

Financial Reporting System of BHL Group

By

Md Emon Ali
21264066

An Internship Report submitted to the BRAC Business School
in partial fulfillment of the requirements for the degree of
Master of Business Administration

BRAC Business School
BRAC University
November 2024

©2024. Brac University
All rights reserved.

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:

Md Emon Ali
Student ID: 21264066

Supervisor's Full Name & Signature:

Dr. Suman Paul Chowdhury
Associate Professor of Accounting, BRAC Business School,
BRAC University.

Letter of Transmittal

November 6, 2024

Dr. Suman Paul Chowdhury

Associate Professor of Accounting, BRAC Business School,
BRAC University, KHA 224, Progati Sarani, Merul Badda, Dhaka 1212.

Dear Sir,

Subject: Internship Report on Financial Reporting System of BHL Group.

It is my pleasure to present the internship report which has been prepared under the title “Financial Reporting System of BHL Group Limited” as a part of the credit requirements for the degree of Master of Business Administration (MBA) of BRAC University. This report is a collection of idea, impressions, and lessons learned from the time spent as an intern in BHL Group Limited.

During my internship from July 01, 2024 to September 30, 2024 I was able to participate in several projects, activities, and assignments with the assistance and supervision of the accounts and finance department. Based on my understanding of this report I hope that the findings and observations will prove to be useful when assessing the success of the internship programme and where changes can be made.

So, to say the least, I would like to thank Mr. Swapon Kumer Ghosh along with the entire accounts and finance department for their guidance and motivation throughout the internship period as well the productive suggestions that they have given me for the completion of this report. I would like to express my appreciation to Mr. Swapon Kumer Ghosh Sir, the Finance Director of BHL Group, as he is one of the most impactful individuals who have contributed to my career development. Thank you for considering my internship report. I am eager to receive your feedback and insights.

Yours sincerely,

Md Emon Ali

Student ID: 21264066

Acknowledgement

Firstly, it is my pleasure to acknowledge my special appreciation to all those people who have made this internship report possible.

I would also like to thank my internship supervisor Mr. Swapon Kumar Ghosh Sir was always around to help me, support and of course share his expert opinion during the internship exploration. One thing is not overemphasized; his strong passion for developing talents and promoting sustainable environment for learning. This formed the cornerstone upon which I grew professionally. Furthermore, Ghosh's huge experience of the field of finance industry with his wish to share this knowledge and enlighten people on the subject related to the actual world works of the segment have really improved my practical wisdom by following his guidance. This is significant enough to mention, because his use of time and reinforcement effectively helped in handling issues; and generating solutions to issues, but this use of time and reinforcement also served to boost confidence to handle more difficult assignment.

Furthermore, I would like to thank my academic supervisor from the BRAC University Dr. Suman Paul Chowdhury, for his guidance endowed throughout my internship, constant encouragement and meaningful remarks made. I am particularly indebted to Dr. Chowdhury for providing invaluable advice, support and ensuring that the internship is truly a form of experiential learning. This mentorship has been insightful in terms of understanding the practical implication of the theoretical knowledge I have gained together with challenging me to work harder to achieve the best.

Finally, I want to thank my family and friends for being supportive throughout my studies and never giving up on me no matter the situation. For its support, and for the love that has helped me get through the tough moments I have faced in my life.

In conclusion, I would like to express my gratitude to leadership and all the BHL Group staff for offering me an opportunity to intern at the organization and for your support throughout my internship. I owe this report to all those people who have been an input to preparation this document in one way or the other.

Executive Summary

In this internship report, the Financial Reporting System of BHL Group Limited has been studied with a deep concern to Accounts and Finance Department. The ceramic industry is highly competitive and the BHL Group Limited, a leading player in the industry, operate in an environment that is dynamic. This is an attempt to present a complete sketch about how the company reports its financial, how the financial information is generated, what is the roll of the Accounts and Finance Department, and how it ensures the accuracy, transparency and regulatory comply.

During the internship period, very extensive research, observation and interaction was carried out to understand their history, structure and above all their financial reporting framework they use. Financial reporting is emphasized in the report as an aid to informed decision making, to instill investor confidence and in promoting accountability and transparency in corporate governance.

The relevant aspects of the Financial Reporting System are covered in respect to the quality of the financial reporting process concerning the preparation and presentation of the financial statements, in parallel with the volume of accounting ratified standards and regulations, the internal controls system and the relevant possibilities of the use of accounting software and tools during the accounting process. Additionally, the report addresses the capability of the Accounts and Finance Department in handling finance data, assessing financial results and delivering information on finance to stakeholders timely and accurate.

Additionally, the challenges and opportunities experienced during the internship are discussed, together with suggestions for improvement. The areas where we can improve include reporting where we could make things simpler, data accuracy and reliability, how we handle the automation side using technology, and continually training and developing of finance professionals.

In conclusion, I have learned as an intern of BHL Group Limited a lot can be learned about financial reporting in a corporate environment. This report attempts to increase the understanding of financial reporting in corporate governance and business sustainability, through the examination of the practices and processes of the Accounts and Finance department.

Table of Contents

Chapter 1: Overview of Internship ----- 1

STUDENT INFORMATION -----	1
INTERNSHIP INFORMATION -----	1
INTERNSHIP OUTCOMES -----	2

Chapter 2: Overview of BHL Group ----- 5

BRIEF HISTORY -----	5
VISION AND MISSION -----	5
CORE VALUES -----	6
BHL GROUP CONCERNS -----	6
PRODUCTS AND SERVICES -----	8
BUSINESS MODEL CANVAS -----	9
PESTLE ANALYSIS -----	10
PORTER'S FIVE FORCES -----	12
ORGANIZATIONAL CHART (HEAD OFFICE AND CORPORATE OFFICE) -----	14

Chapter 3: Project Part (Financial Reporting System) ----- 15

BACKGROUND OF THE REPORT -----	15
ORIGIN OF THE REPORT -----	15
OBJECTIVE OF THE REPORT -----	15
METHODOLOGY OF THE REPORT -----	16
LIMITATIONS OF THE REPORT -----	16
<i>Functions of Finance and Accounts -----</i>	<i>17</i>
<i>Preparation of Daily Cash & Bank Balance Statement -----</i>	<i>17</i>
<i>Adjusting Journal and Closing Entries -----</i>	<i>17</i>
<i>Preparation of Trial Balance -----</i>	<i>18</i>
<i>Preparation of the Financial Statements -----</i>	<i>18</i>
<i>Objective of Financial Statement -----</i>	<i>18</i>
FINANCIAL STATEMENT ANALYSIS STAGES -----	19
<i>the BHL Ceramics Limited generally takes a accounting policy -----</i>	<i>20</i>

<i>Taxation</i>	20
<i>Maintained Accounting Records</i>	21
<i>The Debit / Payment Voucher is the cash journal</i>	21
<i>Debit – Cash Journal</i>	21
<i>Approval of Journal Vouchers</i>	22
<i>Cash Journal Register</i>	22
<i>Bank Journal Register</i>	23
<i>Bank Reconciliation Statement</i>	23
<i>Closing of Accounts</i>	23
<i>Bank Transaction & Bank Management</i>	23
<i>Operation of Bank Accounts</i>	24
<i>Withdrawal of Cash from Bank</i>	24
<i>Ordering of New Cheque book</i>	24
<i>Budget & Budgetary Control</i>	24
<i>Timing of Budget Preparation</i>	25
<i>Budget Format</i>	25
<i>Budgetary Control</i>	26
<i>Budget Monitoring</i>	26
<i>Budget Review</i>	26
<i>Approval of Budget:</i>	26
RECOMMENDATIONS	27
CLOSING REMARKS.....	28

References ----- i

Chapter 1: Overview of Internship

Student Information

Name: Md Emon Ali

Student ID: 21264066

Program: Masters of Business Administration (MBA)

Concentration: Finance

Internship Information

Internship Period: July 1, 2024 to September 30, 2024

Company Name: BHL Group

Department: Accounts and Finance.

Address: 9th Floor, Nasir Trade Centre, 89 Bir Uttam Sonargaon Road, Dhaka 1205

Supervisors Information

Swapan Kumar Ghosh

Director, Accounts and Finance

Email: swapan.ghosh@bhlgroup.com.bd

Job Scope:

I joined the company as a finance intern and my primary duties included the following tasks and some other task on demand basis –

- Arranging and maintaining records of UPAS LC, LATR, Bank Guaranty, Short Credit Agreements and Demand Loans. I had to make sure that all this contracts and payments are up to date.
- Preparing “Clearing and Forwarding (C&F) Bill” for all the imported goods and sending it to the Director of Finance for final approval.
- Preparing and maintaining daily statement of a sister concern of BHL Group where the primary functions are potato export.
- Daily voucher management of several sister concerns of BHL Group
- Bank reconciliation of daily payments through cheques and RTGS.

Internship Outcomes

My Contributions:

Voucher Management: One of the primary duties were cross-checking all payment vouchers that had been made by the accounts cashier. At the end of the day it was placed on my desk and the following day I would check if the amounts are correct and if there is supporting documents there for that payment.

C&F Bill: As a manufacturing company, BHL have to import a significant amount of their raw materials and equipment from all over the world. That means there are several C&F bills processed every day. I got assigned for one of the sister concern for BHL Group which was BHL Paper Mill.

Bank Reconciliation: On any given day there would be about 5-7 checks issued along with 3-4 RTGS payments. During the final hours of my shift I would reconcile each and every issued checks to see if they were passed.

On Demand Basis Work: On top of above mentioned work, there can be some small task based on certain situation. For instance, during my 3rd week, I had to write a letter to the insurance company regarding a fire hazard claim that had occurred about a week ago in one of the plant in Habigonj, Sylhet.

Benefits and Influence on Career Plans

BHL Group, Where My Three Months Internship at the Accounts and Finance Department Has Affected My Career Decisions on Finance. Working within an active business environment day in day out, I was able to get practical experience that enabled me not only to strengthen what I learned in class but also taught me how organizations function and how financial processes really occur. In the course of my stay, I was able to engage in such activities as budget analysis and financial reporting among others; this provided an avenue for applying the theoretical concepts learned to real life situations and thus enhancing my analytical skills and sound thinking. In addition, being able to work with other professionals ensured that I got to learn from them and their experiences instead of just from books alone. Seeing the effects of financial decisions in operations close up further fueled my passion for finance besides demonstrating the significance of the field to the achievement of organizational goals.

Working at BHL Group has compelled me towards the choice of finance as my career path. It has helped me in understanding a wide range of non-recourse funding approaches and create a strong desire to work in different areas of financial industry ranging from investment banking to corporate finance. Additionally, the experience has enabled me to acquire skills like careful observation, problem-solving skills, and good communication skills which are hallmarks of any good job in the finance fraternity. In writing this narrative to describe my internship experience, I am confident that the skills, knowledge, and the insights I have acquired will significantly help me to achieve my long-term career goals in the field of finance.

Problems and Difficulties

Working as an intern in BHL Group in Dhaka, Bangladesh, I had a very effective and different experience as a learner than what I was only studying in the class. I had formal education, which gave me the theory part of things, but I also had practical experience by working in a complex business environment. Ever since I started my journey at BHL Group, I was immersed in systems and realities that exist in working world – managing operational issues that are involved in the supply chain or being able to give inputs on strategic issues that affect the organization. It also showed me different aspects of business where my resolution abilities were developed in a way that is impossible within the class by sitting with textbooks and reading. Furthermore, as I purposed working with other professionals most of whom have been in the industry for a while, I got a chance to appreciate many different perspectives and different ways of doing things that not only gave me an opportunity to develop creativity but also to work in a team that valued creativity.

Besides the educational and professional aspects of my internship in Dhaka I immensely benefited in terms of being exposed to a foreign culture. Communicating with other people of different cultures at work and during client meetings gave me a better understanding of how people work in the global arena and how important it is to be culturally intelligent when interacting with individuals from other countries. Further, struggling through the crowded streets of Dhaka, including ghettos of live Bangladeshi customs, helped me develop perseverance, flexibility, and flexibility during living in unknown conditions.

I believe that this lack of structure was crucial in helping me gain confidence and become more independent due to my internship at BHL Group. In return, the chance to use my knowledge for constructive work provided me with an appreciation of effective and meaningful accomplishment

that goes far beyond mere memorization and acquiring of credits. In conclusion, as I look back to my experience in BHL Group, there are a lot of lessons I was privileged to learn, friends and relations I secured and the growth achieved. It was a great experience not only changing my professional career but also enhancing my personal profile in such a way that I could have never imagined before.

Recommendation for Future Internship Programs:

When I started working as an intern, I had doubts that I will learn so many things from this experience alone. My supervisor, Mr. Ghosh has been one of the best mentors I have ever had. Almost everyday before leaving the office, he would call me in his office and we would talk about 30-40 minutes regarding the things we had achieved that how I can even improve my tasks. The environment of their office is very friendly and collaborative. I never got afraid of asking for help from anyone from the company. I will be leaving this place soon but it will have a special place in my heart forever and I have already referred some of my friends in that company.

Chapter 2: Overview of BHL Group

Brief History

BHL Group, headquartered in Dhaka, Bangladesh, a dynamic business house that has evolved over three decades. They have established themselves as a flagship brand and a prominent manufacturer of tiles, ceramics, sanitary products and few other commodities and services over the past decade. The company's inception marked the beginning of a journey toward becoming a key player in the Bangladeshi construction and home improvement sectors. Leveraging advanced technology and innovative design, BHL Group quickly gained a reputation for high-quality products that meet both local and international standards. With a workforce made of highly skilled Chinese and Bangladeshi professionals, Top of the range raw materials and a factory equipped with state-of-the-art machineries and technologies from China, Spain, Italy and Germany we are able to produce Best Quality Tiles in an affordable Price. BHL products are BSTI Certified & BUET tested to ensure the Finest Quality. They work closely with some of the brightest minds around the country and have access to the best-in-class raw materials, technology and human capital in the Ceramic industry. As a result, BHL has successfully mirrored international trends across product categories in Bangladesh today.

Vision and Mission

Vision: Their vision is to be “The most admired and respected conglomerate aiming to be a catalyst for positive change.”

Mission: Their mission includes the following –

- Creating a sustainable value for the future generations
- Delivering superior products, services and solutions.
- Making positive impact on the society
- Foster innovation and drive economic growth
- Setting benchmark of integrity, ethics and corporate social responsibility

Core Values

1. **Innovation and Technology Leadership:** Their goal is to embrace innovation and leverage cutting-edge technologies to drive continuous improvement across our businesses. Moreover, they want to be at the forefront of industry trends, offering innovative solutions that transform markets and enhance people's lives.
2. **Customer Excellence:** BHL Group is dedicated towards understanding and exceeding the expectations of their customers. By consistently delivering high-quality products and services, They aim to build long-lasting relationships and become their preferred choice.
3. **Employee Empowerment:** They recognize that their employees are our most valuable asset. Hence, their another goal is to provide a conducive work environment that fosters personal and professional growth, empowers our employees to excel, and encourages a culture of collaboration, diversity, and inclusivity.
4. **Operational Efficiency:** They strive for operational excellence in all of their processes, ensuring cost- effectiveness, productivity, and scalability. By continuously optimizing their operations, they aim to maximize efficiency, streamline workflows, and deliver sustainable value to their stakeholders.
5. **Sustainable Growth and Social Responsibility:** They are committed towards sustainable growth that balances economic prosperity with social and environmental responsibility. Their goal is to minimize their environmental footprint, contribute to the well-being of communities, and actively engage in philanthropic initiatives that address societal needs.

BHL Group Concerns

1. **BHL Ceramic:** High quality tiles are the business of BHL Ceramic located in Dhaka, Bangladesh. BHL Ceramic is renowned for its products of ceramic paving that are both durable and attractive, and intended for residential and commercial markets. Generally, the company stresses on innovation, sustainability and customers' satisfaction and is considered as a top player of Bangladesh's ceramics industry.
2. **Kongfu Ceramic:** The sister concern of BHL Group, which is well known for manufacturing high quality, durable tiles, is Kongfu Ceramic. The company is specialized on the ceramics industry and offers innovative design and customer satisfaction to both residential and commercial markets.

3. **Vinci Ceramic:** BHL Group has sister concern called Vinci Ceramic that is famous for making high quality aesthetically pleasing tiles. Vinci Ceramic serves residential and commercial sectors and emphasizes innovation, sustainability and customer satisfaction. The company is committed to excellence and has become a well-known name in worldwide ceramics industry.
4. **Parla Sanitaryware:** The high quality, durability and stylish designs of Perla Sanitaryware, a leading manufacturer of sanitary products, are of high demand. The company focuses its expertise in serving residential and commercial markets emphasizing innovation and customer satisfaction, and has since become a trusted name in the industry.
5. **Wealth Home Décor:** BHL Group's sister concern Wealth Home Décor exhibits and sell imported and premium products to customers. Since, this brand caters to the very top of the line consumer segment in our country and has been doing very well for itself, ever since.
6. **Wealth Builders:** Wealth builders is known as a leading property development company who specializes in construction of contemporary apartments that redefine modern living.
7. **BHL Logistics:** Their logistics business is responsible for keeping the supply chain of ceramic raw materials up to date. Raw materials for ceramic products are unloaded here and processed for production.
8. **Marine Chemicals:** One of key ingredient for ceramic and tiles manufacturing is sodium silicate that ensures the bonding of all raw materials. That sodium silicate is processed here then used in both tiles production and in BHL Paper Mills.
9. **Green Oil and Poultry Feed Industries:** BHL Group is the leading exporter of rice bran cooking oil to various countries. This project is environmentally friendly science the waste materials from cooking oil production goes on to making poultry feed. Hence, it does not leave any waste behind making it a sustainable and environmentally friendly process.
10. **Arman Trade International:** The primary function of this venture is to facilitate exporting operations for BHL Group. They export selected locally grown vegetables to different nations.
11. **BHL Paper Mill:** BHL Paper Mills is one the biggest ventures of BHL Group. Here they produce cardboard boxes and other packaging items. This project gives them an edge over their competitors.

12. **Chamichi BD:** This project is their newest venture where they focus on delivering best customer service through drinks and beverages. This project now has 3 outlets up and running where customers are flocking every day.

Products and Services

Although they had started their business with manufacturing and selling ceramic products, their product and service portfolio now goes way beyond that. They have variety of product offerings from which some of them are in the following –

1. Tiles and Ceramic
2. Sanitary Product
3. Rice Bran cooking oil
4. Poultry feed
5. Logistic service
6. Cartoon Boxes
7. Drinks and Beverage
8. Bricks
9. Potato Export
10. Bricks
11. Real-estate service
12. Providing commercial unloading services
13. Cold storage facility

Business Model Canvas

The Business Model Canvas is a strategic framework that outlines the building blocks of BHL Group’s business model in a single, visual chart. It represents the core elements of a business, including **Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships, and Cost Structure**. This tool can be used to quickly understand, design, and reinvent their business model, ensuring that all components work together cohesively to create and deliver value to customers while also being financially sustainable.

Key Partners: 1. Raw materials Supplier 2. Dealership 3. Banks 4. Export Partners 5. Governing bodies	Key Activities: 1. Manufacturing 2. Quality and safety check	Value Proposition: 1. High Quality Tiles and Ceramic 2. Diverse product range 3. Competitive Pricing	Customer Relationship: 1. Discounts 2. Delivery Service	Customer Segments: 1. Consumer Market 2. Business to Business Market.
	Key Resources: 1. Skilled Workforce 2. Logistical Network 3. Brand and Trademark		Channels: 1. Dealership 2. Showroom and Display Centre	
Cost Structure: 1. Raw materials cost 2. Labor Cost 3. Manufacturing and production overhead 4. Operating expenses			Revenue Stream: 1. Sales through dealership 2. Sales through display center 3. Export revenue	

PESTLE Analysis

Performing a PESTLE analysis for BHL Ceramic, a ceramic and tiles manufacturer based in Dhaka, Bangladesh, involves examining the Political, Economic, Social, Technological, Legal, and Environmental factors that could impact the business. Here's a detailed analysis:

Political Factors

- **Government Stability:** Political instability, at times, have affected the operations of Bangladesh business. But recent years have been more stable which is good for business.
- **Trade Policies:** BHL Ceramic can benefit owing to government policy on local manufacturing and export incentives. Import tariffs on raw materials may, however, make such costs higher.
- **Regulatory Environment:** Operationally, this may create a potential bureaucratic nightmare, as we have to comply with local regulations. Support of the government for the construction industry can be useful.

Economic Factors

- **Economic Growth:** There has been a major economic growth in Bangladesh and hence construction and real estate sectors increase and the demand for ceramics and tiles also rises.
- **Inflation Rates:** Inflation which is high can increase production costs and have an impact on the pricing strategy. Economic indicators are important for cost management.
- **Exchange Rates:** Imported raw material costs and export competitiveness may be driven by fluctuations of the Bangladeshi Taka.

Social Factors

- **Urbanization:** The rapid urbanization in Dhaka and other cities increases demand for residential and commercial construction, which is in favour of BHL Ceramic.
- **Lifestyle Changes:** The increase in income and change in lifestyle preferences will cause a higher demand for high quality, aesthetic ceramic products.
- **Workforce Skills:** Skilled labor is available in ceramics as well as in tile manufacturing. Training investment can increase the productivity and product quality.

Technological Factors

- **Manufacturing Technology:** Advanced manufacturing technologies can improve product quality and productivity at the same time. It's crucial to keep updated with the current global technological enhancements.
- **R&D and Innovation:** It is worthwhile to invest in research and development in order to innovate new design and increase product durability.
- **Digitalization:** Improvement in efficiency and customer satisfaction can be resulted by supplying implementing digital tools for supply chain management as well as customer relation.

Legal Factors

- **Compliance and Standards:** Compliance of quality standards and regulations, both in the local and in the international levels is essential for market acceptance or prevention of legal difficulties.
- **Intellectual Property:** Patenting and trademarking product design innovations help keeps the competitive advantage.
- **Labor Laws:** Observing labour laws and treating people fairly will help prevent trouble with law.

Environmental Factors

- **Sustainability:** The requirement of ecofriendly manufacturing process is increasing owing to the awareness and environmental requirements to be more and more environmental sustainability.
- **Waste Management:** Waste management is important to environment impact and compliance with the environmental regulations.
- **Energy Efficiency:** Energy efficient productivity system can reduce energy costs and provide lower environmental footprint while, with investment in energy efficient technologies, it can be aligned with global sustainability trends.

The success story of BHL Ceramic depends on how it will manage through the political landscape, stimulate economic growth, keep pace with social adaptation, innovate cutting edge technology,

comply with the legal frameworks, and building sustainability for the environment. Therefore, proactive strategies in these areas will surely make the company to become the first in the competitive ceramics and tiles industry in Bangladesh.

Porter's Five Forces

BHL Ceramic, a ceramic and tiles manufacturer based in Dhaka, Bangladesh, involves examining the competitive environment through the lens of five key forces: Five forces in the competitive environment are Competitive Rivalry, who would be my threat of New Entrants, Bargaining Power of Suppliers, Bargaining Power of Buyers and Threatened Substitutes. Here's a detailed analysis:

Competitive Rivalry

- **Industry Competition:** Currently, there's a number of players in the Bangladesh ceramics and tiles industry, including RAK Ceramics, Akij Ceramics, and so on, which make the industry quite competitive. Price wars and too low profit margins are possible in an intense competition.
- **Product Differentiation:** Design, quality and price are the ways in which companies differentiate themselves from competitors. To stand out, BHL Ceramic needs to be able to innovate continuously, and at high standards.
- **Market Growth:** With growth in the construction and real estate sector in Bangladesh, there are opportunities to grow, but new competitors come into play and render rivalry between companies much more fierce.

Threat of New Entrants

- **Barriers to Entry:** Manufacturing facilities and technology are important barriers due to high capital investment for manufacturing facilities and technology. Government incentives can reduce even entry barriers to local manufacturing.
- **Economies of Scale:** Economies of scale affording established players a cost advantage mean that the entry barriers to the industry are high.
- **Brand Loyalty:** This can dissuade new entrants against entering the market because strong brand recognition and loyal customers to the existing companies create enough barriers to

prevent them from assaulting the market because they cannot compete with the existing established firms. To sustain its position in the market BHL Ceramic needs to strengthen its brand.

Bargaining Power of Suppliers

- **Raw Material Dependence:** Raw material like clay, feldspar, and kaolin being relied upon by suppliers for BHL Ceramic. Bargaining power of the limited suppliers can be increased.
- **Supplier Diversification:** To reduce dependency and risks of supply chain disruptions, it's also possible to diversify suppliers locally and internationally.
- **Switching Costs:** In ceramics manufacturing, high quality and consistency requirements can make costs for switching suppliers quite significant.

Bargaining Power of Buyers

- **Buyer Volume:** Bargaining power of large buyers, (bulk purchasers such as construction companies and real estate developers) can be a great bargaining tool for suppliers.
- **Product Standardization:** The greater the degree to which products are seen as standardized commodities, the greater a buyer's bargaining power, they said, because buyers can switch easily to a competitor's product. This power can be reduced by offering custom or unique products.
- **Price Sensitivity:** Bangladeshi buyers are price-conscious. To bring customers and retain them, BHL Ceramic should find a middle ground between competitive pricing and maintain quality.

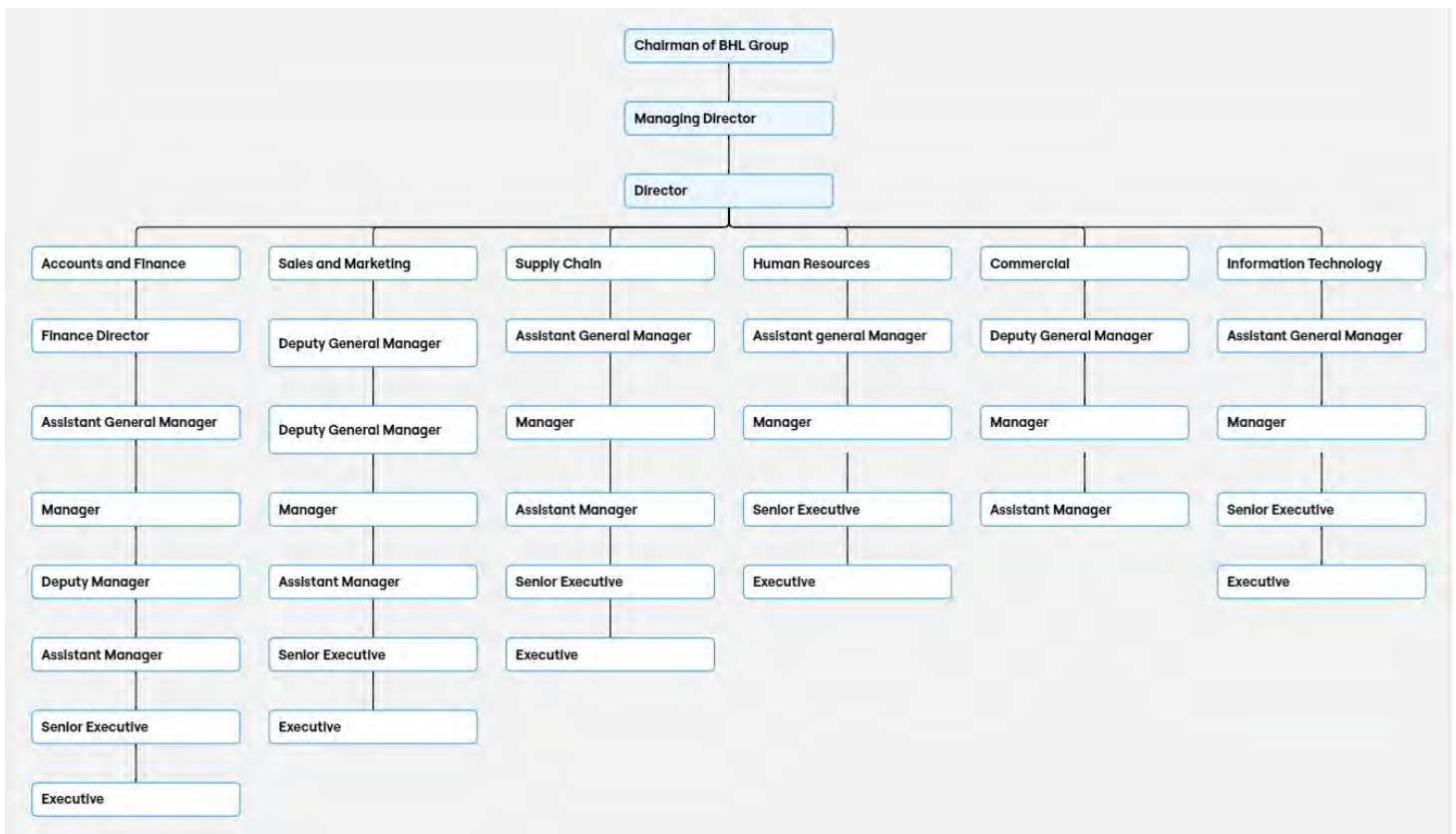
Threat of Substitutes

- **Alternative Materials:** Ceramics and tiles can be replaced with such substitutes as vinyl, wood and natural stone in some applications. They require continuous innovation and making ceramics a benefit (e.g. durable, beautiful).
- **Customer Preferences:** A threat is represented by changes in customer preferences toward sustainable or innovative materials. It is important to be up to date on market trends, and make R&D investments to meet these preferences.

- Cost and Performance: The threat can be mitigated with the cost effectiveness and performance advantages ceramics have over their substitutes, but can only be mitigated through ongoing comparison and constant improvement.

The BHL Ceramic market is a competitive and dynamic one affected by several pressures. The threat of new entrants and rivalry that is highly competitive require continuous innovation and efficiency. Both supplier and buyer power must be addressed by strategic relationships and diversification. Substitutes threaten and necessitate focus on product differentiation and trends in the market. This will enable BHL Ceramic through its ability to remarket these forces in a strategic way to enhance its market position and continue growth in the ceramics and tiles industry in Bangladesh.

Organizational Chart (Head Office and Corporate Office)



Chapter 3: Project Part (Financial Reporting System)

Background of the Report

This report is the outcome of an internship program at BHL Group Limited which was a degree completion requirement for me at BRAC University. I focused on producing a general idea regarding this company before explaining the core area of my internship concentration, which is “Financial Reporting System.” Throughout the report I tried to demonstrate their core business operations along with the structure of daily operations. Moreover, I tried to connect my academic concepts with their everyday practices which opened my perspective in various directions.

Origin of the Report

This report is a compulsory part of my MBA Program where our primary agenda is to get to know about the corporate sector and make as many connections as possible as it can be handy in future. I would like to express my deep respect to my honorable academic supervisor Dr. Sumon Paul Chowdhury, Assistant Professor, Department of Accounting and Finance, BRAC University, for giving me his valuable time and all the necessary guidance, which inspired me to prepare this report.

Objective of the Report

The main objective of this report is to find out whether or not the growth potential of the BHL Group products is available in Bangladesh and if so, how they manage their financial reports. But, what this broad objective is, is based upon the following ones –

- It gives an overall idea about the ceramic industries of Bangladesh.
- In order to analyze potential for the use of BHL Group products and services.
- We seek to travel the growth potential both internal and external.
- For the purpose of analysis of the export trend and export potential,
- In order to analyze the factors of hindrances internal growth potential export potential.
- The idea is to analyze the effectiveness of their financial reporting system.

Among others, existing infrastructure and level of technology, characterization of labor force, market structure and marketing constraints, duty structure and competition from imports in the ceramic industry sector will be profiled for a brief industry and company profile.

The analysis of the policies of assistance is also contained in the study. It helps in evaluating international competitiveness of the sector. The ceramic manufacturing industry will be the subject matter of this study considering the significance of the ceramic industry to the Bangladesh economic development. Finally the study will present a set of policy recommendations.

Methodology of the Report

Data, both primary and secondary, are contained in the discussion paper.

Primary data collection

- Physical interviews and informal discussion
- Formal group meeting
- Face to face interview
- Practical experience

Secondary data collection

- Finance and Accounting manual
- Annual Reports
- Newspapers (both online and offline)
- Company prospectus

Limitations of the Report

This type of study requires a lot of data to make strong points and backings regarding the claims. However, since the concerned company, BHL Group is still a partnership business, hence data and information's are not available for public. It was a challenge for me to collect data for the report but I managed just enough information to make it a viable study. The required information is collected with the help of a questionnaire.

Findings Regarding the Financial Reporting System of BHL Group

Functions of Finance and Accounts

The Accounts Section is the very important part of the Organization which is responsible for controlling and running all matters relating to the financial and account keeping account. The Subcommittee shall be duly approved by the Chairman and shall directly be under the control of the Director-in-charge of Finance. It is the responsibility of this section within the section: The maintenance of Company's books of accounts, Bank accounts and their reconciliation statement and Accounts, Preparing and issuance of monthly bills to the directors, Fixation and disbursement of salaries to the staff, Management of Contributory Provident Fund, Payment and disbursement of bills, Record for income and expenditures, Statement of Annual Accounts, Arrangement of in house and external audits, Supervision of stores including of its accounts, etc.

Preparation of Daily Cash & Bank Balance Statement

Daily cash & bank balance statement usually contains the following data & information:

- Bank account balance of different banks;
- Cash in hand;
- Advance slip (IOU-Temporary Loan) balance (If any);

Prepared by the cashier and will be checked by accounts personnel & authenticated by Director-In-Charge (Financial) through signing this statement at the end of the day as per format.

Adjusting Journal and Closing Entries

- Stores, advances, prepayments, outstanding expenses, deferred service charges, accrued import, receivable and depreciation adjustment entries as and when required through Journal Vouchers shall be passed at the end of each month/quarter/half year.
- All journal voucher will process all rectification, transfer, adjustments and non-cash transactions.
- The Assistant Manager Finance (AMF) will be able to prepare adjusting journals, the journals will be checked by Finance Manager (FM), certified by the departmental manager and will be approved by Finance Director The journal vouchers will be filled in a chronological order.

Preparation of Trial Balance

The general ledger should be drawn on periodically (preferably monthly) to prepare a trial balance. General ledger account balances listed at a certain time constitute a trial balance. The general ledger accounts balance (debits = credits) and a working paper is used as a basis for adjusting the accounts to correct account balances.

Preparation of the Financial Statements

It is the responsibility of Accounts section of the Company to prepare financial statements. While formulating different kinds of Financial Statements, accounts area is permitted to seek aid from any other part of the Company.

- a. Balance Sheet
- b. Statement of Comprehensive Income
- c. Cash Flow Statement
- d. Statement of Changes in equity
- e. Notes to the Financial Statements.

This one prepares other statements or reports necessary for management or another legal authority. Steps stated below in the preparation of financial statement are briefly described.

Objective of Financial Statement

The financial statement objective is to supply information about the financial position, performance, and change in financial position of an enterprise having a plan for users to make an economic decision. Financial statements should be understandable, relevant and related to the organization's financial position. The level of sophistication expected of the readers of the financial statement is that of persons knowledgeable with reference to business and economic activities and, who are willing to study the information arduously. Users might make use of financial statements for different purposes. Financial statements are needed by owners and managers for making business decisions that will affect its continued operations. Then they perform financial analysis of these statements to help management understand the figures more in detail. Financial statements are made of prospective investors so they can assess the viability of

investing to a business. Professionals (financial analysis) often do the analysis regarding financial analysis in order to provide them with a basis to make the investments. Use by Financial Institutions (Bank and Other Lending Companies), to determine if the company will be offered fresh working capital or be extended with debt securities (long term bank loan or debentures) for the purpose of expansion and other major expenditures. The financial statement is required by government entities (tax authorities) to confirm the propriety and correctness of taxes and other duties declared and paid by a company. Financial statement serve on purpose for vendors that extend credit to the business to establish credit worthiness of the business.

Financial Statement Analysis Stages

Stage 1: Now ask for the company's financial statements for at least 3 to 5 previous years, including:

- a. Balance Sheet
- b. Statement of Comprehensive Income
- c. Cash Flow Statement
- d. Statement of Changes in equity
- e. Notes to the Financial Statements.

Stage 2: You will want to perform a preliminary review of all statements to view any significant change in specific items from one year to another.

Stage 3: Additional information that may influence the analysis is available in the notes to the financial statements.

Stage 4: Another way to analyze a balance sheet is to study the changes in the components of the business's assets, liabilities or equity.

Stage 5: Take a look at the income statement and look at what are the long term trends. Example: Calculate, and graph, growth in entries such as revenue (sales) and net income (profit, earnings) across the selected years.

Stage 6: You look at the cash flow statement and all the cash inflows and outflows resulting from operations, financing and investing activities.

Stage 7: Assess your health and performance using key financial ratios across categories for each year.

the BHL Ceramics Limited generally takes a accounting policy

The accounting system, selection and application of accounting policies and presentation of financial statements of BHL Group shall conform to the international accounting standards. BHL Group accounting policies deal with the principles, bases, conventions, rules and procedures determined and adopted by BHL Group management in order to prepare and present financial statements on the basis of best management judgment in the circumstances.

1. The information in Bangladesh Financial Reporting Standard (BFRS) in respect of similar and related issues as requirements and guidelines.;
2. Definitions, recognition and criteria for measurement of assets, liabilities, incomes and expenses are the framework of International Accounting Standards Committee (IASC) for the principal.
3. Only to the extent that such pronouncements of other standards setting bodies or accepted policies are compatible with the earlier. Four considerations shall govern the selection and application of the appropriate accounting policies and the preparation of the financial statements of BHL Ceramics Limited.

The preparation of the financial statements of BHL Ceramics Limited shall be governed by four considerations which, in selecting and applying the appropriate accounting policies, determine the basis for presentation of the financial statements.

Taxation

Income Tax

- At present, BHL Group shall pay the tax on Income as per Company Law.
- BHL Group has been completed the assessment activities in favour of foreigners but income tax shall be paid by the foreigners as per their agreement. If foreigner's (BHL Group hiring foreign staff) income tax paid by BHL Group then it shall be approved by Board of directors/ Working Committee.

- BHL Group should be deducted the Income tax at source and deposited in Government Treasury in due time as per Income Tax Ordinance.

Value added tax (VAT)

- BHL Group shall pay the VAT with maintaining a current account on their revenue as per VAT Act.
- BHL Group shall deduct the VAT on various bill of suppliers and deposited in Government Treasury in due time as per Value Added Tax (VAT) Act.

Maintained Accounting Records

BHL Ceramics Limited may generally keep and shall maintain any accounting forms and record books generally used in conducting ceramic operations. They are important tools for documentation of many records, of analysis and interpretation of the daily transactions of the BHL Group on the cash and accrual bases. The details of each form and record book contained herein shall make each and every form and record book easy to process the daily financial transaction in both the BHL Group Management Office and Unit Offices.

The Debit / Payment Voucher is the cash journal

The main sources of information in the accounting process are the vouchers. They are created on the basis of invoices or memos and are used as an evidence thereof and evidence of financial transaction. Once a cash payment is made, it must be registered by valid and authorized proof of the expenditure, and noted in the Cash Journal – Debit / Bank Voucher. This is the main proof for BHL Group Board of Directors recording cash transactions on behalf of this company.

Debit – Cash Journal

When we need to make payments, record a liability discharge, cash an expense, entries are made in the Debit, Cash Journal. All supporting documents must be submitted with Debit / Bank vouchers to the appropriate authority for approval. The voucher may be posted in the books of accounts only on authenticated vouchers.

Cash Journal – Credit / Receipts

Once cash receipt or income transaction is over, then, the same has to be recorded in the Cash Journal – Credit / Receipt Voucher. The cash receipts recorded on this act as the main documentation for the BHL Group Board of Directors.

Credit – Cash Journal

In the Credit – Cash Journal, are cash receipts or incomes recorded. Endorsed credit / receipt vouchers, together with supporting documents, should be approved. Approved vouchers only may be posted in the accounts.

Bank Journal – Debit / Payment Voucher

Primary sources for accounting information are vouchers prepared from invoices or memos. Upon completion of a bank payment, valid, AUTHORISED proof of expenditure is made and recorded in the Bank Journal – Debit / Payment Voucher. This document is the main place where bank transactions get recorded for the BHL Group Board of Directors.

Debit – Bank Journal

Entries in the Debit – Bank Journal record payments or liability discharges for bank expenses. Approval can be made only upon submission of the debit / Payment vouchers as well as supporting documents. These vouchers also require authorization via an Expenditure Note Sheet, which provides details on the expenditure, by VAT, TDS and authorized personnel. The accounts only record approved vouchers.

Approval of Journal Vouchers

The completeness and correct coding/posting of all journal vouchers, prior to their entry into the general ledger, are verified by the Director of Finance (DF).

Cash Journal Register

We keep a Cash Journal Register at the BHL Group Accounting Department. A computerized system records on a daily basis all cash transactions in the register in strict chronological order with debit journals on the expenditure side where cash movements take place and credit journals

on the receipt side. Daily operation must be balanced on the register, verified and signed by accounts officer and cashier on the accuracy of the balance.

Bank Journal Register

The BHL Group Accounting Department keeps a Register of Bank Journal. This register records all bank transactions with respective bank name on separate pages in a computerized form daily. At the end of each month, the bank statement is balanced and each bank's transactions are reconciled.

Bank Reconciliation Statement

The 5th day of following month, one obtains a bank statement with details of all transactions. On a monthly basis all transactions recorded in the bank statement are scrutinized and reconciled with the Bank Journal Register. By 10th of the next month, the Bank Reconciliation Statement is prepared. Bank charges are normally only recorded when bank statements are received and this reconciliation should also be reconciled for this cost. It is reviewed regularly by a designated official after the reconciliation statement is completed.

Closing of Accounts

The Cash Journal Register should record all cash receipts and payments each day and should be balanced and closed daily. The Cash Journal Register will be checked and verified, and an officer from the F&A will confirm it by signing at the end of each day. In addition, the Manager (F&A) and the Director-in-Charge (Finance) will also review the cash balance and cash journal register at the end of each month, sign it accordingly. Arrangements should be made by the Director-in-Charge (Finance) to transfer the cash balance to the bank.

Bank Transaction & Bank Management

All money received must be deposited in to BHL Ceramics Limited's account at the company's designated BHL Group banks, and withdrawn only by authorized personnel through their respective signatures in line with the Delegation of Financial Authorities. For all cheque, draft, pay order or transfer advice receipts, the related bank account is debited and the source/ liability/ income account is credited. Cheques, drafts or pay order must be deposited with a bank deposit slip. Receipts and payments through the bank are encouraged by BHL Group's policy.

Operation of Bank Accounts

Provision 19(4) of BHL Group's Constitution specifies that bank transactions require the joint signatures of any two of the following: Their Chairman, Secretary, Director in Charge and, as the Board of Directors so decides, shall head the Electoral College. In accordance with BHL Group policy, the operation of the bank account is based on the decisions of the Board and the delegation of the signatories in the Delegation of Financial Authorities. The Chairman is authorized to, with the approval of the Board, vary or otherwise change the above powers of these signatories for BHL Ceramics Limited.

Withdrawal of Cash from Bank

A fund requisition must be prepared and approved in accordance with the Delegation of Financial Authority to withdraw cash from the bank account for operational need. The cash withdrawals under these guidelines should be in accordance with these guidelines and cash cheque while cash withdrawal should have "Account Payee Cancelled" mentioned on it. After the transactions of each day is the responsibility of the Accounts personnel to make sure that the closing cash balance is not above Taka 150,000 (One hundred fifty thousand) at BHL Group Director-in-Charge and Taka 10,000 at Unit Offices.

Ordering of New Cheque book

Upon need of a new cheque book, the Manager (Accounts) after receiving the approval from Manager (Accounts & Finance) and Director-in-Charge (Finance) will place the order. The Cash Officer (F&A) should upon receiving new cheque book verify that the correct number of cheque leaves received.

Budget & Budgetary Control

Budget is the pre-planned financial statement showing the income and expenditure of an organization for a certain length of time. It projects resources and estimated expenses needed to fulfill the strategic goals of the organization. The main reason of budgeting is to utilize the limited resources with utmost planning, organization and controls. Budget preparation should include:

Several key elements should be part of the budget preparation process to complete the process of financial planning. The first is revenue estimates, which forecast the organization's means of

generating income, and therefore enabling a forecast for expected inflows into the organization's financial accounts. Recurrent expenditure estimates represent costs ongoing, day in day out, to run the business and capital expenditure estimates cover bigger, longer term investments required for growth or improvements in physical infrastructure. Furthermore, staffing projections forecast personnel future needs and related costs on one hand, and bring workforce planning into line with organizational goals on the other. They are then consolidated into a projected income and expenditure statement, which brings forward an overall picture of what you expect to be making or losing in profits. Alongside it, a cash flow statement forecasts both cash inflow and outflow to support the liquidity availability and its timely payments. Finally, a projected balance sheet can be used to show what types of assets and liabilities the organization should expect at the end of the period as well as an indication of resulting equity that represents the organization's total net worth.

Timing of Budget Preparation

The annual budget will run from one calendar year to another, from January to December. The budget proposals will have to be submitted by all directors, sub committees and department heads to the Director in Charge (Finance) by mid-December. The Director-in-Charge (Finance) will present the consolidated budget along with his recommendations to the Budget Review Committee/Finance Committee on or before December 31st. The budget will be presented at the Board of Directors' January 1st meeting for their consideration after detailed review. Once it has received approval, sections of the budget will be given to each committee and department.

Budget Format

- It is the BHL Group Accounts that prepares the annual budget. They also need to create a monthly budget to watch over the activities for the company closely.
- Since data is collected from each section of the company, the budget will be prepared on that basis.
- The Head of Finance & Accounts is responsible for preparing budget such that necessary data is derived from each department.
- Such a budget shall be signed by the Head of Finance & Accounts, the Secretary and the Director-in-Charge, Finance before it is submitted to the Finance Sub –Committee.
- The budget must be presented to Finance Sub Committee by January 1st each year.

Budgetary Control

It is a planning and business costing system which helps to influence inputs for achieving goals by first establishing a budget for activities required for accomplishing goals and then periodically checking the budgeted and actual cost. This includes the study of variances and control actions for corrections in a situation.

- There will be a monthly budget for each one so the resources get utilized well.
- Budgetary control is done through monthly budgetary comparison, budgeted versus actual results, variance analysis and corrective action.

Budget Monitoring

BHL Group Finance Department comparison on a quarterly basis actual to budget in order to monitor and control the budget. However, it is the responsibility of those in the expenditure process (requisition, authorization, disbursement, and approval) that expenses stay within the budget limit. Personnel must confirm that disbursements, along with other outstanding obligations do not exceed the budget, before any financial commitments are made. Financial statements are being prepared monthly, variance report showing budget vs actual amount within each center and explanation of major variance. Program managers and financial staff directors are responsible for monitoring development budgets; the responsible chairman does the same for the budgets for specific tournaments.

Budget Review

- The Finance Sub-Committee will review the proposed budget after receiving it. If possible, they may suggest modifications about it. Their recommendations update the budget.
- The budget goes from the Finance Sub Committee for final budget submission to the Board of Directors, within 30 days.

Approval of Budget:

- Budget will be final approved by the Board of Directors in its meeting.
- On approval, the budget will be made available to the Head of the Accounts Department for reproduction and disseminating a copy to departments for purposes of budget control.

Recommendations

One of the newest technologies in financial management, internet based accounting software, is used by BHL Group. The activities of this software are accelerated when compared to the past system, and since it is web based, the management can access real time results any time. But the server is down and all of this is disrupted. Other challenges include little or no software knowledge by personnel and occasional communication gaps between the head office and factory.

Moreover, BHL Group responsibly operates in its operations and has developed the capacity to meet its short term obligations, as evidenced by 2017 current ratio over 2016. This ratio indicates the speed at which products are sold and their current assets are highly liquid with the inventory turnover rising — showing that inventory is managed efficiently. Growth compares to the prior year including fixed assets, current assets and profits. Also the accounts and finance department has effective policy and procedures when managing the BHL Group. The costing and production budgets are usually prepared quarterly.

Recommendation on the financial and accounting activities of BHL Ceramics Limited.

To support the seamless operations of this prominent BHL Group subsidiary, management should focus on the following key areas:

For the Accounts Department:

1. Accounting information needs to be updated as fast as possible.
2. Increase efficiency by training personnel well in software use.
3. Make the bill payment process faster.
4. Integrate your software quickly for easy processes.

For finance section

1. Make an effort to keep standard financial ratios in current ratio, quick ratio, leverage ratio and also profitability ratio.
2. Implement mechanisms of cost control to improve spending.
3. Its aim returns should be in excess of the costs of funds.
4. Make sure that financing sources are well justified.

5. Will continue to support and maintain the trend of higher import growth.

Thus, BHL Ceramics Limited has significant areas to operate upon its operational efficiency and financial stability.

Closing Remarks

The objective of this report is to identify the areas in which BHL Ceramics Limited reports can be improved regarding accounting system and financial statements. As I extended my reach to the Accounts and Finance department, composing a well rounded report was difficult under the tight deadline and some of the data was off limits. Moreover, I referred to online resources and financial literature to support the findings.

However, the fact of the existence of well defined accounting rules does not guarantee by itself their effective use in an organization. It really depends on how well this is implemented, because the success of any system is defined by the implementation. By proper application of these rules, we hope the company will achieve its objectives. However, the existing Accounts Section do not strictly adhere to some of these rules yet, but these rules should be applied gradually. This should be approached positively by the management to apply the regulations well.

En route, as a leading textile company in Bangladesh BHL Group has kept afloat through offering high standards of quality, timeliness, after sales service and transparency towards customer. As such, BHL Group has dedicated themselves to building a strong brand reputation through this commitment to quality as well as delivering on the expectation for prompt customer service. The data was analyzed and the accounting framework within BHL Group is found to be strong with the financial position of the company having improved.

References

- Apollo. (2023, June). *BHL Group*. Retrieved from Apollo.io: <https://www.apollo.io/companies/BHL-GROUP-OF-INDUSTRIES/5fcae686d3dbe10001cc159d>
- Bangladesh Post. (2023, August 26). Industrial wastes damaging cropland in Habiganj. *The Bangladesh Post*. Retrieved from <https://bangladeshpost.net/posts/industrial-wastes-damaging-cropland-in-habiganj-119349>
- BHL Group Limited. (2024). *BHL Group Limited*. Retrieved from <https://bhlgroup.com.bd/>
- Bhuiyan, M. (2024, February 27). The lustrous story of Bangladesh's ceramic industry. *The Business Standard*. Retrieved from <https://www.tbsnews.net/supplement/lustrous-story-bangladeshs-ceramic-industry-799626>
- Chakma, J. (2024, February 4). Gas crisis choking ceramics makers. *The Daily Star*. Retrieved from <https://www.thedailystar.net/business/economy/news/gas-crisis-choking-ceramics-makers-3535766>
- Chakma, J. (2024, April 29). MGI expands ceramic tiles production with \$45m investment. *The Daily Star*. Retrieved from <https://www.thedailystar.net/business/economy/news/mgi-expands-ceramic-tiles-production-45m-investment-3590131>
- Iraj, S. (2022, May 06). Growth, prospects and challenges of Bangladesh Ceramic Industry. *The Business Post*. Retrieved from <https://businesspostbd.com/opinion-todays-paper/growth-prospects-and-challenges-of-bangladesh-ceramic-industry-2022-05-06>
- Islam, R. (2022, November 21). Ceramic industry booming as demand on the rise. *The Business Post*. Retrieved from The Bus: <https://businesspostbd.com/trade/ceramic-industry-booming-as-demand-on-the-rise-2022-11-21>
- Islam, R. (2023, October 26). Huge potential, largely untapped: Bangladesh failing to boost export of ceramic products. *The Daily Sun*. Retrieved from <https://www.daily-sun.com/post/718879>
- Karim, N. (2023, June 24). Challenges for ceramics industry. *Daily Observer*. Retrieved from <https://www.observerbd.com/news.php?id=425395>
- MARKEDIUM. (2022, November 23). *BHL Group | The Silent Contributor In The Economy*. Retrieved from Markedium Desk: <https://markedium.com/bhl-group-the-silent-contributor-in-the-economy/>

Rahman, S. (2024, March 27). Bangladesh's ceramics: From an importer to an exporter. *The Financial Express*. Retrieved from https://thefinancialexpress.com.bd/special-issues/bangladeshs-ceramics-from-an-importer-to-an-exporter#google_vignette

Rayhan, J., & Siddiqui, K. (2024, February 27). Ceramic producers aim for \$12m sanitaryware export in 5 years. *The Business Standard*. Retrieved from <https://www.tbsnews.net/supplement/ceramic-producers-aim-12m-sanitaryware-export-5-years-799566>