

## CORPORATE REPORTING

**November-December 2025**

Time allowed- 3:30 hours

Total marks- 100

*[N.B. - The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]*

Marks

1. Mars Consumer Products Ltd. is a leading FMCG company operating in Bangladesh since 2005. On 01 January 2018, Mars acquired 80% of Venus Cosmetics Ltd. for BDT 950,000,000 when its retained earnings were BDT 190,000,000, OCI reserve was BDT 7,500,000. At the acquisition date, the fair value of the non-controlling interest was BDT 200,000,000.

On 01 July 2023, Mars also acquired 70% control of Jupitar Ltd. jointly with Venus where Mars directly acquired 45% shares of Jupitar for BDT 153,000,000 where Venus acquired rest 25% shares for BDT 85,000,000. At the acquisition date, Jupitar's retained earnings stood at BDT 80,000,000 and OCI reserve: BDT 1,900,000. The fair value of non-controlling interest was BDT 92,000,000. Mars is currently preparing its consolidated financial statements for the year ended on 31 December 2024 and identified following transactions for consolidation adjustments.

- Mars purchase goods from Venus for BDT 15,000,000 earning Venus 15% markup. Mars further purchased goods costing BDT 40,000,000 from Jupitar where Jupitar earned 20% markup. At the year-end 50% of inventories purchased from Jupitar remain unsold. At the year Mars has payable of BDT 13,398,897 to Venus and BDT 31,113,266 to Jupitar.
- On 1 July 2024, Mars transferred to Venus land at BDT 200,000,000 (Original cost BDT 180,000,000) and factory building thereon for BDT 40,000,000 (construction completed construction on 01 July 2018 at cost of BDT 60,000,000 with expected useful life of 30 years). Venus recognized the assets at acquisition cost estimating useful life of 16 years). Mars recognized related gain or loss in the statement of profit or loss. At the year-end BDT 222,451,306 remains outstanding to Mars.
- During the year Mars & Venus made payments on behalf of Jupitar as liquidity support to Jupitar. Jupitar recognized these expenses and created payables of BDT 37,998,242 to Mars and BDT 37,402,414 to Venus.
- On 31 December 2024, Venus declared 10% dividend and recognized the liability in Trade and other payables. Mars didn't recognize the dividend income from Venus.

### Statement of profit or loss and other comprehensive income

For the year ended 31 December 2024

	Mars	Venus	Jupitar
Revenue	2,217,223,131	738,725,806	202,551,036
Cost of sales	<u>(1,512,811,120)</u>	<u>(485,125,614)</u>	<u>(117,552,676)</u>
<b>Gross profit</b>	<b>704,412,011</b>	<b>253,600,192</b>	<b>84,998,360</b>
Admin and selling expenses	<u>(262,967,625)</u>	<u>(123,987,078)</u>	<u>(37,782,737)</u>
<b>Operating profit</b>	<b>441,444,386</b>	<b>129,613,114</b>	<b>47,215,623</b>
Finance income	1,307,928	305,052	260,888
Finance costs	(43,497,074)	(5,660,939)	(5,647,869)
Other income	<u>15,059,010</u>	<u>16,197,174</u>	<u>768,355</u>
<b>Profit before tax</b>	<b>414,314,250</b>	<b>140,454,401</b>	<b>42,596,997</b>
Income tax expenses	<u>(135,332,576)</u>	<u>(45,373,157)</u>	<u>(13,790,084)</u>
<b>Net profit for the period</b>	<b>278,981,674</b>	<b>95,081,244</b>	<b>28,806,913</b>
OCI-Actuarial gain on gratuity (net of Deferred tax)	2,493,906	2,416,848	614,809
<b>Total comprehensive income</b>	<b>281,475,580</b>	<b>97,498,092</b>	<b>29,421,722</b>

**Statement of financial position**  
For the year ended on 31 December 2024

	<b>Mars</b>	<b>Venus</b>	<b>Jupitar</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	493,341,947	374,227,498	129,247,798
Investments	1,216,022,248	88,718,645	4,356,250
Advances, deposits and prepayments	213,673,529	38,663,918	26,662,003
Deferred tax assets	14,856,947	8,084,552	1,366,099
	<b>1,937,894,671</b>	<b>509,694,613</b>	<b>161,632,150</b>
<b>Current assets</b>			
Inventories	386,780,634	156,018,600	72,604,732
Trade and other receivables	435,098,254	314,840,617	93,234,196
Related party receivables	260,449,548	50,801,311	31,113,266
Advances, deposits and prepayments	131,579,017	31,006,282	35,387,936
Cash and cash equivalents	152,746,706	70,149,169	51,684,205
	<b>1,366,654,159</b>	<b>622,815,979</b>	<b>284,024,335</b>
<b>Total assets</b>	<b>3,304,548,830</b>	<b>1,132,510,592</b>	<b>445,656,485</b>
<b>Equity</b>			
Share capital	500,000,000	200,000,000	50,000,000
Retained earnings	1,279,244,682	349,322,953	124,827,420
OCI Reserve for actuarial difference	74,975,624	12,084,236	2,766,638
	<b>1,854,220,306</b>	<b>561,407,189</b>	<b>177,594,058</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loan	400,000,000	75,000,000	62,500,000
Gratuity obligations	138,735,320	71,470,808	24,940,373
	<b>538,735,320</b>	<b>146,470,808</b>	<b>87,440,373</b>
<b>Current liabilities</b>			
Current tax liability	23,130,645	3,221,462	2,044,058
Short-term loan	371,816,708	29,560,327	39,173,120
Trade and other payables	472,133,688	169,399,500	64,004,220
Related party payables	44,512,163	222,451,306	75,400,656
	<b>911,593,204</b>	<b>424,632,595</b>	<b>180,622,054</b>
<b>Total liabilities</b>	<b>1,450,328,524</b>	<b>571,103,403</b>	<b>268,062,427</b>
<b>Total equity and liabilities</b>	<b>3,304,548,830</b>	<b>1,132,510,592</b>	<b>445,656,485</b>

**Requirement:**

Prepare a Consolidated Statement of Financial Position and Consolidated Statement of profit or loss for Mars Limited as at and for the year ended on 31 December 2024. Submit the workings and show adjusting Journal entries.

2. You are the financial controller of Golden Electronics PLC (Golden). The finance director has asked for your advice on the correct accounting treatment for the following five issues for the year ended 30 September 2025:
  - 1) **Bundled Sale Contract:** On 1 July 2025, Golden sold a smart home system for BDT 800,000. The price includes hardware (standalone price: BDT 600,000), installation (standalone price: BDT 100,000), and a 2-year support contract (standalone price: BDT 300,000). As part of the deal, the customer also received a voucher for a 40% discount on any future purchases up to BDT 200,000 within the next year. Golden estimates a 50% probability that the voucher will be redeemed and that a customer redeeming it will, on average, purchase goods worth BDT 150,000. The full BDT 800,000 was recognized as revenue on 1 July 2025.
  - 2) **Decommissioning Provision:** Golden has an obligation to decommission a plant at the end of its 10-year life, which began on 1 October 2024. The initial estimated cost was BDT 500 million, and the appropriate discount rate was 8%. On 30 September 2025, due to new environmental regulations, the estimated future cost increased to BDT 550 million, and the market discount rate changed to 7%. The finance team has recognized a provision of BDT 50 million (BDT 500 million / 10 years).

- 3) **Share Appreciation Rights (SARs):** On 1 October 2024, Golden granted 100,000 SARs to executives, vesting on 30 September 2027. The rights are conditional upon the company's profit exceeding BDT 1,200 million in the year of vesting. At 30 September 2025, the fair value of each SAR is BDT 180. Management currently expects the profit target to be met. The finance team has accounted for this as an equity-settled scheme based on the grant-date fair value.
- 4) **Development Costs:** Golden spent BDT 200 million evenly throughout the year developing a new operating system. The project met the IAS 38 capitalisation criteria from 1 January 2025. The system was completed and became available for use on 1 July 2025 and is expected to have a useful life of 3 years. The entire BDT 200 million has been capitalised, and no amortisation has been charged.
- 5) **Asset Exchange:** On 30 September 2025, Golden exchanged an old packaging machine for a new, more efficient model. The old machine had a carrying amount of BDT 70 million (cost BDT 120 million, accumulated depreciation BDT 50 million). Golden also paid cash of BDT 20 million. The fair value of the new machine was reliably determined to be BDT 100 million. The transaction has commercial substance. The finance team has recorded the new machine at BDT 90 million (carrying amount of old machine plus cash paid).

**Requirement:**

For each of the five issues above, prepare a note for the finance director that:

- a) Identifies and explains the errors in the current accounting treatments. 10
  - b) Sets out the correct accounting treatments in accordance with IFRS, providing supporting calculations. 10
3. a) CD Ltd is a Bangladeshi manufacturer of special components for the chip industry employing 75 BUET graduates. It has two main customers located in USA. The relative success of CD Ltd over the last few years has attracted interest from a number of potential industry buyers. One of CD's main customers, Dragon Ltd, is now considering making a bid for the entire share capital of CD, effectively bringing CD's services in-house. Dragon is concerned that the specialist products that CD supplies it with allow it to charge, in the words of the Dragon chief purchasing manager, 'outrageous prices'.

The financial adviser to Dragon has obtained the following information relating to CD.

Extracts from the financial statements of CD Ltd for the year ended on 31 December 2024.

	Tk.'000
Revenue	15,200
Cost of sales	8,500
Other costs	5,500
Profit before tax	1,200
Profit after tax	840
Dividend paid	400
Non-current assets	5,500
Inventories	1,400
Receivables	876
Cash and cash equivalents	192
Payable	1,464
Equity share capital	600
Retained earnings	5,760
Information obtained from the chip industry	
Average P/E ratio (for listed companies)	9.0
Average annual growth in reported post-tax profit	3.0%
Average pre-tax profit margin	5.0%
Average pre-tax ROCE	14.0%
Average receivables days	75
Average payables days	35
Average revenue per employee - Tk.	152,000
Average pre-tax profit per employee - Tk.	7,650

The Finance Director of Dragon Ltd has provided the following summary of Dragon's recent performance.

	2024	2023	2022	2021
	Tk.in million	Tk.in million	Tk.in million	Tk.in million
Revenue	58.75	55.60	50.30	50.50
Pre-tax profit	4.40	7.15	7.75	10.05
Dividend paid	0.40	2.50	2.50	2.50

**Requirement:**

Analyze the financial position of CD Ltd along with a comparison with the Industry as at the end of 2024. 11

3. b) Food Mart Limited is a successful Company. It has been a reference name in the bakery industry of Bangladesh. Recently, the Management Committee is under doubts that probably they haven't been preparing its financial statements in proper manner with required compliances. They decided that a review is necessary. They are also contemplating pitching for additional funds from prospective investors to further expand its already successful business. It's natural that the prospective investor will be looking at the financial statements very closely.

You are the Partner of Huq Chowdhury & Co., Chartered Accountants. The Management Committee of the Company has reached out to you as an expert in the field of accounting and auditing. The Finance Manager of the Company has provided you the following draft Statement of Profit or Loss and Statement of Financial Position for the year ended 30 June 2025 for your assistance.

**Food Mart Limited**  
**Statement of Profit or Loss**  
**For the year Ended 30 June 2025**

Particulars	BDT in Million
Revenue	17,500
Cost of goods sold	(8,750)
<b>Gross Profit</b>	<b>8,750</b>
<b>Operating Expenses:</b>	
Administrative expenses	(1,520)
Marketing expenses	(2,280)
<b>Operating Profit</b>	<b>4,950</b>
Finance costs	(250)
<b>Net Profit before tax</b>	<b>4,700</b>
Tax expense @ 25%	(1,175)
<b>Net Profit/(Loss) after tax</b>	<b>3,525</b>

**Food Mart Limited**  
**Statement of Financial Position**  
**For the year Ended 30 June 2025**

Particulars	BDT in Million
<b>Non-current Assets</b>	
Lands	1,110
Buildings (includes construction in progress worth BDT 200 million)	890
Plant and Equipment	1,780
Intangible Asset	250
<b>Total Non-current Assets</b>	<b>4,030</b>
<b>Current Assets</b>	
Current Assets	2,900
Other Assets	2,500
<b>Total Non-current Assets</b>	<b>5,400</b>
<b>Total Assets</b>	<b>9,430</b>
<b>Equity and Liabilities</b>	
<b>Equity</b>	
Share Capital	3,500
Retained Earnings	2,500
<b>Total Equity</b>	<b>6,000</b>
<b>Non-current Liabilities</b>	
7.5% Debenture	150
Long term bank loans	180
<b>Total Non-current Liabilities</b>	<b>330</b>
<b>Current Liabilities</b>	
Trade Payables	1,700
Provision for tax	1,400
<b>Total Current Liabilities</b>	<b>3,100</b>
<b>Total Equity and Liabilities</b>	<b>9,430</b>

**Additional information:**

- 1) The Company has recently implemented a new invoicing system. One of its key products is 'Honey Bread'. The selling price per pack of 'Honey Bread' is Tk. 250. To boost its sales, Managing Director wanted to grab further market shares with a special offer for this item. So, the Company ran a promotion that offered "Buy 2, Get 1 Free" for the whole month of January

2025. It helped the Company grab a good share of wallet from its customers in Dhanmondi area. During January 2025, it delivered 50,000 units, including the free goods, at the same retail price of Tk. 250 per pack. Each pack had a cost of Tk. 180.

All sales were made in cash only; customers paid at the counter when they checked out. At some point of discussion with Finance Manager, you found that the invoicing system at the store does not cater for such promotional offers. So, it recorded revenues for each pack delivered and created receivables for the unpaid units.

- 2) The Finance Manager gave you below loan status at the beginning and ending of the year 2025. Repayments of loans have not started yet.

Particulars	01 Jul 2024 BDT Million	30 Jun 2025 BDT Million
10% bank loan repayable in 2028	110	110
9.5% bank loan repayable in 2028	70	70
7.5% Debentures repayable in 2028	-	150

While discussing with the Finance Manger on the breakdown of the Finance Cost in the P&L, you identified that there were errors in it. He explained, *“Bank loans are interest bearing, so we charged all the interest expenses to the P&L because this is a cost to the Company.”*. However, you identified that portion of the interest expenses were utilized for the construction of new and large cake baking facility that began on 01 July 2024. He agreed with you and gave you some additional information as under:

- *“The Debenture was issued on 30 June 2025 to fund the construction of this cake baking machinery.*
- *The construction of the new cake baking facility started from 01 Jul 2024. Borrowed funds, from banks only, were used in the construction works.*
- *We could not identify exactly in which proportion the borrowed funds were used for the construction works, but BDT 30 million was used on 01 Jul 2024 and BDT 20 million was used 01 Apr 2025.”*

- 3) The Finance Manger informed you that some old industry grade baking ovens were sold and the cash proceeds from the sale was kept in cashier’s drawer. He said, *“We don’t show these receipts in the accounts, as we use the cash for various other purposes. As we meet Company’s expenses with this fund, this works fine for us.”* On further query, he provided you below data:

Cost of the machineries	BDT 50m
Accumulated Depreciation	BDT 15m
Agreed Sales price from tender documents	BDT 30m
Cash received from the buyer	BDT 12m

**Requirement:**

As a financial reporting consultant, show your calculations and necessary adjusting entries for the above additional information as per IAS, IFRS, and Financial Reporting Council (FRC) guidelines.

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**4. Tara Pharmaceuticals Limited went live with a new ERP system:**

Tara Pharmaceuticals Limited (Tara) manufactures and sells its own products through its own 20 distribution offices; they call these distribution points ‘Depots’. It also imports medicines that it does not manufacture, and sells those from the same Depots. The financial year for the Company is July - Jun. For a long time, the Company has been using a mix of home-grown software and manual system for all its business operations. Recently, the Company went live with a new ERP system called ‘Infosync’ to integrate all of its business operations.

**You are reviewing the internal control over the new ERP as the audit manager:**

You are the audit manager for the audit of financial statements of the Tara for the year ended 30 Jun 2025. The work programme of your Firm clearly emphasises on the review of the internal control of the information system of a client before you start the audit works. Accordingly, your Partner has categorically instructed you to have a thorough review of the internal control over the information system of Tara. Now, you have scheduled a meeting with the Finance Manager and IT Manager of Tara.

**IT Manager implemented the Project:**

IT manager said, *“The Board declared this project to be an IT project. My IT Team has been in the forefront to implement the project, and I’m proud of what my Team has achieved. Here’s the Board resolution for your documentation. The Finance Team had very little contribution to make – after all,*

*this is a hi-tech project that only IT guys should understand and implement. Business is nothing but data, and all data are available with us with audit trails!”*

### **How Infosync is performing:**

You had a thorough discussion with the Finance Manager. She informed you, *“Our invoicing system is separate from the core system – Infosync. We operate throughout the country from 20 Depots. so we have a large volume of data in our invoicing system. We did not have enough time to bring forward the invoicing system to integrate with Infosync. So, at the end of each day, we manually pass the data into Infosys. But we have all the data.”*

When you asked her if they had a fully functional Fixed Assets module in Infosync, her reply was, *“Umm....no, we don’t have it. The vendor would charge extra for the FA (Fixed Assets) module. We decided to go live with Infosync without the FA module. We maintain our FA data in a manual spreadsheet and pass relevant entries into Infosync manually.”*

You requested for a “Read Only” access into Infosys as this would allow you and your team for data mining and relevant audit works and save time and efforts for both your Team and Finance Team of the Company. She replied, *“Sorry, we cannot do that. We don’t know how to do that. You better talk to IT Manger for this.”*

You asked her, *“What is your control over manual journal entries into Infosync?”* She replied, *“Oh... we pass manual journals all the time, in the end it’s all about journals, right? My team passes journals whenever required, all of them have access to it. Besides, we need to do this because the IT Manager and his team designed the Chart of Accounts and all automatic accounting instructions. They did this after the IT Manager had completed a 3-month diploma in accounting. So we have to be very cautious that we are doing the right accounting.”*

You then sat with IT Manager and inquired him about your “Read Only” access to Infosync. You explained him and requested him to grant access to it in a manner that your Team cannot erroneously make any data entry, or edit or delete any data. He said, *“I’m sorry, I cannot do that, the system is still not steady.”*

You requested for a breakup of the receivables. With that list of debtors, you found that there are 5 customers who have significant amount of outstanding. Finance manager shared the data with you from the sub-system that creates invoices to customers. However, you did not find relevance of the data in the Infosync’s ledger accounts. Then you requested for aging schedule for these debtors, and the Finance Manager said, *“We don’t have much of receivables because the sales representatives collect the payments. These 5 Debtors are actually relatives of the Marketing Director and they are our big business partners. The aging support was available earlier, now we don’t have this support after Infosync has gone live. What can I say, the IT manager did everything, he is the brother in law of our Managing Director. Whatever he does is right. I have no control. The software vendor is also a very close relative of Managing Director, so no one listens to me. But don’t worry, you will get all information in spreadsheets directly from the ERP. Your team members can rely on those as we will directly mail to you.”*

You discussed further on the inventory management module of Infosync, and found out that it does not show item wise data or report. This only gives financial total values. Finance Manager confirmed, *“The finished goods stock at all the 20 Depots also shows only the financial values. But the Depot manager has a manual record and he reconciles all the item wise stocks. We don’t have an Internal Audit Team but we haven’t faced any issue with stocks either.”*

### **Requirements:**

Based on these scenarios:

- a) Share your conclusion on your extent of reliance on the internal control of the financial system of Tara 7
  - b) Based on this conclusion, identify how you would approach the audit works for different segments of Tara – Revenues, Receivables, Inventory, and Fixed Assets. Identify your audit risks and mitigating actions in your audit approach. 7
  - c) Identify the ethical issues in the Governance Process of Tara and suggest how controls may be improved. 6
5. Natural Fibers Limited (NFL) is a publicly listed company firm appointed Manik Bashir Sattar and Co. (MBS) as the statutory auditor for the year ended 30 June 2025 after its predecessor audit was rotated out. You have been assigned by MBS as engagement manager and are responsible for planning and supervising this first-year audit.

NFL is one of the largest thread manufacturers in the country with factory & head office in Gazipur. It is known for stability and its long-term customer relationships with large textile groups. During the audit kick-off meetings, senior management highlighted that the accounting practices have been consistent for many years, and the company is consistently performing well. During independence checks, one team member disclosed owning shares in Natural Fibers Limited, and another reported that his brother works in the company's marketing division.

Test of internal control reveals that governance and internal control structures is weak and informal. The internal audit function consists of two junior level staff members who report directly to the Chief Financial Officer. The Audit Committee meets only once a year and has limited documentation of its activities. Furthermore, review of prior year audited financial statements reveals that audit opinion was modified and a qualified audit opinion issued on the basis of following matters.

- A receivable amounting to approximately BDT 128 million from Venus Fabrics Limited which remained overdue for more than twelve months. Management insists that the customer has always been dependable and therefore no allowance is necessary.
- Inventory lists include older batches of production along with damaged yarn and dye lots with a combined cost of BDT 64 million. Although management determined net realizable value of these inventories is not more than 25% of the cost, no adjustments have been made to the financial statements.
- Management has not incorporated deferred taxation in the financial statements as it's considered irrelevant for Natural Fibers Limited.

Despite expressing a qualified opinion due to material misstatements in the financial statements, the predecessor auditor stated in the "Report on Other Legal and Regulatory Requirements", in accordance with Section 213(4) of the Companies Act 1994, that the company had maintained proper books of account. While performing audit procedures, your team members identified that the issues mentioned in prior year 'basis for qualified opinion' are also relevant for current year. In addition, following issues were identified from the transactions during the year.

- A payment of BDT 3.2 million was made to a private golf club as the CEO's member admission fee, and it has been recorded under Security Deposit in non-current assets. Finance staff explained that they treated it like other deposits, even though the admission fee is non-refundable.
- Due to an urgent fund requirement, NFL has used BDT 5 million from its Workers Profit Participation Fund for 6 months. Although it has incremental borrowing rate of 7.5%, NFL has not paid any interest on this loan matches prevailing market interest rates let alone 2.5% additional to market rate as required by the Labor Law, 2006.
- Near the end of the year, sale amounting to BDT 92 million were recognized as revenue immediately upon delivery to the customers. Internal communication indicates that customers didn't accept the goods at the year-end as quality inspections were not completed.

Although management made appropriate adjustments to the financial statements at the end of audit, you have noticed several inconsistencies between draft annual report prepared by NFL management and finalized financial statements. The Directors Report states that revenue increased by eighteen percent, which equals BDT 720 million. The financial statements show an increase of only fifteen percent, which equals BDT 600 million. The Directors Report also claims that profit margins improved to fourteen percent, while the financial statements indicate a margin slightly above nine percent.

**Requirements:**

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|---|---|
| a) As the engagement manager, discuss the key planning considerations for this first-year audit engagement, including implications of the predecessor auditor's modified opinion. | 5 |
| b) Identify the potential Key Audit Matter(s) for auditors' report. explain why it was significant, and how the matter was addressed during the audit.                            | 8 |
| c) Determine and explain the actions your firm should take in response to inconsistencies between the Directors' Report and the audited financial statements.                     | 3 |
| d) Identify and explain the ethical issues regarding current and predecessor auditor. Suggest safeguards to be implemented to address the threats.                                | 4 |

---The End---