

Report on

**Accounting Standards of NCC Bank Ltd.: Regulatory  
Compliance**

By

MD. Mehedi Islam Nahin

18104055

The internship report submitted to the BRAC Business School is a partial requirement for the fulfillment of the degree Bachelor's Business Administration

BRAC Business School

BRAC University

August 2023

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## **DISCLAIMER**

Every effort was made to make this report free from plagiarism. If there persists some then those are completely coincidental. All efforts were taken to make the report as comprehensive and informative as possible however due to missing relevant information some of the parts have been skipped.

## **DECLARATION**

It is hereby declared that

1. The internship report submitted is my original work while completing my 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 that has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

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

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**MD. Mehedi Islam Nahin**  
18104055

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

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**Tausif Bari**  
Manager Advancement & Lecturer, BBS  
BRAC University

## LETTER OF TRANSMITTAL

Tausif Bari

Manager, Advancement & Lecturer

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of internship report

Dear Sir,

It has been a great pleasure working on the internship report titled, “Accounting Standards of NCC Banks Ltd.: Regulatory Compliance” under your supervision. I am pleased to submit this report as required for the fulfillment of the BUS400 course.

This report contains an analysis of compliance of NCC Bank Ltd.’s accounting standards with Bangladesh Accounting Standards in the presentation of financial statements, Financial instrument disclosures, and also an analysis of the bank’s financial performance in the industry. I have given my best effort to make this report as comprehensive as possible but due to some constraints and confidential issues, there might be some information gaps and mistakes for which I consent your apology.

Thank you for providing me with this opportunity to learn and grow as a professional. I am keen to receive your feedback on my report and to discuss further aspects of my internship experience if required.

Sincerely yours,

---

MD. Mehedi Islam Nahin

18104055

BRAC Business School

BRAC University

Date: August 1, 2023

## **NON-DISCLOSURE AGREEMENT**

[This page is for the Non-Disclosure Agreement between the Company and The Student]

The information used in this report is made and entered into by and between NCC Bank Ltd. and the student from BRAC University MD. Mehedi Islam Nahin (18104055). The purpose of this internship is to share academic experience within the organization and the university. Refraining from disclosing any information or data related to NCC Bank Ltd. which may be confidential is highly urged.

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

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**MD. Mehedi Islam Nahin**  
18104055

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

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**MD. Shahadat Hossain**  
Officer  
National Credit & Commerce Bank Limited

## **ACKNOWLEDGMENT**

I would like to express my wholehearted gratitude to the HR department of NCC Bank Ltd. for giving me this opportunity to do an internship in their bank at the Sonargaon Janpath branch. It was a great pleasure to get first-hand experience working in the banking sector through this internship.

Then I would like to extend my thanks to my academic supervisor Mr. Tausif Bari who helped in preparing this report with proper guidance and constructive feedback. Last but not least, I would like to thank my field supervisor Mr. Shahadat Hossain who aided me in understanding all the general banking activities and gave informative answers to any queries that I may have had during that time.

## **EXECUTIVE SUMMARY**

### **Overview**

This report encapsulates an in-depth analysis of NCC Bank Limited's compliance with selected BAS standards. Founded on the premise of understanding the bank's alignment with Bangladesh Accounting Standards, this examination identifies areas of both excellence and potential improvement. With the global financial landscape emphasizing transparency and consistent adherence to recognized accounting practices, NCC Bank Limited's approach to BAS standards serves as a pivotal benchmark for its commitment to stakeholders.

### **Key Findings**

At the macro level, NCC Bank Limited achieves a remarkable score of 18 out of 20, translating to a 90% compliance rate with the chosen BAS standards. This strong alignment indicates not only the bank's understanding of global best practices but also its robust internal control mechanisms and training protocols.

1. **BAS 1 (Presentation of Financial Statements):** The bank showcases complete compliance. Financial statements are structured in alignment with global best practices, with meticulous disclosure notes and clear adherence to principles of materiality and aggregation. The bank's commitment to providing comparative financial data further accentuates its dedication to transparency.
2. **BAS 7 (Statement of Cash Flows):** While the bank displays an adept understanding of cash flow categorization and non-cash transaction disclosures, there's room for improvement in detailing components of cash and cash equivalents.
3. **BAS 32 (Financial Instruments: Presentation):** NCC Bank Limited epitomizes compliance in this domain. Proper classification of financial instruments, clarity in

transactions involving the bank's equity, and comprehensive disclosures around offsetting and taxation bear testimony to their adherence.

4. **BAS 39 (Financial Instruments: Recognition and Measurement):** Notable for its diligence, the bank, however, showcases a slight deviation in derecognition criteria. While initial recognition, subsequent measurement, and impairment are well within the boundaries of BAS, a deeper dive into derecognition practices is warranted.
5. **BAS 115 (Revenue from Contracts with Customers):** NCC Bank Limited excels in this standard. From the precise identification of contracts to a detailed exploration of performance obligations, the bank ensures that revenue recognition is not just compliant but also transparent.

### **Implications & Recommendations**

The bank's 90% compliance paints a promising picture. This rate not only bolsters stakeholder confidence but also places NCC Bank Limited on the map as a beacon of financial reporting excellence in Bangladesh. However, the essence of continuous improvement necessitates addressing the minor compliance gaps in BAS 7 and BAS 39. As the global financial landscape evolves, complete adherence to BAS will fortify the bank's reputation and potentially pave the way for more significant international collaborations.

In light of the findings:

- The bank should enhance its training programs focusing on the detailed components of cash and cash equivalents.
- A review of the bank's procedures surrounding the derecognition of financial assets and liabilities is imperative.
- Continued emphasis on areas where the bank excels will ensure that these standards are maintained, if not further enhanced.



## **Conclusion**

In the dynamic world of financial reporting, NCC Bank Limited's endeavors in BAS compliance underscore its commitment to excellence, transparency, and stakeholder trust. By addressing the identified gaps and building on its strengths, the bank can further solidify its position as a leading financial institution that epitomizes best accounting practices.

**Keywords:** NCC Bank Limited, BAS compliance, financial statements, transparency, adherence, Presentation of Financial Statements, Statement of Cash Flows, Financial Instruments, Recognition, Measurement, Revenue from Contracts, stakeholders, best practices, disclosure notes, materiality, aggregation, cash flow categorization, non-cash transactions, financial instruments classification, derecognition, performance obligations, revenue recognition.

# TABLE OF CONTENTS

Disclaimer .....	ii
Declaration .....	iii
Letter of Transmittal.....	iv
Non-Disclosure Agreement .....	v
Acknowledgment.....	vi
Executive Summary .....	vii
Table of Contents.....	x
List of Acronyms .....	xii
<b>Chapter 1 Overview Of The Internship.....</b>	<b>1</b>
1.1 Student Information .....	1
1.2 Internship Information .....	1
1.3 Internship Outcomes:.....	1
<b>Chapter 2.....</b>	<b>3</b>
<b>Organization .....</b>	<b>3</b>
<b>2.1 Introduction:.....</b>	<b>3</b>
<b>2.2 Overview of NCC Bank Ltd .....</b>	<b>3</b>
<b>2.2.1 Vision and Mission.....</b>	<b>3</b>
<b>2.2.2 Core Values.....</b>	<b>4</b>
.....	4
<b>2.2.3 Products and services:.....</b>	<b>4</b>
<b>2.3 Management Practices .....</b>	<b>7</b>
<b>2.3.1 Leadership Style: .....</b>	<b>7</b>
<b>2.3.2 Human Resource Planning Process .....</b>	<b>7</b>
<b>2.4 Marketing Practices.....</b>	<b>9</b>
<b>2.5 Financial Performance and Accounting Practices .....</b>	<b>11</b>
.....	13
.....	13
.....	13
.....	14
.....	14
.....	14
<b>2.8 Summary and Conclusion.....</b>	<b>21</b>
<b>2.9 Implication/Recommendation .....</b>	<b>22</b>
<b>Chapter 3 Project.....</b>	<b>25</b>
<b>3.1 Introduction.....</b>	<b>25</b>

<b>3.1.1 Literature Review</b> .....	<b>25</b>
<b>3.1.2 Objective</b> .....	<b>25</b>
<b>3.1.3 Significance</b> .....	<b>25</b>
<b>3.2 Methodology</b> .....	<b>26</b>
<b>3.3 Quantitative Analysis of Compliance</b> .....	<b>26</b>
<b>3.4 Conclusion and Recommendations</b> .....	<b>32</b>
<b>Appendix A.</b> .....	<b>36</b>

## **LIST OF ACRONYMS**

ADC = Alternate Delivery Channel

BAS= Bangladesh Accounting Standards

IAS= International Accounting Standards

NCCB = National Commerce and Credit Bank

NRB = Non-Resident Banking

EMV = EuroPay, MasterCard and Visa

NFC = Near Field Communication

# CHAPTER 1

## OVERVIEW OF THE INTERNSHIP

### 1.1 STUDENT INFORMATION

**Name:** MD. Mehedi Islam Nahin

**ID:** 18104055

**Program:** Bachelor's Business Administration (Accounting Major)

### 1.2 INTERNSHIP INFORMATION

**1.2.1 Period:** 3 months

**1.2.2 Company name:** National Credit and Commerce Bank Limited

**1.2.3 Department/Division:** General Banking

**1.2.4 Address:** Zephyr Tower (1st and 2nd floor), House-21, Sector-13, Sonargaon Janpath Road, Uttara, Dhaka.

**1.2.5 Field Supervisor's Information:** MD. Shahadat Hossain, Officer (General Banking)

**1.2.6 Job duties & responsibilities:**

- Giving entry in debit card and credit register
- Giving entry in the inward and outward register
- Making sure all the documents required for Fixed Deposit accounts and Savings accounts comply or not
- Balancing cheque books

### 1.3 INTERNSHIP OUTCOMES:

**1.3.1 Contribution to Bank:**

- Account opening forms duly completed
- Completed pending general banking-related tasks

**1.3.2 Benefits of the Internship:**

- Got a close-up exposure to general banking activities
- Got to know about the accounting practices in a commercial bank
- Had the opportunity to observe how an internal audit was performed

**1.3.3 Complications faced during the internship:**

- Due to confidentiality issues, the scope of learning was limited.
- Because of the busy work schedule, the supervisor was unable to assign new tasks

- Limited working space

#### **1.3.4 Recommendations:**

- They should structure the internship program better.
- Their policies need to be more flexible so that it's internship-friendly and there is more scope to learn
- They should have at least made provision for conveyances for the interns

# CHAPTER 2

## ORGANIZATION

### 2.1 INTRODUCTION:

Established in 1985, the National Commerce and Credit Bank Limited has a distinctive history. Originally as an investment company, it had a clear mission to harness domestic resources and employ them strategically to foster industrial and trade development in the country. Simultaneously it aimed to be an influential player in shaping the country's capital market. Up until 1992, the company managed 16 branches, at which point it underwent a transformative change. With the green light from the Central Bank, it metamorphosed into a full-scale private commercial bank in 1993, boasting a paid-up capital of Tk.39 crore. This transformation expanded its capacity to contribute to the nation's progress on a wider scale.

### 2.2 OVERVIEW OF NCC BANK LTD

#### 2.2.1 VISION AND MISSION

##### **Vision**

To become one of the most adored commercial banks in serving the nation as a progressive and socially responsible financial institution by bringing credit and commerce together for increased shareholders value and sustainable growth.

##### **Mission**

- Delivering excellent financial service to our communities based on strong customer relationship
- Providing long lasting solutions that combining our cutting-edge technology, experience and financial strength to our clients and stakeholders.
- Creating a cohesive and friendly environment where our customers and our people can excel.

## 2.2.2 CORE VALUES



## 2.2.3 PRODUCTS AND SERVICES:

### ➤ Deposit products:

- ❖ **Current Deposit account:** This account is non-interest-bearing in nature. Account holders can easily deposit or withdraw funds without any limit and it is a 100% demand-based deposit.
- ❖ **Savings Bank Deposit account:** This account is interest-bearing in nature. It is also both demand and time deposit in nature. For example, 10% of the total balance is demand and 90% of the total deposit is time deposit. The account holder can withdraw from the account twice a week up to a certain limit.
- ❖ **Special Notice Deposit account:** Usually this product is for businessmen, firms, limited companies, local bodies, corporations, etc. The depositor may withdraw funds from this account by serving a prior notice. Since it is a full-fledged time deposit the bank allows interest against this account.
- ❖ **Instant Earnings Term Deposit:** This is a unique product that is specially designed for retired persons, housewives, and wage earners with the opportunity to open an account with 1 lac taka and its multiple at any time. The Bank pays interest below 1% of the existing rate interest against FDR for



12 months instantly at the time of the opening of the account. This is a 100% term deposit. Account holders can withdraw money (Principal amount) after the expiry of one year.

- ❖ **Special Savings Scheme:** This account may be opened by any individual for 5 or 10 years. The minimum required monthly installment size under this scheme is taka 500, while the maximum installment size is taka 25,000 which should be deposited by the 15th day of each month. The account holder can withdraw the deposited amount with accrued interest on maturity.
- ❖ **Special Deposit Scheme:** This account may be opened by any individual, businessman, firm, limited company, local body, corporation, corporate body, etc. can open a Special Deposit Scheme A/c, which is a term deposit of 3(Three) years with interest payable every month. SDS is a 100% term deposit and account holders can withdraw deposits (Principal amount) on maturity.
- ❖ **Money Double program:** This is a deposit product with a specific term, on completion of which the depositor may receive double the initial deposit amount. Any person can open an MDP account for Tk. 1.00 Lac and it's multiple. Premature encashment is discouraged.
- ❖ **Youngster Account:** A youngster account is a product offered under the School Banking program designed to inspire the young generation to invest in the habit of savings. The School Banking program opens up an opportunity for the young ones to have hands-on banking experience.
- ❖ **Youngster Maximus Account:** The Youngster Maximus enables the youngster to open an account with a higher rate of return than that of regular transactional accounts. The rate of return under this scheme is fixed for the duration of the selected tenure.
- ❖ **NCC Islamic:** It is a product related to Islamic Sharia-based banking. This product is designed based on the Islamic guidelines as outlined in the Holy Quran and the Hadiths of Prophet Muhammad (SM).

#### ➤ Loan Products

- ❖ **Personal loan:** This loan facility is for customers holding private or public service who require managing urgent situations for any purpose
- ❖ **Car loan:** This loan facility is allowed for purchasing vehicles made in countries like Japan, Korea, the USA, South East Asia, and European countries solely for personal use. The vehicles for commercial usage are not financed under the NCC Bank Car Loan facility due to regulatory constraints.
- ❖ **Education loan:** This loan facility is provided to meet the educational expenses of students who pursue higher education.
- ❖ **Home loan:** The loan facility for purchasing apartments, buildings, etc.
- ❖ **Home Improvement Loan:** Loan facility to aid the completion of construction work or extension or renovation of the existing residential structure.
- ❖ **Marriage loan:** Loan facility that provides financing for an individual's own or their sibling's or children's marriage.
- ❖ **Health loan:** Loan facility that aids the financing for medical expenses of an individual or their family.
- ❖ **Professional loan:** This loan facility is intended to aid professionals (such as lawyers, financial consultants, etc.) who are practicing or intend to practice their profession.

- ❖ **Start-up, NOBIN:** This loan facility is specially intended for entrepreneurs who are starting up a new business.
- ❖ **Abashan loan:** This loan facility is for individuals to purchase residential houses and construct houses (semi-pucca, pucca-one storied with concrete roof & multi-storied building
- ❖ **Affordable Car Key:** This loan facility targets individuals for the purchase of registered used Cars, SUVs, and Station wagons for personal use.
- **Services**
  - ❖ **Sachayee:** An online service introduced by the bank that can be accessed through the digital onboarding app `Sachayee`, through which customers with valid NID/Smart Card can instantly open a current and savings account anytime and anywhere under the directives of Bangladesh Bank e-KYC guidelines and start banking right away.
  - ❖ **Remittance Services:** One of the important functions of the Bank is to receive various bills including cheques, drafts, payment orders, dividend warrants, FDRs, Sanchay Patras, Unit Certificates, and Bonds, etc. in favor of its clients.
  - ❖ **Locker Services:** This facility is available only to valued clients having an account with the Branch of the Bank agreeing to comply with the policy formulated in line with the rules and regulations.
- **Cards & ADC**
  - ❖ Debit Card
  - ❖ Credit Card
- **NRB services**
  - ❖ Foreign Remittance Service
  - ❖ NRB plus savings account
  - ❖ NRB millionaire scheme
  - ❖ NRB special savings account
- **Treasury products**
  - ❖ Money market
    - ✓ Money at call
    - ✓ Money at short notice
    - ✓ Term Placement
  - ❖ Fixed income securities
    - ✓ Treasury Bill
    - ✓ Treasury Bond
    - ✓ Bangladesh Bank Bill
    - ✓ Commercial paper
    - ✓ Subordinated Bond
    - ✓ Perpetual Bond
    - ✓ Sukuk Fund
    - ✓ Bangladesh Government Islamic Investment Bond
  - ❖ Capital Market
    - ✓ Share
    - ✓ Bonds/ Debenture
  - ❖ Foreign Exchange
    - ✓ Spot
    - ✓ Forward
    - ✓ Swap
    - ✓ Term Placement

## 2.3 MANAGEMENT PRACTICES

### 2.3.1 LEADERSHIP STYLE:

The overall leadership style of NCC Bank Ltd. is autocratic, where the top-level management holds the most power in the decision-making process. But on a branch level in case of achieving goals such as opening a certain number of savings accounts, the Bank follows a participative leadership style, where the Head office sets off a required target for the branch to open savings accounts, then the branch manager divides this whole work among the other officials in the bank. Based on the number of clients they can bring in to open a savings account each bank official gets a performance bonus. This motivates each bank official to try their best to reach the target set by the manager at their own pace. Through my observation, during one of the campaigns they successfully managed to reach the target of opening 10,000 savings accounts within a week.

### 2.3.2 HUMAN RESOURCE PLANNING PROCESS:

**Recruitment and Selection process:** NCC Bank Ltd. is an equal employment opportunity provider that has a wide diversity of people working there based on age, religion, experience, marital status, gender, etc. The bank collects Resumes through online searches from job advertisements for vacant positions. Then based on the requirements for the relevant post of the job preliminary selection is done by examining the resume received from the candidates. After that, the shortlisted candidates are selected to sit for a written test that is conducted and supervised by the Institute of Business Administration or Bangladesh Institute of Bank Management. After the successful completion of the written test, the successful candidates are selected to sit for personal interviews that are conducted by a panel of experts comprised of renowned and prominent bankers of the country.

**Compensation & Benefits:** NCC Bank considers its employees as a vital component in providing service to the clients. That's why the main objective of the compensation and benefits package is to attract potential employees, satisfy all their needs, and retain the top-performing employees by encouraging them. Some of the notable compensation and benefits provided by NCC Bank are:

- Yearly increment
- Festival Bonus
- Incentive Bonus
- Staff House Building Loan Scheme at a reduced interest rate
- NCCB officer's car loan scheme
- Car Maintenance Allowance
- Mobile phone bills
- Financial Assistance on medical grounds
- Grievance Mitigation

- Canteen Facilities, Medical Centre, Day Care Centre
- Performance Bonus

Besides that, the bank also provides benefits for the retired employees. Such as:

- Leave encashment
- Provident Fund
- Gratuity Fund
- Superannuation Fund
- Funeral benefits to the member in case of death.

**Training and development:** NCCB has its own training institute called, NCCBL Training Institute. This institution implements need-based training for the officials of the bank. Besides that, this institute also provides several workshop training based on particular issues to develop competency skills of the employees. Training techniques followed by NCCBTI are:

- On-the-job training
- Off-the-job training

### **On-the-Job training**

In this method, the HRD of NCC Bank assigns fresh recruits to actual working situations to develop their productivity. This training program includes job rotation, special assignments, etc.

**Job rotation:** NCCBTI designed this training program to familiarize the employees with the different functionalities and activities of the different departments in the Bank.

**Apprenticeship:** In this program, the managers are assigned to supervisors and senior officers who observe and supervise the work of the employee and also provide necessary feedback related to the job.

### **Off-the-Job training:**

NCCBTI arranges different seminars, online meetings, and workshops with experts in the industry to provide useful and relevant information for the employees. The lecture method is mostly used in this method. This kind of training is given based on the necessity in case of any changes in regulation laws, introduction of new product, etc. Sometimes this training is also provided to update the knowledge of the employees and to get them promoted to a new post. Alongside that, the NCCBTI also adopts other modes of training such as conferences, demonstrations, case studies, programmed instructions, and computer-based training with classroom lectures.

### **Performance Appraisal:**

The performance of the employees of NCCBL is assessed annually which is known as Annual Confidential Report or ACR. NCCBL uses the graphic rating scale technique for the performance evaluation of the employee. The performance rater evaluates an employee on

different performance dimensions based on behavior, responsibility, and careful job analysis. At the end of each year, the Executive Vice President of the HR department initiates the performance evaluation. Then the evaluation forms of the personnel are sent to the concerned department heads. After that, the improvement areas along with necessary training requirements are also identified. Then the evaluation forms are duly filed and sent back to the HR department. The principal officer then compiles the training requirements identified in the form and then creates an annual training program. The training program is thoroughly reviewed by the functional head of the department and then approved by the Chairman or the Managing Director.

## 2.4 MARKETING PRACTICES

**2.4.1 Marketing Strategy:** Face-to-face marketing was the only marketing strategy I have observed to be used by the bank to reach its potential customers during my internship period. Several campaigns are held at each time of the year. During the campaign period each of the bank officials visit other businesses where their potential customers might be and from there, they market different products and services of the bank. And besides that, they also encourage the existing account holders to open a savings account in their bank.

**2.4.2 Target customers, targeting, and positioning strategy:** NCCBL is mostly leaning towards corporate banking. So, the corporate clients i.e., business clients are its main potential clients. They mainly provide different loan products and schemes to these clients.

**2.4.3 Marketing channels:** The Bank's website, word of mouth of its customers and the bank officials are the only marketing channels of the NCCBL.

**2.4.4 New product:** To remain competitive in serving the premium card users in terms of pricing and features, NCCBL has introduced two new credit card services for their premium card users: NCC Visa Platinum card and NCC Visa Signature card.

**NCC Visa Platinum Card:** It is one of the elite premium card products of NCCBL for premium cardholders who have a spending capacity. According to the Bank's website, the following are the product's superior features and benefits such as that help it stand out well from competitor's offerings:

### **Travel benefits:**

- Lounge benefits
  - The cardholders can enjoy a maximum of 5 free visits at the Balaka Executive Lounge at Hazrat Shahjalal International Airport, Dhaka in a calendar year.
  - The lounge visit fee is only applicable from the 6th visit onwards.
- Priority Pass
  - Complimentary Priority Pass membership along with 2 free visits for Primary Cardholder while accessing over 1,300 Priority Pass airport lounges worldwide
  - After 2 free visits, a regular Priority Pass lounge access fee will be charged

**Dining benefits:** Exclusive “buy one get one” buffet offers at top-star hotels such as InterContinental Dhaka, Le Meridian Dhaka, Radisson Blu Dhaka, and The Westin Dhaka.

**Insurance benefits:** The cardholders are provided with NCCBL’s Risk Assurance Program under the umbrella of MetLife. This benefit covers the cost of loss of life, physical disability, or certain critical diseases for a nominal monthly charge.

**EMI benefits:** The premium cardholders can purchase from any of the partner merchants and pay back the amount over a tenor ranging from 3 months to 36 months without paying any interest.

**Rate-based EMI benefits:**

- Cardholders can avail loan facility against their unused credit only at 7% to 9% per annum in a flat interest rate. The maximum tenor for this is 36 months and the amount is 50% of the total available credit limit.
- Cardholders can convert any purchase including fund transfer and card cheque into EMI at 7% to 9% per annum flat interest rate.
- Cardholders can convert their bills to EMI for a 9% to 10% per annum flat interest rate.

**Other Benefits:**

- NFC chip-based EMV card
- Dual Currency Card
- Card Cheque
- Fund Transfer
- 24-hour dedicated customer service
- E-statement
- Transaction Alert Service
- No hidden charges

**NCC Visa Signature Card:** This is the most premium card product for prestigious clients which is designed to match their comfort and elegance. This card has all the features and benefits of the platinum card along with some more extended features.

**Branding Activities:** Most recently NCCBL has started a new branch of banking called Shariah-based banking. The prime objective of this particular branch of banking is to establish an Islamic Banking system based on Shariah Law.

**Advertising and promotional strategy:** There isn’t any significant promotional strategy but the bank may sometimes provide gifts for the remittance customers to encourage them to avail their services.

**Marketing Gaps:** There is a significant marketing gap in NCCBL’s marketing strategy. First of all, they only rely on face-to-face marketing to get their potential customers. NCCBL could have used social media platforms such as Facebook, Instagram, and Twitter to advertise their products and services and reach more clients. Then NCCBL could have made use of banners

and billboards to inform the potential customers about their campaign programs and the benefits of their campaign programs.

## 2.5 FINANCIAL PERFORMANCE AND ACCOUNTING PRACTICES

### 2.5.1 Financial Performance:

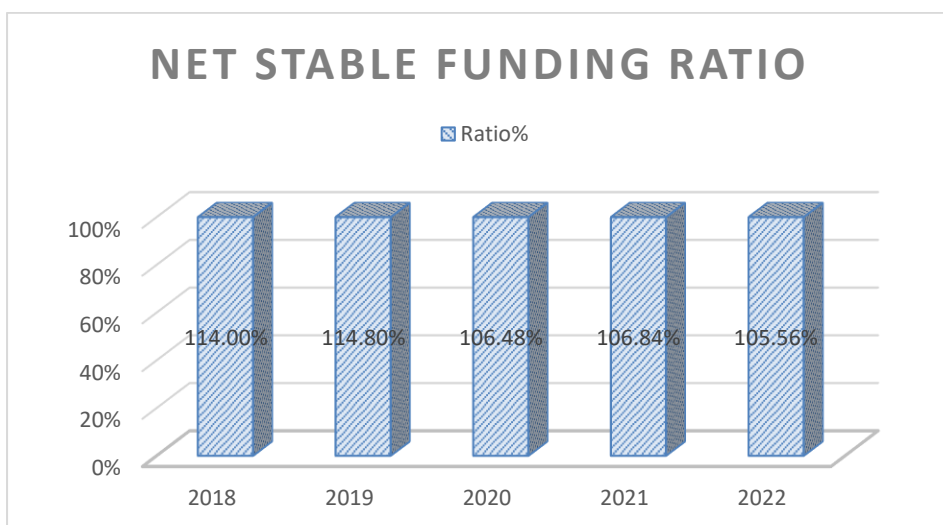
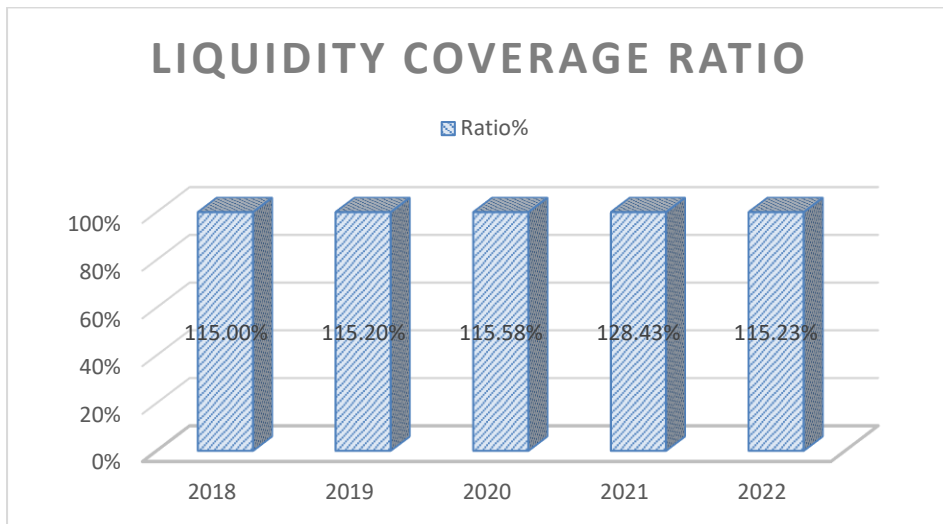
**Horizontal Analysis:** For analyzing the performance of NCCBL the data from the year 2018 to 2022 annual reports are taken and the year 2018 is considered as the base year. Since 2018 is the base year, all the values of the year 2018 Column are 100%.

Horizontal analysis					
	2018	2019	2020	2021	2022
Interest Income	100.00%	15.33%	-9.87%	-23.64%	-21.44%
Interest Expense	100.00%	16.69%	-3.28%	-35.01%	-24.67%
<b>Net Interest Income</b>	100.00%	12.44%	-23.78%	0.39%	-14.64%
Non-Interest Income	100.00%	10.81%	-2.83%	11.80%	21.66%
Non- Interest Expense	100.00%	14.96%	16.19%	23.08%	31.48%
<b>Profit Before Provision</b>	100.00%	8.01%	-15.68%	4.18%	15.03%
Total Provision	100.00%	-0.65%	-55.10%	-24.54%	-29.47%
<b>Profit Before Tax</b>	100.00%	14.90%	15.68%	27.02%	50.43%
Provison for Tax	100.00%	12.08%	7.71%	8.37%	55.95%
<b>Profit After Tax</b>	100.00%	17.46%	22.91%	43.94%	45.43%
<b>Total Assets</b>	100.00%	6.74%	7.05%	15.20%	24.85%
<b>Total Liabilities</b>	100.00%	6.51%	6.19%	14.38%	24.42%
<b>Total Shareholder's Equity</b>	100.00%	9.56%	17.82%	25.46%	30.19%

By analyzing the data for the year 2019 it is observed that almost all the income statement items had somewhat of an increase except for total provision. The slight 15.33% increase in interest income indicates a rise in earnings from lending or investment activities. Along with the 16.69% increase in interest expense indicates that with the increase in income from the lending and investment activities the bank also had higher deposits in which they had to pay interest or raised more expensive debt. The net interest income grew by 12.44% which may be positive but it grew at a slower rate than both interest income and expense. This might indicate the spread between what the bank earns on assets and pays on liabilities might be narrowing. A 10.81% increase in non-interest income indicates that earnings from other sources such as fees, commissions, and other banking services have increased. A 14.96% increase in the non-interest expense indicates that the bank's operational expenses, branch expansion, or other administrative expenses have increased. A minor decrease in total provision indicates a stable

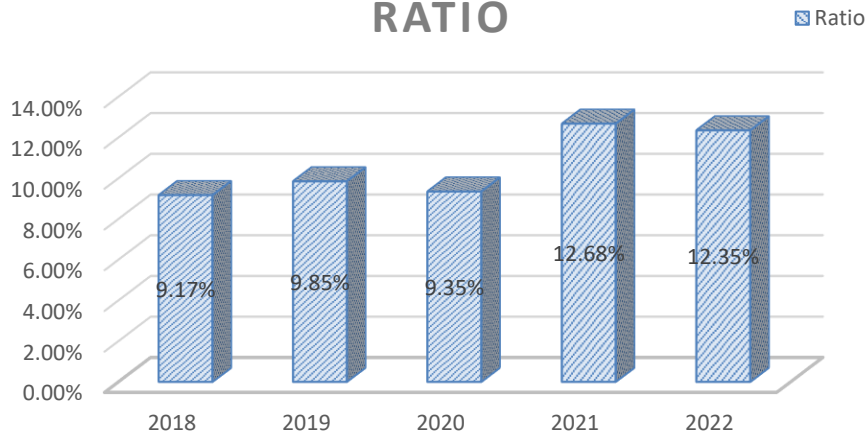
perception of loan defaults. A rise in the profit after tax indicates that the bank is growing profitably. In the preceding years, 2020,2021, and 2022, the bank’s income from net interest declined whereas in 2020 it declined the most. Even though the bank managed to slightly recover from the negative figure in 2021, it still had a decline in 2022. Since during this period, the pandemic situation struck, fewer people have been interested in borrowing loans which might have resulted in low lending activities. Hence lower returns. However, despite all that, the Bank’s Profit after tax has been consistently growing over the years. Not only that, there has been consistent growth in the Total Assets, Liabilities, and Shareholder’s Equity. Therefore overall, it may be stated that the bank faced challenges, especially in its core interest-related income. However, the bank has been diversifying its revenue sources as indicated by the increase in non-interest income.

**Graphical representation of the Ratios:**

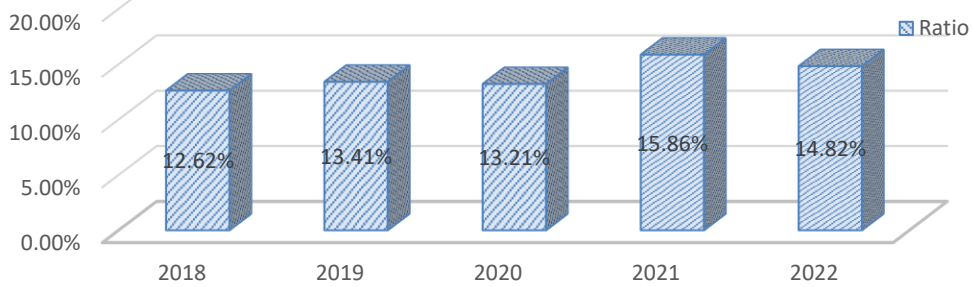




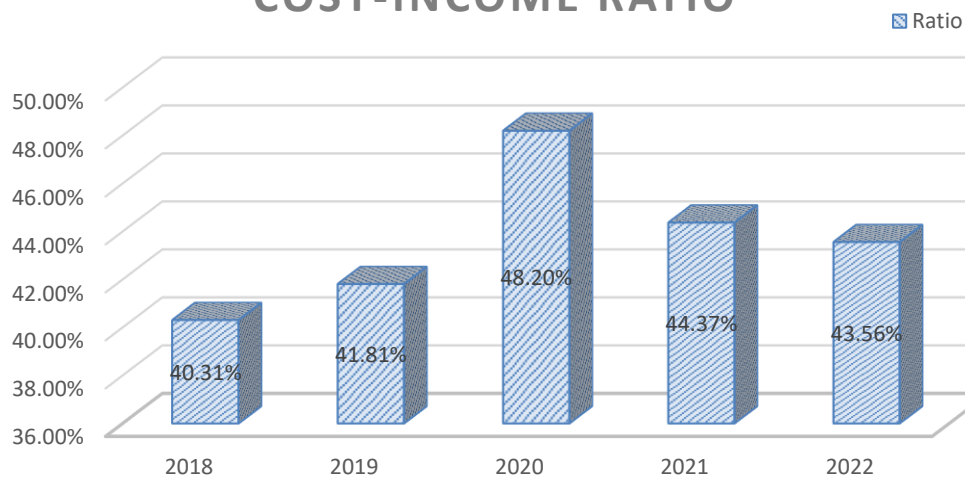
## TIER I CAPITAL ADEQUACY RATIO



## TOTAL CAPITAL ADEQUACY RATIO

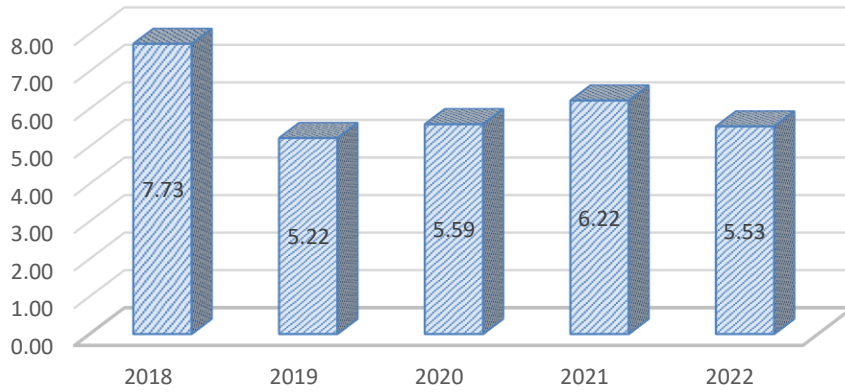


## COST-INCOME RATIO



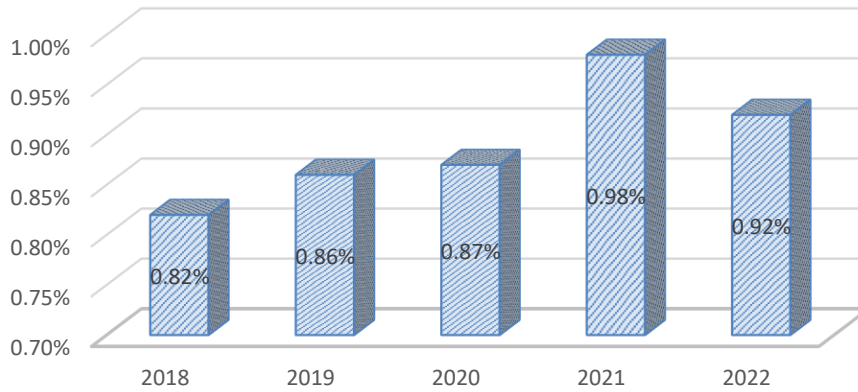
## PRICE TO EARNINGS RATIO

Ratio (in times)



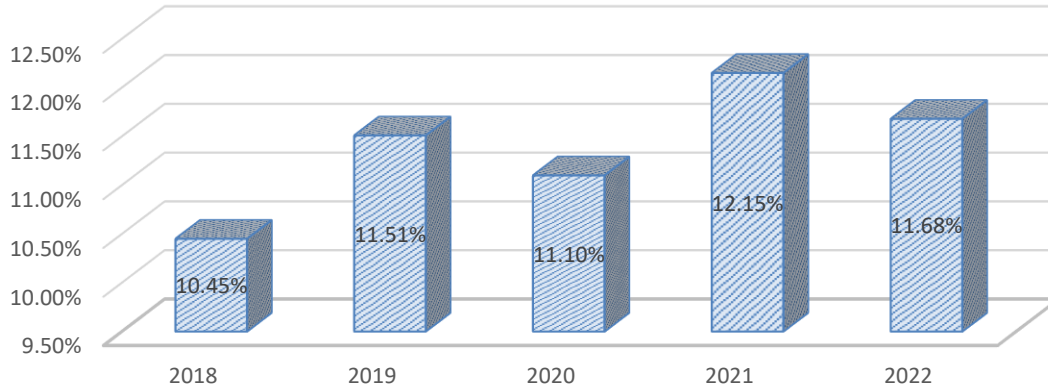
## RETURN ON ASSETS RATIO

Ratio (in %)



## RETURN ON EQUITY RATIO

Ratio (in %)



## **Interpretations of the ratios**

**Liquidity Coverage Ratio:** This ratio measures the bank's ability to convert its high-quality liquid assets into cash to meet the liquidity needs for 30 calendar days. The minimum standard for LCR is 100% and the consistent above 100 figures during the 5 years indicate that the bank has more high-quality liquid assets than its net cash out-flows for a 30-day stress period. Which is a positive indicator of the Bank's liquidity status.

From the year 2018-2022, the consistently exceeds the minimum standard hovering around 115%.

However, in 2021 a notable surge to 128.43% is observed. This indicates that the bank might have increased its holdings of high-quality liquid assets, reduced its net cash outflows, or maybe a combination of both as a precautionary measure or to tackle the market conditions.

**Net Stable Fund Ratio:** This ratio measures the bank's ability to maintain stable funding over the long-term period. It compares the available stable funding that is the liabilities or capital that are reliable over 1 year with the required stable funding that has longer horizons or is less liquid. Here, the minimum acceptable threshold is 100%.

The bank starts off with a figure slightly above the acceptable minimum threshold but the figure gradually declines over the years. This trend might be a bit concerning as it moves just above 105%. This suggests that the bank is more reliant on the short-term

**Tier I Capital Adequacy Ratio & Total Capital Adequacy Ratio:** By analyzing both of these ratios it is seen that both of these ratios started with a slight increase in figures and after that with a small decline and then again there was a significant rise. This indicates there is a positive trend and the bank is prioritizing its financial stability and is well-equipped to handle potential financial shocks. Especially the ratios in the most recent years 2021 and 2022 are particularly high.

**Cost-income ratio & Price-to-earnings ratio:** The bank's efficiency as measured by the cost-to-income ratio has faced some fluctuations with a notable decrease in 2020 followed by improvements in 2021 and 2022. For the price-to-earnings ratio, the bank's valuation relative to fluctuations. The market value of the bank was seen as the lowest in 2019 followed by some improvements afterward. The bank's future earning potential, as perceived by the market seems to be in a better position in recent years even though the figure was lower in 2022 than in 2021.

**ROE and ROA ratios:** By analyzing these ratios it is observed that the bank has improved its profitability metrics in the most recent years, especially in 2021. However, there were slight dips in 2022 in both of the ratios indicating that the bank faced challenges or normal market fluctuations. However, these ratios are in a positive trend suggesting that the bank's potential in effectively utilizing its assets and capital to generate profit is rising.

## 2.5.2 Accounting Practices

**Basis of presentation of Financial statements:** NCCBL prepares its financial statements on a going concern basis following an accrual basis of accounting. Except for the statement of Cash Flows.

**Basis of Measurement:** The financial statements are prepared based on the historical cost convention basis. They do not make any adjustments in case of inflationary factors affecting the figures in financial statements. These accounting policies have been consistently applied by the bank over the years unless stated otherwise.

**Reporting period:** The financial statements cover from Jan1,2022 to Dec 31, 2022.

**Cash Flow Statement:** NCCBL prepares its cash flow statement under direct method as per IAS-7.

**Investments:** The investments of NCCBL are comprised of equity securities and mutual funds. All of the bank's investments are initially recognized at cost, being the fair value of the consideration given, including the cost of acquisition associated with the investment. The Investment in DSE and CSE shares are measured at cost price since these do not have a quoted market price in an active market and their fair value cannot be reliably measured. The subsequent measurement of investment in marketable shares is made at fair value through profit or loss as per IAS:39. Financial Instrument recognitions as these are acquired or held for trading purposes in the Dealer Account.

**Income Recognition:** The incomes generated from brokerage commissions are recognized daily in the statement of profit or loss and other comprehensive income accounts after receiving transacted notes from DSE Limited & CSE Limited. These commissions are recognized as income when the buying or selling of the clients is executed. In the case of dividends, the dividends are recognized as income when it is realized. The interest in margin loans is calculated on the client's loan balance daily at the applicable rate and is charged in the margin loan account quarterly. If the interest-on-margin loan has an equity erosion of more than 125% of the debt-equity ratio then it is recorded in the memorandum register. Interest income on other margin loans is recognized as income.

**Plant, property, and equipment:** The bank recognizes items of plant, property, and equipment initially at cost and subsequently at the value that is obtained by deducting the accumulated depreciation in compliance with the IAS 16 "Plant Property and Equipment". The bank measures the cost of acquiring an asset by considering its purchase price along with any attributable direct costs involved in making the asset functional for its intended use. Any cost incurred while using the asset is charged off as revenue expenditure in the period it has incurred. In case of subsequent costs, the cost of replacing part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

**Depreciation:** For calculating depreciation on fixed assets, the bank charges 20% depreciation in the straight-line method for computers & peripherals, 20% depreciation in the reducing balance method for office equipment, and 10% depreciation in the reducing balance method for furniture.

**Amortization of intangible assets:** NCCBL amortizes its intangible assets using the straight-line method at a rate of 20%.

## 2.6 Operations Management and Information System Practices

NCCBL has been investing in the Information Technology division to digitally transform and strengthen its services. As cyber security attacks remain a systematic risk for the bank, the bank has invested in different information security projects such as:

- Security Information and Management: The purpose of this project is to ensure the security and privacy of sensitive data.
- File Integrity Monitoring: This ensures that the files that are received through emails are safe or not
- Multi-Factor Authentication: This ensures the prevention of unauthorized access to sensitive data and potential account hacking attacks.

Besides that, NCCBL has been working on enterprise projects to make banking activities and functions easier such as:

- Internet Banking, Mobile App & Wallet
- Corporate Internet Banking solution
- Interoperable Digital Transaction Platform
- NRB Remittance App
- E-Deal
- Loan Management System
- Virtual Card
- Card Bin Rationalization
- E-Statement
- Call Centre Revamp
- Smart/Visual IVR

## 2.7 Industry and Competitive Analysis

### Porter's Five Model

#### 1. Threat of New Entrants

##### Factors Affecting the Threat of New Entrants:

- **Regulatory Barriers:** The Bangladesh Bank and other regulatory bodies maintain strict requirements for starting a new bank. This limits the entry of new competitors.
- **Capital Requirement:** The capital required to start a bank in Bangladesh is significant, this may act as a barrier to new entrants.
- **Reputation and Trust:** NCC Bank, being an established institution, already has a recognized brand and customer trust.
- **Economies of Scale:** NCC Bank, along with other established banks in Bangladesh, enjoys benefits from its size, making it difficult for newer, smaller banks to compete on price.

**Analysis:** For NCC Bank, the threat of new entrants is low. Regulatory and capital barriers, coupled with the advantages of being an established institution, deter new competition.

#### 2. Bargaining Power of Suppliers

##### Factors Affecting Bargaining Power of Suppliers:

- **IT Providers:** NCC Bank relies on IT infrastructure, and there may be limited high-quality IT providers tailored to banking in Bangladesh to provide IT facilities in terms of price and features.
- **Human Resources:** While there's a sizable workforce in Bangladesh, attracting top banking talent can still be competitive.

**Analysis:** Supplier power is moderate. NCC Bank's need for specialized IT and human resources can give suppliers some leverage.

#### 3. Bargaining Power of Buyers (Customers)

##### Factors Affecting Bargaining Power of Buyers:

- **Switching Costs:** While moving between banks can be cumbersome, the rise of mobile and digital banking solutions in Bangladesh might reduce these costs.
- **Availability of Alternatives:** Bangladesh has many established banks, offering customers a choice and thus increasing their bargaining power.

**Analysis:** The bargaining power of buyers in Bangladesh is moderate. Despite some hurdles in switching, customers have multiple banking choices, providing them with some leverage.

#### 4. Threat of Substitute Products or Services

##### Factors Affecting Threat of Substitutes:

- **Mobile Financial Services:** In Bangladesh, services like bKash have become very popular, providing an alternative to traditional banking for many transactions.
- **Microfinance Institutions:** These offer financial services to a segment of the population that might not use traditional banks.

**Analysis:** The threat of substitutes for NCC Bank is moderate to high. Mobile financial services and microfinance institutions provide alternatives to traditional banking, especially for specific segments of the population.

#### 5. Competitive Rivalry within the Industry

##### Factors Affecting Competitive Rivalry:

- **Numerous Banks:** Bangladesh has a vibrant banking sector with several key players, leading to intense competition.
- **Service Differentiation:** With many banks offering similar services, NCC Bank must find ways to differentiate itself.

**Analysis:** Competitive rivalry is high for NCC Bank. The banking sector in Bangladesh is crowded, and differentiation is challenging.

**Conclusion:** For NCC Bank in the context of the Bangladesh banking industry, while barriers are protecting against new entrants, competition among established players is fierce. The rise of mobile financial solutions and microfinance provides new challenges and opportunities. Adapting to the changing landscape and finding ways to differentiate will be key to NCC Bank's success in this competitive environment.

## SWOT Analysis

### Strengths:

1. **Established Brand:** NCC Bank has been operating in Bangladesh for many years and has built a recognized brand in the country.
2. **Broad Service Offering:** The bank offers a wide range of banking services from retail to corporate banking.

3. **Physical Presence:** An extensive network of branches across Bangladesh gives it reach and accessibility to its customers.
4. **Experienced Workforce:** The bank employs seasoned professionals with knowledge of the local banking sector.

#### **Weaknesses:**

1. **Operational Efficiency:** Achieving operational efficiency, especially in terms of reducing costs and improving service delivery, might be an ongoing challenge.
2. **Loan Portfolio:** Any significant non-performing loans or credit issues could pose a risk.
3. **Market Differentiation:** In a crowded banking market, NCC Bank may struggle to differentiate its services from competitors.
4. **Marketing gap:** In the age of social media and online marketing tools, NCC Bank only relies on traditional face-to-face marketing. Which is not efficient enough and could make it difficult to reach more potential customers.

#### **Opportunities:**

1. **Digital Banking:** There's a growing demand for online and mobile banking services in Bangladesh. NCC Bank can tap into this by expanding and improving its digital offerings.
2. **SME Lending:** Supporting the growth of Small and Medium-sized Enterprises (SMEs) in Bangladesh offers a lucrative lending opportunity.
3. **Partnerships with Fintech:** Collaborations with fintech startups can offer innovative banking solutions and attract a younger demographic.

#### **Threats:**

1. **Increasing Competition:** The Bangladesh banking sector is competitive, with many players offering similar or better services.
2. **Regulatory Changes:** The banking industry is heavily regulated, and any sudden regulatory changes could impact operations.
3. **Economic Factors:** Macroeconomic factors such as inflation, political instability, or economic downturns can pose challenges.
4. **Technological Disruption:** Fintech firms and mobile banking solutions, like bKash, are changing the banking landscape and can threaten traditional banking models.

**Conclusion:** NCC Bank, being an established player in the Bangladesh banking sector, has numerous strengths it can leverage. However, the rapidly changing banking environment, spurred by technological advances and changing customer preferences, presents both



challenges and opportunities. A proactive approach towards innovation, digital transformation, and addressing potential weaknesses can position NCC Bank favorably in the future.

## **2.8 SUMMARY AND CONCLUSION**

NCC Bank stands as a formidable entity in the Bangladesh banking sector, as evidenced by its growth metrics and enduring market position. As we unpack the bank's financial health, performance, and challenges using various analytical frameworks, a narrative of resilience, adaptability, and potential future direction emerges.

The bank's financial data, particularly from 2019, showcased growth in most income areas, a promising sign of its operational efficiency and successful strategies. Notably, the bank's ability to diversify its revenue sources, even when faced with challenges in its core interest-related income during 2020-2022, emphasizes its flexibility. This adaptability, especially during the global pandemic, where there was a decline in lending activities, is commendable. The consistent growth in Profit After Tax, even in these challenging times, paints a picture of a bank that is not just surviving but thriving.

However, it's not all smooth sailing for NCC Bank. The bank's various financial ratios offer deeper insights. The consistent above-par Liquidity Coverage Ratio indicates a solid liquidity status, ensuring stakeholders of the bank's ability to meet short-term obligations. This is undoubtedly a strength. However, the slight dip in the Net Stable Fund Ratio could signal growing dependencies on short-term funds, which, if not managed, could pose liquidity risks in the longer term. The bank's other financial indicators, especially the Tier I Capital Adequacy and Total Capital Adequacy ratios, reaffirm its robust financial stability. The bank seems to be ensuring it has a cushion to absorb potential financial shocks, which is critical in an unpredictable economic climate.

The competitive landscape, as portrayed by Porter's Five Forces Model, presents its own set of challenges. The low threat from new entrants provides some solace. Yet, NCC Bank cannot rest on its laurels. The industry is rife with competition from established banks, and differentiation is becoming increasingly challenging. Herein lies a significant challenge: how does NCC Bank persistently innovate and offer unique value to its customers in such a crowded market?

Furthermore, technology and changing consumer preferences are redefining the banking sector. The rise of mobile financial services, such as bKash, and the prominence of microfinance institutions suggest that consumers have more choices than ever before. For traditional banks like NCC, this could mean a considerable shift in how they operate and offer services. In addition to that, the bank not only has to keep up with these evolving trends but also to lead in innovation.

The SWOT analysis further distills NCC Bank's position. Its strengths, like its brand reputation and extensive service offerings, are significant assets. However, it's the opportunities that are

most compelling. The surge in demand for digital banking solutions in Bangladesh is a golden opportunity. By focusing on digital transformation, NCC Bank can tap into a younger demographic while streamlining its operations, leading to cost savings. Furthermore, by strengthening its partnerships in the fintech space and focusing on SME lending, the bank can diversify its revenue streams, reducing dependencies on traditional income sources.

However, these opportunities come with their own set of challenges. The looming threat from fintech solutions and the potential for regulatory upheavals require vigilant monitoring and proactive strategy adjustments. Moreover, the bank's identified weaknesses, such as achieving operational efficiency and differentiating in a saturated market, need immediate addressing to ensure long-term sustainability.

In essence, NCC Bank is at a pivotal juncture. The banking landscape in Bangladesh is undergoing rapid transformation, driven by technological advancements and evolving consumer behaviors. For NCC Bank, the future holds both challenges and opportunities in almost equal measure. Its ability to proactively innovate, adapt to emerging trends and strategically address its weaknesses while capitalizing on its strengths will determine its trajectory in the coming years. If it can do so successfully, NCC Bank is poised not just for survival but significant growth in the future Bangladesh banking sector.

## **2.9 IMPLICATION/RECOMMENDATION**

The insights derived from the analysis of NCC Bank's financial performance, competitive position, and SWOT analysis reveal both challenges and opportunities in the dynamic banking sector of Bangladesh. Here are some of the implications that can be drawn from these findings and provide actionable recommendations:

### **1. Digital Transformation:**

**Implication:** The surge in demand for digital banking solutions in Bangladesh, the rising popularity of fintech solutions like bKash, and the increasing acceptance of online banking all point towards a paradigm shift in the way consumers approach banking.

**Recommendation:** NCC Bank should accelerate its digital transformation efforts. Investing in a robust digital banking platform, integrating AI-driven customer service solutions, and improving mobile banking apps can enhance customer experience. Additionally, the bank should consider introducing innovative digital products tailored to the needs of the younger demographic.

### **2. Diversification of Revenue Streams:**

**Implication:** The bank's consistent growth in non-interest income suggests potential avenues beyond traditional banking, especially when core interest-related income faces challenges.

**Recommendation:** Besides digital banking, NCC Bank should consider expanding its suite of financial products and services. This might include wealth management, investment advisory,

or insurance. Moreover, partnerships with fintech firms can lead to the co-creation of unique financial products, further diversifying revenue sources.

### **3. Strengthening Core Operations:**

**Implication:** The fluctuations in certain financial ratios and the challenges highlighted in operational efficiency imply there's room for improvement in the bank's core operations.

**Recommendation:** NCC Bank should consider optimizing its branch network, potentially reducing the number of physical branches while enhancing its service quality. Embracing technology can automate many back-end processes, leading to cost savings. Furthermore, regular training programs for staff can ensure service quality remains consistently high.

### **4. Addressing Short-term Dependencies:**

**Implication:** The slight dip in the Net Stable Fund Ratio indicates a potential increasing reliance on short-term funding sources.

**Recommendation:** To mitigate liquidity risks, NCC Bank should focus on diversifying its funding sources, emphasizing long-term deposits and bonds. Product offerings that encourage customers to keep their deposits for extended periods, such as attractive long-term fixed deposit rates, can be one of the strategies.

### **5. Fostering SME Relationships:**

**Implication:** The growth of Small and Medium-sized Enterprises (SMEs) in Bangladesh is evident, and they represent a significant segment of the country's economic fabric.

**Recommendation:** NCC Bank should create specialized packages for SMEs, providing not just financial services but also advisory and consultancy. By becoming partners in growth for SMEs, the bank can tap into this lucrative segment while solidifying long-term customer relationships.

### **6. Tackling Competitive Rivalry:**

**Implication:** The highly competitive rivalry within the Bangladesh banking sector suggests that differentiation is key.

**Recommendation:** Beyond digital services, NCC Bank should focus on building a unique value proposition. This might involve superior customer service, community engagement programs, or tailor-made financial solutions. Furthermore, consistent brand-building efforts can ensure NCC Bank remains top-of-mind for consumers.

### **7. Embracing Partnerships:**

**Implication:** The threat of substitutes, especially fintech solutions, is significant.

**Recommendation:** Instead of viewing fintech firms as threats, NCC Bank should consider them as potential partners. Collaborative efforts can lead to the development of innovative

banking solutions that cater to the evolving needs of customers. Such partnerships can also enhance the bank's digital transformation efforts.

## **8. Risk Management:**

**Implication:** The potential risk from non-performing loans and credit issues remains a concern.

**Recommendation:** NCC Bank should invest in advanced risk assessment tools, utilizing data analytics and AI to predict potential loan defaults. A stringent credit assessment procedure combined with regular portfolio reviews can reduce the risk of bad debts.

## **9. Customer Engagement and Feedback:**

**Implication:** In a competitive market, understanding customer needs and preferences is crucial.

**Recommendation:** Regular customer feedback surveys, combined with data analytics on customer transactions, can provide insights into changing customer preferences. Using this data, NCC Bank can adapt its product and service offerings, ensuring they remain relevant.

NCC Bank stands at a crucial point where strategic decisions can shape its future trajectory. By proactively addressing challenges and leveraging its strengths, the bank can solidify its position as a leader in Bangladesh's banking industry. The recommendations provided, if executed diligently, can guide NCC Bank toward sustainable growth in an ever-evolving market landscape.

## **CHAPTER 3**

### **PROJECT**

#### **3.1 INTRODUCTION**

In this everchanging economy and globalization of businesses and finance, the importance of standardizing financial reporting cannot be undermined. Maintaining compliance with a globally recognized standard ensures the benefits of comparability, benchmarking, and integrity in the financial information that businesses disclose in Bangladesh, especially commercial banks like NCCBL.

##### **3.1.1 LITERATURE REVIEW**

To find out how much research has been done to see the level of implementation and compliance of BAS with the accounting standards of NCCBL in presenting financial statements some research works have been reviewed:

**Modhu, M. S. (2023).** Explored the key benefits of adopting IFRS for financial statements. The limitations of adopting IFRS.

**Rahman, M. F. (2016).** Explored the banking system of NCC Bank Ltd and the types of investment. This study also analyzed the investments over the years and made a comparison with another bank to show the financial situation of NCC Bank Ltd.

**Jannatul, N. (2019, November 29).** Discussed different human resource management practices in NCC Bank Ltd.

##### **3.1.2 OBJECTIVE**

The broad objective of this research is to familiarize and understand the accounting practices followed in commercial banks like NCC Bank Ltd. to maintain their books of accounts. The specific objectives of this study are:

- Measuring the level of compliance
- Identifying the areas of non-compliance

##### **3.1.3 SIGNIFICANCE**

Based on the literature review it is seen that not much research work has been done on the issue of compliance with BAS standards specifically with the accounting standards of NCCBL in presenting financial statements. The BAS standards are specifically tailored for the business that runs in Bangladesh. That's why I think having a systematic study on the BAS requirements

for financial statement presentation would be important. Besides that, it would further help to point out the challenges faced in maintaining compliance with BAS standards.

## 3.2 METHODOLOGY

**Data collection process:** For collecting the necessary data required to do this research work secondary data sources are used since the bank is very conservative in disclosing any information.

**Secondary source:** I will use annual financial reports, relevant articles, and literature reviews as my secondary source of data.

## 3.3 QUANTITATIVE ANALYSIS OF COMPLIANCE

### Methodology:

**1. Selection of Standards:** Five critical BAS standards relevant for banks are chosen:

BAS 1: Presentation of Financial Statements

BAS 7: Statement of Cash Flows

BAS 32: Financial Instruments: Presentation

BAS 39: Financial Instruments: Recognition and Measurement

BAS 115: Revenue from Contracts with Customers

**2. Criteria Development:** For each standard, we list down major compliance criteria:

### 1. BAS 1: Presentation of Financial Statements

- **Statement Structure:** Correct presentation and structure of the balance sheet, income statement, statement of changes in equity, and cash flow statement.
- **Disclosure Notes:** Comprehensive notes that accompany the financial statements, providing a clear explanation of the items presented.
- **Materiality and Aggregation:** Ensuring that each material class of similar items is presented separately. Items of a dissimilar nature or function are only aggregated if immaterial.

- **Comparative Information:** Presentation of comparative information for all amounts reported in the current period's financial statements.

## 2. BAS 7: Statement of Cash Flows

- **Cash Flow Categories:** Correct categorization of cash flows into operating, investing, and financing activities.
- **Non-Cash Transactions:** Explicit disclosures about investing and financing activities that do not require the use of cash or cash equivalents.
- **Components of Cash:** Clear identification and presentation of cash and cash equivalents, ensuring they are short-term, highly liquid investments.
- **Foreign Currency Cash Flows:** Presentation and disclosure of cash flows arising from transactions in a foreign currency, including the use of an appropriate exchange rate.

## 3. BAS 32: Financial Instruments: Presentation

- **Classification:** Proper classification between financial assets, financial liabilities, and equity instruments.
- **Compensation for the Transfer of an Asset or Liability:** Transactions that are settled in the entity's equity instruments are correctly classified.
- **Offsetting:** Financial assets and financial liabilities are only offset and the net amount is presented when there's a currently enforceable legal right to offset the recognized amounts and an intention to settle on a net basis.
- **Taxation:** Presentation of tax consequences of the future recovery of an asset, or settlement of a liability.

## 4. BAS 39: Financial Instruments: Recognition and Measurement

- **Initial Recognition:** Financial instruments are initially recognized at fair value when the entity becomes a party to the contractual provisions of the instrument.
- **Subsequent Measurement:** Financial assets are measured at either fair value or amortized cost, based on their classification.
- **Impairment:** Correct identification and reporting of impairment losses on financial assets measured at amortized cost or cost.

- **Derecognition:** Appropriate derecognition of financial assets and liabilities based on the specified criteria.

### 5. BAS 115: Revenue from Contracts with Customers

- **Identification of Contract:** Clear identification and establishment of contracts with customers.
- **Performance Obligations:** Proper identification of distinct performance obligations within a contract.
- **Determination of Transaction Price:** Accurate determination of the transaction price considering variable considerations, time value, non-cash considerations, and payments to customers.
- **Allocation of Transaction Price:** Allocation of the transaction price to the identified performance obligations in the contract.

**3. Scoring Mechanism:** Assign scores for each criterion. Binary scoring: 1 for compliance and 0 for non-compliance.

**Table: Compliance Scoring of NCC Bank Limited with BAS Standards**

BAS Standard	Criteria	Maximum Score	NCC Bank's Score
BAS 1: Presentation of Financial Statements	Statement Structure	1	1
	Disclosure Notes	1	1
	Materiality and Aggregation	1	1
	Comparative Information	1	1
<b>Subtotal</b>		<b>4</b>	<b>4</b>
BAS 7: Statement of Cash Flows	Cash Flow Categories	1	1
	Non-Cash Transactions	1	1
	Components of Cash	1	0
	Foreign Currency Cash Flows	1	1
<b>Subtotal</b>		<b>4</b>	<b>3</b>



<b>BAS Standard</b>	<b>Criteria</b>	<b>Maximum Score</b>	<b>NCC Bank's Score</b>
BAS 32: Financial Instruments: Presentation	Classification	1	1
	Compensation for the Transfer of an Asset or Liability	1	1
	Offsetting	1	1
	Taxation	1	1
<b>Subtotal</b>		<b>4</b>	<b>4</b>
BAS 39: Financial Instruments: Recognition and Measurement	Initial Recognition	1	1
	Subsequent Measurement	1	1
	Impairment	1	1
	Derecognition	1	0
<b>Subtotal</b>		<b>4</b>	<b>3</b>
BAS 115: Revenue from Contracts with Customers	Identification of Contract	1	1
	Performance Obligations	1	1
	Determination of Transaction Price	1	1
	Allocation of Transaction Price	1	1
<b>Subtotal</b>		<b>4</b>	<b>4</b>
<b>Total</b>		<b>20</b>	<b>18</b>

Calculation of Compliance Index:  $(20/18) * 100 = 90\%$

#### **Analysis and Findings:**

NCC Bank Limited's financial statements are the gateway for stakeholders to evaluate the financial health and transparency of the institution. Ensuring they are consistent with the

Bangladesh Accounting Standards (BAS) not only enhances their credibility but also positions the bank as an institution that champions best practices. This analysis examines the bank's compliance level with five key BAS standards.

### **Overall Compliance**

From a cursory glance at the compliance table, NCC Bank Limited achieves a commendable score of 18 out of a maximum possible score of 20. This indicates a 90% compliance rate with the selected BAS standards, showcasing a high level of commitment and rigor in adhering to recognized accounting principles.

### **BAS 1: Presentation of Financial Statements**

NCC Bank Limited showcased complete compliance in this area, achieving a perfect score.

- The bank's financial statements were structured correctly, presenting a comprehensive view that includes the balance sheet, income statement, changes in equity, and cash flow statement.
- A close examination reveals meticulously detailed disclosure notes. These notes provide insightful explanations on each item, ensuring stakeholders can make informed decisions.
- The bank also appears to have strictly adhered to the principles of materiality and aggregation. This is evident from their clear distinction between items of similar and dissimilar nature, presenting them separately whenever material.
- Comparative information was also presented for every financial aspect, enhancing the clarity and comprehensiveness of their reporting.

### **BAS 7: Statement of Cash Flows**

The bank's score reflects slight discrepancies in this standard.

- Cash flow categorization was spot-on, with clear divisions among operating, investing, and financing activities. Such categorization allows stakeholders to identify the sources and applications of the bank's funds.
- The bank disclosed non-cash transactions as mandated, illuminating any investing and financing activities that didn't involve direct cash flow.
- However, there was a minor shortfall in detailing the components of cash and cash equivalents. While the bank mentioned them, a deeper level of transparency and clarity would have been beneficial for stakeholders.
- The bank also demonstrated proper care in presenting foreign currency cash flows, utilizing appropriate exchange rates, and offering pertinent disclosures.

### **BAS 32: Financial Instruments: Presentation**

NCC Bank Limited demonstrated excellence in compliance with BAS 32.

- There was an evident, proper classification between financial assets, liabilities, and equity instruments, ensuring stakeholders could discern the bank's financial commitments and holdings.
- Transactions settled using the bank's equity instruments were aptly classified, reinforcing the credibility of their reporting.
- The bank strictly adhered to the non-offsetting rule, presenting financial assets and liabilities separately unless specific conditions were met.
- Taxation disclosures related to the recovery of assets or liabilities were mentioned, shedding light on potential future tax implications.

### **BAS 39: Financial Instruments: Recognition and Measurement**

While the bank showcased considerable adherence, a minor discrepancy was observed.

- The initial recognition of financial instruments at fair value was evident, as was their commitment to subsequent measurements either at fair value or amortized cost.
- Impairment of financial assets was recognized and reported diligently, revealing any possible losses the bank could incur from its financial assets.
- However, there seemed to be an oversight or lack of clarity regarding the derecognition of financial assets and liabilities. This area warrants further scrutiny to ensure complete compliance and transparent reporting.

### **BAS 115: Revenue from Contracts with Customers**

Achieving a perfect score in this standard, the bank exhibited impeccable compliance.

- Every contract with customers was identified, setting a strong foundation for revenue recognition.
- Performance obligations within contracts were distinctly mentioned, ensuring revenues were recognized only when these obligations were met.
- The bank adopted a rigorous approach to determining the transaction price, accounting for various considerations and adhering to BAS guidelines.
- Moreover, the allocation of the transaction price to different performance obligations was transparent, reinforcing the clarity of their revenue recognition practices.

### **Conclusion**

NCC Bank Limited's 90% compliance rate with the selected BAS standards is commendable, revealing their dedication to transparency, accuracy, and adherence to globally recognized best practices. While they excel in many areas, the minor discrepancies observed, especially in BAS

7 and BAS 39, suggest opportunities for improvement. Addressing these gaps would further elevate the bank's commitment to stakeholders and exemplify their dedication to accounting excellence.

### **3.4 CONCLUSION AND RECOMMENDATIONS**

In light of the analysis conducted on NCC Bank Limited's compliance with selected BAS standards, a series of recommendations emerge. These suggestions, rooted in the intention of promoting both best practice adoption and stakeholder confidence, can be summarized as follows:

#### **1. Reinforce Training and Continuous Education:**

**Focus on Gaps:** While the bank has exhibited a commendable 90% compliance rate, training programs should specifically target the minor discrepancies noted, especially in BAS 7 (Components of Cash and Cash Equivalents) and BAS 39 (Derecognition of Financial Assets and Liabilities).

**Continuous Education:** Encourage employees, especially those in financial roles, to attend workshops, seminars, and courses that delve into BAS and its evolving nature. This proactive learning approach can ensure that NCC Bank stays abreast of any changes or revisions to the standards.

#### **2. Strengthen Internal Review Mechanisms:**

**Peer Reviews:** Adopt a peer review mechanism where financial statements are cross-examined by teams before finalization. Such reviews can identify gaps that may be overlooked by the primary team.

**External Consultation:** Periodically, seek consultations from external accounting and auditing firms to gain an outsider's perspective on the bank's compliance level. An external eye can sometimes detect nuances that may be missed internally.

#### **3. Adopt Advanced Financial Software:**

Ensure the bank's financial software is up-to-date and incorporates features that align with BAS standards. Modern financial software often comes with built-in checks and balances that can automatically flag potential deviations from recognized standards.

Schedule regular software updates and training sessions for employees to familiarize them with new features or modifications.

#### **4. Enhance Stakeholder Communication:**

Transparent Reporting: Beyond mandatory disclosures, aim for a transparent reporting mechanism. If there are areas of non-compliance, accompany them with explanations, the reasons for the deviations, and the steps being taken to address them.

Engage in Dialogues: Host periodic stakeholder meetings or forums to discuss the bank's financial health, emphasizing the bank's commitment to BAS compliance. Such dialogues can foster trust and provide the bank with constructive feedback.

#### 5. Benchmarking and Collaborations:

Benchmark: Regularly benchmark NCC Bank's compliance levels against industry peers and global leaders. Such comparisons can offer insights into areas of improvement and best practices that the bank can adopt.

Collaborations: Consider partnerships with financial institutions renowned for their compliance levels. Such collaborations can lead to knowledge transfer, shared best practices, and the strengthening of compliance mechanisms.

### **Conclusion**

The world of financial reporting is ever-evolving, demanding businesses to consistently align with recognized standards. NCC Bank Limited's dedicated alignment with the Bangladesh Accounting Standards illuminates its commitment to not just regulatory adherence but also to the sanctity of transparent financial reporting.

A 90% compliance rate is no small feat. It stands as a testament to the bank's robust internal processes, its dedication to stakeholder trust, and its position as a stalwart in Bangladesh's financial landscape. This commendation, however, is accompanied by the reality that the pursuit of excellence is continuous. The minor gaps identified in the bank's compliance are not mere discrepancies but opportunities. They beckon a more profound introspection into the bank's processes and a call for an even more stringent alignment with best practices.

As the global financial realm becomes increasingly interconnected and as stakeholders become ever more discerning, the onus of complete transparency and adherence to recognized standards amplifies. In this context, NCC Bank Limited's journey is both commendable and aspirational. By heeding the recommendations laid out and by continuously striving for complete compliance, the bank is poised to not just solidify its reputation but also to redefine the gold standard of financial reporting in Bangladesh.

In this evolving journey of financial transparency and accountability, NCC Bank Limited's story serves as an inspiration for many. It underscores the dual essence of celebration and introspection - celebrating the milestones achieved in compliance and introspecting on the paths yet to be treaded

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## **APPENDIX A.**

### **Problem Statement:**

This study will mainly focus on the level of compliance and challenges in maintaining compliance with the Bangladesh Accounting Standards in presenting financial statements.

### **Research Objective**

The broad objective of this research is to familiarize and understand the accounting practices followed in commercial banks like NCC Bank Ltd. to maintain their books of accounts. The specific objectives of this study are:

- Identifying the benefits of maintaining compliance with the standards
- Importance of maintaining standards
- Explore different challenges in maintaining compliance with these standards
- The limitations of these standards

### **Background:**

Before selecting this topic of study some relevant articles and literature were reviewed for identifying the research gap on this topic. The following literature was reviewed focusing on the objectives, methodology, and concluding remarks of the study.

**Modhu, M. S. (2023).** Explored the key benefits of adopting IFRS for financial statements. The limitations of adopting IFRS.

**Rahman, M. F. (2016).** Explored the banking system of NCC Bank Ltd and the types of investment. This study also analyzed the investments over the years and made a comparison with another bank to show the financial situation of NCC Bank Ltd.

However, those studies have not explored the fact of how much the bank complies with the Bangladesh Accounting Standards in presenting financial statements.

### **Preliminary Methodology**

**Data collection process:** For collecting the necessary data required to do this research work both primary and secondary data sources are explored.

**Primary source:** I will use the survey questionnaire as the primary source for collecting data from the bank managers, general banking officers, etc.

**Secondary source:** I will use annual financial reports, relevant articles, and literature reviews as my secondary source of data.

**Analysis of the data:** Based on the data collected from the primary and secondary sources I will do the financial ratio analysis.



**Questionnaire design:** The research question was designed keeping in mind the confidentiality of the company.

**Sample of the questionnaire:**

How much do you comply with the following regulatory and professional requirements for financial reporting?

Requirements	Fully complies	Partially complies	Does not comply at all
Banking Companies Act, 1991	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BFRS/BAS (Bangladesh Financial Reporting Standards)/ (Bangladesh Accounting Standards)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IFRS/IAS (International Financial Reporting Standards)/ (International Accounting Standards)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. Which method do you follow in preparing the cash flow statement?

Direct method     Indirect method     Direct & Indirect method

2. Which accounting standards do you follow more for preparing financial statements?

BFRS/BAS (Bangladesh Financial Reporting Standards)/ (Bangladesh Accounting Standards)	<input type="checkbox"/>
IFRS/IAS (International Financial Reporting Standards)/ (International Accounting Standards)	<input type="checkbox"/>

3. How often do these audits take place?

Quarterly     Half-yearly     Annually     Bi-annually

4. Do you classify loans and advances in the following category?

Particulars	Yes	<input type="checkbox"/>
Industry-wise (Garments, pharmaceuticals, etc.)	<input type="checkbox"/>	
Business Category-wise (Service, Trading, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
Sector-wise (Agriculture, Forestry, Fishery, etc.)	<input type="checkbox"/>	<input type="checkbox"/>

Others (Please Specify)

.....  
.....

5. What are the benefits of compliance with the accounting standards (BFRS/IFRS)? (multiple responses)
  - Ensuring a true and fair view of accounts
  - Ensuring the comparability of accounting across the countries
  - Diminishes the cost of preparing different financial statements
  - Fair disclosure ensured
  - Easy to benchmark performance
  - Others (Please specify) .....
6. What are the challenges faced while maintaining compliance with the accounting standards (BFRS/IFRS)? (multiple responses)
  - Intentions to give favorable audit treatments to the clients
  - BFRS are more complex and less understandable
  - BFRS requires more disclosures
  - Lack of implementation guidelines for BFRS/BAS
  - Lack of auditors' independence
  - Lack of overall accountability and transparency
  - Others (Please specify) .....
7. What can be improved for better compliance with the accounting standards (BFRS/IFRS)?

### **Significance of the Issue**

Exploring the issue of regulatory compliance gives me the scope to get myself exposure to the accounting practices of commercial banks such as NCC Bank Ltd. Besides that, this study also gives the scope to explore Bangladesh Accounting Standards that are required for preparing financial statements for banks. Not only that, but this may also provide valuable insights as to why certain standards are followed or complied with and the benefits of following certain standards. In addition to that, the findings of the study will assist NCC Bank Ltd. in finding out the areas of improvement in their financial reporting practices to better comply with the accounting standards made by the ICAB (Institute of Chartered Accountants of Bangladesh).

### **Timeline of the report**

Started writing the report	18/06/2023
Submission of the initial project proposal to the supervisor	25/06/2023

Received feedback on the proposal	26/06/2023
Resubmission of the project proposal to the supervisor	04/07/2023
Feedback on the project proposal and finalization	06/07/2023
Submission of the first draft of the report to the supervisor and receive feedback	13/08/2023
Submission of the second draft of the report to the supervisor and receiving feedback	20/08/2023
The final report was submitted to the supervisor and the library	27/08/2023
Presentation of the report	03/09/2023

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