

## Report On

# Fixed Asset Management: Analysis of the policies and procedures of a client of Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh)

By

Sabrina Qureashi Niha  
ID: 18204068

An internship report submitted to the BRAC Business School in partial fulfillment of the  
requirements for the degree of  
Bachelor of Business Administration

BRAC Business School  
Brac University  
February 2023

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## **Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

**Student's Full Name & Signature:**

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**Sabrina Qureashi Niha**

ID: 18204068

**Supervisor's Full Name & Signature:**

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**Mr. Saif Hossain**

Assistant Professor, BRAC Business School

BRAC University

## **Letter of Transmittal**

Mr. Saif Hossain

Assistant Professor

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: **Submission of Internship Report**

Dear Sir,

It is my great pleasure to be able to submit the internship report on *“Fixed Asset Management: Analysis of the Policies and Procedures of a client of Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh)”* that I have prepared from my experience while working as an intern at Rahman Rahman Huq “the firm” in the Audit and Advisory Services Department. I have worked here for a period of 3 months from the 2<sup>nd</sup> of October till the 2<sup>nd</sup> of January and was able to observe and work with real documents during the course of audit.

It was an amazing experience and I have tried my best to carry out my supervisor’s instructions and meet the requirements.

I cordially thank you for the guidance and support you have provided me with regarding this report. I have put my best effort towards the successful completion of the report with the essential data in a comprehensive manner. I am optimistic that my internship report will meet all the standards and satisfy the criterions.

Sincerely,

---

Sabrina Qureashi Niha

ID: 18204068

BRAC Business School

BRAC University

Date: February 12, 2023

### **Non-Disclosure Agreement**

As a former intern of Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh), I am aware that I have had access to information which may be subject to confidentiality as these information's can be extremely crucial for the organization and its clients. I acknowledge that I am required to always maintain confidentiality of those information. I assure that I will not reveal or discuss any of this information with anyone.

#### **Intern's Full Name & Signature:**

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**Sabrina Qureashi Niha**

ID: 18204068

#### **Organization's Supervisor's Full Name & Signature:**

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**Mr. Md. Syful Islam**

Senior Manager

Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh)

## **Acknowledgement**

All praises are due to Allah; for Him being Merciful, I was capable of completing my internship period with great strength and write the report smoothly. Moreover, it was possible for me complete this report due to joint effort of different individuals and I must convey my appreciation towards everyone.

First and foremost, I would like to thank my academic internship supervisor, Mr. Saif Hossain for his guidance and the rigorous inspection of my internship report. I am extremely grateful to him for valuable insight regarding my report. He was always available which made it possible for me to complete the report in due time.

Secondly, I would like to extend my gratitude to Mr. Syful Islam, senior manager of Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh), for his time and valuable opinion. His guidance made my internship journey a fruitful experience. He and his team consisting of Mr. Adib Hasnain, Mr. Khalid Al Imran, Ms. Tahsina Jahan, Ms. Tanjina Binte Alam, Mr. Rejaur Rahman and Mr. Shariful Islam were very kind. They answered my queries and provided as much information as possible to help me successfully complete my report. I felt valuable as a team member and was happy to work with such an amazing team.

Furthermore, I am grateful to BRAC Business School for introducing internship program where we, the students, are able to make use of theoretical knowledge in the real world.

Finally, I would thank my family for supporting me throughout my entire undergrad and internship journey.

## **Executive Summary**

The report titled “Fixed Asset Management: Analysis of the Policies and Procedures of a client of Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh)” is the outcome of 12 weeks of internship at Rahman Rahman Huq. This report includes 3 chapters namely, Overview of Internship, Organization Part, and the report part. The primary objective of this report was to provide hands-on practical experience of Audit and Advisory services and Fixed Asset Management. This report includes a synopsis of the company’s profile. Moreover, this report provides an understanding fixed asset management process, treatment for IAS 16 and policies of Company X.

This report is endorsed by qualitative data from primary and secondary sources. The findings have been presented with descriptive analysis. It consists of the mission, vision, values and tagline of KPMG. This report also consists of KPMG’s SWOT analysis, Porters five forces analysis, marketing practice, accounting practice, and management practice.

In conclusion, the paper analyzes the findings and provides Company X with recommendations for the foreseeable future. The name of the company is not disclosed to maintain confidentiality and there are some data limitations due to non-disclosure agreement. Nevertheless, the analysis was conducted based in the company’s available information.

**Keywords:** Audit, Fixed asset management, PPE, Compliance, Depreciation, Disposal, Impairment

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## **List of Acronyms**

ACCA	The Association of Chartered Certified Accountants
ADP	Advance, Deposits and Prepayments
AMPT	Audit Misstatement Posting Threshold
BASs	Bangladesh Accounting Standards
BBA	Bachelor of Business Administration
B2B	Business to Business
BIDA	Bangladesh Investment Development Authority
CA	Chartered Accountant
CFO	Chief Financial Officer
CGPA	Cumulative Grade Point Average
CMA	Certified Management Accountant
EY	Ernst & Young
FAR	Fixed Asset Register
FS	Financial Statements
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IB	International Business
ICAB	The institute of Chartered Accountants of Bangladesh
ICAEW	Institute of Chartered Accountants in England and Wales
ICMAB	The Institute of Cost and Management Accountants of Bangladesh
IFRSs	International Financial Reporting Standards
ISA	International Standards on Auditing
ITO	Income Tax Ordinance

KAM	KPMG Audit Manual
KPMG	Klynveld Peat Marwick Goerdeler
MBA	Master of Business Administration
MD	Managing Director
NBFIs	Non-Banking Financial Institutions
NBR	National Board of Revenue
NGO	Non-Governmental Organization
PMS	Performance Management System
PPE	Property, Plant and Equipment
PWC	Pricehouse Water Coopers
RRH	Rahman Rahman Huq
USAID	United States Agency for International Development
US SOX	United States Sarbanes-Oxley Act

## **Glossary**

Deliverables	a formal communication conveying the results of the audit/engagement as it relates to the procedures performed as required to meet the audit/engagement objectives
Due Diligence	an investigation or review of a company's books to confirm its facts and adherence to standard practices
Group Auditor	responsible for establishing and providing an audit <b>opinion</b> on the group or consolidated financial statements, including the parent company's financial statements and the subsidiaries' financial statements
Job description	Job description refers to a written informative documentation that states the duties, tasks, responsibilities and qualifications of a job, based on the findings of a job analysis
Material Misstatement	information in the financial statements that is sufficiently incorrect that it may impact the economic decisions of someone relying on those statements
Statutory Audit	a mandatory audit of a company's financial records by an external entity
Word of mouth	a type of marketing that helps brands build trust, credibility and loyalty

## Chapter 1: Overview of Internship

### 1.1 Student Information

Name	Sabrina Qureashi Niha
ID	18204068
Program	Bachelor of Business Administration (BBA)
Major 1	Accounting
Major 2	Computer Information Management

*Table 1: Student Information*

### 1.2 Internship Information

#### 1.2.1 Period, Company Name, Department, Address:

Period	3 months (2 <sup>nd</sup> October 2022 – 2 <sup>nd</sup> January 2023)
Company's Name	Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh)
Department	Audit and Advisory Services
Address	9 & 5 Mohakhali Commercial Area, Dhaka-1212, Bangladesh

*Table 2: Internship Information*

#### 1.2.2 Internship Company Supervisors' Information

Name	Mr. Md. Syful Islam
Position	Senior Manager, Tax, Audit and Advisory Services

*Table 3: Internship Company Supervisors' Information*



### **1.2.3 Job Scope – Job Duties and Responsibilities**

I was appointed in the Audit and Advisory Services department. During my internship period, I worked at RRH and visited, and worked at the client's office as external auditor with the audit team. My duties and responsibilities were, such as:

- Casting financial statements such as balance sheets, income statements, cash flow statement
- Checking individual items that appear in financial statements
- Communicating with the client and collecting information
- Participating in group reporting and statutory audit
- Assisting in independent assessment of the clients' financial statement and disclosures to assess the risk of material misstatement
- Writing analytical review
- Performing recalculation of depreciation of the clients' assets while auditing
- Verifying the physical assets of the client while auditing
- Reporting on errors and omissions
- Vouching invoices, challans and receipts for examining the validity of financial reports during audit
- Performing surprise cash count of the client during audit
- Checking the additions and disposals of the clients' asset
- Communicating audit findings with the management and audit team members
- Assessing accounts for accuracy and compliance with law or standards like IRFSs, IAS, ISA, ITO, Income Tax rules and
- Preparing bank confirmation letters and accounts receivable confirmation letters for third party confirmation
- Stock counting of Bangladesh Edible Oil Limited
- Listing observation found during audit
- Preparing job description for all departments of RRH for articleship student recruitment

## **1.3 Internship Outcome**

### **1.3.1 Student's Contribution to the Company:**

As an intern at RRH, I took part in Group Reporting and Statutory Audit. I have visited the clients' office and worked as a junior audit assistant with the audit team. After joining as an intern, I was given an overview of the audit policies and procedures followed and performed by KPMG. I also went through the KPMG's Audit Manual (KAM) for better understanding of the steps followed throughout the audit period. From 23<sup>rd</sup> October to 27<sup>th</sup> October, I assisted in the group reporting of Kona Software Lab Ltd. We had to submit the deliverables required by the Group Auditors and I performed the analytical review of the Statement of Financial Position where I had to compare it with the previous year and find out the reason of the difference of amount between 2021 and 2022. I communicated with the responsible individual, collected relevant information, and completed my work within due time. Additionally, from 13<sup>th</sup> November to 15<sup>th</sup> December, I assisted in the Statutory Audit of Company X as a junior audit assistant. Here, I was assigned to work on some components like Property, Plant and Equipment (PPE), Advance, deposit and prepayments (ADP), Accounts Receivable and Bank balance, and Cash in hand.

To put it concisely, my contribution to the company as intern were the followings:

- Working closely with the Audit team in order to support them in effectively performing audit of the assigned client.
- Working under the guidance of an Associate to assess the risks of material misstatement by performing the audit steps like test of operating effectiveness, test of details and substantive procedures by checking the existence of PPE, valuation of PPE, correctness of asset classification, segregation of duties while purchase and disposal of assets and performing depreciation recalculation.
- Going through advance, deposits and prepayments to check to whom the advances were provided, the reason of proving advances and checking the correctness of recorded amount.
- Writing and sending Accounts receivable confirmation letters and bank confirmation letters for confirmation from third parties to check the correctness of the recorded amount.

- Performing surprise cash count at the clients' office premises.

I faced complexities but with the help, support and guidance of the team members and seniors, I believe I made significant contributions to the company.

### **1.3.2 Benefits to the Student:**

KPMG Bangladesh is the member firm one of the top four accounting firms in the world and has highest affiliation with KPMG International along with strong goodwill in the country. It is huge in size and renowned worldwide. Working in KPMG Bangladesh as an intern can bring lots of advantages for the students.

- KPMG Bangladesh has given me the opportunity to grab and extend my knowledge about Audit.
- The environment is respectful and friendly which allowed us, the interns, to learn a lot from the seniors. The company facilitates learning and seniors are always there to listen to the questions and provide explanations.
- I got an insight into how Audit firm operates and what policies and procedures are followed.
- To complete my works faster, they taught me how to use shortcuts keys for Microsoft software which improved my computer skills.
- The works that I was assigned to do assisted me in developing my soft skills like teamwork, communication, time management and rapport-building skills.
- I got the chance to visit the clients and perform and experience statutory audit which would never be possible if I was not in a CA firm.
- I learned how to behave and communicate with the top management during the course of audit along with the basis etiquettes necessary in the real-life work environment.
- An internship can help students to determine their area of interest and understand the certain line of work that might match their personality.

### **1.3.3 Difficulties or Problems (faced during the Internship period):**

There were not many difficulties that I faced during my internship period. However, as I was not assigned to do any work during the first ten days, so it was difficult for me to spend 9 hours without doing anything. Moreover, the phase of becoming an intern from a student was hectic for me as I was not used to spending nine hours in an office. Initially, it was a challenge for me to communicate with the top management personnel of both RRH and its clients' as I was not confident enough. Additionally, even though I had access to information, it was difficult for me to complete the internship report as I had to strictly maintain confidentiality.

### **1.3.4 Recommendations (to the company on future internships):**

The followings are some recommendations to KPMG Bangladesh on future internships:

- As internship is the first real-life work experience for most of the students, they should be given feedbacks so that they can improve themselves.
- KPMG Bangladesh is a well-known CA firm so it will be better if the company is able to increase the internship allowance in order to encourage more interns to join.
- KPMG Bangladesh uses a software named "Clara". However, I, as an Intern, did not get access to work with it. I hope future interns will be given the opportunity to work with the software for a better understanding of how audit quality is maintained, data is stored, and population is sampled.

## **Chapter 2: About the Organization**

### **2.1 Introduction**

The term "Chartered Accountant" overtook the designation "Registered Accountant" when the Chartered Accountants Act, 1949 was enacted on 1 July 1949 (Foundation, *Institute of Chartered Accountants of India* 2023). Outside of the United States, accounting professionals are eligible to receive the chartered accountant (CA) designation. Chartered Accountancy firms play a vital role worldwide by contributing to taxation, capital budgeting, budget forecasts, business recovery and insolvency, forensic accounting, financing, bookkeeping, management consultancy and every other field (Silwal, 2020). KPMG, PwC, EY and Deloitte are the Big Four professional service network in the world as they are comparable in size, revenue, workforce and provide a wide scope for professional service (*Big four accounting firms* 2023).

Chartered accountants are essential for the running of a business as they provide services that shape business-critical decisions. By abiding by the law and spreading knowledge of improper behavior, Chartered Accountants aid in reducing corruption (Silwal, 2020). KPMG Bangladesh does the same by providing different services according to need to make sure that the companies run smoothly and stay in compliance with the rules and standards enacted by law.

### **2.2 Overview of the Company**

#### **2.2.1 About KPMG Bangladesh**

KPMG in Bangladesh stands for Rahman Rahman Huq, Chartered Accountants (RRH) and KPMG Advisory Services Limited (KASL). It is one of the most renowned chartered accountancy firms in Bangladesh which provides tax, audit, and advisory services (About – KPMG, 2023).

In 1962, PwC, a chartered accountancy firm, halted its operation in Pakistan. After that, one of the former partners, Messrs Rezaur Rahman along with two other chartered accountants, Mr. M. Saifur Rahman and Mr. Tashfin I. Huq, established Rahman Rahman Huq, Chartered Accountants. All the three were members of the Institute of Chartered Accountants in England & Wales (About – KPMG, 2023).

In Bangladesh, Rahman Rahman Huq “the Firm” is the first member firm of any of the Big Four global accounting firms. On 1<sup>st</sup> January 2006, RRH became the member firm of KPMG International Cooperative “KPMG International”. The premier accounting firm, RRH is

operating in Bangladesh as a representative firm of KPMG International for over a decade. Moreover, KASL is also a member firm of KPMG International which is operating in Bangladesh from 2019 and it is owned and controlled by the partners of KMPG Bangladesh. It provides advisory and non-regulated services to its clients (About – KPMG, 2023).

KPMG International is one of the Big 4 Audit firms in the world. The Big 4; Deloitte, Price Waterhouse Coopers, KPMG and Ernst & Young performs more than 80 percent audit. KPMG is the global accounting network of independent member firms who offers various audit, tax, and advisory services to clients over 155 countries in the world. KPMG collectively has more than 174000 highly qualified, skilled, and efficient employees (*Who We Are - KPMG Global*, 2022).

KPMG staff members have come from a wide range of backgrounds. They have received extensive training and valuable industry exposure that will enable them to collaborate with clients to understand their organization's objectives and identify unforeseen opportunities. With the help of its human resources, years of extensive industry experience, specialized skills, knowledge, and resources, KPMG Bangladesh offers a broad range of tax services. KPMG International is a global network of auditing, tax, and advisory specialists with offices both domestically and abroad. To deliver top-notch services to clients, KPMG acquire, train, and employ highly skilled, passionate, and empowered professionals. The firm help the organizations to stay current on the most recent changes about the industries, markets, and regulations through knowledge-sharing sessions and updates.

The member firm of KPMG International, RRH, is currently being actively operated by four partners who are the fellow members of ICAB and ICAEW. The Partners are:

1. Mr. Mehedi Hasan
2. Mr. Adeeb H. Khan
3. Mr. Ali Ashfaq
4. Mr. Ashraf Zaman Ali

Mr. Adeeb H. Khan is the senior partner of the firm who is highly experienced in the field of audit, tax, due diligence and advisory for over 25 years. Mr. Ali Ashfaq, another partner is specialized in statutory audit, special audits, and corporate tax. Mr. Mehedi Hasan is a member of ICAEW, ICAB and ICMAB. He has expertise in the field of audit, tax, due diligence, US SOX audit and A133 compliance audit. Another partner, Mr. Ashraf Zaman Ali is specialized in tax and foreign exchange regulations.

RRH primarily operates in Mohakhali, Dhaka. There is a regional office in Agrabad, Chittagong that administers regional activities.

Brief Profile of KPMG Bangladesh:

Company Name	Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh)
Address	9 & 5 Mohakhali Commercial Area, Bir Uttam AK Khandakar Rd, Dhaka-1212
Phone	+880 2 2222 86450-2
Fax	+880 2 222286449
Email	dhaka@kpmg.com
Website URL	<a href="https://home.kpmg/bd/en/home">https://home.kpmg/bd/en/home</a>
Brach Office Address	Agrabad, Chittagong.

*Table 4: Brief Company Profile of KPMG Bangladesh*

**2.2.2 KPMG Mission Statement**

“To turn knowledge and understanding of information, industries and business trends into value for our firms' clients, our people and the capital markets.” (*KPMG Mission, Vision & Values*, n.d.)

**2.2.3 KPMG Vision Statement**

“At KPMG, our goal is not to be the biggest professional services firm. Our goal is to be the best professional services firm. And we define this in a very tangible way through our vision of being the Clear Choice.” (*KPMG Mission, Vision & Values*, n.d.)

#### **2.2.4 Values**

- “Integrity:  
We do what is right.
- Excellence:  
We never stop learning and improving.
- Courage:  
We think and act boldly.
- Together:  
We respect each other and draw strength from our differences.
- For Better:
- We do what matters.” (*Our values, n.d.*)

#### **2.2.5 Our Role in the World**

To make a difference today while making the world a better place for future generation (*Our role in the world, n.d.*).

#### **2.2.6 Tagline**

For Better. We do what matters.

#### **2.2.7 Services provided by RRH**

RRH provides different services to its clients which includes audits, tax planning, advisory, risk consultancy and other business solutions. The services provided by RRH are discussed below.

- Audit and Advisory Services:

RRH’s provides auditing and advisory services to audit and non-audit clients on different events. KPMG Bangladesh has numerous dedicated professional personnel who are specialized in different areas of knowledge including technical, regulatory, and standard setting experience. They are capable of dealing with complex transactions and events as well as highly complicated project and process. The Audit and advisory team of KPMG Bangladesh has



strong adherence to the accounting standards and financial reporting process. Due to this strong adherence and understanding of accounting standards and principles, they provide the best quality of audit services to the clients. The firm provides services to local brands along with many top multinational organizations. The description of auditing and advisory services provided by the firm is given below:

- *Financial Statement Audit:*

Auditing financial statement provides confidence to the intended users like investors, shareholders, parent company, etc. of financial data presented in the statement. KPMG audit professionals takes the responsibility of serving public interest seriously by using effective data & analytics process for improving quality of audit procedure and obtaining deeper level of understanding to provide improved audit evidence. Independent auditors work as a trusted intermediary between the users of information and provider of information. Due to the scandals of big organizations, investors and capital marketers want more transparent information. KPMG embraces data and analytics and new processes that helps the firm to increase the quality of auditing and make audit more relevant for the intended users.

- *Audit Data & Analytics:*

KPMG uses constructive D&A process which improves the audit quality of KPMG by enabling its professionals to test complete populations. It also helps the professionals to understand the business process and client's business environment. KPMG has automated audit process that helps in risk assessment.

- *Better Business Reporting:*

KPMG helps its clients on sustainable business performance by providing narrative reporting and MD&A. Corporate reporting is changing to order to provide investors with a wider view of the firm's performance. KPMG's Better Business Reporting Group can aid clients in adjusting their reporting with what's key to their organization, whether they are aiming to stay ahead of reporting requirements or just want to give a better account of their business's performance. KPMG motivate clients to center elements that are crucial and meaningful to the future of their business while preparing financial reporting rather following specified information and disclosures.

- *Risk Assessment:*

KPMG analyzes all the risk and its connection that can impact business operations. This deep profound knowledge of risk assessment helps KPMG's professionals to enhance audit quality. Risk assessment allows professionals to make more conscious decision within the organizations. They help clients in detecting risk along with observing and controlling threats related to the risk.

- Tax:

In this expanding business environment, features of taxes are also changing globally. Tax is a dynamic element of cost rather than a passive charge on the profits. Effective and efficient tax management system provide organization with a distinctive competitive advantage over others. Managing the heightening regulatory and cost pressure has become a priority to business organization. Therefore, tax functions must adjust to the shifting legislation and increased government scrutiny amid increasing regulatory and cost demands. This necessitates the proactive identification and precise implementation of acceptable tax measures. Businesses require trustworthy perceptions, precise data, and understanding of upcoming trends.

- Transfer Pricing

It is department at KPMG that helps the clients to manage transfer pricing by proving planning compliance, documentation, and implementation service effectively. There are dedicated professionals like accountants, tax practitioners, financial analysts and experts who has the essential knowledge. They help the clients in preparation of annual transfer pricing return and documentation, proper planning of transactions and help in dealing with tax authorities.

### **2.2.8 Array of clients being served**

RRH is certainly one of the renowned chartered accountancy firms in the country with a huge number of engaged articled students. This enables the firm to provide services to a broad array of clients from different industries. This, not only benefit the clients as they are attended by ample work force but is also beneficial for the articled students as they can work in a variety of industry and gain first-hand experience which increases their knowledge. The different types of industries that RRH serves are as follows:

Finance	<ul style="list-style-type: none"> <li>• Banks</li> <li>• Non-Bank Financial Institutions (NBFIs)</li> <li>• Insurance</li> <li>• Capital Market</li> </ul>
Energy	<ul style="list-style-type: none"> <li>• Oil and gas</li> <li>• Electricity and power generation</li> </ul>
Non-Profit Organizations	<ul style="list-style-type: none"> <li>• Charitable organizations</li> <li>• NGOs</li> </ul>
Manufacturing and Trading	<ul style="list-style-type: none"> <li>• Pharmaceuticals</li> <li>• Food and drinks products</li> <li>• Textile</li> <li>• Infrastructure</li> </ul>
Services	<ul style="list-style-type: none"> <li>• Shipping</li> <li>• Software</li> <li>• Healthcare</li> <li>• Government</li> </ul>

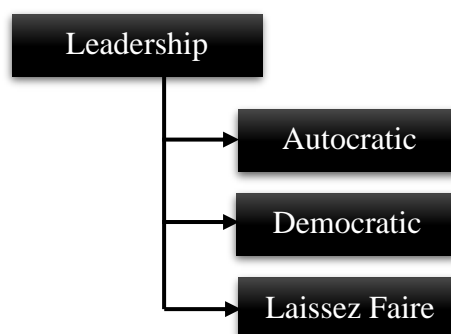
*Table 5: The Clients served by KPMG Bangladesh*

## 2.3 Management Practices

### 2.3.1 Leadership Style of KPMG Bangladesh

Generally, most of the business practices any of the three of Kurt Lewin's leadership styles.

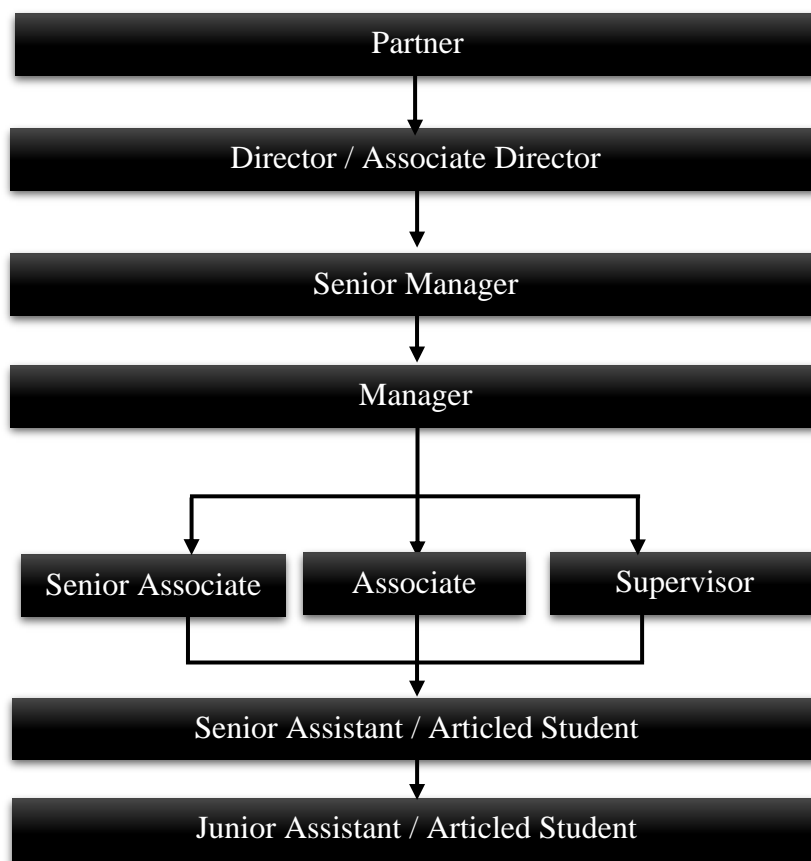
*Figure 1: Kurt Lewin's Leadership Styles*



KPMG Bangladesh has a democratic and participative style of leadership which is one of the most effective leadership styles. The employees are welcomed to share their ideas and opinions in the decision-making process. Here, employees are guided and controlled by the partners, directors, and managers but discussion, exchange of ideas and contribution is encouraged which leads to greater productivity. Significant openness in both ways of communication exists. A top-down hierarchy is maintained so there is a clear reporting line for the members. Moreover, as most of the employees are CA articled students, the turnover rate is low. A democratic and participative leadership style is very important for any auditor's team. It helps in achieving the objectives through proper communication and participation. The audit team members can ask for advice and share knowledge with each other along with getting guidance from the top management which makes the course of audit efficient and effective. Numerous decisions like the AMPT amount, compliance with law, sample size needs to be taken by auditors for which exchange of knowledge is vital.

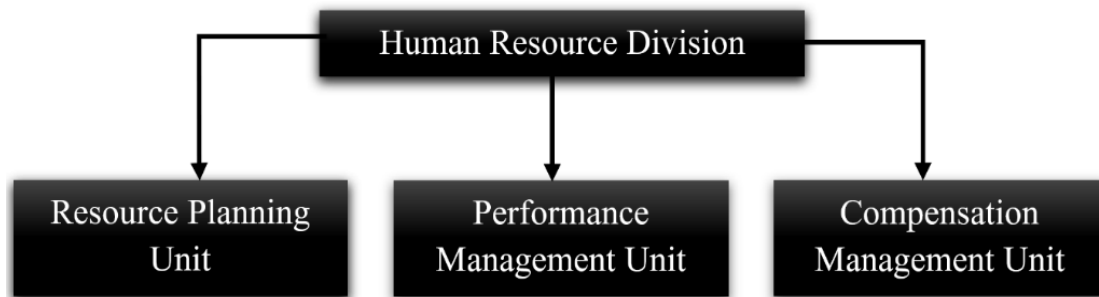
The Organizational Hierarchy of the Audit and Advisory Services Department of KPMG Bangladesh is shown below

*Figure 2: Organizational Hierarchy of KPMG Bangladesh*



### 2.3.2 The Human Resource Planning Process

Figure 3: Human Resource Planning Process of KPMG Bangladesh



The responsibilities and activities of each unit of the human resource division of KPMG is as follows;

#### 1. Resource Planning Unit:

This unit determines the amount of resource or employee that is needed for a particular department and manage those resources. They hire new resources when needed and replace resources if any discrepancies take place from the employee's end. They are responsible for preparing the job description of all the departments like Tax, Audit and Transfer Pricing according to the educational qualification, skill and expertise needed for that department.

#### 2. Performance Management Unit:

After the yearly performance evaluation, they collect the reports and further investigate the matter. If any employee gets 5 as performance rating, then the unit revises the contract of that employee and takes disciplinary action. In case anyone gets 2 or 3 as performance rating then the performance management unit arrange rewards like performance allowance.

#### 3. Compensation Management Unit:

This unit manages salaries, benefits, and bonuses of the employees. Moreover, they arrange the salary certificate for the employees. If any employee needs loan or advance, then this unit is responsible to arrange it. They process the salary disbursement and assist the employees in income tax calculation.

### **2.3.2.1 Recruitment and Selection Process**

The motive of the recruitment process is to find the qualified candidates for the vacant positions. KPMG provides equal opportunity to all the candidates regardless of religion, gender, and ethnicity.

The process of recruitment and selection of KPMG differs from the regular process. KPMG is a Chartered Accountancy firm where students work and learn simultaneously. Students from different universities are recruited based on necessity of the firm or their department and CGPA where they are categorized in Type 1, Type 2, Type 3, and Type 4. The types are set by the firm and the difference is based on the universities from where the candidates have completed BBA, MBA, IB, CMA or A'level. To get recruited by KPMG the CGPA needs to be equal to or above 3.25. KPMG recruits ACCA students and articled students using the same process.

The nature of assessment for the recruitment is as follows:

- Assessment of past academic records
- Written test
- Interview

### **2.3.2.2 Compensation System**

Employee's salary and compensation package includes the following elements

#### **Basic Elements:**

- Basic Salary

#### **Variable Elements:**

- Conveyance Allowance
- Merit Allowance
- Performance Bonus
- Mobile Phone Allowance

#### **Other Elements:**

- Paid Sick Leave
- Paid Educational Leave
- Paid Casual Leave

### **2.3.2.3 Training and Development Initiatives**

To be up to date on the latest developments for the changing regulations and their impact on business development, training and development is vital at KPMG. The managers, associates, senior assistants, Management trainee officers, CA articled students and ACCA trainees are required to attend online recorded trainings almost daily and submit the completion certificate within the assigned time. Different types of audits, tax and advisory trainings take place which ends with assessments. Everyone needs to ensure that they get 70% of the answers right to receive the certificates.

Some examples of trainings provided KPMG Bangladesh includes;

1. Annual updates on IFRS and US GAAP
2. Revenue Recognition
3. Lease
4. Financial Instruments
5. Transfer Pricing with NBR
6. USAID Training
7. Independence Training
8. Bank Audit Training
9. Integrity Training
10. SOX Training

### **2.3.2.4 Performance Evaluation**

At KPMG, performance evaluation of the students take place semi-annually. If applicable for any student, management level performance evaluation is also performed. The evaluation is done by the seniors based on the performance and participation of the student after the end of audit of each client. It is done by the seniors with whom the students work with. However, the manager is responsible for ensuring that the appraiser has been evaluated appropriately. If the firm takes any decision like increment or promotion based on the performance rating, then the evaluation considered must not be older than 6 months. The yearly increment takes place based on the performance rating on a prospective basis. If performance rating is 1, 2 or 3 then salary increment takes place but if it is 4 then no increment takes place. However, if the performance rating of any student is 5, the contract is revised, and measures are taken.

## 2.4 Marketing Practices

### 2.4.1 Target customers, Targeting and positioning strategy

KPMG International market segmentation is according to location. They have built numerous branches throughout the world which enabled them to reach their clients in accordance with the laws and norms of the respective countries. Likewise, KPMG International can in a contract with Rahman Rahman Huq to make them the member firm and positioned itself as Rahman Rahman Huq, Chartered Accountants, KPMG Bangladesh (Shastri, 2022).

The target market of KPMG Bangladesh are other corporate firms, governmental agencies, multinational companies, local companies, etc. which bring in huge amounts of revenue.

RRH has positioned itself as a member of a global Big Four enterprise which allows them to gain access to more clients from world-wide enabling them to increase their revenue.

### 2.4.2 7P's of Marketing Mix

Marketing is the idea managing profitable relationship with the customers by providing value and meeting the needs, wants and desires of the target customers. It is vital for gap bridging and economic development. Thus, marketing mix is an essential tool to influence the customers buying process and decision. It is used by the firms to achieve the marketing objectives in the target market. The 7P's of Marketing Mix of KPMG Bangladesh is as follows:

*Figure 4: 7P's of Marketing Mix*





- **Product**

KPMG Bangladesh is a firm that provides services like tax, advisory, financial statement audit, risk consultancy, transfer pricing, and management consultancy services to its clients. They have different department with highly skilled professionals to provide the different types of services. The variety of services allows customers to choose the service that they need. The best quality of service is provided to the customers. To make the services better, KPMG uses different software to take unbiased decisions. For example: instead of random sampling, KPMG uses the software named Clara to sample the population so that unbiased verification of the document is possible. Moreover, they not only provide services but also advise the clients whenever necessary. Proper service is provided to the clients within the allocated time which satisfies the clients and encourage them to choose KPMG again and again.

- **Price**

KPMG operated in a B2B market and charges the clients like government organizations, large corporations, and multinationals for the services they provide. In comparison to the other accounting or consultancy firm, the charge of KPMG is premium. The charge is based on the amount of time needed to provide the service, the location of the client's office, and the number of employees who will be assigned to work for that client. The charge also depends on the type of service provided by the firm.

- **Place**

KPMG primarily operates in Mohakhali, Dhaka. There is a regional office in Agrabad, Chittagong that administers regional activities. However, professionals from the firm are send to the client's office where they work as external auditors for one to six months which is why location is not a problem.

- **Promotion**

KPMG Bangladesh, being a member firm of the big four firm has great brand awareness, so they are promoted through word-of-mouth. They hardly promote indulges into any promotional activities. They have built a good reputation which helps it to have a good customer base. However, for further promotion of the brand, they attend career fair at different universities where they encourage the students to choose KPMG for chartered accountancy. They participate in industry events and conferences at national and international levels.

- **Physical Evidence**

Physical evidence is the environment that is experienced by the clients while interacting with the organization. The offices in Dhaka and Chittagong serves as physical evidence for the company. Additionally, KPMG has their own website which the customers can visit to see the services that are provided by the organization.

- **Processes**

It is essential that the clients understand the overall procedure involved in using the services provided by KPMG Bangladesh. So, the process needs to be customer friend. KPMG pays attention in understanding the needs, wants and expectations of the clients. It also has a customer centric information system which helps it to store information which might be necessary in the foreseeable future.

- **People**

People are the service provider or the employees of KPMG Bangladesh who provide services to the clients. Services providers play a crucial role in providing a customer satisfactory service. Thus, it is essential for the service providers to understand what the clients want or expect. Moreover, to maintain the client base, it is important for the employees to be always professional and provide the best quality of service to the clients. The service providers of KPMG are highly skilled and experienced. They are aware of what to do in which situation and satisfy the clients. Also, they attend trainings almost daily to groom themselves and gain knowledge about the changes that takes place in the rules and standards. KPMG arranges career enrichment events for its employees.

## **2.5 Financial Performance and Accounting Practices**

### **2.5.1 Financial Performance of KPMG Bangladesh**

Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh) is a partnership firm consisting of four partners currently. As it is permissible by law that it is not required for partnership firms to publish the annual report hence, RRH does not publish annual report. That is why it is not possible for me to perform an in-depth analysis of the financial performance of RRH for which I communicated with the seniors and gathered few information.

RRH provides services to local and multinational companies on a requirement basis. During the year 2018-2019, RRH had a good number of multinational companies as clients, but the local clients were less compared to other CA firms operating in Bangladesh. Local firms choose other local CA firms of Bangladesh over RRH. However, it earned a good revenue. Fortunately, when other businesses were facing a downturn during the covid situation, RRH experienced a boom in its client base which resulted in its revenue to increase. Since then, RRH's revenue and profit is increasing. The number of both multinational and local clients has increased to a point which compelled RRH to increase its workforce. The firm has not taken loan in years, and it is able to pay off the debts or accounts payable within time. These indicates that the financial performance of the firm is good.

## **2.5.2 Accounting Practices in Bangladesh**

Accounting practices have been more prominent nowadays, not just in Bangladesh but also in several other developed nations. The extent of corporate financial statements published in some developing nations, however, clearly goes against all accepted moral guidelines. The use and acceptance of forensic accounting worldwide should be increased. Governments, courts, and national accounting authorities must enact strict laws to stop this violation of standards. Falsification of a company's financial statements should be regarded as a serious and punishable offense if it leads in the misrepresentation of facts or fraudulent financial reporting. Accountants are expected to maintain the highest standards of ethics and conduct honorably in all aspects of their work. They must enforce national and worldwide trust and respect ensuring that accounting professionals are founded on ethical ideas and values and bring an end to manipulative accounting and financial reporting fraud (MOZID et al., 2021).

### **2.5.2.1 Accounting Policies and Practices in KPMG Bangladesh**

To find out and understand the accounting practices of KPMG, I have reviewed the documents, observed the senior team member, and worked on different heads from the financial statement of the clients. Being a member firm of KPMG International, it is mandatory for RRH to follow all the accounting rules and regulations required by KPMG and ICAB. However, being a partnership firm, it is not mandatory for RRH to publish the annual report.

Major accounting practices and policies followed by KPMG Bangladesh while they provide services to the clients are as follows.

- Follow all rules according to the Income Tax Ordinance and Income Tax Rules

- Compliance with all the accounting standards of IFRS
- Compliance with all the sections of IAS
- Need to be compliant with the Bangladesh Labor Law 2006
- Compliance with Value Added Tax and Supplementary Duty Act 2012
- Follow BIDA work permit
- Compliance with GAAP when necessary
- Check consistency of accounting policies with previous years
- Compliance with standards mentioned in ISA
- SOX compliance during SOX audit
- Compliance with ISO standards

## **2.6 Operations Management and Information System Practices**

KPMG's Information system has some highly interactive software like Clara, PMS, and e-audit. These helps in the reduction of use of papers and in decision making as well. KPMG Bangladesh has an in-house IT team with members who are well trained regarding compliance with the ICT security guidelines. Maintaining security is essential for KPMG because it store numerous data received from the clients' end.

The followings are some information system practices of KPMG.

- KPMG strictly maintains confidentiality. To reduce security breaches, they have bit locked installed in every computer used by the partners, managers, and other employees of the firm. The laptops and computers are also password protected.
- All the computers of the firm are monitored and controlled by the IT team to enhance security.
- To maintain the audit quality, KPMG used eAudIT. KPMG's audit methodology, assistance, industry understanding, and the resources required to carry out and record the audit process are all incorporated into eAudIT. It gives ready access to audit assistance, industry standards, and paperwork templates. However, the use of this software is reduced in to update the audit methodology. A new software is introduced name, KPMG Clara Workflow (KwC) (*Innovating and evolving our audit process, n.d.*)
- To order to provide a seamless audit experience to the client, KPMG uses a new digital automated audit platform, Clara, which is scalable and transparent. This software helps

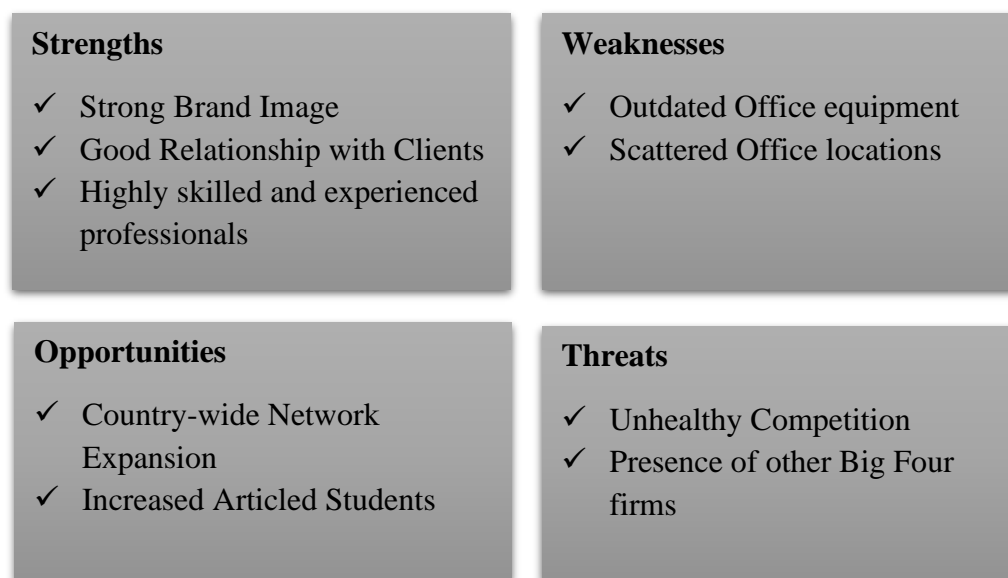
to enhance the quality of audit by providing significant insights into risks and anomalies. KPMG is also able to store and manage the client's data and information with the use of KcW. It is used for the sampling of the entire population of a FS component like Asset for an unbiased verification and quality management.

- KPMG has a software named PMS to record the information of the employees. PMS is used by the employees to record chargeable hours for different tasks like 4 hours per day for training and development, 2 hours per day for client, leave days, etc. It is done at the end of each month. The total hours assigned for client in a month is counted as experience of that employee.

## 2.7 Industry and Competitive Analysis

### 2.7.1 SWOT Analysis

*Figure 5: SWOT Analysis of KPMG Bangladesh*



#### 2.7.1.1 Strength of KPMG Bangladesh includes;

- **Strong Brand Image**

KPMG Bangladesh's biggest strength is that it is the member firm of KPMG International which is one of the Big Four accounting firms and is renowned world-wide. It provides the best service to the clients at a reasonable rate which resulted it to have a large pool of clients who choose KPMG as their quarterly or statutory auditor time and again.

- **Good Relationship with Clients**

KPMG is a customer focused organization. To build good relationship with clients, KPMG not only provide a distinctive customer experience but also interact with the customer to meet the functional needs, work out the detail of the customer strategy and help the customer to build a strong and distinctive brand.

- **Highly skilled and experienced professionals**

KPMG Bangladesh has highly skilled and experienced professionals who are well aware of the task that they need to perform in order to provide the best quality of service to their clients. KPMG train their and provide them guidance whenever needed. They put their best effort for the benefit of the organization and the clients.

#### **2.7.1.2 Weaknesses of KPMG Bangladesh includes;**

- **Outdated Office Equipment**

In the era of technology, it is very crucial to have technologically advanced equipment in the office to perform works more efficiently and effectively. However, most of the office equipment of RRH are outdated and needs to be changes as it does not look good to the clients. It reduces the efficiency of the employees and makes job more time consuming.

- **Scattered Office Locations**

KPMG Bangladesh has offices in the same area but in different buildings. It is quite a hassle to move from one building to another for small tasks during rush hours. Offices in different floors of the same building will make job easier and less time consuming.

#### **2.7.1.3 Opportunities of KPMG Bangladesh includes;**

- **Country-wide network expansion**

RRH is currently operating in Dhaka and Chittagong. However, as more students are interested in CA nowadays, RRH can expand to other divisions of Bangladesh to reach the students. The current improvement in the infrastructures will enable RRH to do so.

- **Increased Articled Students**

ICAB has introduced a pre-article-ship facility for the students who are interested in Chartered Accountancy. This made the CA process easier and less time consuming. More students are now inclined towards CA which might give RRH the opportunity to hire more articulated students.

#### **2.7.1.4 Threats of KPMG Bangladesh includes;**

- **Unhealthy Competition**

There are few local CA firms like ACNABIN, A.Qasem & Co., Hoda Vasi Chowdhury and Co., etc. who pay more to the students and employees nowadays which is a treat for KPMG.

- **Presence of other Big Four firms**

The other Big Four firms such as, EY, Deloitte and PWC are strong competitors of KPMG. local CA firms like ACNABIN, A.Qasem & Co., Hoda Vasi Chowdhury and Co., etc. Thus, there are available options for the customers to choose from. Competition in the business many cause the customer base to shrink and the market share to reduce.

#### **2.7.2 Porter's Five Competitive Forces**

Porter's five forces is a very useful model to determine the attractiveness, intensity of competition and potential profitability of a certain industry. It can be used to analyze the market forces and competitive rivalry of the industry in which KPMG Bangladesh which operates. The five forces are depicted below:

##### **2.7.2.1 Bargaining Power of Buyers**



The bargaining power of the buyers or clients of KPMG is moderate because

- i. The other big four firms like EY, Deloitte and PWC is present in the market along with KPMG who has experienced employees to provide high quality service which allows the potential clients of KPMG to have a moderate level of bargaining power.
- ii. The service charge of KPMG is slightly higher than the other accounting firms due to the brand value. This gives the local companies a moderate level of bargaining power.

### 2.7.2.2 Bargaining Power of Suppliers



The bargaining power of the supplies of KPMG is low because

- i. The number of suppliers in the industry is high in comparison to the buyers. That is why the supplies cannot over price their supplies and this makes suppliers bargaining power low.
- ii. The products that the suppliers provide are less differentiated and can be purchased from other suppliers easily as the switching cost is low. This, the bargaining power of the supplies of KPMG is also low.

### 2.7.2.3 Threat of New Entrants



The treat of new entrants of KPMG is found high because

- i. New entrants of this firm can be seniors who have established themselves in the field of accounting and advisory services and left their job. As they are highly skilled and experienced, they can start their own firm.

### 2.7.2.4 Threat of Substitutes



The treat of substitute for KPMG is very low for the following reasons



- i. The clients do not much option as substitutes to choose. They can hire someone as internal advisor or to handle the tasks related to tax. However, the quality of service may not be the same because the number of experienced employees is more in accounting firms who can collectively come up with better solutions.
- ii. Moreover, there is no substitute for financial report auditing, interim audit, or group reporting.

### 2.7.2.5 Industry Rivalry



The rivalry of KPMG among existing firms is high because

- i. The focus of the Big four firms is on maintaining the quality of service and not the price. Most of the firms have the determination to survive so they buy other companies or become joint venture to be able to provide better service to the clients.

## **2.8 Conclusion**

RRH is not only known for being the member firm of one of the Big Four firms, but it made itself one of the best CA firms in Bangladesh by obtaining the peak level of customer satisfaction possible because of the premium service it provides to its clients. It's been possible with the joint effort of the top management and the employees. Its customer base is rapidly increasing which encourages them to perform more efficiently and effectively. They understand the demand and desires of the clients and try to satisfy those within the assigned time. They make proper use of the resources that are available and provide the services by following all the rules, laws, and standards. To provide top-quality service to the clients, KPMG train their personnel to aware them about the updates and amendments of standards. Additionally, they are taught to take proper measures at the appropriate time if non-compliance takes place from the client's end.

## **2.9 Recommendation**

- In order to make the employees efficient and effective so that they can do more work in less time, RRH can purchase new office equipment like broadband cables, laptops and computers.
- The firm can put up a determined effort in advertising and marketing in order to attract potential clients and articled students.
- The employees should be given feedbacks so that they can improve themselves.
- KPMG Bangladesh is a well-known CA firm but the allowance is low so they should increase the allowance to encourage more students to join.

## **Chapter 3: The Report part**

### **Fixed Asset Management: Analysis of the policies and procedures of a client of Rahman Rahman Huq, Chartered Accountants (KPMG Bangladesh)**

#### **3.1 Introduction**

Nowadays, it has become vital to conduct various businesses activities while maintaining laws in Bangladesh. It is crucial to manage all fixed assets while maintaining compliance because the Bangladeshi government has begun encouraging the accounting sector to embrace all applicable IASs.

Additionally, companies like Company X are more likely to adhere to International Accounting Standards 16, PPE for Fixed Asset Management because it produces a representation of the income statement and statement of financial position that is true and fair and increases transparency, which attracts more investors. When it comes to managing its assets, an organization may have numerous aims, such as real-time monitoring, tracking equipment across numerous different locations, enhancing productivity levels, boosting operational output, maximizing the useful life of assets, and lowering cost of maintenance and impromptu downtime (Anonymous, 2023).

##### **3.1.1 Review of Related Literature**

#### **Fixed Asset Management**

The procedure for keeping track of computers, vehicles, or any other tangible item that an organization would consider to be an "asset" is known as fixed asset management. It is responsible for controlling theft, mitigate unnecessary maintenance cost, and financial accounting (asset value) (Trovato & Watts, 2022).

No of how they are classified, fixed assets are essential to how a company earns money. These must therefore be effectively controlled whether through software or spreadsheets. Any asset management system must give firms insight into the assets for which they are accountable. A fixed asset register is created to accomplish this.

In addition to being among the most significant acquisitions a company will make in a fiscal year, fixed assets are also among the most expensive ones. Therefore, it's critical that each asset

is managed well in order to maximize investment value and guarantee the highest return on investment (ROI) (Anonymous, 2023).

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

Fixed assets or PPE basically include all long-term assets of an entity. PPE are tangible, identifiable, and expected to bring economic benefits to the company beyond one year or single operating cycle (*PP&E (property, plant and equipment) 2022*). In IAS 16, the current guidelines for valuing property, plant, and equipment are stated. When measuring property, plant, and equipment after initiating acknowledgement, IAS 16 authorizes the use of two bookkeeping models. The cost model stipulates that PPE are transferred for their historical value less any accumulated impairment losses and depreciation. In line with the revaluation model, PPE are transferred for their fair market value as of the reassessment date after deducting any following depreciation. In order to prevent the carrying amount from completely varying from fair value at the statement of financial position date, revaluation of assets shall be performed frequently enough (*International Accounting Standard 16 property, plant and equipment - ICAB*).

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

The global accounting standards foster transparency, responsibility, and productivity in financial markets worldwide. This helps investors figure out which companies are worth investing in, and it also helps them decide which risks they're willing to take on (Kenton, 2022).

Bangladesh is likely to follow the same as the remainder of the world strives to focus on correct financial reporting, notably the accounting system. Bangladesh must keep up with both the changes in the world and the growth and depth of business practices. Bangladesh is not unique in this regard; most East Asian economies have been continuously assessing and updating their regulatory frameworks over the past several years, particularly about disclosure practices. (Mir & Rahaman, 2005).

One of the earliest institutions in South Asia to begin applying IASs was the ICAB. The ICAB refers to standards that have been approved as "Bangladesh Accounting Standards (BASs)" despite the fact that the majority of these standards are exact replicas that share the identical numeric value as the real IASs (Mir & Rahaman, 2005).

The main goal of the two organizations, ICAB and ICMAB, is to foster the growth of accountancy practice in Bangladesh by getting involved in initiatives that strengthen the

reputation of professional accountants in the nation. International funding agencies are extremely unhappy about Bangladesh's lack of accounting standards, and as a result, they have recently forced the government to standardize the nation's financial reporting methods. That is why, Bangladesh government begun to put the professional accountants in stress to adopt all relevant IASs for use in Bangladesh after a significant time of not being involved with the practice of accounting (Mir & Rahaman, 2005).

### **3.1.2 Objectives of the study**

The research project will provide a brief understanding of the fixed asset management procedures from purchase to disposal by KPMG's Client (Company X). It will provide an in-depth understanding of the fixed asset policy of company X. This research is also done to find out whether the Company X is practicing the treatment for PPE and whether such practices comply with IAS 16.

In this project, the name of the actual client remains undisclosed and instead is referred as Company X because disclosure of the name would cause confidentiality breach. Upon asking about writing a report regarding fixed asset management, both the top management of KPMG and the client has asked not to reveal the name of the company as the audit report is yet to be published. Moreover, KPMG personnel always tries to protect the information available to them for the welfare of their clients.

### **3.1.3 Significance**

The foremost objective of this report is to provide information about practical experience that a student might face in the field of audit so that it can be a reference for the upcoming years. My learnings and experiences during the three months internship program are discussed in this report. Additionally, my report will provide a comprehensive knowledge to the readers that I gained during my internship regarding the auditor's duties, IAS 16, and fixed asset management.

## **3.2 Methodology**

The methodology of my internship report is that I have collected relevant data and information from my manager, seniors, in-charge and from the internet for which I depend on primary and secondary research. The whole report is based on qualitative data. However, due to high

confidentiality issues and the organization being a partnership firm, I was not able to come up with any quantitative data. I have collected data from secondary sources that comply with laws and regulations, from KPMG Bangladesh's website and other research papers. Observations, conversations, on-the-job experience were my primary resources for data collection.

### **3.2.1 Source of the Data and Information**

#### **Primary Sources:**

The subsequent are the information collected through primary sources

- Personal observation throughout the audit period
- Conversation with responsible individuals (CFO and MD) from the client's end
- Conversation with in-charge and seniors of RRH
- Collected information while working on PPE

#### **Secondary Sources:**

The subsequent are the information collected through secondary sources

- Collecting information from the client's annual report of the previous years
- Checking IAS 16 and IAS 36 for laws and rules regarding fixed asset
- Reviewing the client's fixed asset policy
- Gathering information from the website of KPMG Bangladesh
- Studying papers publish on fixed asset management

## **3.3 Descriptive Analysis**

### **3.3.1 Fixed Asset of Company X**

A fixed asset is any tangible or intangible asset that what a corporation or business organization has owned for a prolonged period, is employed to generate income, and is depreciated over time. For an extended period of time, fixed assets/ capital assets aid business entities. For instance, a business organization may employ machines, equipment, furniture, etc. for ages. Assets are segregated in the company's balance sheet as non-current assets and current assets. Company X has non-current assets such as, air conditioners, electrical equipment, furniture and fixtures, motor vehicles and computer and accessories.

### **3.3.2 Treatment for Property, Plant and Equipment by Company X in accordance with IAS 16**

#### **3.3.2.1 Recognition of Assets**

Only when compliance with both of the following terms is achieved: (1) It is likely that the entity will get future economic advantages associated with the fixed asset; and (2) The cost of the asset can be measured with reasonable accuracy (*International Accounting Standard 16 property, plant and equipment - ICAB*).

Assets with a BDT 30,000 or higher cost and a useful life of more than a year must be stated as fixed assets. For better management and identification purposes, it is occasionally necessary to separate a fixed asset into its component parts. Those parts of the asset that cost less than BDT 30,000 are listed in the fixed asset register. Additionally, items designated in the fixed asset policy with a useful life that exceed a year may be listed in the FAR. Moreover, any item that fulfills the criteria of a fixed asset but received as gift shall also be listed in the FAR as the company's PPE (Internal sources).

#### **3.3.2.2 Measurement at Recognition**

According to IAS 16.15, "an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost."

In accordance with IAS 16.16, the cost of an item of PPE consists of:

- the acquisition price, which comprises import charges and irrecoverable acquisition taxation after trade reductions.
- Any expense that is directly related to getting the asset to the place and state that will allow it to function as intended by Company X, such as site preparation costs, preliminary delivery and transportation costs, setup and installation costs, related expenses, etc.
- The initial estimate of the costs of demolishing and extracting (if necessary) the item and replacing damaged on which it is positioned, an obligation that Company X incurs either upon acquisition of the item or as a result of using the item for purposes other than manufacturing inventories during a fixed timeframe.

### **3.3.2.3 Measurement after Recognition**

According to IAS 16.29, an element of PPE, as well as intangible assets, must be carried at cost minus any accumulated depreciation/amortization and any accumulation of impairment losses after initial recognition. When measuring an asset, it's also important to take its component parts' replacement costs into account. Contingent rent must be recorded as a cost when it occurs.

### **3.3.2.4 Selection of Depreciation Method**

IAS 16.75 states that determining the method of depreciation and estimating the useful life of assets are judgment calls. Users of financial statements can therefore assess the policies chosen by administration and make differentiate with other companies by having access to information about the methodologies employed and the anticipated useful life or depreciation rates. “Depreciation must be disclosed in two ways:

- (a) during the period, whether it is included in profit or loss or as part of the cost of other assets
- (b) at the end of the period, as accumulated depreciation” (*International Accounting Standard 16 property, plant and equipment - ICAB*).

### **3.3.2.5 Cost model**

IAS 16.29 states that “an entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.” Company X uses the cost model as its accounting policy. According to IAS 16.30, “after recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.”

## **3.3.3 Fixed Asset Register and Asset Tagging**

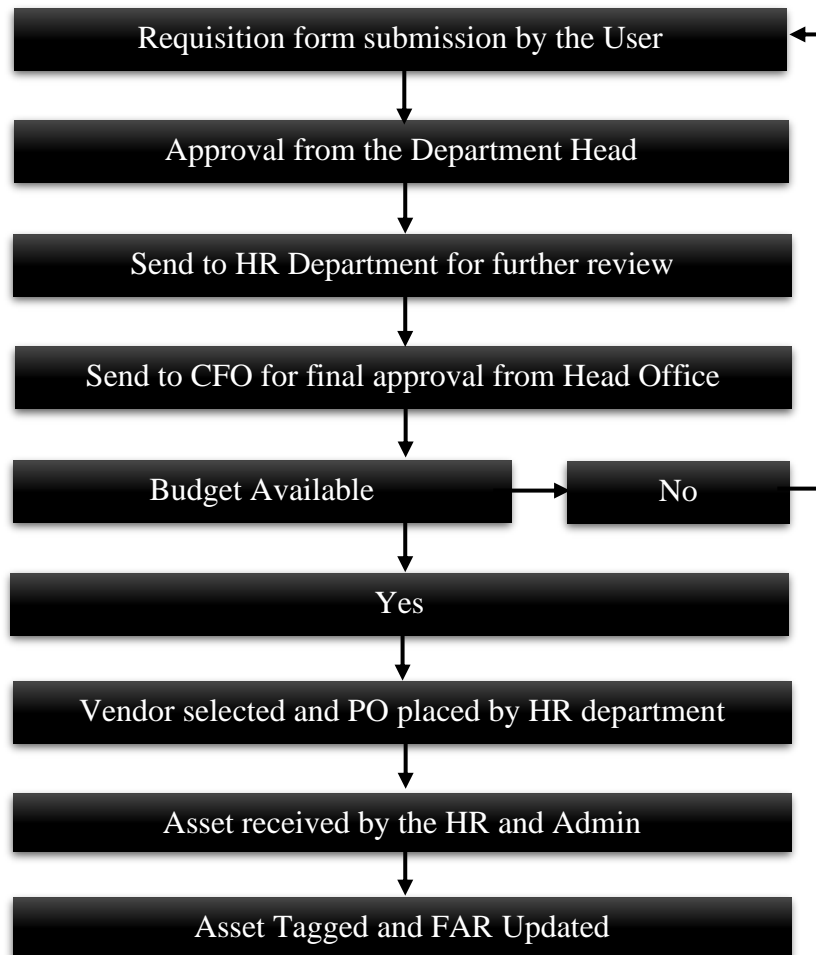
Fixed asset register (FAR) is an essential document for properly maintaining the fixed assets of Company X. It is also vital to tag all the assets with unique codes. After purchasing any asset, Company X updates the FAR where the date of purchase, cost of purchase, description of the asset, rate of depreciation, location, username, and asset codes are mentioned. The accumulated depreciation and the written down value are gradually updated each year. When an asset is disposed, the disposal date and amount of loss/gain on disposal is mentioned in the FAR. Company X does not have any assigned team for fixed asset management rather an admin



office updates the FAR and tags the assets manually in supervision of the CFO. All the asset codes are changed once in two years to effectively maintain the FAR.

For Asset Tagging, Company X used the following flowchart:

*Figure 6: Process of Asset Tagging*



### **3.3.4 Depreciation Policy**

Depreciation is calculated to write off the cost of items of property, plant and equipment using the reducing balance method. The depreciation is calculated without a salvage value and no estimation for the number of useful lives takes place. Depreciation is generally recognized in profit or loss unless the amount is included in the carrying amount of another asset. Items of PPE are depreciated from the following month of the month in which the assets are purchased or available for use and ready for use. Depreciation shall be charged for the whole month of disposal of asset. Depreciation methods, rates and residual values are reviewed at each reporting date and adjusted if appropriate (Internal Sources).

### **3.3.5 The Fixed Asset Policy of Company X**

#### **3.3.5.1 Property, Plant and Equipment**

##### **(i) Recognition and measurement**

According to the fixed asset policy collected from Company X, Items of property, plant, and equipment are valued at cost, excluding any accumulated impairment losses and depreciation. After excluding trade discounts and rebates, the cost of a piece of property, plant, or equipment consists of the purchase price, import duties, non-refundable taxes, and any other expenses directly related to getting the asset to the place and state where it can function as intended. The price includes a preliminary estimate of what it will cost to remove the item, disassemble it, and rebuild the place where it was once located. Any profit or loss from selling a piece of property, plant, or equipment is recorded as non-operating income in profit or loss.

##### **(ii) Subsequent expenditure**

If it is likely that the future economic benefits contained within the part will flow to the company and its cost can be accurately determined, the cost of replacing or upgrading the part of a piece of PPE is recognized in the carrying amount of the item. The replaced part's carrying amount is no longer recognized. The expenses for regular PPE maintenance are recorded in profit or loss when they are incurred.

##### **(iii) Depreciation**

In accordance with the fixed asset policy, Property, plant, and equipment are depreciated at Company X in the following month after the asset is purchased or becomes accessible for use and suitable for use. Using the reducing balance methodology, depreciation is calculated to write off the cost of PPE components over their projected useful lives, deducting their estimated residual values. Unless it is included in the carrying amount of another asset, depreciation is typically recorded in profit or loss. Depreciation is charged on PPE starting with the month the asset is purchased. Depreciation must be charged in the month the asset is disposed of.

Following are the depreciation rates for current and comparative years for property, plant, and equipment:

<b>Particulars</b>	<b>Rate of Depreciation</b>
Motor vehicles	20%
Air conditioners	15%
Computer and accessories	30%
Office equipment	15%
Electrical equipment	15%
Furniture and fixtures	10%
Office renovation, Dhaka	15%
Office renovation, Chittagong	25%

*Table 6: Depreciation Rate of PPE*

### **3.3.5.2 Intangible assets**

#### **(i) Recognition and measurement**

The Company has accounting software which is recorded as an intangible asset in the FAR. Acquired software that has finite useful life is initially capitalized at cost which includes the purchase price and other directly attributable cost of preparing the asset for its intended use. Any gain or loss on disposal of an item of accounting software is recognized in profit or loss (*International Accounting Standard 16 property, plant and equipment - ICAB*).

#### **(ii) Subsequent expenditure**

Only when a subsequent expense enhances the future economic benefits embodied in the particular asset to which it relates are they capitalized. All other expenses, including those for subsequent expenses, are only capitalized when they increase the potential future economic benefits of internally created goodwill and brands and are recorded when they are incurred in profit or loss.

#### **(iii) Amortization**

“Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss” (*International Accounting Standard 16 property, plant and equipment - ICAB*).

The planned rate of amortization is as follows:

<b>Particulars</b>	<b>Rate of Amortization</b>
<b>Accounting Software</b>	25%

*Table 7: Amortization Rate of Intangible Asset*

“Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate” (*International Accounting Standard 16 property, plant and equipment - ICAB*).

**(iv) Change in useful life**

Company X changed the useful life of Hardware House Paperless ERP Version (HPEV)-accounting software from three years to four years and reflected in the financial statements

### 3.3.6 Fixed asset management procedure of Company X

Particulars of Assets	Description of asset	Assets Identification Number	User / Attached with	Cost			Depreciation				Written Down Value (WDV) as on 30/06/2022	Acquisition Date	
				Cost As on 01/07/2021	Addition	Deletion	As on 30/06/2022	Accumulated Depreciation as of 01/07/2021	Depreciation for the Year	Deletion Adjustment			Accumulated Depreciation as of 30/06/2022
Motor Vehicles	Car-Chaitia Metro-GA-1943 - Toyota Axiom 1500 CC- Model 2016 White	TSLLCGP2022-MV-001	Ctg. Common	-	1,896,000	-	1,896,000	-	94,800	-	94,800	1,801,200	15/03/22
Motor Vehicles	Motor Cycle - Chaitia Metro-HA-20-8282-TVS Stryker 125 CC	TSLLCGP2022-MB-001	Ctg. Ops	-	131,500	-	131,500	-	6,576	-	6,576	124,924	15/03/22
Motor Vehicles	Motor Cycle - Chaitia Metro-HA-20-8283-TVS Stryker 125 CC	TSLLCGP2022-MB-002	Ctg. Ops	-	131,500	-	131,500	-	6,576	-	6,576	124,924	15/03/22
Air Conditioners	AC_Gree 2 Tons Split - 1 Unit	TSLLCGP2022-AC-12	Ctg. IT Room	-	70,620	-	70,620	-	2,649.00	-	2,649	67,971	15/03/22
Computer & Accessories	Laptop - HP Probook 440 G8, 512GB, 8GB	BDCGPMC000368	Ctg. Jaish	-	77,175	-	77,175	-	21,219.00	-	21,219	55,956	15/07/21
Computer & Accessories	Laptop - HP Probook 440 G8, 512GB, 8GB	BDCGPMC000369	Ctg. Sumton	-	77,175	-	77,175	-	21,219.00	-	21,219	55,956	15/07/21
Computer & Accessories	Router & Switch - WSC3560CX-8PC-S - CISCO Desktop for 0365 Project - HP Prodesk 400 M1 Core i7 10th Gen 2.9 GHz upto 4.8 GHz Int'l Q470 32GB DDR4 1TB SSD - 1 Unit	BDCGPMC000365-66	Ctg. IT Room	-	211,192	-	211,192	-	52,800.00	-	52,800	158,392	12/08/21
Computer & Accessories	Desktop for 0365 Project - HP Prodesk 400 M1 Core i7 10th Gen 2.9 GHz upto 4.8 GHz Int'l Q470 32GB DDR4 1TB SSD - 1 Unit	DACPWSCDP001	Dhk. IT Room	-	121,275	-	121,275	-	3,032.00	-	3,032	118,243	19/05/22
Computer & Accessories	Desktop for 0365 Project - HP Prodesk 400 M1 Core i7 10th Gen 2.9 GHz upto 4.8 GHz Int'l Q470 32GB DDR4 1TB SSD - 1 Unit	CGPPWSCDP001	Ctg. IT Room	-	121,275	-	121,275	-	3,032.00	-	3,032	118,243	19/05/22
Computer & Accessories	Router	BDDACRR000368	Dhk. IT Room	-	51,450	-	51,450	-	-	-	-	51,450	13/06/22
Office Equipment	TV_JVCO 43" UHD Android Smart LED - 1 Unit	BDCGPRR000369	Dhk. WS	-	45,990	-	45,990	-	1,725.00	-	1,725	44,265	10/03/22
Office Equipment	CCTV_DVR with 5 Camera & accessories	TSLJHRAKTVJ003	Dhk. WS	-	45,077	-	45,077	-	1,689.00	-	1,689	43,388	10/03/22
Office Equipment	Vacuum Cleaner, Sharp 21 Lts - 1 Unit	TSLJHRAKTVJ003	Ctg. Common	-	19,260	-	19,260	-	723.00	-	723	18,537	10/03/22
Furniture & Fixtures	Executive Chairs - Model: CSEF041FFAA017 - 20 Nos. - Otobi Ltd	TSLLCGP2021-EC01-20	Ctg. WS	-	159,528	-	159,528	-	10,632.00	-	10,632	148,896	16/10/21
Furniture & Fixtures	Ltd	TSLLCGP2021-WS01-08	Ctg. WS	-	181,354	-	181,354	-	12,088.00	-	12,088	169,266	16/10/21
Office Renovation	Office Renovation - False Ceiling reconstruction	TSLLCGP2022-FC-01	Ctg. Common	-	118,877	-	118,877	-	4,458.00	-	4,458	114,419	10/03/22
				-	3,459,248	-	3,459,248	-	243,218	-	243,218	3,216,030	

Table 8: Fixed Asset Register - Addition

Particulars of Assets	Description of asset	Assets Identification Number	User / Attached with	Cost			Depreciation					Written Down Value (WDV) as on 30/06/2022	WDV before sales	Sales Value	Profit (Loss) on Sale	Acquisition Date	Disposal Date
				Cost as on 01/07/2021	Addition	Deletion	As on 30/06/2022	Accumulated Depreciation as of 01/07/2021	Depreciation for the Year	Deletion Adjustment	Accumulated Depreciation of 30/06/2022						
Motor Vehicles	Charita Metro Suzuki Swift V6 1200 CC Model 2011	TSLI/MVCTG001	C/o Common	1,318,000	-	(1,318,000)	-	1,177,361	25,784	(1,203,145)	-	114,855	220,000	105,145	31/05/11	9/5/2022	
Motor Vehicles	Motor Cycles - 2 Nos. - for Chaitis	TSLI/MVCTG002-3	C/o Chaitis	227,420	-	(227,420)	-	193,083	6,292	(199,375)	-	28,045	40,000	11,955	31/12/12	9/5/2022	
Furniture & Fixtures	Work Stations, Wooden - 10 Nos	TSLI/CTGF001-10-2010	C/o	40,000	-	(40,000)	-	27,415	525.00	(27,940)	-	-	-	5,000	(7,060)	07/08/10	31/12/2021
Furniture & Fixtures	Executive Chaitis - 16 nos.	TSLI/CTGF001-20-2014	C/o	120,000	-	(120,000)	-	61,432	1,952.00	(63,384)	-	56,616	22,400	(34,216)	30/08/14	20/10/2021	

Table 9: Fixed Asset Register - Disposal

### **3.3.6.1 Steps for Addition of Fixed Asset**

#### ***(i) Raising yearly budget***

The responsible person from KPMG's client, Company X, prepares a requisition of assets and send it to the head of the department, the department head authorize the requisition and pass it on to the HR department. After performing a survey, HR sends the requisition to the Managing Director for approval. Then, the CFO with approval of MD, sends that to their head office in Hong Kong for the final budget review. Finally, the head office approves the requisition after all the necessary procedures and review.

#### ***(ii) Selection Process***

After the approval of budget, local office collects at least three quotations from different vendors and send those quotations to regional office, which is in India, to get the selection & approval from regional president. However, management of Bangladesh can also take the decision and approve the vendor sometimes. One vendor is selected based on availability, price, and quality of the product.

#### ***(iii) Purchase Order***

A Purchase Order (PO) is then raised by HR & Admin, based on the price negotiation accordingly. The PO is signed by the Deputy Manager and Assistant Manager off the HR & Admin Department.

#### ***(iv) Goods received***

The goods are then received along with the invoice by HR & Admin and are matched with the purchase order. In case the invoice is not received, oral negotiation and communication along with the copy of the selected quotation may also be applicable.

#### ***(v) Payment***

Monthly statements with all the purchase invoices are prepared and signed by HR & Admin managers and passed to the Finance Department. The CFO reviews the statement and send that to the Manager of Cash Control & Finance, where the Tax and VAT calculations are performed. After that CFO & MD jointly approves the statement.

The cheque is prepared by the Accounts department as per PO and Invoice. The cheque is signed according to the list of signatories and issued to suppliers.

Finally, when the asset is received by HR & Admin and the payment is made, the following journal entry is made where Property, Plant and Equipment is debited, and Bank Account is credited. All the relevant documents are filed for future references.

### **3.3.6.2 Charging Depreciation**

The senior manager of the fixed asset management team of the head office sets the rate of depreciation and rate of amortization according to the fixed asset policy of Company X. After that, the depreciation plan is generated by the fixed asset management team's manager. A team member of the fixed asset team charges noon-automatic depreciation expense and checks it with the depreciation plan. Finally, changes are made, and depreciation plan is approved by the head of the fixed asset management team and communicated with the regional offices.

### **3.3.6.3 Steps for Disposal of Fixed Asset Process**

#### ***(i) Approval for disposal***

For disposing of any fixed asset, normally Company X requires to send the details of the to-be-disposed assets relevant information with reason of disposal to their regional office in India. There, the regional president approves it after the review. Sometimes the management can also take necessary decision to dispose any asset on behalf of regional president.

#### ***(ii) Quotation collection***

Then, the CFO asks the Accounts department to collect quotations from buyers. At least three quotations are collected from interested parties.

#### ***(iii) Review and selection of the buyer***

The CFO reviews the quotations and forwards the review note along with quotations to the management with the written down value (WDV) of the asset. The highest bidder is then selected after the necessary review and decision of the management.



*(iv) Money receipt or cheque*

Lastly, Cash or Cheque is received and processed by HR & Admin. The following journal entry is then made where the Bank A/C is debited and Property, Plant and Equipment A/C is credited.

### **3.4 Finding**

#### **3.4.1 Findings related to Objective 1**

##### **3.4.1.1 Segregation of duties**

After communicating with the asset management team and understanding the process, I have checked the documents and found that proper control took place. The requisition request and approval of the requisition was not done by the same person rather different individuals were assigned to perform different tasks and this was confirmed by checking the signatures of the documents.

##### **3.4.1.2 Proper Documentation**

For the purpose of audit, I have collected all the documents i.e. requisition request form, approval letter, quotations from the buyer and seller, asset disposal deed, etc. from the client and observed that they have stored all the necessary documents.

##### **3.4.1.3 Mismatch of Fixed Asset Tag Number with Fixed Asset Register**

For physical asset verification, we have collected 10 samples from the entire population using KPMG Clara. During verification through floor-to-sheet and sheet-to-floor process for audit purpose, I observed that there are several assets which are inappropriately tagged resulting in mismatch of asset tag with fixed asset register (FAR). According to the responsible individuals of Company X, the assets tags were changed but the FAR was not updated which indicated that the organization does not maintain the FAR properly.

Some mismatch of tag numbers is stated below:

	<b>Class of Asset</b>	<b>Description</b>	<b>As per FAR</b>	<b>As per Assessment</b>
1	Computer and Accessories	Scanner_1Canon_DR-M140	XYZ-DHK-15-0620-Scanner-09	BDDACGAC-0001737
2	Furniture and Fixtures	Dining Table with 8 chairs - Otobi Ltd.	XYZ/DHK/DT01-2014	XYZ-HRA-DTO-012
3	Furniture and Fixtures	Executive 1 Revolving Chair - Otobi Ltd	XYZ/DHK/SECC01-2017	XYZ HRA New SECH 003-2020

*Table 10: Mismatch of Asset Tags*

The mismatch of asset tagging may result in non-traceability and loss of assets. It would not be feasible to identify any asset misappropriation because the company's current control system does not have the potential of tracing a single asset. Furthermore, if there are still any left-out items in the FAR, the valuation of PPE could not be accurate and the total asset in the balance sheet will remain understated.

### **3.4.2 Findings related to Objective 2**

The findings related to the second objective, after understanding the fixed asset policy of Company X are as follows:

#### **3.4.2.1 Use of different Rate of Depreciation for same class of assets**

According to IAS 16 (Section 50 & 51), “depreciation amount of an asset shall be on a systematic basis. Same rate of depreciation shall be charge for all the assets under the same class.”

However, while working I have found that different depreciation rate is charged on the same class of assets. As per the fixed asset policy of Company X, Office Renovation is a class of asset. It uses a 25% rate of depreciation on Office Renovation for Chittagong new office but 15% rate of depreciation for all other Office Renovation.

This is a non-compliance with the said standard because charging different rate of depreciation for the same class of assets will not result in true and fair view of the financial statement.

### **3.4.2.2 Consistency with Fixed Asset Policy**

For the purpose of audit, I have collected the fixed asset policy from the CFO match all the workings with the Property, Plant and Equipment documents. The rules and percentages mentioned in the policy were all followed by Company X.

However, there were some mistakes found in the policy itself which was informed to the CFO so that it can be updated. They use reducing balance method for asset depreciation. No residual value is deducted, and the depreciation calculation is not done using the useful lives of the assets, but they mentioned the useful lives in the fixed asset policy.

### **3.4.3 Findings related to Objective 3**

#### **3.4.3.1 Non-performance of Physical Asset Verification and Impairment Test**

During audit, I observed and found that, physical verification or impairment testing of fixed assets has not been done by the company for a long time. Without performing such periodic physical verification and impairment tests, the status, realizable value, and existence of fixed assets cannot be guaranteed. Non-performance of impairment test is non-compliance with IAS 36.

This results to high likelihood of asset theft; inability to identify obsolete objects; inability to confirm the physical existence of fixed assets without doing routine physical verification.

#### **3.4.3.2 Understatement or Overstatement of Depreciation Expense**

While recalculating the depreciation expense of assets for audit purpose, I have found that the correct amount of depreciation expense was not deducted from the cost or the written down value. There were assets which the company started depreciating the day after it was purchased which does not match with the depreciation policy and caused overstatement. Moreover, there were errors in calculation causing the depreciation expense to understate. As a result, true and fair view of the financial statement will not be represented.

SL	Particulars of Assets	Description of asset	Assets Identification	Accu Dep As per Comp.X	Accu Dep As per KPMG	Difference
1	Office Renovation	Office Renovation	TSLL/CTG/OR-01-2012	1,029,451.68	1,027,733.00	1,718.68
2	Furniture & Fixtures	Work Stations_26 Nos._1235 sqft*4 ft with drawer & key board tray	TSLL/DHK/WS01-26-2010	725,894.00	726,669.26	(775.26)
3	Air Conditioners	AC_Ducted System_Cooline_Orgin KSA_9 sets	TSLL/AC/DHK/001	1,898,991.00	1,901,071.04	(2,080.04)
4	Motor Vehicles	Dhaka Metro_Gha-13-9907_Hard Jeep Hyundail 1998 CC_Model 2014	TSLL/MV/DHK/003	3,775,938.00	3,780,049.32	(4,111.32)
5	Electrical Equipment	Generator_Model P65-1, FG Wilson-UK- 1 No. Prime Power	TSLL/CTG/EE01-2013	818,692.00	815,261.43	3,430.57
6	Computer & Accessories	Server_1 NO._HP Model: Proliant ML30e Gen8, CPU: Intel Xeon E3-1220-v2	TSLL/IT/CPU-66	111,509.00	113,168.90	(1,659.90)
7	Office Equipment	Blackbery_1 No._GP_Model_Bold9700	TSLL/DHK/BB01-2011	35,423.00	36,000.93	(577.93)
Total						(4,055.20)

Table 11: Difference of Accumulated Depreciation

### **3.5 Summary and Conclusion:**

This research is mainly done in order to find out whether Company X complies with all the standards of IAS 16 while they carry out their business activities. It can be concluded that Company X was able to comply with the important standards of IAS 16. However, improvements are necessary in order to avoid any regulatory actions. The organization shall make sure to use the same rate of depreciation for the same class of asset in the foreseeable future. Moreover, the fixed asset register and the fixed asset policy shall be updated at the earliest so that loss of assets can be mitigated and the fixed asset team members are able to perform their job effectively. Additionally, it is important for the company to do physical asset verification to keep track of all the assets of both the branches. Also, to be complied with IAS 16, impairment assessment must be done every year. It can be said that IAS 16 is an important standard that all manufacturing and service providing organizations should follow as the government of Bangladesh so encourages the same. However, in this report, the name of the company and some other incompliances are not revealed to maintain confidentiality.

### **3.6 Recommendation:**

- To avoid any kind of regulatory action, Company X shall make sure to be compliant with IAS 16 by performing physical verification of fixed assets and impairment review.
- Company X shall also re-tag all the fixed assets and update the fixed asset register to prevent loss of assets.
- In addition, it is essential to recalculate the depreciation expense so that overstatement or understatement of the income statement can be prevented.
- Moreover, the depreciation rate for office renovation shall be kept same as different rate of depreciation cannot be charged for the same class of assets.

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