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Compliance of BFRS 7 by Private Commercial Banks in Bangladesh

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Abstract: *This paper is aimed to scrutinize the disclosure requirements of private commercial banks in Bangladesh under Bangladesh Financial Reporting Standard (BFRS) 7 and find out the degree of compliance by them. To find out the degree of compliance of BFRS 7 the researcher has gone through the annual reports of all the six sample banks. This analysis shows that the degree of compliance with BFRS 7 by private commercial banks is satisfactory, though not absolute. The study reveals the existence of a monitoring and enforcement mechanism which fin0ds to be not too rigorous. This study suggests that central bank in collaboration with other regulators should come together to develop a unique model for banks and mandate the compliance of BFRS to ensure transparent representation to the stakeholders.*

Keywords: *BFRS, disclosure, banks, compliance, private commercial banks.*

Introduction

International Accounting Standards Board (IASB), the standard setting body of IFRS foundation has become increasingly influential in the world of commerce as they develop high quality, understandable, and worldwide accepted accounting standards. Its principal objective is to issue International Accounting Standards (IASs) in order to increase comparability in financial reports produced by companies regardless of their country of origin. The issued accounting standards by IASB are known as International Financial Reporting Standards (IFRSs). Under Rule 12 of the Securities and Exchange Rules 1987 of Bangladesh describe that the financial statements of an issuer of a listed security shall be prepared in accordance with requirements laid down in the IASs as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). As a member of the International Federation of Accountants (IFAC), the ICAB adopts IFRSs and IASs as BFRSs and BASs respectively. The security and exchange commission has circulated a notification (SEC 1997) requiring all listed companies to conform to the Bangladesh Accounting Standards (BAS) as adopted by the ICAB. Therefore, compliance with the BFRSs is mandatory for the companies listed under stock exchanges of Bangladesh. However, the previous study shows there is always significant gap between claiming to have complied and complying with accounting standards. The same could be true for companies listed on the stock exchanges claiming to have complied with BFRS.

This paper examines the compliance of BFRS by listed banks in Bangladesh from 2012 and 2013, paying particular attention to BFRS 7 which deals with financial instrument disclosures. BFRS 7 supersedes BAS 30 which was related to financial statements of

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banks and similar financial institutions. Although, IFRS 7 was issued by IASB in August 2005, in Bangladesh it became effective on or after January 1, 2010. Bangladeshi banking companies need to follow the disclosure requirements for ensuring greater transparency for the stakeholders. In spite of being flourishing and major sector prior work on compliance with BFRS 7 shows a questionable conclusion as to the degree of compliance. Moreover, prior works were done on commercial banks with other standards, hence comes the scope of scrutinizing compliance of BFRS 7. As people have more reliance on the commercial banks, so it has deep importance to find out the compliance status of the private commercial banks in Bangladesh.

Objectives of the study

1. To determine compliance of private commercial banks interims of disclosure requirement of BFRS 7.
2. To find out the deviance from the standard requirements of BFRS7.

Methodology of the study

The study is exclusively a descriptive research and thus it is purely based on the information from secondary data sources. The data collected for the purpose of the study involves the examination of annual reports for the year 2012 and 2013 of commercial banks listed on the Dhaka Stock Exchange (DSE), documents, magazines, books, journals, newspapers, subject related websites, research documents and relevant acts. The six banking companies considered as sample in this study include United Commercial Bank Ltd. (UCBL), Dutch Bangla Bank Ltd. (DBBL), BRAC Bank, NCC Bank, Mutual Trust Bank (MTB), and Standard Bank Ltd. This paper is done through content analysis which is widely being used in a social science research that involves reading the annual report and pocking up both qualitative and quantitative information. So this technique has been used for this empirical study. Moreover, to determine average percentage of compliance, weight was given for full compliance of each requirement 1, for partial compliance 0.5 and for noncompliance 0.

Limitations of the study

The study is done on sample basis on the annual reports of six private commercial banks among 39 scheduled commercial banks in Bangladesh. If all the commercial banks were taken for the study there might be a difference in results. The analysis is limited to whether the financial statements have been prepared according to the BFRS 7. Other required standard has not been scrutinized. The entities whose financial statements have been analyzed are basically guided by separate guideline than that of other bank like specialized Banks, or other Islamic banks. These banks are merely conventional, non-Islamic commercial Bank. So there is a risk of matching disclosure of certain important items regarding BFRS 7. Other limitations include the difficulty in obtaining data for the study. Banks, by their nature, place much emphasis on confidentiality and thus could not disclose certain information. The researcher does not strive to build any theory, prove any hypothesis or conclude correlations. The study is simply aimed at exploring for future research. In spite of the limitations, the researcher gathered sufficient data to facilitate a reliable conclusion.

Literature Review

Banks are selected for the study because the banking sector is one of the most important sectors in every economy. Commercial banking is the oldest area in the banking world and it's an integral part of current and future financial market. As the history of commercial banking in the legal format is so long but research study on the financial reporting disclosures by the conventional commercial banking is not so rich. Financial instrument was selected for the study because there is wide evidence of problems in the accounting for financial instruments around the world. At the time of adoption of IAS 30 in Bangladesh, Khan and Kumar (2001) acknowledged that to ensure discipline and accountability in the accounting system we have no other option but go for implementation of the standard.

Before adoption of BFRS 7, Hossain (2011) opined that banking companies of Bangladesh were complying with most of the regulations including IAS 30. Before adopting and implementing accounting standard it was found that disclosure and reporting in banking sector of Bangladesh are not only inadequate but also biased and misleading (Akter and Hoque 1993). Hossain S, and Baser M.A described the compliance of IAS 30 of the specialized banks is not satisfactory. Hossain M and Uddin (2012) found that banks are still following the prescribed format of Bangladesh Bank which is based on BAS 30 rather than compliance of BFRS 7. Hossain I (2013) states about the compliance of IFRS 7 in state owned commercial banks in Bangladesh showing that state owned commercial banks comply IFRS 7 average 75%. Hossain I and Hossain A (2013) show in their article that foreign commercial banks in Bangladesh complies the IFRS 7 guidelines in annual report 78.78%. In this study the researcher determine the degree of compliance of BFRS 7 in the annual report by the private commercial banks of Bangladesh since this is mandatory compliance required by the Bangladesh Bank.

Theoretical Background

Overview of the Banking Sector in Bangladesh

Banking sector is the driving force of any country for its sustainable development. It is more than truth for a developing country like ours. Banks accept deposit from depositors and grant loans to individuals, governments and corporate organizations. They also play a major role in maintaining confidence in the monetary system through their close relationship with regulatory bodies and the government. Thus, the well-being of banks, particularly their liquidity and solvency position is of interest to every economy. Banks in Bangladesh are primarily of two types- scheduled banks and non-scheduled banks. There are 56 scheduled banks in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bank Company Act, 1991. Scheduled Banks are classified into following types:

i. **State owned commercial banks:** There are 6 banks which are fully or majorly owned by the government of Bangladesh.

ii. **Specialized banks:** 2 specialized banks are now operating which were established for specific objectives like agricultural or industrial development. These banks are also fully or majorly owned by the government of Bangladesh.
iii. **Private commercial banks (PCBs):** There are 39 private commercial banks which are majorly owned by the private entities. There are 31 conventional PCBs and 8 Islami Shariah based PCBs in Bangladesh.
iv. **Foreign commercial banks:** 9 foreign banks are operating in Bangladesh as the branches of the banks which are incorporated in abroad.

Commercial Banking in Bangladesh

Commercial bank is an institution providing services for businesses, organizations and individuals. Services include offering current, deposit and saving accounts as well as giving out loans to businesses and individuals. The branches of private banks spread to the rural areas increases the banking habit of people. People keep their money in banks and withdraw at the time of need. This leads to the monetization of rural areas. This helps farmers to undertake agricultural and non-agricultural works. The banks collect people's money and keep them safe as people have fear of theft, robbery when kept at home. In addition, the banks provide interest on deposits. The people can keep their valuables in the 'safe deposit vault 'of the banks. They also provide all modern facilities to their customers like internet banking, credit card, debit card, ATM booth facilities, mobile banking etc. Thus private commercial bank has become the part and parcel of people's economic activities. Therefore, the stakeholders of commercial bank want to know true and fair information. Different accounting standards (IASs and IFRSs) will ensure these expectations. Thus it is needed to determine this regulatory compliance of these standards. As it is mentioned above there are 39 private commercial banks including 8 Islami Shariah based banks in Bangladesh. Out of these thirty nine commercial banks in Bangladesh six private commercial banks is taken as sample for this study.

Disclosure Requirements under BFRS 7

IASB issued IFRS 7 in August 2005 that supersedes IAS 30. In Bangladesh, ICAB adopted it as BFRS 7 and made it effective from on or after January 1, 2010. Bangladesh Bank did not issue any circular requiring compliance with BFRS 7. Therefore, it is mandatory for listed banking companies to comply with BFRS 7 but not mandatory for all schedule banks. Now banks are using different techniques for measuring and managing exposure to risks arising from financial instruments. The users of financial statements need information about an entity's exposure to risks and how those risks are managed. For ensuring greater transparency regarding risks this standard was issued. For the disclosures an entity must group its financial instruments into classes of similar instruments as appropriate to the nature of the information presented [BFRS 7.6]. The two main categories of disclosures required by BFRS 7 are:

a) Information about the significance of financial instruments.
b) Information about the nature and extent of risks arising from financial instruments

Information about the significance of financial instruments:

Balance sheet: Disclose the significance of financial instruments for an entity's financial position and performance. [BFRS 7.7] This includes disclosures of financial assets measured at fair value through profit and loss. showing separately those held for trading and those designated at initial recognition, held-to-maturity investments, loans and receivables, available-for-sale assets, financial liabilities at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition and financial liabilities measured at amortized cost [BFRS 7.8]. Other balance sheet-related disclosures includes special disclosures about financial assets and financial liabilities designated to be measured at fair value through profit and loss, including disclosures about credit risk and market risk, changes in fair values attributable to these risks and the methods of measurement [IFRS 7.9-11], reclassifications of financial instruments from one category to another (e.g. from fair value to amortized cost or vice versa) [IFRS 7.12-12A], information about financial assets pledged as collateral and about financial or non-financial assets held as collateral [IFRS 7.14-15], reconciliation of the allowance account for credit losses (bad debts) by class of financial assets [IFRS 7.16], information about compound financial instruments with multiple embedded derivatives [IFRS 7.17], breaches of terms of loan agreements [IFRS 7.18-19].

Income Statement and Equity: Items of income, expense, gains, and losses, with separate disclosure of gains and losses from financial assets measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition, held-to-maturity investments, loans and receivables, available-for-sale assets, financial liabilities measured at fair value through profit and loss, showing separately those held for trading and financial liabilities measured at amortized cost [BFRS 7.20(a)].

Other disclosures

Disclosure of accounting policies for financial instruments [BFRS 7.21]; information about hedge accounting, including description of each hedge, hedging instrument, and fair values of those instruments, and nature of risks being hedged [BFRS 7.20(a)]; for cash flow hedges, the periods in which the cash flows are expected to occur, when they are expected to enter into the determination of profit or loss,; if a gain or loss on a hedging instrument in a cash flow hedge has been recognized in other comprehensive income, an entity should disclose the amount that was so recognized in other comprehensive income during the period [BAS 7.23]; for fair value hedges, information about the fair value changes of the hedging instrument and the hedged item [BFRS 7.24(a)]; hedge ineffectiveness recognized in profit and loss (separately for cash flow hedges and hedges of a net investment in a foreign operation) [BFRS 7.24(b-c)].

Nature and extent of exposure to risks arising from financial instruments

Qualitative disclosures [BFRS 7.33]: The qualitative disclosures describe about risk exposures for each type of financial instrument; management's objectives, policies, and processes for managing those risk; and changes from the prior period.

Quantitative disclosures: The quantitative disclosures [BFRS 7.34] provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. These disclosures include:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. Disclosures about credit risk includes maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired, and information about credit quality of financial assets whose terms have been renegotiated [IFRS 7.36]; for financial assets that are past due or impaired, analytical disclosures are required [IFRS 7.37]; information about collateral or other credit enhancements obtained or called [IFRS 7.38].

Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities. Disclosures about liquidity risk include [IFRS 7.39] a maturity analysis of financial liabilities and description of approach to risk management.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. Disclosures about market risk contains a sensitivity analysis of each type of market risk to which the entity is exposed, additional information if the sensitivity analysis is not representative of the entity's risk exposure, IFRS 7 provides that if an entity prepares a sensitivity analysis such as value-at-risk for management purposes that reflects interdependencies of more than one component of market risk (interest risk and foreign currency risk combined), it may disclose that analysis instead of a separate sensitivity analysis for each type of market risk [IFRS 7.40-42].

Transfers of financial assets:

An entity shall disclose information that enables users of its financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets [BFRS 7.42B]. Transferred financial assets that are not derecognized in their entirety required disclosures include description of the nature of the transferred assets, nature of risk and rewards as well as description of the nature and quantitative disclosure depicting relationship between transferred financial assets and the associated liabilities [BFRS 7.42D]. Transferred financial assets that are derecognized in their entirety required disclosures include the carrying amount of the assets and liabilities recognized fair value of the assets and liabilities that represent continuing involvement, maximum exposure to loss from the continuing involvement as well as maturity analysis of the undiscounted cash flows to repurchase the derecognized financial assets [BFRS 7.42E].

Analysis and Findings:

Compliance of BFRS 7 by the Private Commercial Banks: In order to provide a standardized report all banks should follow the IFRS 7 (BFRS 7) which is the demand of the modern competitive business world. The study examines the compliance level of BFRS 7 by private commercial listed banks on stock exchange using self-constructed checklist from above disclosure requirements to estimate Mandatory Disclosure. The overall level of compliance level is derived as follows:

Table 1: Schedule of Compliance

Disclosure requirements	**UCBL**	**DBBL**	**BRAC**	**NCC**	**MTB**	**SBL**
Classes of Financial Instruments [BFRS 7- Para 6]	√	√	√	√	√	×
Financial Position/ Balance Sheet [BFRS 7- Para 7]	√	√	√	√	√	√
Categories of Financial Assets and Liabilities [BFRS 7- Para 8]	√	√	√	√	√	√
Financial Liabilities at fair value through Profit or Loss [BFRS 7- Para 10 and 11]	×	×	×	×	×	×
Reclassifications of financial instruments [BFRS 7- Para 12]	√	√	√	√	√	√
Collateral Financial Assets [BFRS 7- Para 14 and 15]	√	√	×	√	√	×
Reconciliation of the allowance account [BFRS 7- Para 16]	√	√	√	√	√	√
Compound financial instruments [BFRS 7- Para 17]	√	√	√	√	√	√
Items of income, expense, gains, and losses in the Income Statement [BFRS 7-Para 20]	√	√	√	√	√	√
Other Disclosures: Accounting policies [BFRS 7- Para 21]	√	√	√	√	×	√
Hedge accounting [BFRS 7- Para 22-24]	Partial	√	√	√	√	Partial
Qualitative disclosures: risk exposures for each type of financial instrument, management's policies, and processes for managing those risks, changes from the prior period [BFRS 7- Para 33]	√	×	√	Partial	×	×
Quantitative disclosures: [BFRS 7- Para 34-42] Credit, Liquidity & Market Risk	√	Partial	√	√	Partial	Partial
The nature of the transferred assets [BFRS 7- Para 42 D]	×	×	×	×	×	×
Transferred financial assets that are derecognized [BFRS 7- Para 42E]	×	×	×	×	×	×
Total complied	**12**	**11**	**11**	**12**	**10**	**9**

The empirical findings of the study from table1 are shown below—

No. of companies	6
No. of requirements as per BFRS 7	15
Maximum number of requirement complied by the company	12
Minimum number of requirement complied by the company	9
Weighted Average number of compliance by the companies	10.83

Table-2: Summary of compliance by individual commercial bank

Complying banks	**Total compliance requirement**	**No. of requirement by the companies**	**(%)Compliance by the companies***	**Deviation from the industry average (%)**
UCBL	15	12	80.00%	(7.80%)
DBBL	15	11	73.33%	(1.13%)
BRAC	15	11	73.33%	(1.13%)
NCC	15	12	80.00%	(7.80%)
MTB	15	10	66.67%	5.53%
SBL	15	9	60.00%	12.20%

*[(%) of compliance = requirement complied/ Total requirement]

The analysis shows that out of the six banks and of the total 15 requirements, DBBL and BRAC Bank complied with 11 requirements (73.33%), whereas UCBL and NCC Bank complied maximum of 12 requirements (80.00%), MTB complies 10 requirements (66.67%) and Standard Bank complied only 9 requirements (60.00%). It is also worth mentioning that the average compliance of the standard by the companies is 72.20%. Of the six banks the deviation from the industry average are (7.80%) for UCBL and NCC Bank, (1.13%) for DBBL and BRAC Bank, 5.53% for Mutual Trust Bank and for Standard Bank the deviation is much higher of 12.20%.

Table-3: Average number of compliance

	No. of requirement	**Weight**	**Weighted score**
Fully complied	6	1	6
Partially complied	6	0.5	3
Not complied	3	0	0
		Total	9

For full compliance weight = 1
For non-compliance weight = 0
For partially complied weight = 0.5
Weighted score= 9/15 = 60%.

Another important finding is that some requirements were completely ignored where some were partially followed and others were fully complied. Besides 6 requirements were fully complied by all the six companies, 3 requirements are totally not complied by any of them. Six requirements are partially complied by the banks. Weighted score of compliance is 60%.

To determine the degree of compliance of BFRS 7 requirements it is also necessary to analyze compliance of the individual disclosure requirements. As some banks in some cases comply partially so the analysis shows in percentage below:

Table-4: Compliance of the individual requirement

Disclosure requirements	**No. of complied companies**	**(%) of compliance**
Classes of Financial Instruments [BFRS 7- Para 6]	5	83.33%
Financial Position/ Balance Sheet [BFRS 7- Para 7]	6	100%
Categories of Financial Assets and Liabilities [BFRS 7- Para 8]	6	100%
Financial Liabilities at fair value through Profit or Loss [BFRS 7- Para 10, 11]	0	0%
Reclassifications of financial instruments [BFRS 7- Para 12]	6	100%
Collateral Financial Assets [BFRS 7- Para 14 and 15]	4	66.67%
Reconciliation of the allowance account [BFRS 7- Para 16]	6	100%
Compound financial instruments [BFRS 7- Para 17]	6	100%
Items of income, expense, gains, and losses in the Income Statement [BFRS 7- Para 20]	6	100%
Other Disclosures: Accounting policies [BFRS 7- Para 21]	5	83.33%
Hedge accounting [BFRS 7- Para 22-24]	6 [Fully: 4 Partly: 2]	83.33%
Qualitative disclosures: risk exposures for each type of financial instrument, management's policies, and processes for managing those risks and changes from the prior period [BFRS 7- Para 33]	3 [Fully: 2 Partly: 1]	41.67%
Quantitative disclosures: [BFRS 7- Para 34-42] • Credit Risk • Liquidity Risk • Market Risk	6 [Fully: 3 Partly: 3]	75%
The nature of the transferred assets [BFRS 7- Para 42 D]	0	0%
Transferred financial assets that are derecognized in their entirety [BFRS 7- Para 14E]	0	0%
Total		1033.33%
Average compliance of the above 15 requirements		**68.89%**

From the table it is found that among 15 disclosure requirements the average compliance rate is 68.89%. Apart from above numerical analysis the detailed version of compliance findings are described as follows:

i. **Classes of Financial Instrument:** From above it is found five banks fully comply with this requirement by showing classes of financial instrument except standard bank Limited. So compliance status of this particular requirement is 83.33%.

ii. **Financial Position/ Balance sheet:** All the six banks fully comply with this requirement by showing classes of assets, liabilities and equity in balance sheet. The compliance status for this requirement is 100%.

iii. **Categories of Financial Assets and Liabilities:** Disclosures are presented by all six banks showing separate assets Liabilities and their maturities. This is also full complied.

iv. **Financial Liabilities at fair value through Profit or Loss:** All the banks can not comply with the requirement as required by the BFRS 7 stating the fair value of Liabilities as there are bindings of Bangladesh bank rules and orders. No Bank comply this requirement. Therefore the compliance status is 0% for this requirement.

v. **Reclassifications of financial instruments:** Financial Instruments are properly categorized and also reclassify by all the sample banks. So the percentage of compliance is 100.

vi. **Collateral:** All the banks can not comply with the requirement as required by the BFRS 7 stating the collateral. Six Banks showed and said about collateral in their Reports. Four banks did not say about the pledge or security. So the requirement fulfilled by 66.67%.

vii. **Reconciliation of the allowance account:** It is a common practice of private banks to reconcile their allowance account. Therefore 100% compliance is achieved.

viii. **Compound financial instruments:** All non-derivative financial instruments which have both a liability and an equity component are fully [100%] complied by the sample banks.

ix. **Items of income, expense, gains, and losses in the Income Statement:** Entire revenues, expenses, gains and losses are presented in Income Statement. This requirement is fully complied by all the six banks showing multiple steps in classifying their income and expenses. So compliance status for this requirement is 100%.

x. **Other Disclosure:**

Accounting Policies: All the six banks disclose their accounting policies except Mutual Trust Bank. This requirement such as valuation of Assets and their own depreciation policy are shown. Moreover the impairment of Assets has been also been shown in the Reports by the five complied banks. Therefore, it is complied by 83.33%.

Hedge accounting: Hedge accounting attempts to reduce the volatility created by the repeated adjustment of a financial instrument's value, known as marking to market. DBBL, BRAC, MTB, and NCC bank are fully complied whereas UCBL and SBL are partially complied. So the weighted compliance rate is 83.33%

xi. **Qualitative Disclosure:** Three out of six banks are not disclosed the qualitative risks in their annual report. Two banks UCBL and BRAC bank are complied fully and NCC bank complies partially. Therefore the compliance is 41.67% as the partial bears 0.5 weight.

xii. **Quantitative Disclosure:** This disclosure includes credit risk, liquidity risk and market risk. Three banks UCBL, BRAC and NCC bank are complied fully whereas other three comply partially. Here the average rate of compliance is 75% as the partial bears 50% weight.

xiii. **The nature of the transferred assets:** None of the six banks disclose about the nature of the transferred assets. So the compliance is only 0%.

xiv. **Transferred financial assets that are derecognized in their entirety:** Nothing is mentioned about the transferred financial assets that are derecognized in their entirety by any bank. So the compliance is 0%.

Conclusion and Recommendations:

Conclusion

Presentation of financial statements complying BFRS is of immense importance to the users of those because it enhances the degree and scope of usefulness of accounting information. Proper accounting and reporting contribute positively to proper functioning of banks. That's why the BFRS 7 is developed to give standardized reporting. It is evident from the above analysis that private commercial banks are good at complying with the required compliance by the standard prescribed for them. Compliance with BFRS 7 is quite high with listed banks in Bangladesh, though not absolute. The score 72.20% is a good achievement. However, this confirms the gap between claiming to compliance and actual compliance with BFRS by banks and this should be a source of worry. Compliance with BFRS relates positively with time trends in Bangladesh. Though it can be argued that it is early days yet, the improvement in compliance level suggests that with time private commercial banks can do much better than the situation now.

It is hoped that due to the globalization, private banking can easily capture the essence of the international requirements, which make them competitive in providing the services. Based on the analysis, it has been found that there is no significant difference in terms of compliance of BFRS 7, among the six private commercial banks. That means all of the sample banks try to follow similar items needed to comply with the international standard in order to provide accountability and transparency in financial reporting, which ensure maximum disclosure of the relevant, reliable and useful information to the interested user groups. To sum up it can be culminated that preparation of financial statements of the companies in line with the BFRS-7 is satisfactory but still subject to solve the different problem raised by central banks stipulated guidelines for noncompliance. So to eliminate the deviation centered by central banks and other bodies should work together to develop a unique standards for the financial reporting standard of commercial banking. So the government and surrounding concerned authorities should create a congenial atmosphere to ensure the full compliance of the standard.

Recommendations

After a vigilant inspection of the annual reports of six private commercial banks it has been found that the companies are presenting their information on the financial statements in accordance with the BFRS-7. Based on the findings of the study, the following recommendations are made:

i. To have a fair picture of the organization like banks should comply with all the requirements guided by the nationally and internationally recognized standards.

ii. To facilitate and ensure complete and easy compliance with all BFRS requirement, the ICAB in collaboration with other stakeholders should come together to develop a template for all industries to serve as a guide for at least all public interest entities. Such a template can be reviewed as and when old standards are revised and new ones introduced. This could solve the problems associated with giving different interpretations to a particular standard.

iii. The ministry for trade and industry, in consultation with the council of ICAB, should set up a BFRS compliance task force whose basic responsibility would be to ensure that at least public interest entities comply with BFRS.

iv. Training on BFRS, specifically to financial statement preparers and managers of companies, should be an ongoing exercise, especially when a particular standard is revised or new standards introduced. This will keep them abreast of current issues and also know how the new BFRS could be applied. Such an education must be carried out by the ICAB.

Future Research

As the limitations of this study is discussed in chapter one, and the findings of this study, indicates the necessity for more research on BFRS compliance in Bangladesh in the future. As this study is gone through the only BFRS 7 compliance which is not sufficient to measure the overall financial reporting disclosures by commercial banks. Hence, further study is mostly needed to determine the compliance of all listed banks with the entire BFRS requirement. Future researchers can look at the extent of compliance by unlisted banks also. Researchers can also find out the compliance with BFRS and information quality.

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