the party will follow to terminate the agreement is described in this clause.

Clause 7: If lessee successfully obtain all the permission from concerned authority then lessor is responsible for providing certain assistance and cooperation. Those responsibilities generally mentioned in clause 7

Clause 8: Lessee is responsible to pay service charge and other utility charges like electricity, water, gas that they consumed in the demised premises apart from the rent.

Clause 9: In this clause lessor have to ensure the quiet and peaceful condition of the property and his willingness to take responsibility for any interruption and disturbance caused by him. And agree to give compensation to the lessee. Terms and conditions of the compensation are also stated in this clause.

Clause 10: Clause 10 states that in the expiry of the lease agreement in which process both party can terminate the lease agreement or renewal the agreement. After following the

process what will happen to any unadjusted advance rent or rent payable is also a subject to this clause.

Clause 11: In this clause lessor have to declare that he or she will not give or take any kind of value from lessee's family member or any personnel and will not establish any kind of business relationship and will not involve with any kind of transaction apart from the lease agreement.

Clause 12: If lessor terminate the lease agreement prior its expiry, lessor have to face some compensation and the details of those compensations are described in clause 12.

Clause 13: If the lease is taken for commercial purpose it is lessor's responsibility to ensure the property can be used as a commercial purpose. If there is any obligation regarding its use as commercial purpose it is lessor's duty to obtain approval and face all the formalities at his own expense.

Clause 14: In this clause states that whether lessee is allowed to renovate the leased out property or not. And the cost of renovation is fully carried out by lessee or not. In the time of renovation if lessee have to remove or replace anything from the property in that case lessor have any objection or not. And after renovation lessor will or will not insist for increment of the rent.

Clause 15: Clause 15 describe that in which degree lessee is responsible for injury or damage happened to lessor or any third party who have access to the property.

Clause 16: It is lessee's responsibility to obtain commercial connection of utility services at his own expense if the property leased out for commercial purpose

Clause 17: In this clause it is mentioned that lessor is allowed to place any kind of bill board or advertisement or any kind of sign or not. Furthermore lessor's degree of freedom to give authority to another party to use any portion of the property is also a content of this clause.

Clause 18: Clause 18 refers that lessor have to pay all type of taxes and levies and other fees related to the property. If lessor failed to pay, lessee will or will not service those expense in behalf of lessor and how lessee will recover those amount.

Clause 19: In case of any dispute or disagreement between lessor and lessee both the party cannot take any kind of action which may cause disturbance to the activities of both parties.

Clause 20: Clause 20 refers that whether lessee has the authority to sublease or share the demised premises with another party or not. If lessee has that authority then what will the procedure of sublease and sharing and the rent will remain same or will be changed.

Clause 21: If the property destroyed or damaged by any kind of natural disaster or political violence who will take the responsibility of the damage and what will happen to the agreement is the main concern of this clause.

Clause 22: If lessee wants to vacate the property at his or her own wish or forced to do so by local government, semi government or government what will happen to the agreement and how both party will adjust if there are any incomplete transaction remaining between them is the main subject of this clause.

Clause 23: in this clause lessor have to fully agree to indemnify the lessee from all damages, demands, claims, losses whatsoever which the lessee may suffer due to any act, action or omission of lessor.

Clause 24: If any dispute or disagreement arises from the lease agreement how the arbitration will take place who will appoint arbitrator and venue of arbitration and the concerned act under the arbitration will take place

Clause 25: The main subject of this clause is if any of the party both lessor and lessee change their address, name, organization name, beneficiary name, bank name, account number or any other details in which manner they will allow to change.

Clause 26: If lessor wants to sell or transfer ownership of the property what will happen to the agreement and any unadjusted transaction is the main subject of clause 26.

Clause 27: whether the lessee has the permission of lessor to generate loan or financial assistance from third party by creating pledge over all or any of the equipment, furniture or any value installed by the lessee at the property

Clause 28: whether lessee or lessor will pay the stamp duty, registration fee and incidental charges regarding the lease agreement and if they split the cost in which ratio they will bear all the cost.

Clause 29: To convenience of both the party's accounting in which basis (monthly/quarterly/half yearly/ yearly) lessee will pay the lessor.

Clause 30: This particular agreement supersedes all the agreement in which lessor may have entered in the past. And all those agreement become void after this agreement

Clause 31: Clause 31 declares that if there are any annexure in the lease agreement those annexure are the undivided part of the lease agreement.

Clause 32: Clause 32 declares that this lease agreement is subject to the laws of Bangladesh and the court of Bangladesh shall have exclusive jurisdiction to resolve any dispute between the parties.

Amendment lease agreement

The main Purpose of amendment agreement is correction of any clause of the main agreement. Amendment agreement generally contains the same introductory paragraph like main agreement. Start with a title “Amendment lease agreement” then comes the date in which the amendment agreement made. Then the first paragraph contains lessor’s name, fathers’ name, permanent address, after that the second paragraph contains lessees’ name, fathers name, permanent address. In the third paragraph it declares that lessor and lessee made an agreement before and also contains purpose of lease, stamp number of main agreement, main agreement date. After these introductory paragraphs only the correction of any clause in the main agreement took place and lessee and lessor both agreed to follow the corrected clause and the other clauses of main agreement remain same. There can be several amendment agreements under a main agreement. Amendment agreement generally made to correct beneficiary name, account number, correction of monthly rent and in terms of site sharing.

Addendum Lease Agreement

Addendum agreement is also one type of amendment agreement. But the main purpose is to addition or subtraction of leased asset in a lease agreement. Addendum agreement also deals with any addition and subtraction of facilities or services. Addendum agreement also contains same introductory paragraph like main agreement and just focus on the facts that arise from any addition or subtraction of asset, facilities or service.

Factors that Robi Axiata Limited Consider when they take lease

BTS Tower Sites

To install a BTS tower Robi Axiata Limited consider some basic engineering factors. According to (Raffi, 2018), specialist, service and facilities department, some basic factors are Site latitude longitude, Available plot, Total Plot size, Site type, Building Type, Power Source. These factors are described below

Site Latitude and Longitude (Planned): First technology department find a gap of network in a particular place then they plan a location based on longitude and latitude to cover up the gap.

Site Latitude and Longitude (Actual): It is not always possible to build a BTS tower on the planned location. That's why technology department go to site visit and do a survey in case if there is a problem on the planned location they choose a nearest location.

Site Type: Generally sites are classified in two types green field and roof top. In case of Green field there are options to build Guyed tower, Self-Supporting Tower and Monopole tower. These types of tower's height range are 100-150 feet. Generally Robi Axiata Limited installs these types of tower in rural area. In case of Roof top mounts tower can be vary on structure of the building, height of the building and also considering other building's other characteristics

Types of Building: There are two types of building based on structure those are RCC Structure and Brick structure. RCC structure is based on column and brick structure brick wall. By using brick structure it is tough to raise a building height more than 60 feet. By using RCC structure it is possible to build a high rise. Generally Robi Axiata limited prefers RCC structure building with a 3 meter depth foundation. Because RCC structure building can carry more weight than brick structure. And it is also safe during natural disaster.

Building Height: Building height is very important to build a BTS tower. In general 32.8 feet (10 meter) long building is suitable to build a BTS tower. Robi Axiata Limited prefer 40-50 feet long building for installing a BTS tower.

Column Size: Minimum column length should be 200mm. And the column should contain at least 6 rod.

Plan to extension of the building: If the owner of the building has any plan to extension of the building in that case Robi Axiata Limited tries to avoid the building. Because it is difficult to transfer all the antennas from one space to another and tower specification also changes according to building height.

Power Requirement: Generally a BTS tower required 120-240 voltage of electricity supply with a purifier option which can covert AC power to DC power because BTS tower need some complex services like T-1 lines. So nearest power source, power supplier and commercial power sites are the huge matter of consideration.

Admin & Experience Centre

(Raffi, 2018) Stated that for taking a lease for an administrative purpose or experience centre they look into some basic factors most of them are customer and employee related. Those aspects are Geographic segmentation, Location, Rent, Transportation facilities, Generator facilities, Lift, Commercial Space, Space, Other Commercial Tenants on the building. The factors are briefly described below

Geographic Customer Segmentation: Robi Axiata Limited first considers geographic segmentation for building an experience centre. Based on that segmentation Robi Axiata Limited decides which type of customer service will be available in the experience centre, how many employees will be needed in the experience centre.

Location: After geographic segmentation they select a location where customers and employees both can reach easily. They look into some factors like near from the main road, other commercial entre nearby, nearby markets, educational institute etc.

Rent: Robi Axiata Limited considers rent in basis of per square feet and also considers rental increment percentage to take a lease. Robi Axiata Limited generally involves 5 years lease agreement in case of experience centre and admin. On average in year 2018 all the admin and experience centre's rent is in between 100 to 150 BDT per square feet which are situated in commercial area. But in special case they are willing to pay more than 150 BDT.

Public Transportation Facilities: Public transportation facility is very important because if the quality of public transportation facilities is low then it is very difficult to grab customers and it is also problematic for the employees. It is not possible to provide pick and drop facilities or a huge transportation allowance to every employee in the experience centre and admin.

Space Size: Space size depends on geographic customer segmentation if there are enough customers to grab in a particular location they will lease out a bigger space. But in general Robi Axiata Limited does not take any space less than 800 square feet.

Generator Facility: Since Robi Axiata Limited is a telecommunication service providing company maximum services are digital and computerized. So it would be very difficult to provide quality service without generator facilities in country like ours where load shedding is a very common problem.

Lift Facility: Ground floor is most preferable to Robi Axiata Limited to build an experience centre. If there is no vacant space in ground floor in a particular location they will take upper level floor but in that case lift facility is must.

Commercial Area: Robi Axiata Limited tries to build all of their admin and experience centers in commercial areas to grab customers and gain updated market information but they also build experience centre in big residential area like Bashundhara R/A, Nikinjo to facilitate huge number of households.

Other commercial tenants on the building: Robi Axiata Limited prefers building that also has other commercial tenants like mobile shop, electronic gadget shop, fast food shop etc. Benefit of that is Robi Axiata Limited can also grab attention of their customers. But they do not take lease if there is an existence of other telecommunication network operator's customer service centre.

Lease Accounting Procedure of Robi Axiata Limited under IAS17

Finance lease Accounting Procedure

(Das, 2018) Manager, Financial Accounting and Management Reporting stated that to recognize a lease a finance lease First the lease must have to be anon cancelable lease. Then they test 4 criteria described in IAS 17. Those criteria are whether the lease transferring its proprietary of asset or not, whether they will use the asset's maximum portion of economic life or not. Since there is confusion about "maximum portion" because IAS17 did not set any measurement scale so they traditionally follow GAAP rule that is more than 75% Of asset's economic life, if there is any existence of bargain purchase option and at last whether present value of all the minimum lease payment covering up the maximum amount of fair value or not. But IAS17 also did not set any parameter to determine "maximum amount" so in this situation they again follow GAAP rule which is greater than or equal to 90%. If a lease terms and condition satisfy every criterion than Robi Axiata Limited recognizes that particular lease as a finance lease.

Later on Robi Axiata records the finance lease on their book of that year by posting a journal

Description	Debit	Credit
Leased asset (under finance lease)	###	
Lease Liability		###

And they disclose the fair value of leased asset in the property plant and equipment section of balance sheet.

After that they prepare a lease amortization schedule. That schedule contain Annual Lease payment, maintenance cost (if any), interest amount, the amount of lease liability reduction each year and remaining lease liability. After preparing that schedule when they made a lease payment they post following journal

Description	Debit	Credit
Lease Liability	###	
Bank		###

Moreover in the end of the fiscal year they post one journal for interest expense and another for depreciation of leased asset those journals are like following

Description	Debit	Credit
Interest Expense	###	
Interest Payable		###

Description	Debit	Credit
Depreciation Expense (finance lease)	###	
Accumulated Depreciation		###

After that they subtract accumulated depreciation from the leased asset which is disclosed in Property plant and equipment section of balance sheet. In this way after end of the lease period lease liability becomes Nil and also leased asset remains with the zero value in the property plant and equipment.

If there is any existence of maintenance cost that should be deducted from the annual lease payment and have to be debited separately against cash or bank.

If lease payment is required to make at the beginning of the year in that case there should be no interest expense on the first year of lease period.

Operating lease Accounting Procedure

According to (Das, 2018) when a lease terms failed to satisfy one of those four criteria, then they recognize that particular lease as an operating lease. Since the proprietary of the asset remains the lessor so there is no option for charging depreciation expense and discloses the leased asset in property plant and equipment section of balance sheet. Moreover for the same reason operating lease do not create any lease liability for lessee. Furthermore if present value of all minimum lease payments do not cover up the 90% of the fair value of leased asset that means it is failed to recover the investment so there is no need to consider interest expense. In this case Robi Axiata Limited distributes all of their operating leases in four quarter. For example if a lease agreement made on February then it will be allocated on April quarter. Rent from February to April can be paid separately or this period can be rent free period. In 1st April Robi Axiata Limited will pay 1 year advance rent and post a journal in their book like following

Description	Debit	Credit
Advance Rent Expense	###	
Bank		###

After that end of every month of that particular year Robi Axiata Limited amortize the advanced rent by posting following journal

Description	Debit	Credit
Rent Expense	###	
Advance Rent expense		###

Accounting Procedure under IFRS16

According to (Das, 2018) IFRS16 eliminated the classification of leases. From 1st January, 2019 all the company who previously used IAS17 as their lease accounting procedure have to follow the new standard IFRS16. Under IFRS16 lease will be not separated as finance lease or operating lease. Lease will be recognizing as a single classification. Leased or not leased. To determine it, there are three criteria

- 1) Lease agreement have to identify an identifiable asset
- 2) Lessee have to use most of the economic portion of that asset
- 3) Lessee has to have the right to control the asset.

If a lease agreement satisfies these three conditions then the asset must be recognized as a leased asset. But IFRS 16 released short term lease and insignificant assets from its procedures. After testing these three conditions further procedures are like same as finance lease under IAS 17. At first determine the present value of all the future lease payment. Then the present value of the lease payment has to disclose in property plant and equipment section as “right-of-use asset” and also disclose the value as lease liability in the long term liability. After that when lessee will pay any lease payment lessee will debit lease liability against bank or cash and end of the year lessee will charge depreciation expense on straight line basis on the “right-of-use asset”. Furthermore lessee has to consider interest expense end of each year. And following this procedure lease liability and right-of-use asset will take zero value when the lease period will be end.

Impact of new standard IFRS16

According to (PwC, 2016) this new standard will bring up some changes in organizations financial ratios. Since this standard will treat all the leases in one classification and also disclose all the leases as right-of-use asset in balance sheet so it is clear that increasing asset in the balance sheet is must. Moreover interest expense will accrue for almost all the leases and depreciation expense will also increase so considering these factors an organization will notice change in their current ratio, asset turnover ratio, interest coverage ratio, earning per

share, and return on equity. Furthermore this new standard required a lease information system otherwise it will be difficult to maintain cost effectiveness and efficiency. Since this new standard treats all the leases in one classification so it is clear that in future chance of off balance sheet financing will be narrower. At last (International Accounting Standard Board, 2016) stated that this new standard will be able to give a clear image about a company's assets and liabilities to the potential investors. They also added that this new standard will bring up a significant change in company's asset, financial liability and equity. This stand will increase asset and financial liability but decrease equity the reason behind that is asset will decrease by depreciation faster than the decrease of liability and increasing interest rate also have an effect on lease liability.

Recommendation

In the end of this report I have come up with a recommendation for Robi Axiata Limited for the problems I observed in my short term experience. I hope this recommendation will help the organization to achieve improved performance.

Increase synchronization among the department: In my short internship period in Robi Axiata Limited my key responsibility was to prepare a lease rental database. By involving in lease related activity I came to know that all the departments are involved in lease related activity for example BTS tower site leases are a responsibility of technology department, Vehicle, experience centre and admin building leases are responsibility of service and facilities department and warehouse leases are responsibility of supply chain management department. Those department made lease agreement and keep those agreements. End of the each year they send requisition to accounts payable department and accounts payable department pay the claimed amount. But accounts payable department has no information regarding those lease, Moreover when a new employee or intern join there it takes 2-3 days to provide necessary things like laptop and other work material which are responsibility of different department. By observing these facts I realized that in Robi Axiata Limited has lack of synchronization among their departments. If they can ensure improved synchronization they can save their precious time and increase productivity of their employee also they can also increase departmental profitability.

Conclusion

Being an accounting graduate, I am fascinated to work in Finance division of a multinational telecommunication company where I am capable of combining my skills and experience. Finance division of Robi Axiata Limited helps me to understand several financial activities. Most importantly I gathered knowledge about how a multinational company handles their lease related activity, how lease benefits them, which characteristics of an asset they consider when they take lease and how they disclose their lease related transaction. I can implement this valuable knowledge in my future.

In my short time experience in Robi Axiata Limited I developed myself in many ways. Most importantly I adapt professionalism and also developed my communication skill. This internship program not only enlarged my finance knowledge but also taught me to how to work in pressure with uncompromising integrity.

Finally, it is time to take what I have learned and implement that knowledge in my professional life; a time to take a step further in the life

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