

Financial Condition and Audit Procedure

Square Toiletries Ltd. (STL)

Internship Report



Inspiring Excellence

Submitted To,

Ms. Sayla Sowat Siddiqui

Lecturer – III

BRAC Business School

BRAC University

Submitted By,

Sanjida Afrin Sinthia

ID: 11104020

BRAC Business School

BRAC University

Date of Submission: 27th May 2015

Letter of Transmittal

May 27th, 2015

Ms. Sayla Sawat Siddiqui
Lecturer-III,
BRAC Business School,
BRAC University.

Subject: Submission of the Internship Report Titled “Financial Condition and Audit Procedure – Square Toiletries Ltd. (STL)”.

Dear Madam,

It is an immense pleasure for me to submit to you the internship report titled “Financial Condition and Audit Procedure – Square Toiletries Ltd. (STL)”. My main incentive was to prepare this internship report according to your guidelines and in accordance with your directions. I have tried my best to make the work as per your structures. I hope that I have done a satisfactory job considering my level of experience and capability and have been able to relate the fundamental things with realistic applications.

Moreover, I am extremely thankful for the opportunity that you gave me to express my ability and I intently hope that you will like the work that I have done.

Sincerely,

Sanjida Afrin Sinthia
ID: 11104020
BRAC Business School (BBS)
BRAC University

Acknowledgment

This report was prepared with tremendous amount of work, research and dedication. But it would have been incomplete if I did not have support of many individuals and organization. Therefore, I would like to spread my sincere gratitude to all of them.

I am grateful towards Almighty Allah for giving me the opportunity, strength and ability to complete this task.

I would like to thank my academic advisor Ms. Sayla Sawat Siddiqui, Lecturer-III of BRAC Business School, BRAC University, for providing me with necessary guidance and sharing superior knowledge concerning report completion. I am also thankful for her patience to let me complete this paper in an efficient way and to enhance my basics in finance and accounting during the report works.

Secondly, I would like to thank Mr. Golam Kibria, General Manager, Accounts and Finance (A&F) Department, Square Toiletries Limited (STL) for helping me tremendously with such an important project and giving me the opportunity to work independently along with required support. I would also like to thank my direct supervisor in STL Mr. Razzakul Haider for his brilliant and excellent guidance and assistance to complete this report.

Nevertheless, I express my gratitude toward my families and colleagues for their kind co-operation and encouragement which helped me in completion of this report.

Table of Contents

<u>Title</u>	<u>Page No.</u>
<u>Chapter 01: Introduction</u>	
1.1 Background of the Study	01
1.2 Origin of the Report	01
1.3 Objective of the Report	02
1.4 Scope of the Report	02
1.5 Methodology of the Report	03
1.6 Limitation of the Report	04
<u>Chapter 02: The Organization</u>	
2.1 Introduction to Square Group	05
2.2 Concerns of Square Group	05
2.3 History of Square	06
2.4 About Square Toiletries Ltd.	08
2.5 Vision	08
2.6 Mission	08
2.7 Objectives	09
2.8 Values and Principals	09
2.9 Quality Policy	10
2.10 Employees	10
2.11 Management Committee	11
2.12 Company Secretary	11
2.13 Organizational Structure	12
2.14 Departments of Square Toiletries Limited	13
2.15 Products	14
2.16 Recommendation	17
2.17 Reasons behind choosing Kohinoor Chemical Ltd. as the Competitor	17

<u>Title</u>	<u>Page No.</u>
<u>Chapter 03. Job Description and Responsibilities</u>	
3.1 Accounts & Finance Department of Square Toiletries Ltd.	19
3.2 Job Description of an Internal Audit Intern	20
3.3 Internship Activities Undertaken and Job Responsibilities	21
3.4 Critical Observation	24
3.5 Recommendation	26
<u>Chapter 04. Financial Condition and Audit Procedure</u>	
4.1 Summary of the Analysis	27
4.2 Objective of the Analysis	27
4.3 Methodology of the Analysis	27
4.4 Limitation of the Analysis	28
4.5 Financial Analysis	29
4.5.1 Liquidity Ratios	30
4.5.2 Debt-Management Ratios	35
4.5.3 Profitability Ratios	38
4.6 Internal Audit	
4.6.1 Definition of Internal Audit	44
4.6.2 Certain Time of Performing an Internal Audit	44
4.6.3 People who can perform Internal Audit	44
4.6.4 Reason for performing Internal Audit	44
4.6.5 Requirements to perform Internal Audit	44
4.6.6 Internal Audit Policy and Procedure	
a. Policy	45
b. Procedure	45
4.6.7 Basic Guideline for Internal Audit	45
4.6.8 Internal Audit Checklist	46
4.6.9 Examples of How Auditing is done in STL	47
4.6.10 Few Examples of Audit Guideline of Square Toiletries Ltd.	50
4.7 Internal Control	
4.7.1 Definition of Internal Control	52
4.7.2 Benefits of Internal Control	52

4.7.3	Key Control Activities	53
4.7.4	Control Limitations	54
4.7.5	Flowchart Example of How Internal Control is Ensured in STL	55
4.8	Recommendations	57
Chapter 05: Conclusion		58
References		59
Appendix		61

Executive Summary

Square Toiletries Ltd. (STL) is one of the largest and leading "Fast Moving Consumer Goods" company in Bangladesh. This report provides an in-depth analysis and interpretation of "Financial Condition and Audit Procedure - Square Toiletries Ltd. (STL)". It consists of the job responsibilities I was given during my internship in the Finance and Accounts department of STL. A detail about my critical observation is given about the way they record their daily transactions with their third parties, the way they analyze and verify their every small to huge monetary transactions by auditing, the way they measure their production workers performance, and also how they maintain good relationship with their retailers through winter gift promotional campaign and etc., Then I also gave a description about my critical observation about the activities of STL including my recommendation to change some of their monitoring processes to increase revenue. Also, a detailed explanation of the profitability, liquidity and financial stability of STL over the last five years and its financial performance is compared to that of its competitor, Kohinoor Chemical Limited (KCL). This is done through liquidity, debt-management and profitability ratios. All these calculations were done with the help of balance sheet and income statement of STL for the last five years. For KCL, the calculations of ratios were done for the year of 2013 and 2014. Results of ratios are also discussed to evaluate STL's overall performance and remedial actions are also given to overcome any major area of weaknesses. I have also explained a brief explanation about Internal Audit and Internal Control of Square Toiletries Ltd. in my report.

Chapter 01

Introduction

1.1 Background of the Study

Gaining knowledge and learning on a particular subject can only be evaluated properly if it is linked with theory and real-life practice. Theory is learned in a detailed manner from the academic courses. However, when it comes to attaining practical knowledge on the subject matter to be studied, it is important to get a real life experience where the theory can be implemented. This can be gained by a program namely “Internship”. The main purpose of internship is to train the students and prepare themselves for the real work situation in job markets. After gaining knowledge from my internship program from Square Toiletries Limited under Accounts and Finance department, I have developed this internship report as a partial requirement to acquire the BBA degree under direct supervision of **Ms. Sayla Sowat Siddiqui**. I have tried my best to make this report with sufficient resources to make it an informative and showcase my real-life knowledge.

1.2 Origin of the Study

This report is a partial fulfillment of the internship program to complete my undergraduate. My supervisor Ms. Sayla Sowat Siddiqui assigned me with the topic “Financial Condition and Audit Procedure – Square Toiletries Ltd. (STL)”. My internship period in STL was about three months and I have got the opportunity to learn how their day-to-day operations work and the methods they follow to verify their every transactions. With the most updated information that I have acquired through closely looking at their activities, I successfully completed this report.

1.3 Objective of the Study

General Objective:

The objective of the study is to focus on one broad issue that is “Financial Condition and Audit Procedure – Square Toiletries Ltd.”. This paper also covers some other factors related to the finance and accounts functions of Square Toiletries Ltd. (STL) and its importance which mentioned in the specific objectives below:

Specific Objectives:

- To know about the financial management of Square Toiletries Limited.
- To know about the company’s mission, vision, objectives, values and principles.
- To know about the different brands of STL.
- To have a practical idea about the operations of finance and accounts department of STL.
- To analyze the strengths and weaknesses of the financial management of STL.
- To have an idea about the Internal Audit and Internal Control procedure of STL.

To assess the performance of STL compared to its competitor, Kohinoor Chemicals Limited, through analyzing financial ratios.

1.4 Scope of the Study

This report gives a brief idea on Square Toiletries Limited and its operation. The information provided in this report is based on personal observation, research and job experience acquired during the internship period. This report mainly focuses on the financial performance of Square Toiletries Limited and the analysis is made through reviewing the financial statements of the company and literatures. It also gives an idea of the overall internal audit and internal control procedure.

1.5 Methodology of the Study

This report was prepared through a series of processes starting from selection of the topic to the completion of the report. I explained my experience as an intern in Square Toiletries Ltd. during these three months in this report. Along with it, I used the following methodology:

Selection of the Topic:

My supervisor helped me to selection this topic for my report so that I can come up with an informative and well-organized internship report.

Sources of Data:

➤ **Primary data:**

I had several face- to-face discussions with my supervisor, executives of STL and with the General Manager regarding collection of information. Through my personal observation as an intern in STL, I got some information which I have used in this report.

➤ **Secondary data:**

- Website of Square Toiletries Limited
- Annual reports of Square Toiletries Limited from the year 2010 to 2014
- Annual report of Kohinoor Chemicals Limited for the year 2013 and 2014
- Informative documents provided by the company supervisors
- Online search for more topic-related information

1.6 Limitation of the Study

- Authentication of primary data cannot be ensured and therefore collecting it is really difficult.
- To maintain confidentiality, it is obvious that supervisors might be skeptical about sharing certain company information with the interns. Therefore, getting the exact picture is always a challenging.
- My understanding and experience about the corporate world of STL which I have explained in this report might not be accurate or sufficient and in some cases I have used my own assumptions. This is because it was my first practical experience about the corporate world of STL which was only for about three months.
- It was difficult to understand the overall general financial management system of a giant local conglomerate- Square Group in just three months.
- STL only provided their balance sheet and income statement from their audited annual report. They have not published their annual report. So it was difficult to get a comprehensive understanding of the financial position of the company as well as their market share.
- Square Toiletries Limited is not enlisted in the stock market. Therefore, for analyzing their performance through financial ratios, I could not use the "stock-market ratio".

Chapter 02

The Organization

2.1 Introduction to the Square Group

Square Group is a local conglomerate of Bangladesh which started its journey with debut of Square Pharma as a Partnership Firm in 1958. With span of time, Square has emerged as one of the most admired local conglomerates which is showcasing its rampant march with other concerns along with Square Pharmaceuticals Limited.

2.2 Concerns of Square Group

1. Square Pharmaceuticals Limited	10. Square Hospitals Limited
2. Square Toiletries Limited	11. Square Air Limited
3. Square Textiles Limited	12. Square Texcom Limited
4. Square Food & Beverage Limited	13. Mediacom Limited
5. Square Informatix Limited	14. Square Securities Management Limited
6. Square Agro Development & Processing Limited	15. Maasranga Television
7. Square Herbal & Nutraceuticals Limited	16. Sabazpur Tea Company Limited
8. Square Yarns Limited	17. Aegis Services Limited
9. Square Fashion Limited	18. Square Denims Limited

2.3 History of Square

<u>Year</u>	<u>Milestones</u>
1958	Debut of Square Pharma as a Partnership Firm
1964	Converted into a Private Limited Company
1974	Technical Collaboration with Janssen Pharmaceutical, Belgium, a subsidiary of Johnson and Johnson International, USA
1982	Licensing Agreement signed with F. Hoffman-La Roche Ltd. Switzerland
1985	Achieved first position in the Pharmaceutical Market of Bangladesh among all national and multinational companies.
1987	Pioneer in Pharmaceutical export from Bangladesh
1994	Initial Public Offering (IPO) of Square Pharmaceuticals shares. Square Toiletries Ltd becomes a Private Limited Company.
1995	Chemical Division of Square Pharmaceuticals Ltd starts production of pharmaceutical bulk products.
1997	<ul style="list-style-type: none"> ➤ Won the National Export trophy for exporting medicines. ➤ Debut of Square Textiles Ltd ➤ Mediacom Limited starts its journey
1998	<ul style="list-style-type: none"> ➤ Establishment of second unit Square Textiles Ltd ➤ Agro Chemical & Veterinary Products Division of Square Pharmaceuticals start its operation
2000	Square Spinning Ltd starts its journey

2001	<ul style="list-style-type: none"> ➤ Establishment of Square Knit Fabrics Ltd ➤ Establishment of Square Fashions Ltd ➤ US FDA/UK MCA standard new pharmaceutical ➤ Factory went into operation. ➤ Square Consumer Products Ltd started its operation. ➤ Establishment of Square Informatix Ltd ➤ Incorporation of Square Hospitals Ltd
2003	<ul style="list-style-type: none"> ➤ Management agreement with Bumrungrad Hospital International of Thailand for the management of Square Hospitals Ltd. ➤ United States Food & Drug Administration ➤ United Kingdom Medicines & Health Care Products Regulatory Agency
2005	Square Yarns Ltd is established
2008	<ul style="list-style-type: none"> ➤ Square Spinning Ltd, amalgamates with Square Textiles Ltd ➤ Square Multi Fabrics Ltd is established.
2009	Square Air Limited is established
2010	<ul style="list-style-type: none"> ➤ Square Pharmaceuticals Dhaka sit's Insulin Manufacturing Unit goes into operation ➤ Acquisition of Mithapur Textiles Ltd. Now converted into Square Texcom Limited ➤ Acquisition of Markup Cot Spin Ltd ➤ Acquisition of Markup Spinning Mills Ltd
2012	<ul style="list-style-type: none"> ➤ Square Pharmaceuticals Ltd, Dhaka Unit and Square Cephalosporins Ltd get the "Therapeutic Goods Administration" (TGA) of Australia Approval ➤ Square Multi Fabrics Ltd is voluntarily Liquidation.
2013	<ul style="list-style-type: none"> ➤ "Samson H Chowdhury Center of Excellence" started its operation ➤ Markup Spinning Mills Ltd amalgamated with Markup Cot Spin Ltd and thereafter renamed as Square Fashions Yarns Ltd ➤ Establishment of Square Denims Ltd
2014	Square Consumer Products Ltd. Now converted in Square Food and Beverages Ltd.

2.4 About Square Toiletries Limited

Square Toiletries Limited started (STL) its journey in 1988 as a separate division of Square Pharmaceuticals Limited. Being a concern of Square Group, Square Toiletries Limited enjoys the prestige of Square Group and exploits the consumer confidence by their passion and hard work. In 1994 STL became a private limited company.

At present, STL is the country's leading manufacturer of international cosmetics and toiletries with 20 brands and more than 55 products covering a wide range of categories like skin care, hair care, oral care, baby care, fabric care, male grooming and OTC.

Along with the business, STL takes part in different philanthropic activities and programs like creating mass awareness on health and hygiene issues, tree plantation, and employment generation program for vulnerable community, financial aid to disadvantaged and flood affected people, supporting education and various local community program.

2.5 Vision

STL attempt to understand the unique needs of the consumer and translate the needs into products which satisfy them in the form of quality products, high level of service and affordable price range in a unique way.

2.6 Mission

- To treasure consumer understanding as one of our most valued assets and thereby exerting every effort to understand consumer's dynamic requirements to enable us in offering maximum satisfaction.
- To offer consumer products at affordable price by strictly maintaining uncompromising stance with quality. With continuous R&D and innovation we strive to make our products complying with international quality standards.
- To maintain a congenial working environment to build and develop the core asset of STL-its people. As well as to pursue for high level of employee motivation and satisfaction.

- To sincerely uphold the responsibility towards the government and society with utmost ethical standards as well as make every effort for a social order devoid of malpractices, anti-environmental behaviors, unethical and corruptive dealings.

2.7 Objectives

- To strive hard to optimize profit through conduction of transparent business operations within the legal and social framework with malice to none and justice for all.
- To create more jobs with minimum investments.
- To be competitive in the internal as well as external markets.
- To maximize export earning with minimum imported inputs.
- To reduce the income gap between top and bottom categories of employees.

2.8 Values and Principals

Well-being of consumer, employee and society are the three foundation pillars of the values and principles of Square Toiletries Limited (STL). It believes that it is their obligation to work for the welfare of society. In spite of being a commercial organization, SPL does not always opt for profit, rather tries to be even more focused towards the fulfillment of its commitment to the society and hence has an intense sense of responsibilities to its customer, its people and its society as a whole. From the day to day business operation to quality policy, in every single activities of STL, these core values and principles are reflected.

2.9 Quality Policy

- Dedicated to make every effort to understand consumer needs to provide maximum satisfaction and to achieve market leadership.
- Strive to continuously upgrade manufacturing technology and to maintain optimum level of quality measures in conformity with the international standard- ISO 9001:2008.
- Committed to achieve quality objective through continuous employee training and maintaining congenial working environment.

2.10 Employees

STL has been built around one core asset, and it is its people. This is what makes working in STL so special. STL believes that work is more than a place you go every day. It should be place of exploration, professional growth and creativity. It is about being inspired and motivated to achieve extraordinary things. STL wants its people to take pride in their work. After all, it is the combined talents, skills, knowledge, experience and passion of its people that makes it what it is today.

Currently, STL is employing over 2,000 employees ensuring its consistent welfare and security. Due to its sociable working environment and highly motivated employees, STL is enjoying one of the lowest employee turnover rates. STL emphasizes on equal employment opportunity to physically challenges persons.

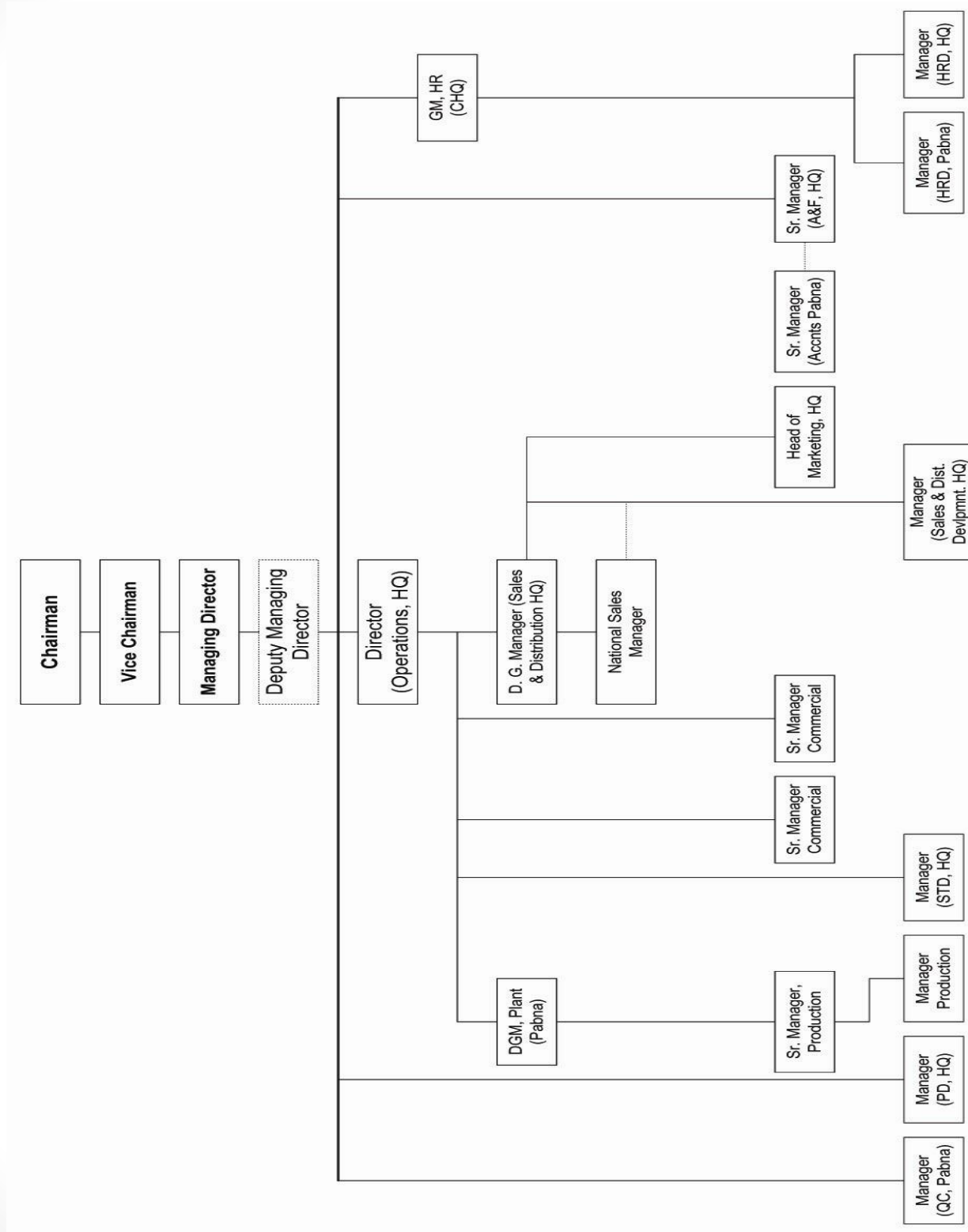
2.11 Management Committee

<u>Board of Directors</u>	
<u>Name</u>	<u>Designation</u>
1. Mr. Samuel S. Chowdhury	Chairman
2. Mr. Anjan Chowdhury	Managing Director
3. Mrs. Anita Chowdhury	Director
4. Mr. Tapan Chowdhury	Director
5. Mr. Charles CR. Patra	Director
6. Mrs. Ratna Patra	Director

2.12 Company Secretary

<u>Board of Directors</u>	
<u>Name</u>	<u>Designation</u>
Mr. Khandaker Habibuzzaman	MBA, ACS

2.13 Organizational Structure



2.14 Departments of Square Toiletries Limited

- Production
- Quality Control
- Product Development
- Technical Services
- Marketing
- Sales & Distribution
- Accounts & Finance
- Commercial
- Human Resources
- Engineering
- Production Planning & Inventory Control

2.15 Products

The products of Square Toiletries limited are divided into two sections. These are:

1. Health and Hygiene Products.
2. Toiletries Products.

The products under these two sections are given below.

<u>Health & Hygiene Products</u>	
1. Senora	➤ Senora Confidence Ultra
	➤ Senora Confidence
	➤ Senora Eco Belt
	➤ Senora Eco Panty
2. Supermom	➤ Baby Diaper

	<u>Toiletries Products</u>
1. Meril	➤ Meril Splash Beauty Soap
	➤ Meril Baby Gel Toothpaste
	➤ Meril Baby Lotion
	➤ Meril Baby Powder

	➤ Meril Baby Olive Oil
	➤ Meril Shampoo
	➤ Meril Chapstick
	➤ Meril Gift Pack
	➤ Meril Glycerin
	➤ Meril Olive Oil
	➤ Meril Petroleum Jelly
	➤ Meril New Fresh Gel Toothpaste
	➤ Meril Lip gel
	➤ Meril Conditioning Nail Polish Remover
	➤ Meril Revive Winter Moisturizing Lotion
	➤ Meril Select Plus Shampoo
2. Chaka	➤ Chaka Ball Soap
	➤ Chaka Laundry Soap
	➤ Chaka Washing Powder
3. Chamak	➤ Chamak Fabric Whitener
4. Jui	➤ Jui Pure Coconut Oil

	➤ Jui Hair Care Oil
5. Kool	➤ Kool After Shave Lotion
	➤ Kool After Shave M. Gel
	➤ Kool Deodorant Body Spray
	➤ Kool Shaving Foam
	➤ Kool Deo Talc Powder
6. Revive	➤ Revive Body Spray
	➤ Revive Perfect Fairness Talcum Powder
7. Madina	➤ Madina Attar
8. Magic	➤ Magic Tooth Powder
9. Saaf	➤ Saaf Dishwashing Liquid
10. Shakti	➤ Shakti Liquid Toilet Cleaner
11. Sepnil	➤ Sepnil Hand Sanitizer
	➤ Sepnil Handwash
12. Spring	➤ Spring Air Freshener
13. White Plus	➤ White Plus Toothpaste
14. Xpel	➤ Xpel Aerosol

15. Zerocal	➤ Zerocal Sachet
	➤ Zerocal Jar

2.16 Recommendation

Since Square Toiletries Limited (STL) always strive to bring out new products in an attempt to keep their customers happy, they can bring out "face wash" as a new item in their product list. This is because nowadays people are becoming highly beauty-conscious. Also, STL is a renowned company which makes people to have extreme trust on their products, so bringing out their own "face wash" might increase their sales revenue.

2.17 Reason behind Choosing Kohinoor Chemical Ltd. as the Competitor

Kohinoor Chemical Limited (KCL) is well-known by its most popular product "Tibet". They are the pioneer amongst the soap, cosmetics and toiletries manufacturing industries of Bangladesh, producing highly value-added products. They are quality-focused. Here is a list of products of KCL which are direct competitive products of STL.

Products of Kohinoor Chemical Ltd.	Products of Square Toiletries Ltd.
Tibet 570	Chaka
Ice Cool	Meril Splash
Fair & Care	Meril Protective Care
AM PM	White Plus; Freshgel
Bactrol	Sepnil

Fruity	Meril chapstick
Clean Master liquid toilet cleaner	Shakti Liquid Toilet Cleaner
Xpert Dishwash liquid	Saaf
Genstar	Kool
Heel Guard	No product marketed towards cracked heels
Sandalina	Meril Splash

This is because KCL is considered to be the direct competitor of STL. Therefore, I have chosen this company for evaluating STL's performance with one of its competitor KCL for peer analysis.

From the above table, we can see that Kohinoor Chemical Limited (KCL) is a direct competitor of Square Toiletries Limited (STL). This is because STL has almost all the brands that are provided by KCL. However, the number of products that are offered by STL under each brands are much higher than the products provided by KCL under each brands.

Chapter 03

Job Description

And

Job Responsibilities

3.1 Accounts and Finance Department of Square Toiletries Ltd.

The Accounts and Finance Department of Square Toiletries Ltd. is divided into five sections. These are:

1. Financial Accounting
2. Cost Accounting
3. Managerial Accounting
4. Financial Management
5. Auditing



Figure: Sections of Accounts and Finance Department.

Out of these five sections of Accounts and Finance Department, I was assigned to the Auditing section as an Internal Audit Intern.

3.2 Job Description of an Internal Audit Intern

- Assist in evaluating existing internal control documentation, testing current processes and providing recommendations.
- In addition, the Internal Audit Intern will assist the Internal Audit Executive in administrative duties, observations, and inquiries.
- Assess compliance with financial accounting and auditing standards, and company policies to ensure company assets are safeguarded.
- Examine and evaluate the adequacy and effectiveness of information systems and business controls.
- Provide advisory and consulting services to improve efficiency, effectiveness, and utilization of company assets.
- Assist in assuring audit practices conform to department and professional standards
- The Internal Audit Intern is expected to constructively work with departments to improve internal controls across the organization.
- Follow up to ensure that approved recommendations are implemented.
- All other duties as assigned.

3.3 Internship Activities Undertaken and Job Responsibilities

As an intern of Square Toiletries Ltd. (STL), I had to do a number of activities within a period of three (3) months. But mostly I did the Audit based works as I was assigned under the audit team of the Accounts and Finance Department. There are approximately eighteen (18) sister concerns of Square Group and two (02) audit teams in Square Center. One is under Square Pharmaceuticals Ltd. where eleven (11) of the concerns are audited and another one is under Square Toiletries Ltd. where the rest seven (07) sister concerns are audited. But here in the Accounts and Finance Department of Square, everyone has to do tasks for different concerns of Square Group whenever they are assigned to. For example, I was appointed as an audit intern of Square Toiletries Ltd., but I had to audit bills, vouchers, disbursements of different concerns of Square Group like Square Food and Beverage Ltd, Square Air Ltd., *Maasranga* Television Ltd., Aegis Services Limited, Mediacom Limited, etc. In this process I was able to understand how the other concerns of Square Group work.

Under the Audit team, I basically assisted three people in their works. They are,

- ❖ *Razzakul Haider* – Executive, Accounts and Finance, Square Toiletries Ltd.
- ❖ *Hirok Chandra Saha* – Executive, Accounts and Finance, Mediacom Ltd.
- ❖ *Rajib Khan* – Junior Executive, Accounts and Finance, Square Toiletries Ltd.

Under their guidance I was able to perform my tasks well. I learned a few new things about auditing from them. They were very helpful and generous enough to correct me whenever I was making mistakes. And I felt comfortable more in my workplace because of their help.

The tasks that I have performed throughout my internship period in Square are,

- **Barcode Bill Entry.**
 - I learned how to do barcode bill entry for par product. And also learned how to solve a packaging problem where barcode cannot be read by minimizing the cost.
- **Audited the Display Program of *Ruchi* Pickle, Sauce and Jam all over the country.**

- The display program was about giving a gift package to the retailers who displayed *Ruchi* pickle, sauce and jam on their shelves more within a certain period of time. And how much it sales it has increased.
- **Audited the Mobile Allowances of the employees of Square Toiletries Ltd. and Square Food and Beverages Ltd.**
 - The goal was to analyze the actual bill amount and the given amount of mobile allowance to the employees. If any employee's bill is more than his allocated mobile allowance, then the rest of the amount is cut from his salary account.
- **Audited an Incentive Program of *Ruchi Jhal Chanachur & Daal Vaja* all over the country.**
 - The motive of this is to get a clear vision of the accuracy of the amount the Sales Department is asking for. Retailers takes product at a Trade Price (TP) which is less than the Maximum Retail Price (MRP). The difference between the TP and MRP is the profit of a retailer. But distributor cannot make a profit in this circle because they take products to sell to the retailers at TP. So here, they get a commission for par package they sell to the retailers. We calculated how much we have to give to the sales department for the incentive program and how much accurate their calculation is. If our calculation does not match with theirs, then we will not give them the money rather we will ask them to revise the Program details and give it back for further verification.
- **Audited the Toiletries Program of Square Toiletries Ltd all over the country.**
 - The motive here was to find out whether the commission given for per slab is correct or not. And as this program was operated in order to increase the sales, so my task was to identify whether the goal has been achieved or not.
- **Audited the documents of telecasted daily soaps in *Maasranga* Television Ltd.**
 - I verified whether the producers followed the contract and paid the full payment for the telecasted episodes or not.
- **Audited Overtime Allowances of the employees of Square Food and Beverages Ltd., Square Toiletries Ltd., Square Air Ltd. and Aegis Services Ltd.**

- My goal was to verify their start and end time of the day and how much extra hours they spent on the job. Then allocated the overtime allowances to the employees according to their respective positions.
- **Audited the Tour Programs of Area Manager (AM), Zonal Manager (ZM), Regional Sales Supervisor (RSS) and Area Sales Supervisor (ASS) of Square Food and Beverages Ltd.**
 - The goal was to analyze whether all of them followed their tour plan which was approved by the General Manager (GM) or not. If they did follow the plan accordingly, they will get the Travel Allowance (TA) and Daily Allowance (DA); but if they somehow did not follow the plan, they will have to give proper justification for that or else the TA and DA will be deducted.
- **Audited the Display Program of *Radhuni* Mustard Oil over Dhaka Region.**
 - The goal was to identify how much the sales of *Radhuni* Mustard Oil increased and accurately how many gift packages the retailers will get for that program.
- **Audited the Winter Program of *Ruchi*, *Radhuni* and *Chashi* products all over the country.**
 - It was a seasonal program of Square Food and Beverages Ltd. The goal was to analyze the accurate amount of commission that the sales department has to provide to the distributors according to their performance.
- **Performed a tasting survey and an upcoming advertisement review of *Ruchi Jhal Chanachur* and *Ruchi BBQ Chanachur*.**
 - We have invited 20 students from BRAC University in Square Centre to perform the taste test of *Ruchi Jhal Chanachur* and the review of an upcoming advertisement of *Ruchi BBQ Chanachur*. The goal was to take opinion of the teenage people in Dhaka about those two products for further improvement.

3.4 Critical Observations

❖ **Accrual-basis accounting:**

- Square Toiletries Limited follows the accrual-basis accounting which only considers an event of expense or an event when sales has occurred. It does not consider whether cash payment is done or not. STL make sales and sometimes make purchases on credit. For this reason, they have the terms such as accounts payable and accounts receivable on their balance sheet.
- However, getting the accuracy of the pending issues (Accounts Payable and Accounts Receivables) for a particular period can be really difficult. If STL does not get all the bills at the end of a specific period, they will have to close their accounts for that particular period.
- For example, if STL made a sales on credit on November 30, 2014 and does not get paid until January 10, 2015, the income would be recorded in their books in November 2014. They then have to close their account for the year 2014. This amount will give an estimate measure of their sales and purchases for that particular period.
- STL could have gone for cash-basis accounting where the terms such as accounts payable and accounts receivables would not have existed on their balance sheet. This means that an expense would have been recorded only after an expense has occurred. Also, collection of money would have been recorded only after money has been received from the suppliers. However this method is no longer used in any of the organizations and this method is getting obsolete.

❖ **Tax Deducted at Source:**

- STL makes sure that each and every of their suppliers give tax because tax is an income for the government. When suppliers are making sales to STL, STL purchases it by giving payment to the suppliers which is an income for the suppliers. Government said STL to cut tax on the income level of their suppliers and the percentage of tax to be deducted is decided by the government. Thus, on behalf of their suppliers, STL deducts tax on suppliers' income

and deposit it to the government treasury (Sonali Bank, Bangladesh Bank) on the suppliers' name and will deliver the chalan copy to their suppliers.

- Here, STL acts as the collecting authority. At the end of the year, when the supplier will calculate his annual income, a tax liability will be created on his income. He will pay tax only the amount that will be remaining after the tax liability on his income have been deducted from the tax that has been deducted by STL from the suppliers income.
- However, STL can only deduct tax on the suppliers' income only if they supply a minimum of TK. 200001 raw materials..

3.5 Recommendations

➤ **Flexible management is a problem:**

Since STL is a huge organization, total management is extremely flexible. This causes indiscipline and inefficiency which may eventually have a detrimental impact on the organization. During my internship period, I was not directly assigned to the floor of Accounts and Finance rather I was doing my job with the Audit Team on the floor of Sales and Marketing of Square Food and Beverages Ltd. There was so much chaos and noise on that floor that sometimes I found it difficult to concentrate on my work. I complained it to the authority but there was no immediate response. They tried their best to fix it earlier but probably it got tied up in bureaucracy. Therefore, the management should be stricter for the betterment of the company.

➤ **Purchase of more distribution vehicles:**

STL should buy some transporting vehicles to minimize their distribution expenses. Although Square Toiletries Company has transporting vehicles but they are not enough. Most often they rely on hire vehicles. That is really very expensive for the company. So if this company can increase their vehicles, they can reduce expense in the long run.

➤ **Problems with Auditing:**

Retailers are so much eager to fulfill the slabs of the different program campaigns that sometimes they do a lot of overwriting in their sales invoice to be enlisted for the attractive gifts of the promotional programs. Sometimes the auditors fail to identify these culprits and therefore have to give them expensive gifts. This is a huge expense for the company which needs to be addressed by carefully monitoring the audit process, in other words, invoice which has a lot of overwriting on it should be rejected.

Chapter 04

Financial Condition

And

Audit Procedure

4.1 Summary of the Analysis

This Project contains two (02) parts. These are,

1. Financial Analysis.
2. Internal Audit and Internal Control Procedure.

- ✿ **Financial Analysis:** It contains an analysis where the ratios of Square Toiletries Limited are calculated for the last five (05) years (2010-2014) and compared with the ratios of Kohinoor Chemicals Limited (KCL). The report discloses liquidity, profitability and solvency ratios.
- ✿ **Internal Audit Procedure:** It contains different aspects of performing an internal audit and how it is done. Also some basic guidelines for Internal Audit.
- ✿ **Internal Control:** It also contains the benefits of Internal Control, Key Control Activities and Control Limitations.

4.2 Objective of the Analysis

- To know about the current financial situation of Square Toiletries Ltd.
- To know about the industry position of Square Toiletries Limited by analyzing its ratios of the last five (05) years (2010-2014) and compare it with its competitors for a clear picture.
- To learn how to implement different financial tools in real life analysis.

4.3 Methodology of the Analysis

In order to prepare this financial analysis part, only secondary data has been used. The sources that has been used to collect necessary data is given below:

- Financial Statements of Square Toiletries Limited for the year of 2010-2014 and Annual Report of Kohinoor Chemicals Limited for the year of 2013 and 2014..
- Websites of Square Group, Square Toiletries Limited and Kohinoor Chemicals Limited.
- Different journals and articles on Square Toiletries Limited.
- Other internship reports on Square Toiletries Limited.
- Different websites.

4.4 Limitation of the Analysis

- All the comments made, conclusions reached and suggestions for possible improvement provided are purely based on my level of understanding, knowledge and my way of interpreting a particular statement.
- Because of the lack of information, I have to make some assumptions that may cause few errors or personal mistakes in the report.
- Financial ratios do not capture all of the important information that tells stakeholders how the business is doing today and helps them predict where it is going in the future. One of the key determinants of business success is the quality and experience of the management team. This information cannot be derived directly from financial ratios although large ratio difference can give an indication. Therefore, financial ratios do not indicate the real face of management quality.

4.5 Financial Analysis Of Square Toiletries Ltd.

The real value of financial statements lies in the fact that they can be used to help predict a company's financial position in the future and to determine expected earnings and dividends. An analysis of the company's ratios is generally the first step in a financial analysis. The ratios are designed to show relationships between financial statement accounts within firms and between firms.

Sources for these ratios are the company's financial statements within the industry that contains figures on assets, liabilities, profits and losses. Industry ratios are only meaningful when compared with other information. Since individual companies are most often compared with industry data, ratios help an individual to understand a company's performance relative to that of competitors and are often used to trace performance over time.

There are 5 major categories when ratio analysis is considered. These categories are:

1. **Liquidity Ratio:** This gives a picture of a company's short term financial situation or solvency.
2. **Debt Management Ratio:** It shows the extent that debt is used in a company's capital structure.
3. **Profitability Ratio:** It uses margin analysis and show return on sales and capital employed.

4.5.1 Liquidity Ratios

Liquid assets are assets that can be converted to cash without significant loss of its original value. This basically indicates the strength of a company in terms of meeting the current obligations or liabilities, e.g. employee salary. Sometimes, low liquidity even leads to bankruptcy.

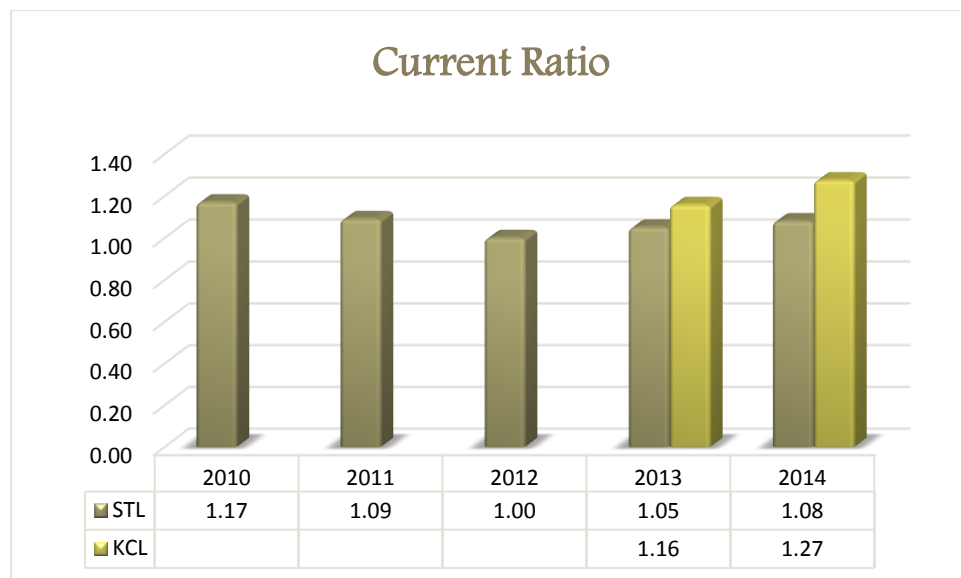
Two commonly used liquidity ratios are,

1. Current Ratio and
2. Quick Ratio.

❖ Current Ratio

Current ratio is the ratio of current assets to current liabilities which refers to the short term solvency of the company and calculated as:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$



Trend: Analysis and Comparison of Current Ratio

Analysis

Current ratio measures the short term debt paying ability of a company. In case of this ratio, the higher is the better. In this trend, we can see that they have the highest current ratio in 2010. It gradually decreased in the next two years which is not a good sign for a company. But again in 2013 and 2014, it increased a bit higher. Last year means in 2014, the ratio stands in 1.08 which is higher than the benchmark point of 1. It means the company is able to meet its current liabilities by its assets. It has the ability to pay Tk. 1.08 to pay Tk. 1 of its liabilities.

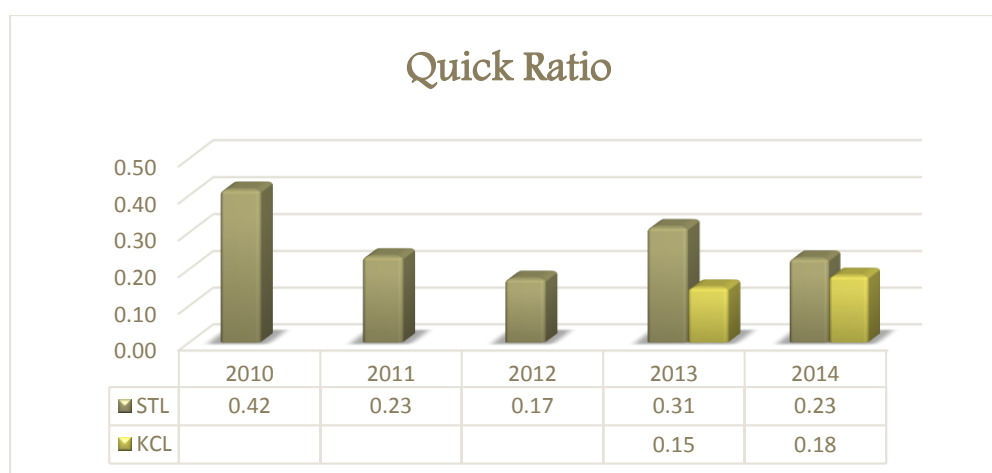
Comparison

Compared to Kohinoor Chemical Limited (KCL). STL is below KCL. We can see in the trend line that the current ratio of KCL in 2013 and 2014 are 1.16 and 1.27 respectively which are much higher than what these are in STL. Therefore we can interpret that STL has an unfavorable current ratio but moreover both of the companies are maintaining a current ratio above 1 which shows that both of them are in a risk free stable position in the industry.

❖ Quick Ratio

Acid test ratio is a better measure than current ratio as it deducts inventories from current assets and thus provides a better idea about the liquidity of the company. It is calculated as follows:

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventories} - \text{Prepaid Expenses}}{\text{Current Liabilities}}$$



Trend: Analysis and Comparison of Quick Ratio

Analysis

It measures the immediate ability to meet its current debts. For quick ratio the higher is the better. In this case we can see in the trend line that they have the highest quick ratio in the year of 2010 (0.42). It was decreasing in the next two years which is not a good sign. In 2013 it increased its quick ratio a bit but again in 2014 it decreased to 0.23 which is less than 1. So, the company has only Tk. 0.23 to meet its Tk. 1 of current debts which indicates that the firm does not have sufficient cash to pay off its current debts.

Comparison

In the trend line of 2013 and 2014, we can see that STL was in lead over KCL as the quick ratio of KCL was way below than the ones of STL. It means that STL is in a strong position in comparison with KCL as STL have maintained a very promising ratio over the years. It indicates that, they are in a prime position to pay off their current debts with their current liquid assets at the moment. But still as both of the companies quick ratios are below the industry standard 1, proves that both of the companies should focus more on how they can meet their current liabilities with their quick assets efficiently.

❖ Inventory Turnover

The inventory turnover ratio is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. This measures how many times average inventory is "turned" or sold during a period. A higher inventory turnover shows that the company can effectively sell the inventory it buys and does not wastes resources by storing non-salable inventory and therefore ensures better liquidity. It is calculated as:

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$



Trend: Analysis and Comparison of Inventory Turnover

Analysis

In case of inventory turnover, STL is maintaining a moderate ratio. Organization's inventory turnover was on its highest level on 2010 and in the next two years it gradually decreased, which is not a positive sign. Still we can say that their sales in not that impressive at the moment to reduce its inventory level. From the trend above, it is seen that in 2014, STL's inventory turnover was 4 times in that particular year. This means that the company is buying too much inventory and wasting the resources by storing the non-saleable inventory. So, the company is not effectively selling its inventories that it buys compare to the previous years. This will also effects in their net income.

Comparison

The trend shows that, STL possess average turnover ratios most of the years compared to its competitors. On the other hand, KCL is maintaining not a very impressive ratio its inventory turnover ratio for both of the last two years are around 2 times. The graph also shows a fluctuating trend of inventory turnover ratio over the years for STL. So, compared to KCL, STL's inventory turnover is higher than that of KCL. Therefore, STL has a favorable inventory turnover ratio. This can if KCL has more unused inventories than STL.

Overall Performance Evaluation on Liquidity Ratio

Overall the liquidity position of STL is not in an efficient position, as current ratio and quick ratios needs to be improved. Current ratios has fallen during the last five years which is not a good sign but compared to 2013, it has increased a bit by which company can meet its current liabilities by its assets. Quick ratios has also went downwards over the past five years which indicates that the firm does not have sufficient cash to pay off its current debt.

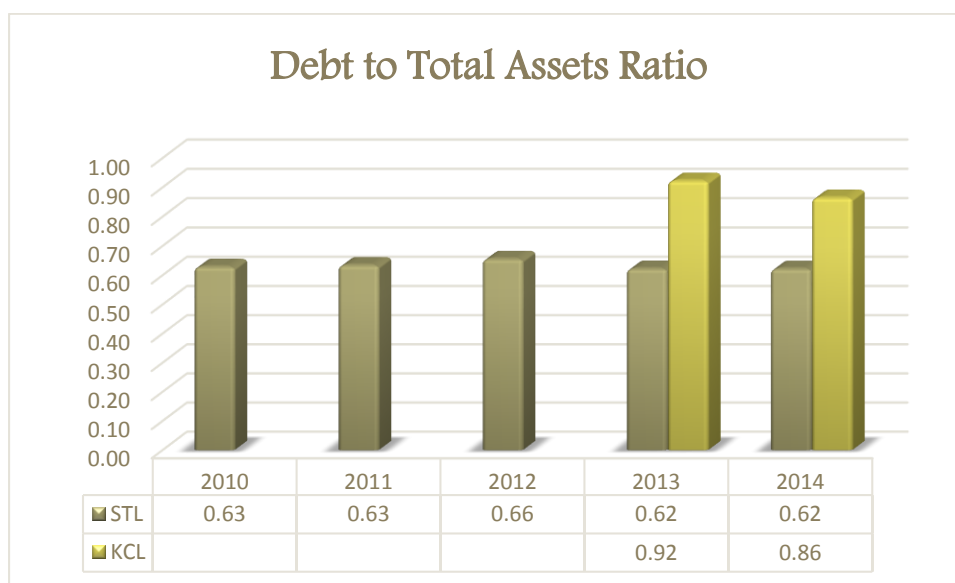
4.5.2 Debt-Management Ratios

Debt management ratio judge the debt management performance of the company. If a company goes for too much debt for financing its operations, it might end up in a very hard financial situation.

❖ Debt to Asset Ratio

The debt to total assets ratio measures the percent of total funds provided by creditors. Debt includes both current liabilities and long-term debt. It is calculated as:

$$\text{Debt to Total Assets Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$



Trend: Analysis and Comparison of Debt to Assets Ratio

Analysis

The debt to assets ratio indicates the proportion of a company's assets that are being financed with debt, rather than equity. The ratio is used to determine the financial risk of a business. A ratio greater than 1 shows that a considerable proportion of assets are being funded with debt while a low ratio indicates that the bulk of asset funding is coming from equity. From the trend

line, we can see that STL is maintaining an average ratio of 0.63 over the last five years which is less than 1. It signifies that the company has more assets than debt.

Comparison

On the trend line we can see that KCL has an increased debt ratio in the last two years which are pretty close to 1. It is not a good sign in a sense that they are now relying more on their creditors for financing. On the other hand, STL is being quite good at this ratio however it can still be improved by keeping it closer to 0 and relying lesser on their creditors for financing.

❖ Times Interest Earned

It indicates the ability to cover interest charges and tells us the number of times the interest is earned and calculated as:

$$\text{Times Interest Earned} = \frac{EBIT}{\text{Interest Expense}}$$



Trend: Analysis and Comparison of Times Interest Earned

Analysis

It measures how many times a company could pay interest expenses with its income. So in this case the higher ratio is more favorable than the lower one. And higher ratio is also less risky than lower ratio. From the above analysis, we can see that the Times Interest Earned ratio of STL was 3.16 times in 2010. And in 2011, 2012, 2013 and 2014 it was 6.59, 8.63, 28.37 and 69.83 respectively which clearly shows an increasing trend. Last year the time interest earned ratio reached the highest point on 69.83 times compared to the previous years. This means STL's income is 69.83 times greater than its annual interest expenses. It can also indicate that STL can afford to pay additional interest expenses.

Comparison

Compared to STL, KCL's times interest earned ratio is significantly lower than STL. As we can see in the trend line that in 2014, KCL has got a very insignificant amount of times interest earned ratio. That means, KCL's income is 3.37 times greater than its annual interest expenses. It faces a pretty hard time to maintain its annual interest expenses. So, the banks will also find it problematic to sanction their loans as their affordability to pay its interest payments properly is not in a very good position. Therefore, STL has a favorable times interest earned ratio.

Overall Performance Evaluation on Debt-Management Ratio

STL is in a favorable position overall in terms of debt-management ratios. However, debt to total asset ratio needs to be improved as it needs to be closer to 0 not closer to 1. On the other hand, it can be seen that time interest earned is in a good position as earnings before income tax is high due to increasing sales throughout the years.

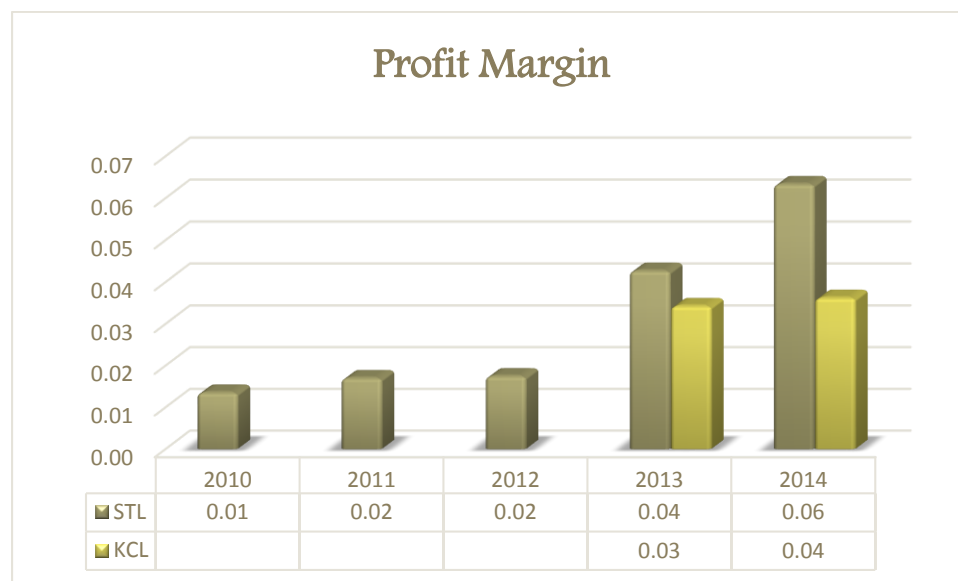
4.5.3 Profitability Ratios

Profitability is the company's ability to generate revenues in excess of the costs incurred in producing those revenues. Profitability ratio is the measure of performance showing how much the firm is earning compared to its sales, assets or equity.

❖ Net Profit Margin on Sales

It measures profitability with respect to sales generated; net income per dollar of sales. That means, what percentage of sales are remaining after all expenses are paid by the business. It is calculated as:

$$\text{Profit Margin on Sales} = \frac{\text{Net Income}}{\text{Net Sales}}$$



Trend: Analysis and Comparison of Profit Margin on Sales

Analysis

High profit margin ratio indicates that the company is managing well. On the above trend line we can see that the company has an increasing trend. It was struggling to achieve higher ratio on the 1st three years. Then in 2013 and 2014, it improved a lot more by earning more profit. In 2014, it reached to the highest on 0.06 which means the company is able to generate more revenues while keeping the expense constant.

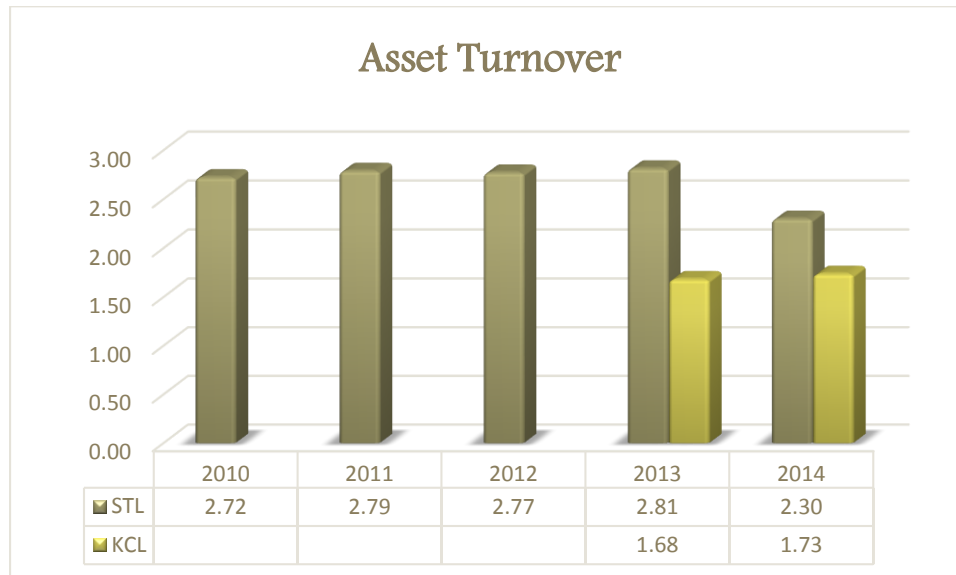
Comparison

The trend shows that, KCL was also struggling to keep its profit margin ratio upwards. By the time of 2014, the ratio reached to 0.04. STL is seen to be in the most satisfactory situation compared to its competitor. It has been maintain a stable performance in the last two years as the rate is also higher in that. It is quite clear that KCL needs to pay more attention in increasing their sales and reducing the costs in order to compete and run their operations successfully.

❖ Asset Turnover

Asset turnover ratio is an efficiency ratio that measures a company's ability to generate sales from its assets. It is calculated as:

$$\text{Asset Turnover} = \frac{\text{Net Sales}}{\text{Average Assets}}$$



Trend: Analysis and Comparison of Asset Turnover Ratio

Analysis

It measures how efficiently a firm uses its assets to generate sales. Higher turnover ratios is always favorable because it means the company is using its assets more efficiently and is generating more revenues per dollar of assets. From the trend above, we can see that there is an increasing trend of total asset turnover over the years but it decreased in 2014 and reached to 2.30 which means each taka of STL's assets generate Tk. 2.30 of sales.

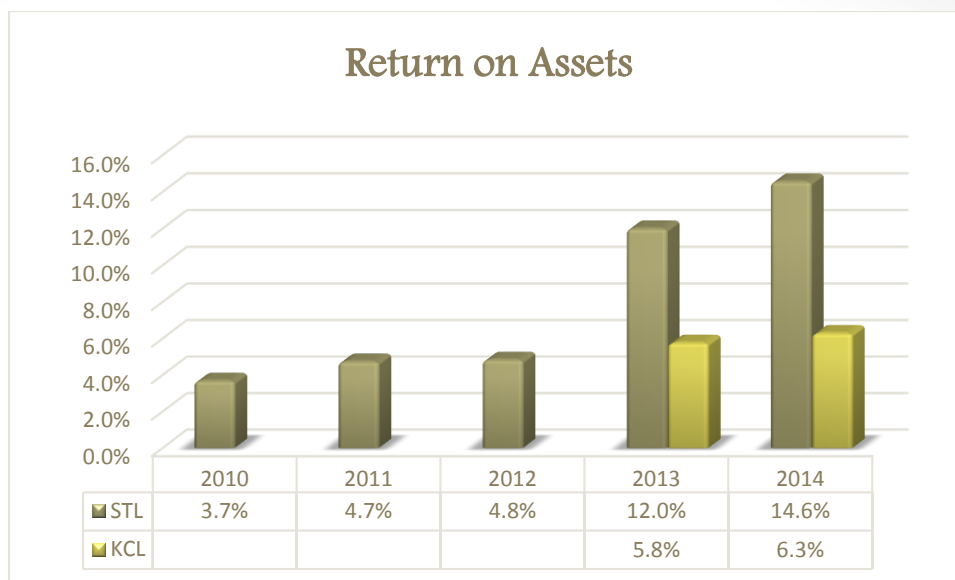
Comparison

In comparison to its competitor, STL is in a good position in terms of asset as it is maintaining a turnover higher than “1” for past few years which indicates satisfactory asset management. However, KCL also has a positive turnover ratio but still it can do further improvement as it is still lower than STL. Overall, the asset turnover of STL is good enough to compete. It is in a good position in case of generating revenues against each dollar of asset.

❖ Return on Assets

Measures overall effectiveness in generating profits with available assets; earning power of invested capital. It is calculated as:

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Average Assets}}$$



Trend: Analysis and Comparison of Return on Assets

Analysis

It measures how a company can manage its assets to make profits during a financial period. For this ratio, the higher one is more favorable because it indicates that the company is earning more money on its assets. A positive return on assets ratio shows an upward profit trend as well. On the other hand a low return on assets indicates an inefficient use of company's assets. From the above analysis, we can see that the return on assets of Square Toiletries Ltd. is in a good condition. It shows an increasing trend over the last five years. From 2010 to 2014. It gradually increased from 3.7% to 14.6% respectively. It means that the company is effectively managing its assets to generate greater amount of net income comparing to the previous years.

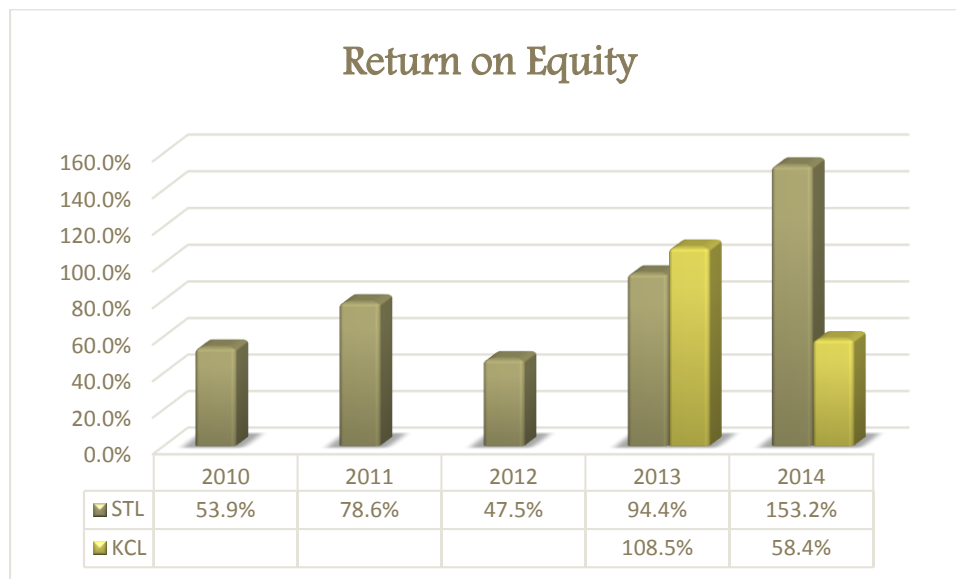
Comparison

Among the two (02) organizations, STL has higher return on assets. They had some decreased ratios in first three years but improved in 2013. Although the fluctuation margin is not that high but still a lot of improvement needs to be done. On the other hand, KCL's trend shows that its performance is not that good but it is in a stable position in last two years. Overall in order to compete with other competitors, STL needs to be more effective in converting the money it has invested into net income.

❖ Return on Equity

Measures earning power on shareholder's book-value investment. It is calculated as:

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Average Common Stockholder's Equity}}$$



Trend: Analysis and Comparison of Return on Equity

Analysis

It measures firm's ability to generate profits from its shareholders investments. For this ratio, the higher is the better. An investor wants to see a high Return on Equity ratio before investing in a company. Because it indicates that the company is using its investor's funds effectively. From the above trend, we can see that the return on equity of Square Toiletries Ltd. is in a good condition. It shows an increasing trend over the last five years. From 2010 to 2014, it means that the company is effectively utilizing its owner's fund to generate profit compare to the previous years. This will attracts more investors as well. So the higher ratios are always better than the lower ones.

Comparison

The trend shows that in 2013, KCL had the highest return on equity over STL which was 108.5%. So, it generated the highest return from their shareholders' equity. However on 2014, the game has changed. In 2014, STL had the highest return on equity over KCL which was 153.2%. Which means that STL is dominating in this ratio as they are generating higher return from shareholder's equity.

Overall Performance Evaluation on Profitability Ratios.

The profitability ratio of STL is in efficient position according to the profit margin on sales, asset turnover, return on assets and return on equity ratio. The ratios show that it is increasing over the last five years which is a good sign and also it stands better than its competitor in the ratios. The asset turnover ratio has decreased in 2014 which shows that the rate of assets increased for STL more than the sales which caused the ratio to fall in the last year.

4.6 Internal Audit

4.6.1 Definition

An internal audit is a formal examination of the financial books and records of the component association to determine their accuracy and completeness, to detect and recommend correction of errors, and to assure the board and membership that the records are correct.

4.6.2 Certain Time of Performing an Internal Audit

All financial records shall be audited at the end of each year. In addition, the Board of Directors can request a special audit at any time, if demand necessary, and an audit should be performed when there is a change in financial officers.

4.6.3 People who can perform Internal Audit

An Audit Committee (consisting of at least 2 component association members) is appointed by the Board of Directors. An internal audit should be performed by an impartial person not related to the president or treasurer or any chairman handling funds and not by one authorized to sign checks.

4.6.4 Reasons for Performing Internal Audit

An audit should involve following all financial transactions through the records to be sure that receipts/bills have been properly accounted for and expenditures made as authorized by the Board of Directors and inconformity with the bylaws, policies and procedures, and budget limitations. Adequate explanation of expenditures is confirmed so that it can be understood by anyone looking through the records.

4.6.5 Requirements to Perform Internal Audit

All of the financial records shall be provided by the treasurer for the audit, including the checkbook register, bank statements, canceled checks, deposit slips, treasurer's reports, expense vouchers/warrants with bills/receipts, the annual treasurer's report, etc. The treasurer should be available to answer any questions or help explain the organization of the financial records.

4.6.6 Internal Audit Policy and Procedure

An Internal audit is a formal examination of the financial books and records of the component association to determine their accuracy and completeness, to detect and recommend correction of errors, and to assure the board and membership that the records are correct.

a) **Policy:**

All financial records shall be audited at the end of each year. In addition, the Board of Directors can request a special audit at any time, if deemed necessary, and an audit should be performed when there is a change in financial officers. The audit committee (consisting of at least 2 members) is appointed by the Board of Directors.

An internal audit should be performed by an impartial person not related to the president or treasurer or any chairman handling funds and, if possible, not by one authorized to sign checks.

b) **Procedure:**

An audit should involve following all financial transactions through the record to be sure that receipts have been properly accounted for and expenditures made as authorized by the Board of Directors and in conformity with the bylaws, policies and procedures, and budget limitations. All of the financial records shall be provided by the treasurer for the audit, including the checkbook register, bank statements, canceled checks, deposit slips, treasurer's reports, expense vouchers/warrants with bills/receipts, the annual treasurer's report, etc. After the audit is completed, mark the ledger (if there is one) and the checkbook register by drawing a double line across the sheet where the audit concludes and sign and date, using different color ink, stating "Examined and found correctly".

4.6.7 Basic Guideline for Internal Audit

1. Identify Audit Committee Members.
2. Choose a time and place for the internal audit and notify audit committee.
3. Notify the treasurer to have all the records available for the audit committee and to be available for questions or to help explain the organization of the financial records.

4. Have calculators available.
5. Use the internal audit checklist as guide.
6. Complete and sign the audit of the checking account balance sheet, this should be verified by at least two people.
7. Complete and sign the internal audit report. This should be presented at the next board meeting. List any errors found or corrections made. It is not necessary to list details you have added to make explanations more complete. The entire audit committee should sign this report.
8. After the audit is completed, mark the ledger (if there is one) and the checkbook register by drawing a double line across the sheet where the audit concludes and sign and date, using different color ink stating "Examined and found correct by _____ (name) _____ on _____ (date) _____."
9. Keep all audit paperwork with the financial records that were audited. Send a copy of the Balance Sheet and Internal Audit Report to the AAMT office and your component board partner.
10. The minutes should reflect that an audit (internal or external) has been done

4.6.8 Internal Audit Checklist

Warrants/Vouchers

- Written for all checks, including voided checks.
- Amount on check matches amount on warrant/voucher.
- Adequate explanation for all expenditures.

Receipts/Bills

- The amount on the receipt/bill matches the amount on the check.
- Receipts or bills for every check written.
- Written and signal explanation for any missing receipts/bills.

Checks/Disbursements

- No missing checks.
- Voided checks saved.
- All checks recorded in check register.

Bank/Reconciliation

- No missing bank statements.
- Ending balance agrees with last bank statement (adjusted for outstanding checks and deposits not posted to bank statement).
- Bank charges and interest recorded in check register.

Income

- Income received matches deposits.
- Detailed record of all income received.
- All deposits recorded in check register.

4.6.9 Examples of How Auditing is done in STL**Example 1. Mobile Bill verification in STL**

All the employees from executive level to top are provided with a “Grameenphone” sim card from Square. Mobil bill of the employees are verified in a systematic way. Employees have their mobile allowances according to their positions. Such as,

<u>Designation</u>	<u>Mobile Allowances (BDT)</u>
Junior Executive	500
Executive	800

Senior Executive	1000
Manager	1500
Senior Manager	1500
General Manager	2500
Managing Director	3000+

When we get the bills from Grameenphone in hand, we keep our own list of the people with their provided numbers where it is mentioned that how much their allowances are and how much we have paid to Grameenphone for that number.

For example,

- If a bill of the number “01723444444” is given BDT 1708.89, then 1st we search for that number in our own list to see the amount of allowances does that person have.
- If it is above BDT 1708.89, then we see whether the amount of bill matches with our summary. If it matches, we mark that as verified.
- If it does not match, then we see in the Grameen phone bill whether that person had any due bill in the previous month or not. And if everything is clear to us, we mark that as verified.
- But suppose, that person’s allowance is up to BDT 1500, then only BDT 1500 will be paid by Square and the rest of the amount will be deducted from the holder’s account.

Example 2: Winter Program Gift Distribution in STL.

The winter gift promotional program is usually held for a short period starting from 15th October to 22nd December of every year. This is a gift distributing program which has slabs of ten different amounts. Such as,

<u>Slab number</u>	<u>Amount of Purchase (BDT)</u>
1	15,000
2	30,000
3	40,000
4	60,000
5	75,000
6	100,000
7	150,000
8	225,000
9	275,000
10	400,000

Only retailers are entitled to this program. The retailers need to purchase goods from the distributors of STL in order to be a part of this program. If they contract for a particular slab, they have to make a purchase minimum of that amount or more within that specific period (15th October

to 22nd December of every year). Based on this, retailers are awarded upon their contribution of winter gift promotional campaign. I had to check the invoice of those retailers to see whether their total amount of sales fall under their contracted slabs and also if it falls within October to 22nd December of every year.

4.6.10 Few Examples of Audit Guideline of STL

Guideline to Check Payment of Overseas Traveling Bill

Bill checking section will check the following documents:

- Approved Tour Program
- Quotation from traveling agents
- Approved CS
- Original ticket from Airlines
- Advance adjustments (if any)
- Currency rate
- Approval of bill
- Date of bill
- Amount in figure and amount in words

After proper scrutiny, Bill Checking section will forward the bill to Accounts and Finance (A & F) Department for payment.

Guideline to Check Payment of Water & Sewerage Bill

Bill checking section will check the followings:

- Supporting bill from Dhaka water supply & sewerage authority
- Approval bill
- Log book (if possible)
- Bill
- Date and period of bill
- Amount in word / Amount in figure

After proper verification, it will be forwarded to A & F Department for payment.

Guideline to Check Payment of Stationary Bill (Monthly pen, pencil, writing pad, etc.)

Bill checking section will check the followings:

- Cross check with bill and work order (party name)
- Requisition copy, bill no. & date, challan no. & date, W/O no. & date mention on the bill
- Store receiving confirmation on original challan and billing quantity with receiving quantity & requisition quantity
- Billing rate with rate approval
- Amount in word and amount in figure

After verification, it will be forwarded to A & F Department for payment.

4.7 Internal Control

4.7.1 Definition

Internal control is a process designed by an organization's governing board to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

The definition reflects certain fundamentals concepts:

- Internal control is a process. It is a means to an end, not an end in itself.
- Internal control is effected by people. It is not merely policy manuals and forms, but people functioning at every level of the institution. All personnel are responsible to communicate problems in operations, deviations from established standards, and violations of policy or law.
- Internal control is geared to the achievement of objectives in several overlapping categories.
- Internal control can be expected to provide only reasonable assurance to an organization's leaders regarding achievement of operational, financial reporting, and compliance objectives. It is not absolute assurance.

4.7.2 Benefits of Internal Control

- Internal controls help prevent errors and irregularities from occurring. If errors or irregularities do occur, internal control will help ensure they are detected in a timely manner.
- Internal controls encourage adherence to prescribed policies and procedures.
- Internal controls protect employees:
 - 1) By clearly outlining tasks and responsibilities,
 - 2) By providing checks and balances, and

- 3) From being accused of misappropriations, errors or irregularities

4.7.3 Key Control Activities

➤ **Segregation of Duties.**

Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. For example, responsibilities for receiving cash or checks, preparing the deposits to the Cashier's office, and reconciling the deposit to the cashier's receipt and Balances should be separated.

➤ **Structure.**

Organizational structure – lines of authority and responsibility – should be clearly defined so that employees know where to go to report performance of duties, problems and questions related to position and the organization as a whole. An organization chart is a good means of defining this structure as long as it is kept up to date. Part of the structure is also the rules that employees must abide by. Written policies and procedure provide guidance to employees in carrying out their duties, provide for clear rules on allowable and expected activity, as well as provide means for enforcement. The department's lines of authority and policies and procedures should be reviewed periodically to ensure they are in agreement with the organization's strategic mission.

➤ **Authorization and approval.**

Transactions should be authorized and approved to help ensure the activity is consistent with departmental or institutional goals and objectives. For example, a department may have a policy that all purchase requisitions and invoice vouchers must be approved by the director. The important thing is that the person who approves transactions must have the authority to do so and the necessary knowledge to make informed decisions.

➤ **Reconciliation and review.**

Performance reviews of specific functions or activities may focus on compliance, financial or operational issues. Reconciliation involves comparing transactions or activity recorded to other sources to help ensure that the information reported is accurate. For example, revenue and expense activity recorded on accounting reports should be reconciled or compared to

supporting documents to ensure that the transactions are recorded timely, in the correct account, and for the right amount.

➤ **Security.**

Security may be physical or electronic (information system controls) or both. Equipment, inventories, cash, checks and other assets should be secured physically, and periodically counted and compared with amounts shown on control records. For example, the periodic physical confirmation of equipment by individual departments is a physical security control. Virus detection software should be current and updated regularly to help protect integrity of system. Hardware and access controls (passwords) should be changed periodically and rigorously safeguard to protect from unauthorized access to database, computer system, etc. special physical and software controls issue (such as encryption software) should be developed for systems containing sensitive and/or confidential information.

4.7.4 Control Limitations

Internal controls, no matter how well designed and operated, can provide only reasonable assurance regarding the achievement of objectives. The concept of reasonable assurance recognized the cost of internal controls should not exceed the benefits derived and also recognizes evaluation of these factors requires estimates and judgment by management. For objectives related to the effectiveness and efficiency of operations, internal control can only help to ensure management is aware of the entity's progress or lack of it.

Limitations which may hinder the effectiveness of an otherwise adequate system of internal controls include:

- **Resource constraints**
- **Inadequate skill, knowledge or ability**
- **Degree of motivation by management and employees**
- **Faulty judgments**
- **Unintentional errors**

Additionally, controls can be circumvented by collusion of two or more people. Even more important to recognize, management has the ability to override the internal control system.

These factors, combined with changing needs and personnel, make it risky to project any evaluation of internal control to future periods. On an ongoing basis, management must evaluate business risks and the controls needed to manage those risks and keep existing controls effective. Management evaluation generally leads to periodic adjustments and corrective action, which also helps assure the continuing effectiveness of the internal control system.

4.7.5 Flowchart example of how internal control is ensured in STL

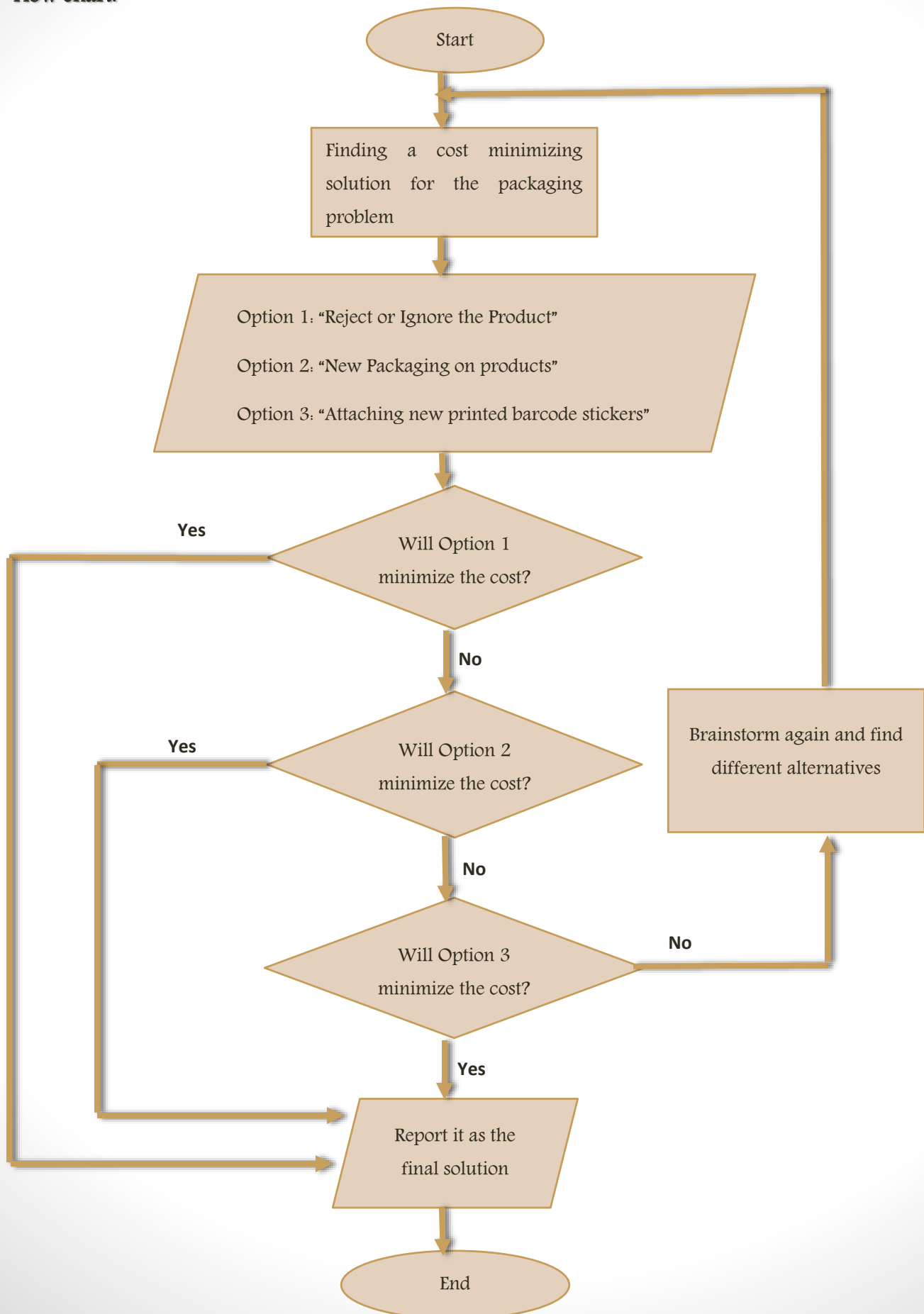
Case.

On the period of my internship, there was a problem occurred when few cartons of “Meril splash beauty soap” were returned from a retail store. The reason behind this was the barcodes on the packages of those products were not readable. And the barcode reader could not read those barcodes and entry those products into their database. I was assigned with one of the auditors to figure out few alternatives and to come up with a possible cost minimizing solution for this problem. We brainstormed the problem and found out that the problem was occurring because of bad packaging. The packaging overlapped the barcode on the product. After finding the reason of the problem, we initially thought of three alternative solutions to think over. Those were,

1. Reject or ignore those products.
2. Packaging those products with new packages.
3. Attaching printed new barcode stickers over the old packages.

After that we go through a flow chart to find out which of these alternatives is the most preferable to minimize the cost.

Flow chart.



4.8 Recommendations

- **Improving Liquidity Ratios:** From the liquidity ratios, both the current and quick ratio shows a declining trend in the year 2014. This has to be improved because lower the value of current ratio, lower is the margin of safety that the company possesses to cover short-term obligations. However, current ratio may provide a misleading indication of a company's liquidity position because the quality of each individual asset is not taken into account while computing this ratio. This means that a company with high current ratio may not always be able to pay its current liabilities as they become due if a large portion of its current assets consists of slow moving or obsolete inventories (illiquid). Therefore, quick ratio needs to be given more importance because it considers only the most liquid assets and gives a true indication of liquidity.
- **Improving Profitability Ratio:** Total asset turnover ratios is seen to have a fluctuating trend over the years. The firm could be holding obsolete inventory and not selling inventory fast enough. With regard to accounts receivable, the firm's collection period could be too long and credit accounts may be on the books too long. Fixed assets, such as plant and equipment, could be sitting idle instead of being used to their full capacity. All of these issues could lead to a fluctuating total asset turnover ratio. Therefore, STL have to carefully manage their assets in order to have a high net sales throughout the years.
- **Increasing the number of People in the Internal Audit Team of STL:** As I have mentioned earlier that the audit team of Square Toiletries Ltd. has to perform audit for seven (07) sister concerns of Square Group which is quite difficult to maintain for a three people audit team. Because audit team has to verify every little to big transactions made by these concerns and sometimes it takes a very long time to actually be able to perform an audit properly. So, they should consider hiring more qualified people to distribute the work evenly so that number of mistakes can be reduced and the verifying time of a transaction can be quicker.

Chapter 05

Conclusion

Upon analyzing the general financial management of Square Toiletries Limited, it was seen that Square Toiletries Limited is the country's leading manufacturer of international quality brand with huge number of diversified products. For effective sales management, STL follows the accrual-basis accounting and records it in their vouchers. Also analyzing their financial performance, we found out whether STL will stay solvent and remain in business. This was done by comparing ratios over time for same company and over time for the company compared with its peer group, KCCL. In most of the cases, their efficiency, solvency and activity ratios showed an increasing trend over the last five years while their liquidity ratios showed a fluctuating trend over the last five years. However, from the ratios it was seen that Liquidity and Debt-Management ratios need to be improved if the company wants to reduce their level of obligations. Finally, I can say that general financial management practice of Square Toiletries Limited is otherwise very efficient and the weaknesses are to be addressed with effective solution. This way Square Toiletries Limited can uphold its position as a business icon.

References

- (2010). *Annual Report of Square Toiletries Limited*. Dhaka: Square Toiletries Limited.
- (2011). *Annual Report of Square Toiletries Limited*. Dhaka: Square Toiletries Limited.
- (2012). *Annual Report of Square Toiletries Limited*. Dhaka: Square Toiletries Limited.
- (2013). *Annual Report of Square Toiletries Limited*. Dhaka: Square Toiletries Limited.
- (2014). *Annual Report of Square Toiletries Limited*. Dhaka: Square Toiletries Limited.
- (2013). *Annual Report*. Dhaka: Kohinoor Chemicals Ltd.
- (2014). *Annual Report*. Dhaka: Kohinoor Chemicals Ltd.
- Asset Turnover*. Retrieved April 10, 2015, from Investopedia:
<http://www.investopedia.com/terms/a/assetturnover.asp>
- (2015). *Audit Guideline of STL*. Dhaka: Square Toiletries Limited.
- BRACU Logo*. Retrieved May 7, 2015, from BRAC University:
<http://www.bracu.ac.bd/resources/resources-media/bracu-logo>
- Current Ratio*. Retrieved April 10, 2015, from Investopedia:
<http://www.investopedia.com/terms/c/currentratio.asp>
- Debt Management Ratios*. Retrieved April 9, 2015, from Investopedia:
<http://www.investopedia.com/terms/d/debtmanagementratios.asp>
- Debt to Asset*. Retrieved from Investopedia:
<http://www.investopedia.com/terms/d/totaldebttotalasset.asp>
- Farragut, L. *How to do Internal Audit of Compnent Association Finances*. California. Retrieved March 28, 2015, from http://www.ahdi-fl.org/docs/Documentation/Internal_Audit.pdf
- Haque, M. (2015). *Financial Analysis of Beximco Pharmaceuticals Limited*. BRAC University, BRAC Business School, Dhaka.
- Haque, M., Sinthia, S. A., Anwar, S. A., Rahman, I., & Ahmed, N. (2013, February 1). *Ratio Analysis Between 02 Companies*. Retrieved from Scribd:
<https://www.scribd.com/doc/123309334/Ratio-Analysis-Between-02-Companies>
- Internal Audit*. Retrieved from Investopedia:
<http://www.investopedia.com/terms/i/internalaudit.asp>
- (2015). *Internal Audit - Policies and Procedures*. Dhaka.
- Inventory Turnover*. Retrieved April 10, 2015, from Investopedia:
<http://www.investopedia.com/terms/i/inventoryturnovers.asp>
- Liquidity Ratios*. Retrieved April 10, 2015, from Investopedia:
<http://www.investopedia.com/terms/l/liquidityratios.asp>

- Momin, F. (2015). *General Financial Management and Performance Evaluation of Square Toiletries Limited*. BRAC University, BRAC Business School, Dhaka.
- Office of Internal Audit - Internal Controls*. Retrieved March 28, 2015, from Washington State University: <http://internalaudit.wsu.edu/internalcontrols.html>
- Profit Margin*. Retrieved April 10, 2015, from Investopedia: <http://www.investopedia.com/terms/p/profitmargin.asp>
- Profitability Ratios*. Retrieved April 10, 2015, from Investopedia: <http://www.investopedia.com/terms/p/profitabilityratios.asp>
- Quick Ratio*. Retrieved April 10, 2015, from Investopedia: <http://www.investopedia.com/terms/q/quickratio.asp>
- Report 2012-2013*. Retrieved April 29, 2015, from Kohinoor Chemical: <http://www.kohinoor-bd.com/annual-report/report-2012-2013>
- Report 2013-2014*. Retrieved April 29, 2015, from Kohinoor Chemical: <http://www.kohinoor-bd.com/annual-report/report-2013-2014>
- Return on Assets*. Retrieved April 10, 2015, from Investopedia: <http://www.investopedia.com/terms/r/returnonassets.asp>
- Return on Equity*. Retrieved April 11, 2015, from Investopedia: <http://www.investopedia.com/terms/r/returnonequity.asp>
- Sunny, M. A. (2015). *Ratio Analysis of Square Toiletries Limited*. BRAC University, BRAC Business School, Dhaka.
- Times Interest Earned*. Retrieved April 9, 2015, from Investopedia: <http://www.investopedia.com/terms/t/tie.asp>
- Weygandt, J. J., Kimmel, P. D., & Kieso, D. E. (2009). *Accounting Principals*. New York.
- Financial Ratio Tutorial*. Retrieved March 29, 2015, from Investopedia: <http://www.investopedia.com/university/ratios/>
- Average Inventory*. Retrieved March 25, 2015, from Business Dictionary: <http://www.businessdictionary.com/definition/average-inventory.html>
- Average Net Receivables*. Retrieved March 25, 2015, from The Business Dictionary: <http://www.businessdictionary.com/definition/average-net-receivables.html>
- Average Total Assets*. Retrieved March 25, 2015, from Business Dictionary: <http://www.businessdictionary.com/definition/average-total-assets.html>

Appendix

Workings of Square Toiletries Ltd. Financial Analysis

Sl.	Title	Year				
		2010	2011	2012	2013	2014
1	Current Assets	841,131,695	909,414,305	1,063,112,889	1,258,897,647	1,885,187,284
2	Current Liabilities	719,694,475	836,489,516	1,061,632,837	1,193,824,949	1,751,208,928
3	Net Recievables	76,390,621	68,086,048	68,340,999	277,551,750	265,778,480
4	Inventory	421,435,077	618,620,169	751,753,541	727,117,013	1,124,891,101
5	Average Net Recievables	70,728,910	72,238,335	68,213,524	172,946,375	271,665,115
6	Cost of Goods Sold	2,216,094,929	2,572,828,855	3,041,941,541	3,703,720,903	4,052,939,598
7	Average Inventory	418,380,776	520,027,623	685,186,855	739,435,277	926,004,057
8	Net Income	40,401,498	58,973,117	71,238,687	212,344,340	344,738,036
9	Net Sales	2,992,437,931	3,475,211,915	4,090,456,254	4,977,971,265	5,445,199,577
10	Average Assets	1,099,515,969	1,246,960,705	1,476,757,867	1,770,818,760	2,369,109,654
11	Average Common Stockholder's Equity	75,000,000	75,000,000	150,000,000	225,000,000	225,000,000
12	Total Debt	729,865,446	844,286,190	1,062,247,967	1,193,824,949	1,751,208,928
13	Total Assets	1,161,763,774	1,332,157,635	1,621,358,099	1,920,279,421	2,817,939,886
14	EBIT	91,993,668	117,553,026	138,555,754	351,443,297	536,003,023
15	Interest Expense	29,154,589	17,833,820	16,056,135	12,385,806	7,676,297
16	Advances and Deposits	120,883,249	94,430,816	127,215,886	157,239,371	359,569,402

<u>Current Ratio of Square Toiletries Ltd.</u>				
Title	2010	2011	2012	2014
Current Assets	841,131,695	909,414,305	1,063,112,889	1,258,897,647
(/) Current Liabilities	719,694,475	836,489,516	1,061,632,837	1,193,824,949
Current Ratio	1.17	1.09	1.00	1.05
				1.08

<u>Quick Ratio of Square Toiletries Ltd.</u>				
Title	2010	2011	2012	2014
Current Assets	841,131,695	909,414,305	1,063,112,889	1,258,897,647
(-) Inventory	421,435,077	618,620,169	751,753,541	727,117,013
(-) Advances and Deposits	120,883,249	94,430,816	127,215,886	157,239,371
(/) Current Liabilities	719,694,475	836,489,516	1,061,632,837	1,193,824,949
Quick Ratio	0.42	0.23	0.17	0.31
				0.23

<u>Inventory Turnover Ratio of Square Toiletries Ltd.</u>				
Title	2010	2011	2012	2014
Cost of Goods Sold	2,216,094,929	2,572,828,855	3,041,941,541	3,703,720,903
(/) Average Inventory	418,380,776	520,027,623	685,186,855	739,435,277
Inventory Turnover Ratio	5.30	4.95	4.44	5.01
				4.38

<u>Debt to Asset Ratio of Square Toiletries Ltd.</u>				
Title	2010	2011	2012	2014
Total Debt	729,865,446	844,286,190	1,062,247,967	1,193,824,949
(/) Total Assets	1,161,763,774	1,332,157,635	1,621,358,099	1,920,279,421
Debt to Asset Ratio	0.63	0.63	0.66	0.62
				0.62

Times Interest Earned of Square Toiletries Ltd.					
Title	2010	2011	2012	2013	2014
EBIT	91,993,668	117,553,026	138,555,754	351,443,297	536,003,023
(/) Interest Expense	29,154,589	17,833,820	16,056,135	12,385,806	7,676,297
Times Interest Earned	3.16	6.59	8.63	28.37	69.83

Net Profit Margin on Sales of Square Toiletries Ltd.					
Title	2010	2011	2012	2013	2014
Net Income	40,401,498	58,973,117	71,238,687	212,344,340	344,738,036
(/) Net Sales	2,992,437,931	3,475,211,915	4,090,456,254	4,977,971,265	5,445,199,577
Net Profit Margin on Sales	0.01	0.02	0.02	0.04	0.06

Asset Turnover of Square Toiletries Ltd.					
Title	2010	2011	2012	2013	2014
Net Sales	2,992,437,931	3,475,211,915	4,090,456,254	4,977,971,265	5,445,199,577
(/) Average Assets	1,099,515,969	1,246,960,705	1,476,757,867	1,770,818,760	2,369,109,654
Asset Turnover	2.72	2.79	2.77	2.81	2.30

Return on Assets of Square Toiletries Ltd.					
Title	2010	2011	2012	2013	2014
Net Income	40,401,498	58,973,117	71,238,687	212,344,340	344,738,036
(/) Average Assets	1,099,515,969	1,246,960,705	1,476,757,867	1,770,818,760	2,369,109,654
Return on Assets	0.04	0.05	0.05	0.12	0.15

Return on Equity of Square Toiletries Ltd.					
Title	2010	2011	2012	2013	2014
Net Income	40,401,498	58,973,117	71,238,687	212,344,340	344,738,036
(/) Average Common Stockholder"	75,000,000	75,000,000	150,000,000	225,000,000	225,000,000
Return on Equity	0.54	0.79	0.47	0.94	1.53

Workings of Kohinoor Chemicals Ltd. Financial Analysis

Sl.	Title	Year	
		2013	2014
1	Current Assets	1,343,580,500	1,439,953,271
2	Current Liabilities	1161067940	1,129,435,545
3	Net Recievables	8,146,823	8,361,487
4	Inventory	916,667,980	963,396,630
5	Average Net Recievables	8,009,032	8,254,155
6	Cost of Goods Sold	2,248,343,275	2,429,523,708
7	Average Inventory	869,622,767	940,032,305
8	Net Income	93,127,749	107,216,680
9	Net Sales	2,718,967,831	2,960,859,038
10	Average Assets	1,617,674,744	1,706,772,998
11	Average Common Stockholder's Equity	85,866,697	183,538,912
12	Total Debt	1,538,246,865	1,508,221,307
13	Total Assets	1,668,177,438	1,745,368,557
14	EBIT	178,405,138	218,675,529
15	Interest Expense	52,947,364	64,843,857
16	Advances and Deposits	253,282,702	271,257,925

Current Ratio of Kohinoor Chemicals Ltd.

Title	2013	2014
Current Assets	1,343,580,500	1,439,953,271
(/) Current Liabilities	1161067940	1,129,435,545
Current Ratio	1.16	1.27

Quick Ratio of Kohinoor Chemicals Ltd.

Title	2013	2014
Current Assets	1,343,580,500	1,439,953,271
(-) Inventory	916,667,980	963,396,630
(-) Advances and Deposits	253,282,702	271,257,925
(/) Current Liabilities	1161067940	1,129,435,545
Quick Ratio	0.15	0.18

Inventory Turnover Ratio of Kohinoor Chemicals Ltd.

Title	2013	2014
Cost of Goods Sold	2,248,343,275	2,429,523,708
(/) Average Inventory	869,622,767	940,032,305
Inventory Turnover Ratio	2.59	2.58

Debt to Asset Ratio of Kohinoor Chemicals Ltd.

Title	2013	2014
Total Debt	1,538,246,865	1,508,221,307
(/) Total Assets	1,668,177,438	1,745,368,557
Debt to Asset Ratio	0.92	0.86

Times Interest Earned of Kohinoor Chemicals Ltd.

Title	2013	2014
EBIT	178,405,138	218,675,529
(/) Interest Expense	52,947,364	64,843,857
Times Interest Earned	3.37	3.37

Net Profit Margin on Sales of Kohinoor Chemicals Ltd.

Title	2013	2014
Net Income	93,127,749	107,216,680
(/) Net Sales	2,718,967,831	2,960,859,038
Net Profit Margin on Sales	0.03	0.04

Asset Turnover of Kohinoor Chemicals Ltd.

Title	2013	2014
Net Sales	2,718,967,831	2,960,859,038
(/) Average Assets	1,617,674,744	1,706,772,998
Asset Turnover	1.68	1.73

Return on Assets of Kohinoor Chemicals Ltd.

Title	2013	2014
Net Income	93,127,749	107,216,680
(/) Average Assets	1,617,674,744	1,706,772,998
Return on Assets	0.06	0.06

<u>Return on Equity of Kohinoor Chemicals Ltd.</u>		
Title	2013	2014
Net Income	93,127,749	107,216,680
(/) Average Common Stockholder's Equity	85,866,697	183,538,912
Return on Equity	1.08	0.58