

Report On

The operation and procedures of Incepta Pharmaceuticals Ltd.'s Accounts and Finance Department
and its Accounts Payable division

By

Abeda Hossain Mim

Id-22364034

An internship report submitted to the BRAC Business School in partial fulfillment of the degree
of Master of Business Administration

Brac Business School

BRAC University

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Declaration

It is hereby declared that

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

Student's Full Name & Signature:



Abeda Hosssain Mim
22364034

Supervisor's Full Name & Signature:



Dr. Sayla Sowat Siddiqui
Assistant Professor in Finance
BRAC University

Letter of Transmittal

Dr.Sayla Sowat Siddiqui

Assistant Professor in Finance

BRAC University

KHA 224, Progati Sarani, Merul Badda, Dhaka 1212

Subject: The operation and procedures of Incepta Pharmaceuticals Ltd.'s Accounts and Finance Department and its Accounts Payable division

Dear Madam,

It has been a great pleasure & honor that you have given me the opportunity to prepare this Internship report on **“The operation and procedures of Incepta Pharmaceuticals Ltd.'s Accounts and Finance Department and its Accounts Payable division”** under your supervision, which was as part of Internship program of Bachelor of Business Administration.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

I trust that the report will meet the desires.

Sincerely yours,



Abeda Hossain Mim

22364034

BRAC Business School

BRAC University

Date: 2nd September,2024

Acknowledgement

Firstly, I am grateful to Almighty for granting me the ability to complete this report. I want to express my gratitude from the bottom of my heart. to my internship supervisor Dr.Sayla Sowat Siddiqui, Assistant Professor in Finance, BRAC University Faculty of Business Administration for her guidance help me work on this topic. I sincerely appreciate everything she did to help me with this report and provide appropriate guidance.

I would also like to show my gratitude to **Ali Maruf Ahmed** (Deputy Manager,Finance & Account), to give me guidance and required information for finishing this report. I am thankful to entire Account Payable department, especially **Maria Islam Trisha** (Senior Officer), **Rafeya Bhuiyan Tania** (Assistant Officer), **Md.Sohel Gazi** (Executive Officer), **Md.Khyrul Alam Khan** (Executive Officer), **Muhammad Zehadul Islam** (Officer F&A), **Md.Moshiur Rahman Mazumder(Officer)** & **S.M Mofedul Hoque Mahadi** (Officer).

Lastly, I would like to thank the authors, researchers, and article writers whose books and articles I have read, as well as my friends who have assisted me throughout the report-writing process by offering insightful advice and helpful information.

Executive Summary

This report provides an overview of my internship in the accounts and finance department, with an emphasis on the accounts payable department's operations. The purpose of this internship was to learn about the fundamentals of financial and accounting operations in a corporate setting and to obtain practical experience in financial processes.

Throughout my internship, I learned about a variety of procedures that the accounts payable department manages. Recognizing the procedure from the point of invoice receipt to the point of recording and payment approval. Verifying information like prices, quantities, and payment terms is part of this process. Acquiring knowledge about payment scheduling and execution is crucial to avoiding late fees and preserving positive vendor relations. Make sure payments are made within the specified terms. Also, ensures balancing between accounts payable and vendor statements in order to find errors and fix them. Keeping thorough records of every transaction to guarantee adherence to regulations and ease auditing.

In particular, the internship's focus on accounts payable gave me invaluable insights into the real-world applications of accounting and finance. I now have a better understanding of financial operations, and this experience has helped me get ready for a career in finance. By putting efficiency, accuracy, and compliance first, the department protects the organization's finances and strengthens its ties with vendors.

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Chapter 1- Introduction

1.1 About Internship at Incepta Pharmaceutical Ltd.

My internship at Incepta Pharmaceutical Ltd gave me a broad platform for education, career advancement, and professional development. By providing a link between professional practice and academic knowledge, they equip interns for prosperous careers in the pharmaceutical sector. Through practical tasks, interns can apply their theoretical knowledge from their studies, giving them real-world experience. Through internships, I was able to investigate various positions and divisions, assisting them in discovering their areas of interest and strength. My internship assisted me in comprehending and adjusting to the corporate culture, which encompasses professional conduct, workplace decorum, and organizational principles.

1.2 Background of the study

Incepta Pharmaceuticals Ltd. is one of Bangladesh's top pharmaceutical companies, founded in 1999. Incept Pharmaceuticals is a leading pharmaceutical company with a robust finance department responsible for managing extensive financial operations. As the company grows, the complexity and volume of financial transactions increase, necessitating a thorough evaluation of existing processes to maintain efficiency and accuracy. The purpose of this research is to evaluate and improve Incepta Pharmaceuticals' accounts and finance department's processing procedures and operational effectiveness. This research will help evaluating current workflows, identifying bottlenecks, and proposing optimized processes, the study seeks to improve financial accuracy, reduce processing time, and enhance overall departmental productivity.

1.3 Research Question

The aim is to find answer of the question- “Does the current operational workflows in the Incepta Pharmaceuticals' Department of Accounts and Finance and its Accounts Payable division efficient?”

1.4 Objective & Aim of Report

The research aim is to improving the efficiency of financial operations which will not only enhance the department's productivity but also contribute to better financial management, compliance, and strategic decision-making within Incepta Pharmaceuticals. The objectives are:

- To assess how the Accounts & Finance Department currently operates and works.
- To identify key inefficiencies and bottlenecks in the financial processing system.
- To propose and implement process improvements aimed at enhancing efficiency and accuracy.
- To measure bill verifying process in departmental performance.

1.5 Methodology of the report

- Interviews to officers: In-depth interviews with officers to understand current processes and challenges.
- Company Website: Gathering information from company website
- Observation: Will observe how depart process operation.
- Reports: Review of existing financial reports, process documentation, and performance metrics.

1.6 Limitation of the Report

Some significant limitations have been listed below, but there may be others that contradict the study:

- The internship period is insufficient to gain knowledge about a large company such as Incepta Pharmaceuticals Limited.
- I was unable to gain much knowledge about the work because I did not have access to the company's software.
- Working with large amounts of data was not feasible due to time constraints and the lack of secondary data.

- A lack of private information about the company leads to numerous errors and missed targets.
- A lack of experience has acted as a barrier to careful research on the subject.
- I was unable to obtain comprehensive details regarding each IPL department as result of time constraints.

Chapter 2- An overview of Bangladesh's Pharmaceutical industry

2.1 Current performance of Bangladesh's Pharmaceutical industry

The pharmaceutical industry has seen significant investments in the last few years, including new entrants and facility expansion. Bangladesh's pharmaceutical sector is expected to bring in US\$1,472,000,000 by 2024, according to a Statista report. Between 2024 and 2028, the pharmaceuticals market is projected to expand at a compound annual growth rate of -0.17%, reaching a market size of US\$1,462.00 million by then. Bangladesh's pharmaceutical sector has transformed from a reliance on imports to a self-sufficient industry, serving both domestic and international markets. The COVID-19 pandemic showcased the industry's adaptability and knowledge. With a TRIPS patent waiver, the sector is poised to become a generic medication center. The industry has grown steadily, from \$25 million in 1982 to \$3 billion in June 2020, with the domestic market expected to reach over USD 6 billion by 2025.

One of the most important high-tech industries in Bangladesh's economy today is the pharmaceutical sector. Prominent Bangladeshi pharmaceutical companies: The Square, Incepta, Beximco, Eskayef, Opsonin, ACI, Acme, Renata, Ibn Sina, etc. have legitimate management concerns. Bangladesh's third-largest industry in terms of revenue, making up 1% of GDP, is the pharmaceutical sector (Azad and associates, 2018). Pharma products saw an 11.7% increase in exports from \$169.02 million in FY 2020–21 to \$188.78 million in FY 2021–22 (Export Promotion Bureau, 2022). Bangladesh presents a plethora of opportunities, such as the market supply of pharmaceutical products, quality control, channels of distribution, and legal patents for this industry. It is projected that further investments in the pharmaceutical sector will generate substantial returns.

2.2 The Market's Supply of Pharmaceutical Products

Availability to a wide range of pharmaceuticals as manufacturers produce sensitive drugs such as insulin, hormones, cancer therapies, and vaccines that protect against twenty bacterial and viral diseases, including typhoid fever, poliomyelitis, pertussis, mumps, rabies, hepatitis B, and tetanus. Currently, there are about 300 active pharmaceutical companies. Certain pharmaceutical companies produce medications such as insulin, hormones, and anticancer drugs that were not previously accessible in Bangladesh. The pharmaceutical industry produced approximately 5,600

distinct dosage forms for them. In Bangladesh, there were approximately 1,495 wholesale drug license holders and 37,700 retail drug license holders. Development in this field was sped up by the Drug Control Ordinance of 1982.

Pharmaceuticals are exported by the industry to several foreign markets, including Europe. This industry aims to increase their exports. The industry exports active pharmaceutical ingredients (APIs) and pharmaceutical products, encompassing all therapeutic classes and dosage forms, to 79 nations. Bangladesh exports specialized goods like HFA and CFC inhalers, suppositories, nasal sprays, injectable, and IV infusions in addition to standard tablets, capsules, and syrups. Patients, pharmacists, doctors, and regulatory agencies typically accept these products in every nation that imports them. Products from Bangladesh are packaged in compliance with international standards.

2.3 Quality Assurance of pharmaceutical industry

Two major organizations oversee pharmacy and drug regulations in Bangladesh. The DGDA is a national drug regulatory agency that operates under the Ministry of Health and Family Welfare. Including medicines made with homeopathic, Ayurvedic, Unani, herbal, and homeopathic systems, the DGDA regulates licensing, registration, production, sale, pricing, import, and export of raw materials and packaging materials.

The Pharmacy Ordinance Act of 1976 created the Pharmacy Council of Bangladesh (PCB) to oversee pharmacy practices in Bangladesh. The DGDA will routinely inspect manufacturing facilities to ensure that the World Health Organization's Good Manufacturing Practices are strictly followed, according to the National Drug Policy of 2005. The importation of pharmaceuticals produced by four or more domestic companies is prohibited by regulations, as is the domestic production of 1,700 harmful or non-essential drugs. Tight price controls are also placed on 117 primary medications.

2.4 Legal Patents of pharmaceutical industry

Bangladesh has its own patent laws, which are based on the Patent and Designs Act of 1911 and the Patents and Designs Rules of 1933. Patent rights are legally granted for both the product and the process of pharmaceutical products. They have issued about 40 patents for drug formulas. Multinational companies own 90% of the 300 patents that the Patent Office issues each year. A rise in penetration in regulated markets like the US and Europe has resulted in an increase in export earnings of approximately Tk 4 billion in recent years.

The expansion of this sector has been accelerated by two sensible laws. Foreign companies are prohibited from selling pharmaceutical products that are imported into the country by the Drug Control Ordinance of 1982. Bangladesh is now able to reverse engineer patented generic drugs thanks to a World Trade Organization waiver of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement. It has been decided to extend the TRIPS exemption for developing nations until 2032.

2.5 The pharmaceutical industry's potential for investment

There are some advantages in the pharmaceutical industry due to supportive government policies, favorable trade policies and low cost of production. There is high potential for investment in these sectors due to API production, patented medicines and non-communicable diseases (NCDs) and drugs.

- **Manufacturing of active pharmaceutical ingredients:**

The government of Bangladesh is actively encouraging the production of APIs by offering various export and tax breaks. The government launched the API Policy in 2018 with the goal of attracting \$1 billion USD in investment in API production and achieving an 80% reduction in import dependency by 2032. The policy also aims to create 500,000 new jobs and raise API export revenue by 2032. A brand-new API Park has also been established.

- **Patent medications**

Bangladesh's experience in producing branded and blockbuster generic medications, coupled with the looming patent cliff, will present a great opportunity for the country's

manufacturers to grow both their production and market share of generic drugs. Using the extended patent waivers provided by the WTO, Bangladesh can boost its production and exports of patented pharmaceuticals to least developed nations (LDCs) and non-member nations.

- **Pharmaceuticals and non-communicable diseases (NCDs)**

Globally and in Bangladesh, the number of individuals suffering from non-communicable diseases (NCDs) is rising quickly, leading to a surge in the demand for those drugs.

Examples of these NCMs include insulin, immunizations, diabetes treatments, cancer prevention, and other drugs.

2.6 Major Participants & Market share, Market Size and Market Growth

Bangladesh currently produces 271 allopathic, 205 ayurvedic, 271 unani, 32 herbals, and 79 homeopathic drugs; 30 of these companies are listed on the Chittagong and Dhaka stock exchanges. Many of these are relatively small, as the top 10 producers account for 70% of the market share. Square, Incepta Pharma, Beximco, Healthcare Phara, and Renata are the top 5 pharmaceutical companies in Bangladesh, holding a combined market share of over 50%. A visual depiction of each market participant's market share is shown in the graph below.

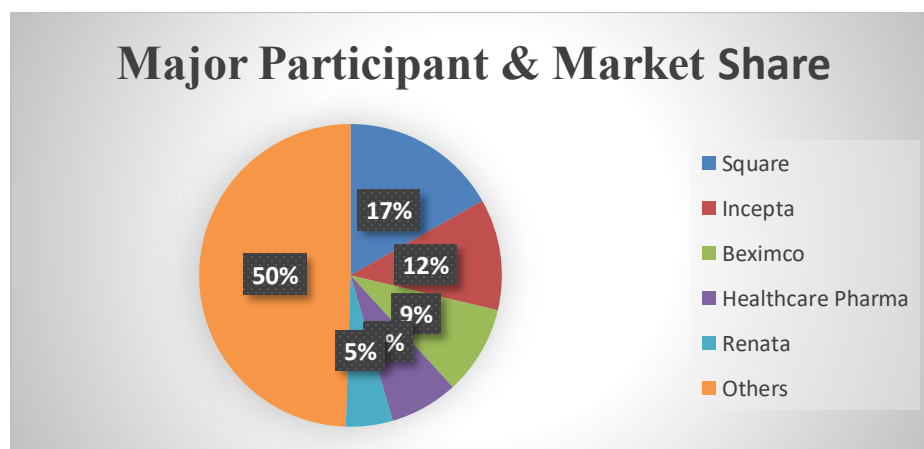


Fig 2.1 Major Participant & Market Share

Among major pharmaceutical companies, Square Pharmaceuticals has the biggest share, at 17% which indicates strong presence and influence within the industry are indicated by this dominance. With 12% of the market, Incepta Pharmaceuticals is next. Despite having a smaller

presence, Incepta's share is still noteworthy, being 5 percentage points less than Square's. It still does, however, perform significantly better than its rivals. Even though it lags Square, it still holds a sizable share of the industry. Representing the third-largest player in the market, Beximco Pharmaceuticals has a 9% share. Having a 7% market share, Healthcare Pharma comes in at number four. Renata is ranked fifth in terms of market share, with 5% of the market.

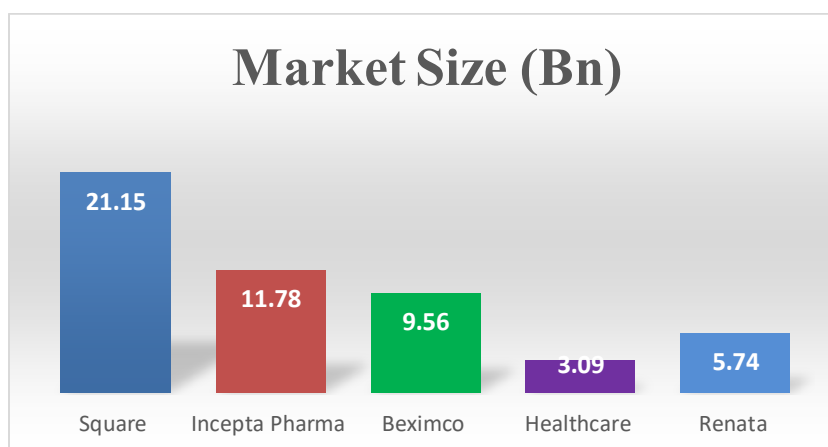


Fig 2.2 Market Size (Bn)

With a market size of 21.15 billion, Square Pharmaceuticals is the biggest participant in the market. The market size of Incepta Pharmaceuticals is 11.78 billion. Beximco trails Incepta by 2.22 billion, suggesting that Incepta and Beximco are more competitive than Square. The market share of Beximco is 45.2% of Square's. The market size of Renata is 5.74 billion. With a market value of \$3.09 billion, Healthcare Pharma has the smallest market size among the listed companies.



Fig 2.3 Market Growth

With its growth rate of 35.40%, Healthcare Pharma has the highest rate. Then, with a strong growth rate of 15.60%, is Incepta. Even though Incepta's growth rate is less than half that of Healthcare Pharma, it still shows a robust market expansion and positive momentum. Renata has positioned itself just behind Incepta and demonstrated a strong performance in the market with its noteworthy growth rate of 13.50%. A moderate growth rate of 7.60% is displayed by Beximco Pharmaceuticals. The growth of Beximco is not as rapid as that of Square of 7.39%, but it is still considerably slower than that of Healthcare Pharma and Incepta Pharma.

Chapter 3: Overview of the organization

3.1: History of Incepta Pharmaceutical company

Incepta Pharmaceuticals Ltd., one of the leading pharmaceutical firms in Bangladesh, was established in 1999. The vast manufacturing facility of the company is located in Savar, 35 kilometers away from the center of Dhaka, the country's capital. Among the numerous dosage forms that the company offers are tablets, capsules, oral liquids, ampoules, dry powder vials, powder for suspension, nasal sprays, and other forms. The purpose of Incepta's founding was to introduce innovative and cutting-edge products to address the unmet needs of the medical community. The principal aim was to introduce more advanced molecules to this country. The company specializes in high-tech, value-added dosage forms, including sustained release tablets, mouth dissolving tablets that dissolve quickly, and barrier-coated tablets that release slowly. Taste-masked preparations, dry powder inhalers, coated pellets, modified release products, and poorly soluble medications are just a few of the products and equipment that can be made in its cutting-edge research and development facility.



Representing the specialties with distinction across the country is the highly qualified sales team at Incepta. The company serves almost all of Bangladesh's urban and rural areas. Part of its vast distribution network are 28 depots located around the country. The company wants to become a globally recognized leader in the production of research-based dosage forms in the near future. With this in mind, the company started expanding its operations into international markets. At the moment, Incepta exports to 95 different countries. As Incepta keeps expanding its reach throughout the world, it presently has hundreds of registered brands in different nations and is developing many more. The company and the nation's pharmaceutical industry as a whole will both profit from these initiatives. The organization plans to start producing active pharmaceutical

ingredients (APIs) as soon as possible. There are plans to conduct analogue research and reverse engineering in order to create a new API.

One of Incepta Pharmaceuticals' sister companies, Incepta Vaccines Limited, has already built a cutting-edge facility for producing human vaccines. In June 2011, human vaccines were introduced to the Bangladeshi market by Incepta Vaccines Ltd. Acquiring the technology to manufacture human vaccines, Incepta becomes the first Bangladeshi company of its kind. The company will be able to supply vaccines all over the world thanks to its increased production capacity. The highly regarded ERP software system, SAP, was implemented by Incepta on January 15, 2011. The first company in Bangladesh to use SAP to manage resources across the board is Incepta. The company will be able to operate more effectively and efficiently on a daily basis thanks to this top-notch resource management system. The organization is consistently broadening its operations beyond Bangladesh's borders. The business welcomes cooperation from relevant and interested parties in different nations. Incepta is committed to delivering high-quality healthcare at reasonable costs to individuals in Bangladesh and around the world.



Fig 3.1- Incepta Factory at Zirabo, Savar

3.2 Product Overview

Incepta created and released the much anticipated cervical cancer vaccine in 2022 with the goal of eliminating cervical cancer in Bangladesh. The life-saving pneumococcal vaccine, which was previously hard to come by, was introduced by Incepta in 2023. Dr. EH Arefin Ahmed and Ehsan Aziz, the Executive Directors of Marketing, talked about 2024 marketing plans and mentioned that Incepta currently exports its high-quality goods to 97 nations. (The Business Standard,2024).

The launch of Pfizer's oral antiviral drug Paxlovid for the treatment of Covid-19 has been announced by Incepta Pharmaceuticals Limited, one of the top pharmaceutical companies in the nation. For the treatment of mild-to-moderate Covid-19 patients, including adults and children 12 years of age and older, the drug's emergency use has been authorized by the Directorate General of Drug Administration (DGDA). The drug was earlier authorized for emergency use by the US Food and Drug Administration (FDA) on December 22, 2021, making it the first oral therapy approved for the treatment of Covid-19. This innovative antiviral tablet demonstrated nearly 90% effectiveness in averting hospitalization and death in patients at high risk. (The Financial Express,2022)

Also, new medication called "Linatab E" has been introduced by Incepta Pharmaceuticals to control diabetes. As per a press statement, the medication combines the two most amazing and secure therapeutic classes available today for managing diabetes. As per the statement signed by Zahid Rahman, the company's media consultant, this combination medication has revolutionized the treatment of diabetes worldwide due to its exceptional safety for diabetic patients suffering from cardiac disorders. (The Financial Express)



Fig 3.2- Products of Incepta Pharmaceutical Ltd.

3.3 Growth compared to the local pharma market (IMS* Data) over a 10-year period

The company has launched over 600 generics, over 1300 preparations, 295 of which were "first ever in Bangladesh," thanks to high investments in R&D and cutting-edge technology. Human vaccines, monoclonal antibodies, biotech products, hormones, natural products, animal health products, hygiene products, and hospital devices are currently being produced in a variety of dosage forms by Incepta and its sister companies. The company achieved a second-place ranking among pharmaceutical companies within eight years of its establishment due to the acceptance of these superior products.

| Year | No. of Products | First Ever Product | IMS Rank* |
|-------------|------------------------|---------------------------|------------------|
| 2023 | 1100 + | 14 | 2nd |
| 2022 | 1000 + | 14 | 2nd |
| 2021 | 1000 + | 12 | 2nd |
| 2020 | 900 + | 22 | 2nd |
| 2019 | 870 | 33 | 2nd |
| 2018 | 865 | 21 | 2nd |
| 2017 | 810 | 5 | 2nd |
| 2016 | 783 | 14 | 2nd |
| 2015 | 742 | 5 | 2nd |
| 2014 | 706 | 3 | 2nd |
| 2013 | 686 | 7 | 2nd |

3.4 Vision & Mission

Vision

To develop into a highly effective generic manufacturer as well as a worldwide pharmaceutical company with a focus on research. To identify and create novel, high-value products that enhance global living standards and make a substantial contribution to Bangladesh's development.

Mission

Give people all over the world access to high-quality healthcare products at reasonable costs to expand access to medicine and to create an environment where employees can reach their full potential.

3.5 Corporate Social Responsibility (CSR)

Sincerity and integrity in business practices are key factors in Incepta's remarkable commercial success. The management of the company makes an effort to assist the country and the community in which they reside whenever possible. Incepta thinks it can only prosper if the country stays well. Emphasizing Corporate Social Responsibility (CSR), Incepta's interactions with customers, suppliers, workers, governments, and the general public show how committed it is to this practice. The company also donates medication to the Government Relief Fund in the event of a natural disaster as part of its social responsibility. Incepta also offers financial support for costly medical procedures, such as cancer and heart surgery, and distributes its corporate Zakat annually to help those in need.

Financial aspects of the company's CSR activity are included because it pays taxes and value-added tax (VAT) to the government, promptly settles bank and supplier debt, and provides benefits to employees on schedule. Incepta views its workers as important assets, upholds their rights, and offers a comprehensive benefits package that includes life insurance and a 5% profit share payment. Child labor is strictly prohibited at Incepta, and the company strives to maximize workplace safety for its employees. Also, as a sign of genuine love and care for the people of Bangladesh, Incepta also manufactures "import-substitute medicines" that can save lives at a reasonable cost.

3.6 Organizational Hierarchy



Fig 3. 1 Employment Structure of Incepta Pharmaceutical Ltd.

3.7 Introduction of Departments

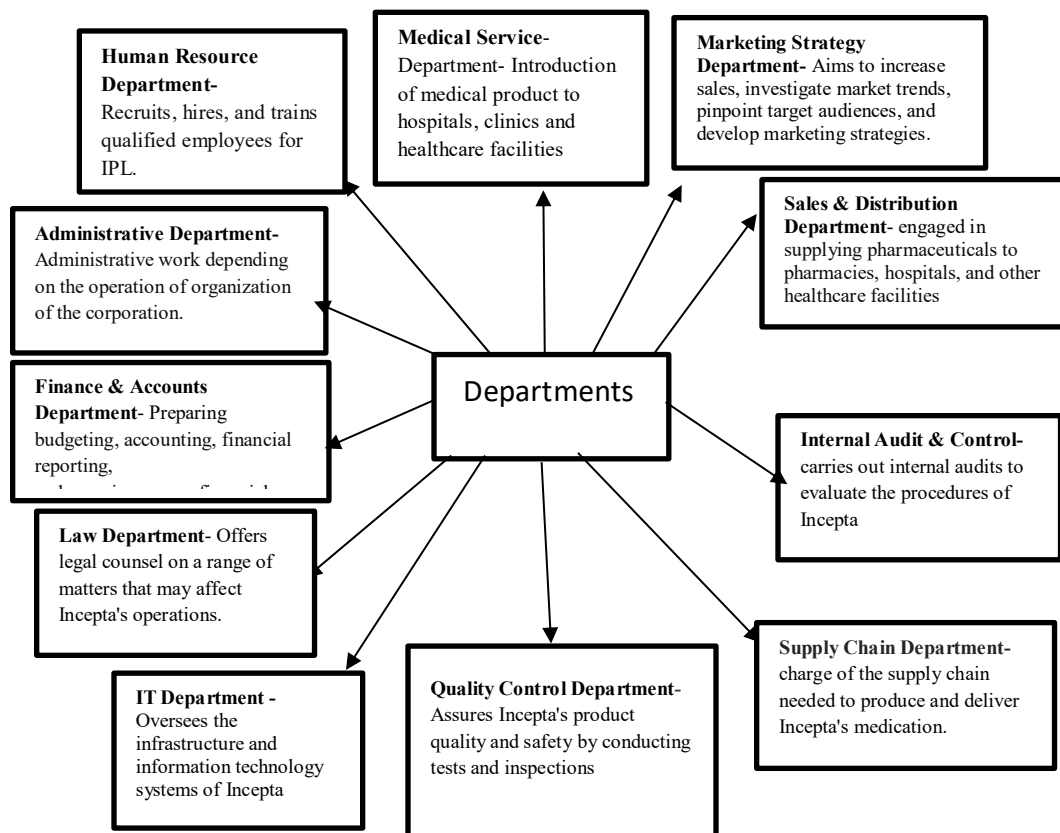


Fig 3.2 - Functions of each department

3.8 Global Operations

Currently, Incepta distributes its products in 47 countries. The nation's brightest minds have come together to form an intellectual pool that has made this feasible. Since its founding in 2006, Incepta has registered over 300 goods in various nations worldwide. The company is currently engaged in negotiations with potential commercial partners and product registration in order to expand its global reach. IPL has a foothold in several foreign markets and conducts business globally. Afghanistan, the Dominican Republic, Belize, Bhutan, the Congo, Costa Rica, Cambodia, and many other nations make up the current market. Among the nations in the pipeline are Burundi, Burkina Faso, Benin, Chile, Ghana, Austria, Azerbaijan, and Burgundi.

The goal is to sell in many additional nations, such as Algeria, Angola, Brazil, Bolivia, Belarus, Argentina, and Canada.

The company's "Certificate of GMP compliance," which it received from the European Union in January 2008, was essentially what allowed it to enter the European market. The regulatory body of England, the UK MHRA, conducted an inspection of Incepta Pharmaceuticals Ltd.'s Zirabo factory in February 2011. In July 2011, Incepta obtained GMP approval for their solid dosage form plant, enabling the company to market its proprietary pharmaceuticals in the UK and other European nations.

Incepta was approved as a potential supplier by UNICEF and UNDP following an assessment in 2004. The company began providing local UNICEF in Bangladesh with supplies in 2005. Following its acceptance by the UN agencies' worldwide headquarters in Copenhagen, Denmark, in 2010, Incepta was added to the UNDP, UNRWA, UNFPA, UNESCO, and UNICEF global supplier roster.

Chapter 4- Duties and Responsibilities

I was assigned in Accounts Payable division of Accounts and Finance department. The department responsible for processing invoices, overseeing vendor relationships, making sure payments are made on time, and keeping accurate records are its main responsibilities. The department's effectiveness has a direct effect on the company's cash flow and vendor relationships. The duties and responsibilities performed by me as an internee are given below:

Input of Data: Input of Mushok number with issue of transport company in the excel file in purchasing document along with Bin number and issue of date. The number of mushok no. determined by no. of trucks carrying goods.

Calculated insurance commission: Calculating insurance premium in bill payment & commission receive purpose in excel file. For example, the purchase order currency value is $\$11244 + 10\% = \12368.40 EX@111.00=TK 1372,892. Now the insurance premium will be applied to this sum, Marine @ 0.86% * TK 1372,892 = TK 11807. VAT, TK 1771, and Stamp Duty, TK 50, will be added, total value will be TK 13628.

Bill checking- Checking L/C, no. signature of authority of vendors. Match assessment notice value of item with value of L/C no. of each vendor. Ensuring all supporting documents, such as cash receipt, association fee, transport fee, custom house cost and agency commission are included.

VAT checking- IPL gives VAT fee in two ways. One way is by giving VAT charge to the vendors, and another by directly paying VAT fee to the government online after filling up the government portal. In the first way, IPL gives 15% VAT to vendors. In the second way, IPL cut 15%,10%,7.5% and 5% of VAT from vendors and submitted it to government agents. I checked whether these rates of 15%,10%,7.5% and 5% match with the VAT deduct which is called Mushok 6.6.

Arranged vendor's code- Arranged vendor's code in serial no. from descending to ascending order. Put vendor's document no. in the vendor's invoice. It is needed to create a payment proposal. For each bill, there is document no. After creating a payment proposal, it is updated in the system and informs management.

Document Management System: Prepare the document management system by entering the required data. It records databases of all bills' soft copy. It converts hardcopy of the bills and scans it to convert it into softcopy to software.

Checking Custom & Clearing Bills- Checking custom & clearing bills along with required documents that are given. Make sure Delivery Challan of each vendors are given with authority signature. Matching value of custom duty fee, warehouse rent, online charge, transportation bill with the document value. Also, checked whether L/C no. on delivery challan match with L/C paper no.

Transportation Bill checking- Checking Delivery challan of each bills along with weights of materials, value of materials, L/C copy with L/C no, authority sign, VAT Paper, Mushok 6.3. Check all the Mushok have company name written correctly.

**Chapter 5: The project
efficiency measurement of the
Accounts payables of IPL**

i) Introduction of the project

The purpose of the project is to understand the operation of IPL's finance and accounts measure efficiency of IPL's account payable division through efficiency measurements including account payable ratio analysis. Comparing IPL's accounts payable performance with other pharmaceutical companies and industry average.

ii) Data collection method

Primary Data: Information obtained directly from primary sources with the intention of conducting a particular study project is referred to as primary data. Rather than being taken from pre-existing sources, it is unique data that was discovered through in-depth research or direct observation. The primary data sources use interview and observation.

- **Interview:** Primary data was collect through interviews with managers and staff members engaged in the internship program at IPL. The no. of observation was 9. Officers from IPL's Finance and Accounts department were chosen to offer their insights for this purpose. The sample was chosen at random to represent a range of roles and levels of experience within the department in order to guarantee a thorough understanding of how the department operates. The purpose of the interview process was to learn more about the department's daily operations, financial management procedures, decision-making procedures, and challenges.
- **Observation:** Incepta employed observation as a primary method of data collection to obtain a deeper understanding of the operations of the Finance and Accounts department, in addition to interviews. The study aimed to gather real-time data on workflow processes, interactions, and decision-making practices by watching managers and employees go about their daily business. This approach gave insightful information about the effective application of financial strategies, the department's operational efficiency, and the general work culture.

Secondary data: Secondary data is the information gathered, assembled, and published earlier by others for objectives unrelated to the ongoing study project. The data is collected from pre-existing sources rather than being newly collected by the researcher. The secondary method that have been used was website and previous internship reports.

- **Website:** The website of Incepta Pharmaceutical Ltd. was used to gather secondary data. The performance, financial standing, and strategic plans of the company were all reviewed in this process. The company's history, mission, vision, and organizational structure were also gathered via the website. To learn about market trends, new product launches, and achievement of the company, popular pharmaceutical product information, and global operation that were posted on the website were looked at as well. By offering a more comprehensive context and background on IPL's operations and its place within the pharmaceutical industry, this data served to complement the primary research findings.
- **Previous Internship Reports:** A detailed review was conducted of the prior internship reports submitted by the former interns. From projects and tasks to methods used, these reports provided insightful information about previous interns' work. By offering historical perspectives and continuity, the data from these reports helped put the current study in context and made it possible to compare and contrast the new findings with those from earlier internships.

iii) Account & Finance Department Operation

Role of the Accounts and Finance Department Operation in IPL

The accounts and finance department is responsible for analyzing the IPL's financial operations. This department is in charge of maintaining daily records as well as accurate records of the IPL's financial transactions throughout time. In addition to creating income statements, it assists the management team by providing them with the financial data required for decision-making.

The company's financial year budget is planned and carried out by the accounts and finance department. They enforce policies to ensure all the departmental work is happening in

accordance with the budget. Additionally, it gathers information and carries out research to support the IPL's short- and long-term financial forecasts. Planning and making well-informed judgments require this knowledge.

The accounts and finance department is also responsible for assembling and preparing all the documentation needed to file taxes. They monitor changes in tax legislation and their potential effects on the environment. For the purpose of avoiding fines, they compute their taxable income for the fiscal year and pay it on schedule.

Divisions in Finance and Accounts Department

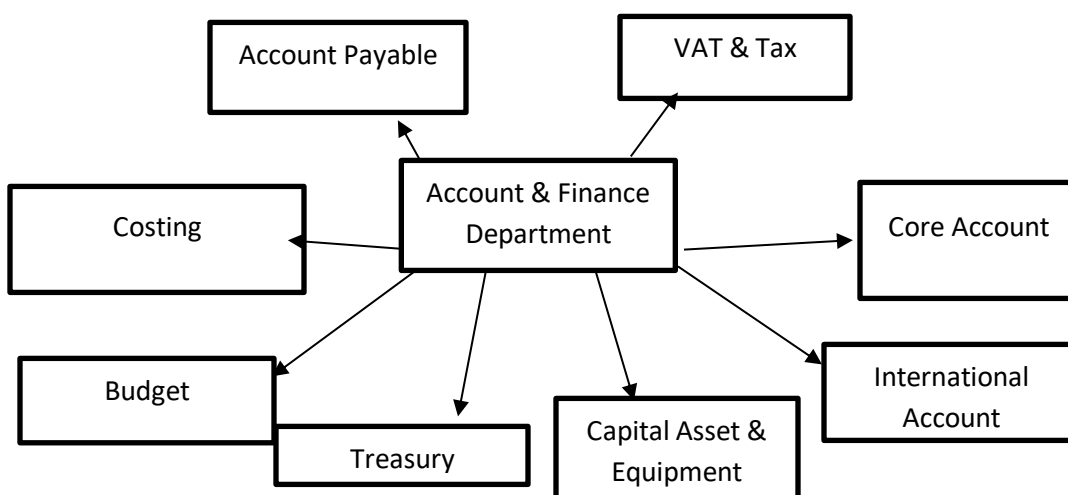


Fig – 5.1 Divisions in Finance and Accounts Department

1. **Account Payable**- Oversees the payment of vendors and suppliers. Makes certain that every invoice is checked, accepted, and paid on schedule. Keeps track of spending and guarantees that payments are made correctly and in accordance with corporate guidelines. Invoicing, statement reconciliation, vendor relations, and payment schedule management are the duties.
2. **VAT & Tax**- Maintains compliance with tax laws and regulations by managing all issues pertaining to Value Added Tax (VAT) and other taxes that the company is liable for. Compiling and submitting tax returns, overseeing tax payments, providing tax-related guidance, and keeping abreast of modifications to tax laws are within the duties.

3. **Costing-** This division estimates the labor and raw material requirements as well as the future costs to the business. Finally, if something goes wrong, make the necessary corrections. Focuses on figuring out how much it costs to produce a good or provide a service. analyzes cost information to support management in making wise business choices. Compiling production costs, creating cost reports, analyzing costs, and offering suggestions for cost-cutting strategies are among the
4. **Core Account-** Assuring that all financial transactions are accurately documented and reported, it is in charge of upholding the integrity and correctness of financial records. Cash flow, profit and loss, and balance sheet are just a few of the financial statements that Core Account prepares. Informed decision-making is facilitated by these statements, which offer a thorough overview of the IPL's financial performance and health.
5. **International Account-** The International Account division is in charge of overseeing and directing the financial activities of the IPL, which is conducted across several nations. This section oversees foreign exchange transactions and makes sure the IPL abides by international financial regulations.
6. **Treasury** – One of main activities of treasury is to collect sales collection of export, local and institution sales. Treasury department deals with bank account management which includes IPL's transactions through current accounts, collect payment of export sales and make payment to vendors.
7. **Budget** - The Budget division is in charge of organizing, creating, and overseeing the IPL's financial budget. This division makes sure that funds are used wisely, that expenditures complement strategic objectives, and that financial results are consistently evaluated in relation to the budget. This department works with other departments to gather input and match their financial needs with organizational objectives in order to coordinate the creation of the annual budget. This team creates thorough budget plans that include capital expenditure plans, expense estimates, and revenue forecasts.

8. **Capital Asset & Equipment-** The lifecycle of the IPL's capital assets and equipment is managed by the Capital Asset & Equipment division of the Finance and Accounts Department. This covers the acquisition, documentation, depreciation, and disposal of these assets. When an organization is properly managed, it can maximize the value and utility of its capital investments while adhering to accounting standards and keeping accurate financial records.

Role of SAP Software in Account and Finance department of IPL

IPL uses SAP (Systems, Applications, and Products) software extensively to handle a number of operations, such as supply chain management, sales and distribution, finance and accounting, and more. One of the main advantages of SAP software in the pharmaceutical sector is that it facilitates the tracking and management of the movement of goods from suppliers to consumers, assisting businesses in maintaining inventory levels, tracking delivery schedules, and guaranteeing product quality. The advantages of SAP software in account and finance department are given below:

- This lowers waste and lowers the chance of stockouts, which eventually saves the cost of pharmaceutical companies. It increases productivity, simplifies processes, and makes data-driven choices with the aid of this software.
- IPL can plan financial performance and monitor deviations by using SAP's comprehensive forecasting and budgeting capabilities. It provides comprehensive reporting features that help with regulatory compliance and real-time financial insights. The SAP generates automate balance sheet, profit and loss, and ledger maintenance, among other accounting processes. It makes it possible to manage every account and piece of data automatically from a basic system.
- It offers a comprehensive perspective of financial performance, enabling the finance and account department to manage budgets, keep an eye on cash flow, and measure revenues and expenses, VAT & Tax payment, accounts payable and accounts receivable.

Depreciation computations, financial reporting, and asset management are all handled by it, from acquisition to retirement.

- The finance and accounting departments can monitor performance, pinpoint areas for development, and make informed decisions by using the real-time access to financial data and advanced reporting.
- SAP facilitates cost control and cost management by tracking expenses and income related to particular projects or divisions. Strategic planning and performance evaluation are supported by the ability to analyze profitability by various IPL units or segments. SAP tracks the expenses and income connected with managing internal orders and projects.



Fig 5.2 – SAP Software

iii) Account & Finance Department Operation

Importance of accounts payable division

IPL's accounts payable division is responsible for maintaining an accurate, safe, and effective accounts payable process, which is essential to a company's stability, from operational payments to vendor bills. The Accounts Payable division steps in at this point to make sure that all outstanding bills are paid on schedule. In order to maintain expenditure management for a correct balance sheet, the accounts payable department monitors what is due to suppliers, makes

sure that invoices and payments are appropriately approved and processed, and maintains track of these activities.

One of the accounts payable main responsibilities is managing vendor payments. This includes processing incoming bills, keeping up-to-date vendor's details, and guaranteeing prompt payment. In order to maintain good vendor relationships and avoid late fine , the accounts payable unit makes sure that suppliers are paid on time by setting up payment conditions and keeping track of deadlines.

Establishing and maintaining good connections with vendors is one of the accounts payable division's main duties. Paying on time and communicating clearly build trust and dependability, which can result in better terms and a more cooperative partnership. The efficient running of the company and its long-term success depend on having strong vendor connections. Additionally, the accounts payable section also works with vendors to settle any differences in invoice data, products, and pricing. This includes ensuring that the billed amounts are accurate by cross-checking invoices with delivery receipts and purchase orders.

IPL's accounts payable functions

Maintaining bills and a record of invoices is the fundamental responsibility of accounts payable department. This department in charge of making sure the IPL pays all supplier bills on schedule. The Accounts Payable department plays some major functions which includes:

- 1. Bill Payment-** Prepare a document for the process of bill payment of imported raw material and machinery, transport cost, insurance cost & vendor payments. Check all amounts payable to vendors and process for their payments. Record all their payments and documents in computer software. They inform the manager about the amount of purchase that has been acquired from an individual vendor. The quantity of purchases made from a particular vendor is reported to the manager.
- 2. Bill of Entry –** Receives bill of entry of check sign of custom, receive number and assessment notice. Every month, transportation companies take imported raw materials and machinery from port to factory. These companies carry a bill of entry. Bill of entry

carries C&F agent name (Clearing & Forwarding), every port carry code, material duty payment list.

- 3. Delivery Challan** - Receives Delivery Challan from C & F and transport company. It has Musok which is VAT on transport to the government. Musok must also have a car name, L/C name and company name.
- 4. Vendors record maintenance-** Accounts payable department maintains vendor information. Vendor's ID records regular transactions in the system. Vendor's bill contains delivery challan, service report, VAT challan 6.3 and purchase order.
- 5. Tax & VAT Report-** These reports are prepared by IPL in order to determine the amount of tax and VAT withheld from suppliers' sources. In accordance with Income Tax Act(2023) and VAT and Supplementary Duty Act 2012, deductions and calculations are made. The reports include the vendor's name, number, and period as well as the total amount owed, the amount of taxes, the amount excluding taxes, the amount of VAT, and the amount excluding VAT.
- 6. Insurance Bill-** The accounts department at is responsible for verifying each insurance premium for the imported raw materials, machines etc. Insurance part is based on airplane, lorry and ship which comes through marine, air and road. It is recorded monthly basis.

Payment procedure of account payable division

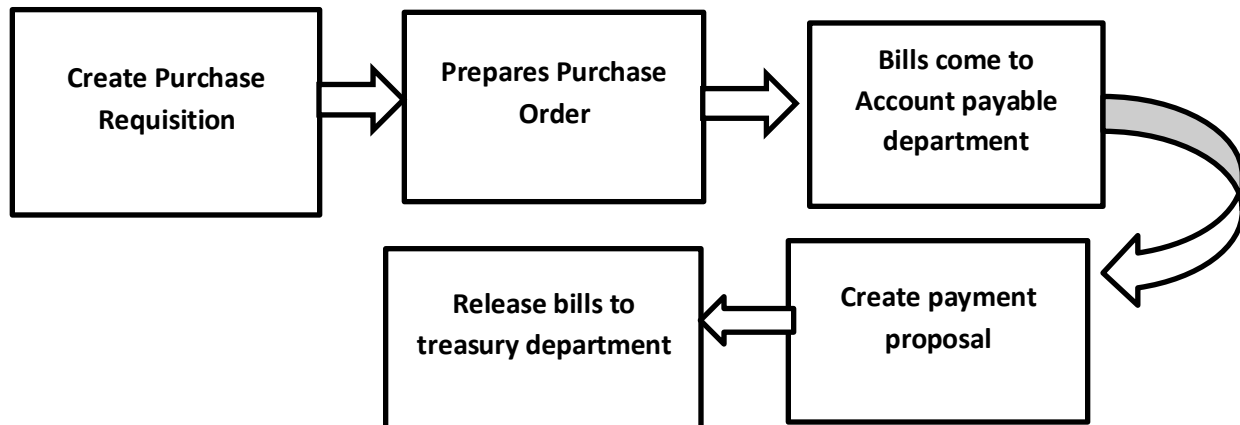


Fig 6.1- Payment procedure of account payable division

IPL factory make purchase requisition for the raw materials needed in the system. System suggests which material given by which vendors. The authorized officer approves to buy these material. Then, purchase order is prepared which includes IPL buying from which vendors in required quality. How much order added in stock and deducted in stock recorded in system. Vendors give bill and it is signed by authority.

Then, system create journal of account receivable and account payable. Then, these vendor bills come to account payable department. Accounts payable match payable bills with systematically input bill. And check all documents. They ensure ordered raw materials are matched. Next, they prepare schedule to release bill payment and create payment proposal to management for approval. After all procedure completed, they sent bills to treasury department. Treasury department pays bills directly to banks.

Custom clearing and forward agent contribution in account payable

Custom Clearing and Forwarding Agent (CFA) is a third party agency who manages the required paperwork, goods transportation, and customs clearance to streamline the import and export process. Their function is essential to guaranteeing that shipments meet all legal and regulatory requirements and arrive at their destinations quickly and legally. For their services, CFAs offer comprehensive invoices that include freight, taxes, and customs duties. These invoices must be processed, their accuracy confirmed, and timely payment made; these tasks fall under the authority of the accounts payable team. The Accounts Payable department is able to keep track

of the expenses related to importing and exporting goods with the aid of accurate documentation from CFAs. The Accounts Payable team guarantees that all customs-related expenses are properly documented and adhere to regulatory requirements by collaborating with CFAs. Custom Clearing and Forwarding Agents contribute significantly to the Accounts Payable department through:

Step 1: C & F arranged bill of entry from Chittagong port, airport and benapole road after collecting from a custom house. They give it to the Incepta supply chain because they talk directly to vendors.

Step 2: Supply Chain sends document to account payable department after checking. They process systematically the purchase order with condition of custom officer. L/C on shipment value against purchase order is filed against the vendor company. The Account Payable department put inputs of purchase order for recording purposes.

Step 3: Account payable conduct process of payment, verify bill from all departments, vendors and enter it to the system and take approval from management and send it to treasury department.

Step 4: Treasury Department takes approval from management after finishing all processes and makes payment to the bank.

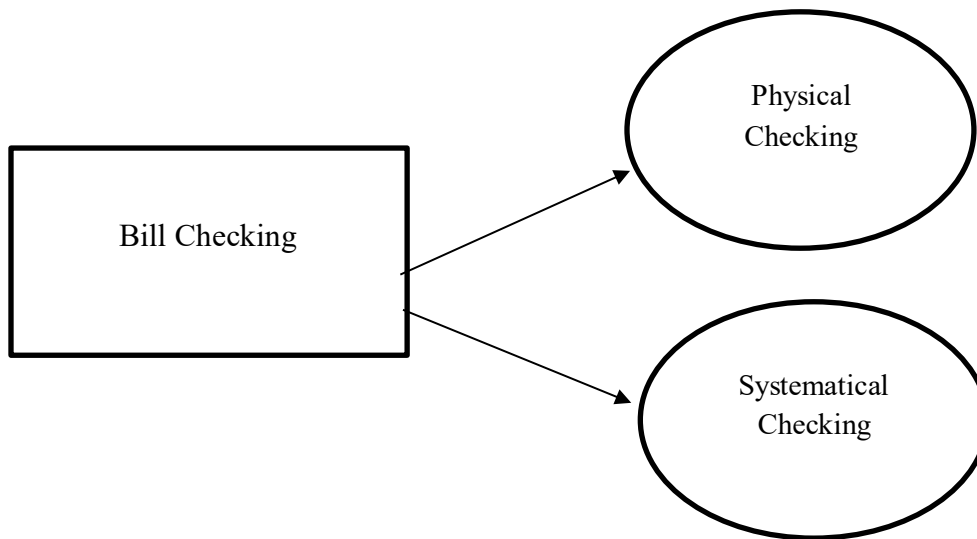
Step 5: After the bank makes payment, the C & F agent can release the order of imported raw material and machinery.

Step 6: C & F agent releases order from custom house and sends it to the factory through own transportation. Then, they charge a fee to the account department for their entire service on a monthly basis.

Step 7: Accounts payable takes C & F bill fee approval from management and send it to treasury department and they make payment.

Bill verification process

One of the most important steps in the accounts payable department's process for guaranteeing efficiency, accuracy, and compliance with managing the IPL's obligations is bill verification. The accounts payable department uses a methodical process called bill verification to make sure that all incoming bills are correct, valid, and prepared for payment. This procedure assists companies in keeping track on their spending, guarding against fraud, and guaranteeing adherence to internal guidelines and financial regulation. Prior to being authorized for payment, the procedure entails confirming invoices and bills obtained from suppliers and service providers. By doing this, the company can keep accurate financial records, and make sure it only pays for goods and services that are actually received and correctly billed.



- Physical checking- It involve physical checking of the documents including Invoice copy or bill which is also called proforma invoice. Then, Delivery Challan with material, Job Completed report (fair arrangement given to third party), Certificate (machine certification on software if needed), Mushok 6.3, also called Challan Potro and Purchase order.
- Systematical Checking-When purchase order is created, rates of the purchased material are calculated by software. Accounts payable department does invoice posting for vendor payable purpose and inventory expense purpose. Vendor payable will be recorded as

liability in the software, and inventory will be as asset increase in the system. Then, accounts payable receives the vendor's bill and match rates, quantity amount, delivery locations written in bill with the information recorded in the software. Also, they insert vendor's ID in the system and check VAT & Tax amount charged by vendors. Account payable does invoice posting, checks bills then prepares for payment after tax and VAT calculation, along with getting approval of management and sends bills to the treasury through the system.

Chapter 6: Methodology

6.1 Definitions of accounts payable, Accounts Payable Turnover and Days Payable Outstanding

Accounts Payable: A company's debt to suppliers or vendors for products and services acquired on credit is known as accounts payable (AP). According to the company's balance sheet, it is a short-term liability because it must be repaid within a set time frame, usually between 30 and 90 days. Ensuring that a business fulfills its financial obligations to sustain positive relationships with suppliers and prevent late payment penalties is a crucial aspect of accounts payable and working capital management.

Accounts Payable Turnover: Accounts Payable Turnover is a financial ratio that assesses how well a business settles its debts with creditors or suppliers over a given time frame. It shows how frequently an organization pays its average accounts payable over a specified period of time, typically a year. The company's liquidity and short-term financial health are evaluated with the aid of this ratio.

Days Payable Outstanding Days Payable Outstanding (DPO) is financial ratio that calculates how long it typically takes a business to pay its creditors or suppliers after receiving an invoice. It helps evaluate a company's payment practices and the effectiveness of its cash management by showing how long it keeps its cash on hand before paying off its accounts payable.

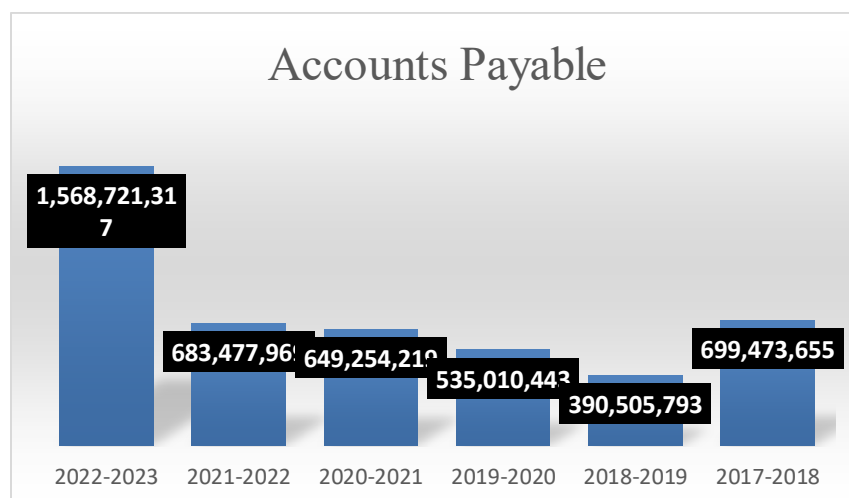


Fig 6.1 Accounts Payable of IPL

6.2 Accounts Payable Ratios Analysis

- Accounts Payable Turnover Ratio:** In 2023, an IPL's accounts payable turnover of 21.99 times shows how often it settles its bills with suppliers within a given timeframe, usually a year. It demonstrates how effectively the company pays its creditors. Accounts payable turnover has been between 25.70 to 21.99 times from 2018 to 2023, which indicates IPL has been paying vendors quickly and had maintained an excellent relationship with their suppliers. Effective management of the company's payables allows it to allocate its available cash for other vital company operations, expansion plans, or investment opportunities. The company's overall financial stability and well-being are supported by this strategic use of accounts payable.

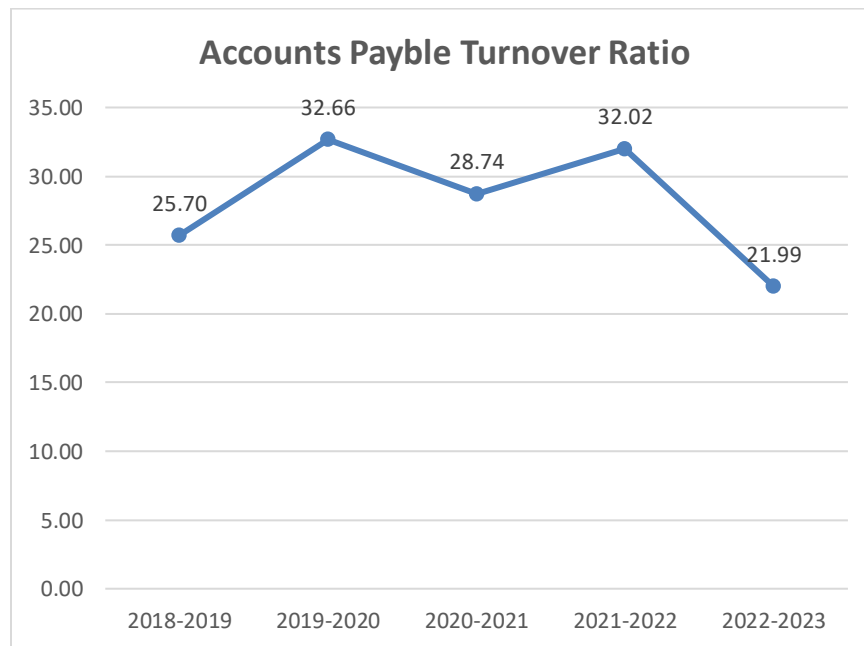


Fig 6.2- Accounts Payable Turnover Ratio

- Days Payable Outstanding:** A DPO of 16.6 days implies that IPL is paying its suppliers fairly quickly, which may be a sign of effective payment handling. This short payment cycle can help you keep good relations with suppliers, which could result in more advantageous terms for business, discounts, or better credit. It has been between 14.20% to 16.60% in between 2018-2019, which indicates good performance over the years. IPL demonstrates financial discipline and a proactive approach to managing its obligations by

efficiently managing its payables. Continue to maintain these productive relationships with suppliers and effective cash management procedures.

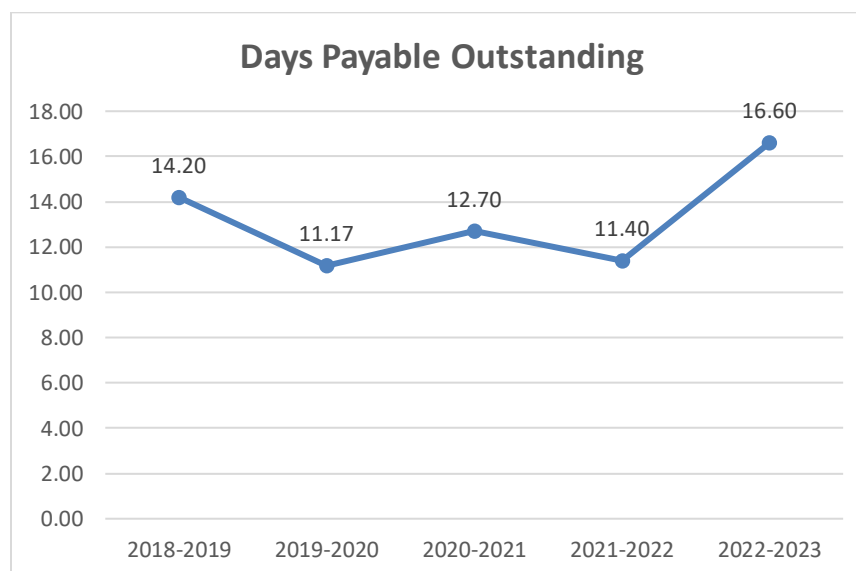


Fig 6.3- Days Payable Outstanding

6.3 Comparison with peer companies and industry average in 2023

| Companies | Account Payable Turnover | Days Payable Outstanding |
|-----------|--------------------------|--------------------------|
| Incepta | 21.99 | 16.60 |
| Square | 43.96 | 8.3 |
| Beximco | 11.52 | 31.68 |
| Renata | 20.42 | 17.87 |
| Ibnsina | 11.74 | 31.08 |
| ACME | 36.38 | 10.03 |
| Orion | 4.27 | 85.36 |
| ACI | 25.61 | 25.61 |

Incepta with accounts payable turnover of 21.99, pays its suppliers nearly 22 times a year. Its Days Payable Outstanding (DPO) is 16.60 days, which means it takes it roughly 17 days to pay its bills. Comparatively speaking, square has the lowest DPO of 8.3 days and the highest turnover of 43.96 times, indicating that it pays suppliers frequently and promptly, which may

enable them to obtain favorable terms or discounts. In addition, ACME displays a low DPO of 10.03 days and a high turnover of 36.38 times, suggesting effective and prompt payment procedures, robust cash management, and probably positive supplier relationships. ACI's turnover ratio of 25.61 times is higher than Incepta's, and its DPO of 25.61 days indicates that it takes longer than Incepta to pay suppliers, but still does so in a timely manner that balances timely payments and cash preservation. With a turnover of 20.42 times and a DPO of 17.87 days, Renata and Incepta exhibit comparable payment patterns, demonstrating effective cash management and upholding solid supplier relationships.

Overall, Incepta keeps a balanced approach, effectively managing its cash flow while making regular payments to suppliers. Incepta's performance indicators, when compared to those of other businesses, demonstrate a strategy that prioritizes on-time payments to preserve positive relationships with suppliers while also efficiently utilizing credit terms to meet cash flow requirements.

| Details | Account Payable Turnover | Days Payable Outstanding |
|------------------|---------------------------------|---------------------------------|
| Industry Average | 21.98 | 28.32 |
| Incepta | 21.99 | 16.60 |

An accounts payable turnover of 21.99 times as opposed to the industry average of 21.98 times, Incepta has a marginal advantage over the average. This suggests that Incepta pays its suppliers nearly as often as the average business in its sector. The true difference, though, can be seen in the Days Payable Outstanding (DPO) metric, as Incepta pays its suppliers in a mere 16.60 days, a considerable reduction from the industry average of 28.32 days. This lower DPO implies that Incepta pays its bills on time, which may indicate strong liquidity management and a dedication to upholding positive supplier relations. Incepta may gain early payment discounts, better terms from suppliers, and stronger relationships by paying sooner than the industry average. These benefits can be helpful in establishing dependable supply chains. It also shows a calculated decision to effectively manage its working capital, striking a balance between the advantages of rapid payment cycles and the benefits of holding onto cash. Overall, Incepta's performance in both measurements stands out favorably from industry norms, indicating efficient financial management and a proactive approach to managing payables.

Chapter 7: Findings and Recommendations

Findings:

- An accounts payable turnover of 25.70% to 21.99% from 2018 to 2023 indicates that the company is effectively managing its cash flow by utilizing the available credit terms with its suppliers. This turnover rate, which shows a balance between prompt payments and efficient cash management, suggests that IPL maintains positive relationships with its suppliers. Good supplier relationships frequently result in favorable terms and ongoing support, both of which are essential to the stability and long-term success of the business.
- A Days Payable Outstanding (DPO) of 16.6 days is a reliable sign of effective payment management procedures used by the business. This comparatively short payment cycle shows how dedicated IPL is to maintaining strong bonds with suppliers and making sure they receive their money on time.
- Keeping a lot of physical documents, like purchase orders, invoices, receipts, and other financial records, requires a lot of storage which may get overcrowded with paper documents as time goes on therefore all documents are scanned into digital format category, and kept in a centralized digital repository as part of this procedure
- SAP is a new software used by IPL. The accounts payable department can greatly improve overall operational performance, accuracy, and efficiency by implementing new software. To ensure a successful implementation, there are obstacles associated with the process of switching to new software, though, and these must be carefully managed.

Recommendations:

- Review accounts payable frequently to spot patterns or modifications. This facilitates proactive decision-making for efficient cash flow management and supplier relationships maintenance. Maintain the company's competitiveness and alignment with industry best practices by regularly comparing the accounts payable turnover ratio to standard practices.
- Regularly assess the performance of suppliers to make sure they meet up to IPL expectations regarding cost, quality, and delivery. This can be useful in determining which suppliers to stick with and which ones might require replacement or renegotiation. Track supplier performance metrics by using scorecards. By demonstrating to suppliers that their performance is valued and tracked, this not only helps in upholding quality standards but also improves relationships.
- Use of software like Optical Character Recognition (OCR) technology to make documents more easily searchable and efficiently retrieved when needed. This will improve accessibility.
- Get continuous feedback from the accounts payable department staff for feedback as they frequently offer their opinions, point out problems, and make improvements suggestions. An enthusiastic team of people working on system optimization will carefully examine this feedback. IPL can promptly resolve issues and implement significant enhancements that boost effectiveness and user contentment by actively listening to the system's users.

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Appendix

| Year | Accounts Payable | Cost of Goods Sold | Inventories |
|-----------|------------------|--------------------|----------------|
| 2022-2023 | 1,568,721,317 | 20,621,898,576 | 13,826,184,561 |
| 2021-2022 | 683,477,969 | 18,784,836,292 | 9,685,237,321 |
| 2020-2021 | 649,254,219 | 15,960,033,279 | 7,135,028,539 |
| 2019-2020 | 535,010,443 | 14,226,273,147 | 6,079,509,272 |
| 2018-2019 | 390,505,793 | 12,699,572,751 | 5,190,008,303 |
| 2017-2018 | 699,473,655 | 10,747,836,874 | 3,884,128,849 |

| Net Credit Purchase = Ending Inventory+ COGS- Beginning Inventory | BDT |
|---|----------------|
| 2022-2023 | 24,762,845,816 |
| 2021-2022 | 21,335,045,074 |
| 2020-2021 | 17,015,552,546 |
| 2019-2020 | 15,115,774,116 |
| 2018-2019 | 14,005,452,205 |
| 2017-2018 | 14,631,965,723 |

| Average Account Payable | |
|-------------------------|------------|
| 2022-2023 | 1126099643 |
| 2021-2022 | 666366094 |
| 2020-2021 | 592132331 |
| 2019-2020 | 462758118 |
| 2018-2019 | 544989724 |

| Accounts Payable Turnover Ratio | |
|---------------------------------|-------|
| 2022-2023 | 21.99 |
| 2021-2022 | 32.02 |
| 2020-2021 | 28.74 |
| 2019-2020 | 32.66 |
| 2018-2019 | 25.70 |

| Numbers of days of payables | |
|-----------------------------|-------|
| 2022-2023 | 16.60 |
| 2021-2022 | 11.40 |
| 2020-2021 | 12.70 |
| 2019-2020 | 11.17 |
| 2018-2019 | 14.20 |

Research Questions

1. What are the current operational workflows in the Accounts & Finance Department of Incepta Pharmaceuticals?
2. How does finance and account department process bill orders to suppliers?
3. How many parts there is Finance and account department?
4. How does account payable department process?
5. How accounts payable deals with vendors?
6. What are the bill verification method?
7. What are the inefficiencies in the finance & account department operation process?