A
Thesis paper
On
"The Effectiveness of Applying IAS 2 standards in inventory control on Bashundhara Food and Beverage Limited"

Submitted By:
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Semester: Fall 2021

Submitted To:
Department of Business Administration
Submitted for the partial fulfillment of the degree of
Master of Business Administration



Sonargaon University (SU)

Dhaka-1215

Date of Submission: 15th January, 2022

A Thesis paper
On
"The Effectiveness of Applying IAS 2 standards in inventory control on Bashundhara Food and Beverage Limited"

Supervised By:

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Lecturer
Department of Business Administration
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Letter of Transmittal

15th January 2022
To
Farjana Yeasmin Chowdhury
Lecturer
Department of Business Administration
Sonargaon University

Subject: Submission of Thesis paper.

Dear Madam,
With humble honor and respect, I am submitting my thesis paper on **"The Effectiveness of applying IAS 2 Standards in inventory control on Bashundhara Food and Beverage Limited**". As per partial accomplishment of the requirements for the MBA degree, I have completed a thesis from "Sonargaon University" [As per partial accomplishment of the requirements for the MBA degree, this thesis has been carried out] under the supervision of you.

This thesis is an integral part of our academic courses in completion of the MBA program which has given me the opportunity to have an insight into the unintentional mistakes, time limitations, and confidentiality constraints of the organization. I hope this report reflects on the contemporary issues on "**The Effectiveness of applying IAS 2 Standards in inventory control on Bashundhara Food and Beverage Limited**" that are being Practiced by organizations in our country.

In completing the report I tried my best to blend all my knowledge and imparted every available detail and also attempted to avoid unnecessary amplification of the thesis.
I humbly request you to accept this report for your kind evaluation.

Sincerely Yours,

Name: Shizer Akhter
ID: MBA2101022011
Department of Business Administration
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Certificate of Supervisor

This is to certify that the thesis paper on **"The Effectiveness of applying IAS 2 Standards in inventory control on Bashundhara Food and Beverage Limited "**has been prepared as a part of the completion of the MBA program from the Department of Business Administration, Sonargaon University (SU), carried out by Shizer Akhter, bearing ID: MBA2101022011 under my supervision. The thesis or the information will not be used for any other purposes.

……

Farjana Yeasmin Chowdhury
Lecturer
Department of Business Administration
Sonargaon University (SU)

Student Declaration

I am Shizer Akhter, a student of Master of Business Administration, ID: MBA2101022011 from Sonargaon University would like to solemnly declare here that this thesis topic on **"The Effectiveness of applying IAS 2 Standards in inventory control on Bashundhara Food and Beverage Limited"** has been authentically prepared by me. While preparing this thesis, I didn't breach any copyright act intentionally. I am further declaring that I did not submit this thesis anywhere for awarding any degree, diploma, or certificate.

Sincerely Yours

Shizer Akhter
ID: MBA21010222011
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Letter of Authorization

Certified that this project report titled **"The Effectiveness of applying IAS 2 Standards in inventory control on Bashundhara Food and Beverage Limited"** is the bonfire work of Shizer Akhter, who carried out the research under my supervision. Certified further that to the best of my knowledge the working thesis herein does not form part of any other project thesis or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate

……

Farjana Yeasmin Chowdhury
Lecturer
Department of Business Administration
Sonargaon University

Acknowledgement

First off, all I would like to categorical my gratitude to the Almighty Allah. This is my pleasure that I could successfully complete my thesis by the grace of almighty Allah. I wish to extend my gratitude to all the people who helped me accomplish my thesis paper Ordinary Activities of **"Bashundhara Food and Beverage Limited"** At the very beginning, I want to thank my faculty advisor and thesis supervisor in Sonargaon University, Miss Farjana Yeasmin Chowdhury who has given me precious guidance from her busy Schedule.

I am very grateful for all her advice in order to make my thesis paper more effective. I am also really responsible to my honorable teacher Abul Kalam, Head of Department of Business & Administration, Sonargaon University for this countless support and guidance. It is not my own credit in this effort. I would like to extend my-sincere regards and gratitude to my honorable teachers whose kind's guidance and assistance enable me to complete my MBA program and to develop my career through their invaluable teaching.

Executive Summary

Bashundhara Group Limited which is one of the largest conglomerate business in Bangladesh. The purpose of the report is to know what strategies Bashundhara group Limited undertakes and how it holds its competitive position in the industry. Bashundhara Group started its operation in 1987 as East West Property Development. It was founded by Ahmed Akbar Sobhan. Their first successful project was with real estate venture. Bashundhara Group grew immensely through different expansion. It took less than 10 years to grab the market and today it operates over 20 major concerns throughout the country. To understand the competitive advantage of Bashundhara Group, we did an internal analysis, to analyze the strength, weakness match the external opportunities and threat. We did a PESTEL analysis, industrial analysis and a competitor analysis which helped us to understand better Bashundhara Group's position in the industry. The next part of the report explains the three important strategies of Bashundhara Group which is corporate level strategy, business-level strategy and functional level strategy. Corporate level strategies explain what top level decisions the top level management in Bashundhara Group takes when it comes to long term profitability and future goal of Bashundhara Group. This includes expansion plans, developing new products for new markets and forming strategic alliance with other companies. The business level strategies focus on how they can add more value for their customers and exploit core competencies to remain competitive in the industry. The functional level strategies implemented focuses on how Bashundhara Group can achieve competitive advantage through increasing efficiency, innovation, quality and superior responsiveness to customers. After that we discuss about the ethical issues that faced by the Bashundhara and how they solve those problem. The last part of the report briefly describes the implementation and recommended solutions. I also attempted to gather more information on basic job functions of other departments to have better understanding of the relation between them and the accounting department. It was commendable to see how wholeheartedly they welcomed, acknowledged and appreciated new ideas and knowledge. I have provided few recommendations based upon my understanding and knowledge.

I successfully completed all the assigned duties and handed them over to the senior supervisor at the end of the thesis. I thoroughly enjoyed the challenges that came along every single day. I could also bring some minor improvisations during my thesis which were able to leave their marks. These lessons that I have learned will be a valuable one for my future endeavors as well.

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Chapter One
Introduction

1.1 Introduction:

Bashundhara Group was founded by Ahmed Akbar Sobhan and present Chairman began in 1987 as real estate venture.Sayem Sobhan Anvir is the Managing Director of Bashundhara Group. Shafiat Sobhan Sanvir is the Vice Chairman of Bashundhara Group After its first successful project, Bashundhara invested in new fields, including manufacturing, industry and trading. More enterprises were established in the early 1990s; these included cement, paper, pulp, tissue paper and steel production, as well as LP Gas bottling and distribution. On 4 February 2014, The Bangladesh Supreme Court ordered Bashundhara Group officials to surrender before it on a tax evasion case filed by the caretaker government. On 19 December 2011, Bashundhara chairman Ahmed Akbar Sobhan was sued for 'fraud' by Mohammad Shahjahan over the price of land in Bashundhara. Bashundhara received permission from Bangladesh Economic Zones Authority to Set up two specialized economic zones in Keranigonj, Dhaka, Bangladesh in 2020, Bashundhara invested $143.7 million to build the largest bitumen plant in Bangladesh. This factory will singlehandedly help the country become self-sufficient in bitumen production and the surplus can be exported overseas. Bashundhara Group is a Bangladeshi conglomerate. It is one of the largest manufacturing companies in Bangladesh. It began in 1987 as a real estate company venture under the name East West Property Development Ltd (EWPD). The first project of EWPD turned out to be very successful. After then, the company grew very quickly. It presently owns more than 50 major concerns located throughout Bangladesh. Driven by the ramifications of this success, Bashundhara geared up to invest in new fields, including manufacturing and trading The Group's first publicly-traded company, the Meghan Cement Mills Limited, is currently listed on the two Stock Exchanges of Bangladesh.

The Group now has over 20 major concerns located in different areas of the country. The multi-faceted shopping mall-cum-recreation center called the Bashundhara City (BCDL) has added glamour to the growth of the group. The BCDL is one step ahead in the longstanding effort to strengthen links with the general people through the unique offering of commercial operations and recreation facilities under single roof. Latest addition to the group is its media house titled “East West Media Group Ltd” which was established in 2009. It now owns Bangla daily – “Keller Kantho”, “Bangladesh Pratidin”, English daily “Daily Sun” and online portal “Banglanews24.com”. The media house is also planning to launch a FM radio and a television channel as well.

The Group has come a long way in reaching its goals by listening to client needs, learning real-time lessons from past projects, innovating and partnering its project implementation process. Through major investment undertakings in all key sectors, Bashundhara has meaningfully contributed to the country’s economic stability in financial and capital markets. Underlying all of the Group's activities are the common threads of change, flexibility, and fostering closer ties with the Government, the City Corporation and Bashundhara clients. Most of its projects have been success stories - this fact alone is enough to justify a sense of confidence in the Group's future.

1.2 Background of the paper:

Thesis program is a prerequisite for completing the graduation degree from the Master of Business Administration (MBA) program of the Sonargaon University (SU). The thesis program is generally executed in the last semester and it has got the same weight as other courses in the evaluation process. As the classroom discussion alone cannot give a proper picture of the real business situation, therefore, it is an opportunity for the students to know theoretical and practical knowledge. The area concentration of the paper is confined to investigation of different aspects of the banking transaction as well as problems and prospects and by this way an endeavor is made to give recommendation for removing the problems.

1.3 Scope of the paper:

This thesis work on the effectiveness of inventory management in a manufacturing company is focused on Bashundhara Food and Beverage. . Inventories include assets held for sale in the ordinary course of business (finished goods), assets the production process for sale in the ordinary course of business (work in process), and materials and supplies that are consumed in production (raw materials).

1.4 objectives of the paper:

The major objective of this study is to determine if the effectiveness of inventory management in a manufacturing company.

- To determine to what extent the ineffective management of inventory in Bashundhara group has caused low productivity in the company.
- To examine the extent to which insufficient inventory of finished goods causes loss of sales to the company.
- To identify the degree to which poor inventory modern used by the company has resulted into low productivity in the company.

- To ascertain whether the company has suffered from poor management and control of inventories.

1.5 Significance of the paper:

The significance of this study lies on the fact that with improved inventory control and management in manufacturing companies, the following persons may benefit from It will be significant to manufacturing companies, firms and businesses as it will enable them keep an adequate inventory control and ensure that they do not run out of stock or have excess stock which can endanger their liquidity position. It will also help to meet consumer's demands or quest. It is also important to the government as it will help to reduce waste of investment inventory. It will also help lecturers to really know the importance of inventory control so that they will be able to impact it on their students. This study will also reveal the relevant methods to be used in preventing mismanagement; it will also improve stock control which has led to the mismanagement and unproductively of materials

1.6 Limitations of the paper:

The limitations faced during the preparation of these papers are given below:

1. The time required for the research and the submission of this work is very short and the researcher was unable to go through all manufacturing companies.

2. The sample is limited to students and other professionals who chose to complete the survey.

3. Financial constraints:-Finance which is the most important resource for this work was not readily available.

Limited exert:-Due to the fact that exert is very difficult to get in school, proper research was not carried out and this affected the integrity of the results achieved.

4. Attitudes of some of my respondents: - The management of Bashundhara groups its employees from giving out information about the company to outsiders without adequate permission from the management and even when this permission was obtained at the long run, many vital information were not revealed because they were regarded as the privacy of the company.

There were some restrictions on having access to the information confidential by the authority.

Chapter two

Profile of Bashundhara Food and Beverage Limited

2.1: Background of Bashundhara Food and Beverage limited:

Bashundhara Food and Beverage Industries Ltd. in short BFBIL is thriving to meet the growing demand of individuals with quality food items since its commencement in 2009. The entire production setup of the company is stationed at Pagano, keranigonj in the capital city Dhaka to ensure easy access of transportation and distribution smoothness. Along with its business perspective, the company has its ethically supported responsibility to provide people with nourishment, healthy options, and the best quality food products. According to that, so far, the entity has set its footprints in a myriad of food categories and has been gained appreciation from the huge customer base. Bashundhara ATTA, Maida, Shoji, Noodles, Pasta, Macaroni, Semai, Puffed Rice, Spice, Sauce, Toggi Chips, Crackers, Poppers are some of the popular offerings, the company distributing nationwide with strong channels.

Bashundhara ATTA, holding the highest market share has already become the most preferred brand of this category due to its high standard product quality and smooth distribution network. In line with this Bashundhara Maida and Suji also up in the race of customer preference. Bashundhara ATTA, Whole wheat ATTA, Brown ATTA, Bashundhara Maida, Suji are available in the market in different convenient SKUs ranging from 250 grams to 10 KG. The success of this is backed up by the best quality of wheat with maximum nutrition value, state of art production facilities, and dedicated human resources to maintain the standard quality. Apart from the Bashundhara ATTA brand, we have another brand CENTURY offering ATTA targeting low-income customers. Considering the ever-increasing demand, the factory is now improving its capacity towards optimal excellence

Bashundhara Noodles-another product line of the esteemed company has already been launched with different variants and SKUs to meet the tastes and convenience of the market. Due to the continuation of its business morale and urge to provide the market with quality food options the company also observing success in this endeavor. Under the Instant Noodles subcategory, masala flavor is the most popular one with various pack sizes ranging from 4-pack to 16-pack. Stick Noodles comes in Egg, Masala, Curry, Egg & Chicken, Chicken Tandoori flavors. Likewise, Panda Noodles is the commercial variant that provides the taste of Authentic Chinese Noodles; is distributed in 300 gm. SKU. The observant attitude to pick up the best quality raw materials, seasoning, and cutting-edge production solutions operated by the diligent workforce together activated the success story along the way in this journey. Bashundhara Puffed Rice has been introduced in the market in 2020. Besides having a significant demand in out-of-border markets, Puffed rice is consumed in many parts of the country regularly, and in some particular time such as in Ramadan, the demand for this is usually skyrocketed. Made without mixing any harmful chemicals like urea, Bashundhara Puffed Rice providing healthy and crispy puffed rice since its inception. Bashundhara Puffed Rice is available in the market in 250 gm. and 500 gm. SKUs.

Toggi Crackers, Poppers, and other variety of chips are serving the market with their regular offerings and planning to enrich its product basket of this highly impulsive category. The majority of the end-users of this product class are youngsters so the company takes special care and goes an extra mile to ensure safe and tasty options for this sensitive TG. Toggi branded Chips, crackers, and poppers distributed in different flavors and shapes; Poppers Pure Vanilla, spicy cheese, Heart Shaped, Toggi Crispy Crackers masala, Potato Crackers are included in this category ranging from 12 gm. to 20 gm. pack sizes.

Bashundhara Sauce another new brand with its business aims to lead the market started its journey with hot tomato flavored sauce into sachets bottled, and plastic Jar form available in 10 gm. 340 gm. 1000 gm. and 3000 gm. SKUs. The response for this category is no different from the other preceding brands of BFBIL, which lead the brand to introduce other variants of this category in near future.

Bashundhara Spice offers the goodness of nature within its spice packs for the food-loving people of the nation. Selected & trained farmers, fully automated machines, high-end technological adoption, and last but not least carefully selected raw materials to provide the consumers nothing but the natural taste and health benefits. The brand initially steps into the market with Chili, turmeric, Cumin, and Coriander spices, all the variants available in 15 gm., 50 gm., 100 gm., 200gm, 1000gm SKUs. Soon it will enrich its range with new ready-mix variants. From the very establishment, Bashundhara Group striving for the betterment of the country, the people, and BFBIL and BMFPL are two proud concerns of the group to serve with standard quality offerings for customers following the same.

2.2 Corporate profile at glance:

The Group took off from the incipient period after establishment of East West Property Development (Pvt.) Ltd. a real estate concern, popularly known as “Bashundhara” which happened to be its first venture in this sector.

Keeping pace with rapid economic and technological changes followed by the policy of Globalization, Bashundhara Group has outspread their business activities within a short period of time and have been able to emerge as a promoter of international standard of business houses and industrial enterprises founded on the principles of engineering and financial integrity with a group of highly capable technical personnel and professionals.

Since inception, Bashundhara Group has been actively contributing to the national as well as global economy by way of effective utilization of resources, using raw materials, production and marketing high quality products at the most competitive prices and creating employment opportunities. Bashundhara is now operating with fourteen vital enterprises of highly esteemed commercial and technological superiority having profound degree of specialization in the field of real estate, industrial ventures and commercial enterprises. Current value of the total assets of the enterprises of Bashundhara Group would be about Tk. 15000 million equivalent to approximately

US$ 300 million. Total turnover of the business amounts to around Tk. 16000 million equivalent to US$ 325million.

Presently 8100 people are employed in various enterprises of the group. Besides, through its multidirectional economic activities, Bashundhara has created employment opportunities to over 30,000people

2.3 Vision of Bashundhara Food and Beverage Limited:

Bashundhara Group has already become one of the largest conglomerates and the leader in many areas of business and industry in Bangladesh. It wishes to go far ahead from where it is now. The group wants to be the largest business house of the country and the biggest contributor, from the private sector, to the economic and social development. It also wishes to bring more and more people under job and thus become the largest employer in the private sector.

To accomplish the vision, the group has already ventured into many business and industrial areas, including some as pioneer, and has plans to be engaged in many more areas. The group has started works for going global and hopes to announce its global presence in a couple of years. IAS 2 Inventories contains the requirements on bashundhara group limited for most types of inventory. The standard requires inventories to be measured at the lower of cost and net realisable value (NRV) and outlines acceptable methods of determining cost, including specific identification (in some cases), first-in first-out (FIFO) and weighted average cost.

Doing business is not an easy task anywhere, particularly in the fast- changing global scenario, which invites many new challenges. However, Bashundhara Group is confident of continuing its march forward even at a faster pace in any situation – favorable and unfavorable – in the days to come and always uphold its core theme – For the People, For the Country.

2.4 Mission of Bashundhara Food and Beverage Limited:

Bashundhara Group limited believes in serving the people and the country; not only in doing business and making profit. It had come into existence with that belief and adopted ‘For the People, For the Country’ as its core theme.

All the Bashundhara Group concerns always try to offer best possible services and products to customers for attaining their full satisfaction, as the group endorses the notion that customers are the ultimate determining factor in success of any organization. It always strives to introduce new products and services to the customers. The group has reached out to many poor and underprivileged people through different philanthropic services and it wants to expand them across the country for the welfare of the people and development of the country.

2.5 Values of Bashundhara Food and Beverage Limited:

Bashundhara Group has adopted patriotism, honesty, fair practice and service to the nation as its core values, which act as the main basis in its decision-making. These values have created a moral compass for everyone at the group from the top management to ordinary employees and created the organizational culture accordingly. The group always tries to be driven by these values and not to deviate from them in any situation.

2.6 Strengths of Bashundhara Food and Beverage Limited:

It's very famous group in our country.so the strong sides of the company are shown below**:**

1. Huge amount of capital.

2. The management system is strong.

3. The employees are very qualified.

4. The workers are practical.

5. The products are acceptable and popular in our countries than other company's products.

6. Huge amount of properties**.**

2.7 Objectives of Bashundhara Food and Beverage Limited:

Strategic plan establishes what kinds of businesses the company will be in and its objective for each. Then within each business unit, more detailed plans are taken by the unit managing director. Without effective strategic plan a corporation cannot be operated properly. Not only corporate planning but also division planning is important. If a division manager does not take effective plan to operate the organization activities so that the business will suffer in the long run that's mean the business unit will not be profitable and if a business unit fail to fulfill the objective, the corporation will be affected in total. Basically we have discussed strategic planning, implementation and control of Bashundhara Group on this term paper.

Chapter Three

Theoretical Background

3.1 Theory of IAS 2_ inventory:

IAS 2 Inventories contains the requirements on how to account for most types of inventory. The standard requires inventories to be measured at the lower of cost and net realisable value (NRV) and outlines acceptable methods of determining cost, including specific identification (in some cases), first-in-first-out (FIFO), and weighted average cost. A revised version of IAS 2 was issued in December 2003 and applies to annual periods beginning on or after 1 January 2005. This standard applies to all inventories, except financial instruments and agricultural products before they are harvested. All finished products that are produced or bought, work-in-progress goods, raw materials, and supplies needed for production or rendering service are considered inventories by this standard. The cost of a service is accumulated in an inventory account until its related revenue is recognized. The costs incurred by the ongoing services, like the work in progress for auditors, are recorded as inventories. The cost of service includes labor expenses and other costs of employees, who are directly related in rendering the service and overhead costs associated with them, but it does not include expenses that are not related to the production of these services .Net realizable value is the selling price, where the costs of completion and costs related to making the sale are deducted. Fair value is the sales price, which is negotiated between the related parties.

History of IAS 2:

Date	Development	Comments
September 1974	Exposure Draft E2 Valuation and Presentation of Inventories in the Context of the Historical Cost System published.	
October 1975	IAS 2 Valuation and Presentation of Inventories in the Context of the Historical Cost System issued	
August 1991	Exposure Draft E38 Inventories published	
December 1993	IAS 9 (1993) Inventories issued	Operative for annual financial statements covering periods beginning on or after 1 January 1995

18 December 2003	IAS 2 inventory issued	Effective for annual on or after 1 January 2005

3.1.1 Objectives of IAS 2:

The objective of IAS 2 is to prescribe the accounting treatment for inventories. It provides guidance for determining the cost of inventories and for subsequently recognizing an expense, including any write-down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Scope:

Inventories include assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business (work in process), and materials and supplies that are consumed in production (raw materials). [IAS 2.6]

However, IAS 2 excludes certain inventories from its scope: [IAS 2.2]

Work in process arising under construction contracts (see IAS 11 Construction Contracts) financial instruments (see IAS 39 Financial Instruments: Recognition and Measurement) biological assets related to agricultural activity and agricultural produce at the point of harvest (see IAS 41 Agriculture).

Also, while the following are within the scope of the standard, IAS 2 does not apply to the measurement of inventories held by: [IAS 2.3]

producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products, to the extent that they are measured at net realisable value (above or below cost) in accordance with well-established practices in those industries. When such inventories are measured at net realisable value, changes in that value are recognized in profit or loss in the period of the change commodity brokers and dealers who measure their inventories at fair value less costs to sell. When such inventories are measured at fair value less costs to sell, changes in fair value less costs to sell are recognized in profit or loss in the period of the change .provides guidance on the cost formulas that are used to assign costs to inventories.

3.1.2 The Fundamental principle of IAS 2:

Inventories are required to be stated at the lower of cost and net realisable value (NRV).

3.1.3 Measurement of inventories:

Cost should include all: [IAS 2.10] Costs of purchase (including taxes, transport, and handling) net of trade discounts received costs of conversion (including fixed and variable manufacturing overheads) and other costs incurred in bringing the inventories to their present location and condition

IAS 23 Borrowing Costs identifies some limited circumstances where borrowing costs (interest) can be included in cost of inventories that meet the definition of a qualifying asset. [IAS 2.17 and IAS 23.4]

Inventory cost should not include: [IAS 2.16 and 2.18]

Abnormal waste storage costs administrative overheads unrelated to production selling costs foreign exchange differences arising directly on the recent acquisition of inventories invoiced in a foreign currency interest cost when inventories are purchased with deferred settlement terms.

The standard cost and retail methods may be used for the measurement of cost, provided that the results approximate actual cost. [IAS 2.21-22]

For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory. [IAS 2.23]

For items that are interchangeable, IAS 2 allows the FIFO or weighted average cost formulas. [IAS 2.25] The LIFO formula, which had been allowed prior to the 2003 revision of IAS 2, is no longer allowed.

The same cost formula should be used for all inventories with similar characteristics as to their nature and use to the entity. For groups of inventories that have different characteristics, different cost formulas may be justified. [IAS 2.25]

3.1.4 Write-down to net realisable value:

NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. [IAS 2.6] Any write-down to NRV should be recognized as an expense in the period in which the write-down occurs. Any reversal should be recognized in the income statement in the period in which the reversal occurs. [IAS 2.34]

3.1.5 Expense Recognition:

IAS 18 Revenue addresses revenue recognition for the sale of goods. When inventories are sold and revenue is recognized, the carrying amount of those inventories is recognized as an expense (often called cost-of-goods-sold). Any write-down to NRV and any inventory losses are also recognized as an expense when they occur. When an inventory is sold, its value is deducted from inventories and it becomes an expense of the period. In case of any write-downs from the net realizable value, the amount is recognized as an expense of the period and this amount is deducted from the value of inventories.

3.1.6 Disclosure

Required disclosures:

Accounting policy for inventories carrying amount, generally classified as merchandise, supplies, materials, work in progress, and finished goods. The classifications depend on what is appropriate for the entity carrying amount of any inventories carried at fair value less costs to sell the amount of any write-down of inventories recognized as an expense in the period amount of any reversal of a write-down to NRV and the circumstances that led to such reversal carrying amount of inventories pledged as security for liabilities cost of inventories recognized as expense (cost of goods sold).

IAS 2 acknowledges that some enterprises classify income statement expenses by nature (materials, labor, and so on) rather than by function (cost of goods sold, selling expense, and so on). Accordingly, as an alternative to disclosing cost of goods sold expense, IAS 2 allows an entity to disclose operating costs recognized during the period by nature of the cost (raw materials and consumables, labor costs, other operating costs) and the amount of the net change in inventories for the period). [IAS 2.39] This is consistent with IAS 1 Presentation of Financial Statements, which allows presentation of expenses by function or nature.

3.1.7 What Are International Financial Reporting Standards (IFRS)?

International Financial Reporting Standards (IFRS) are a set of accounting rules for the financial statements of public companies that are intended to make them consistent, transparent, and easily comparable around the world.

IFRS currently has complete profiles for 166 jurisdictions. Including those in the European Union.[1]

The United States uses a different system, the Generally Accepted Accounting Principles (GAAP).

The IFRS are issued by the International Accounting Standards Board (IASB).[2]

The IFRS system is sometimes confused with International Accounting Standards (IAS), which are the older standards that IFRS replaced in 2001.

Understanding International Financial Reporting Standards (IFRS):

IFRS specify in detail how companies must maintain their records and report their expenses and income. They were established to create a common accounting language that could be understood globally by investors, auditors, government regulators, and other interested parties.

The standards are designed to bring consistency to accounting language, practices, and statements, and to help businesses and investors make educated financial analyses and decisions.

They were developed by the International Accounting Standards Board, which is part of the not-for-profit, London-based IFRS Foundation. The Foundation says it sets the standards to "bring transparency, accountability, and efficiency to financial markets around the world."

3.1.8 IFRS vs. GAAP:

Public companies in the U.S. are required to use a rival system, the Generally Accepted Accounting Principles (GAAP). The GAAP standards were developed by the Financial Standards Accounting Board (FSAB) and the Governmental Accounting Standards Board (GASB).

The Securities and Exchange Commission (SEC) has said it won't switch to International Financial Reporting Standards but will continue reviewing a proposal to allow IFRS information to supplement U.S. financial filings.[4]

There are differences between IFRS and GAAP reporting. For example, IFRS is not as strict in defining revenue and allows companies to report revenue sooner. A balance sheet using this system might show a higher stream of revenue than a GAAP version of the same balance sheet.

IFRS also has different requirements for reporting expenses. For example, if a company is spending money on development or on investment for the future, it doesn't necessarily have to be reported as an expense. It can be capitalized instead.

3.1.9 Standard IFRS Requirements

IFRS covers a wide range of accounting activities. There are certain aspects of business practice for which IFRS set mandatory rules.

- **Statement of Financial Position**: This is the balance sheet. IFRS influences the ways in which the components of a balance sheet are reported.

- **Statement of Comprehensive Income**: This can take the form of one statement or be separated into a profit and loss statement and a statement of other income, including property and equipment.
- **Statement of Changes in Equity:** Also known as a statement of retained earnings, this documents the company's change in earnings or profit for the given financial period.
- **Statement of Cash Flows:** This report summarizes the company's financial transactions in the given period, separating cash flow into operations, investing, and financing.[5]

In addition to these basic reports, a company must give a summary of its accounting policies. The full report is often seen side by side with the previous report to show the changes in profit and loss.

A parent company must create separate account reports for each of its subsidiary companies.

3.2.1 History of IFRS

IFRS originated in the European Union with the intention of making business affairs and accounts accessible across the continent. It was quickly adopted as a common accounting language.

Although the U.S. and some other countries don't use IFRS, currently 166 jurisdictions do, making IFRS the most-used set of standards globally

Who Uses IFRS?

IFRS are required to be used by public companies based in more than 160 countries, including all of the nations in the European Union as well as Canada, India, Russia, South Korea, South Africa, and Chile.

The U.S. and China each have their own systems.

3.2.2 How Does IFRS Differ from GAAP?

The two systems have the same goal: clarity and honesty in financial reporting by publicly-traded companies.

IFRS was designed as is a standards-based approach that could be used internationally. GAAP is a rules-based system used primarily in the U.S.

Although most of the world uses IFRS standards, it is still not part of the U.S. financial accounting world. The SEC continues to review switching to the IFRS but has yet to do so.

Several methodological differences exist between the two systems. For instance, GAAP allows a company to use either of two inventory cost methods: First in, First out (FIFO) or Last in, First out (LIFO). LIFO, however, is banned under IFRS.

Why Is IFRS Important?

IFRS fosters transparency and trust in the global financial markets and the companies that list their shares on them. If such standards did not exist, investors would be more reluctant to believe the financial statements and other information presented to them by companies. Without that trust, we might see fewer transactions and a less robust economy.

IFRS also helps investors analyze companies by making it easier to perform "apples to apples" comparisons between one company and another and for fundamental analysis of a company's performance.

3.2.3 Accounting Applications:

Some accounting applications for this standard are given below. The account codes and names of the Turkish Uniform Chat of Accounts are used in journal enters.

Chapter Four

Analysis and Findings

4.1 Inventory Control Systems Used in Bashundhara Food and Beverage Limited:

All respondents (100 percent) showed that Bashundhara Food and Beverage use manual system to control their inventories, and all activities related to material management are done through manually. In Bashundhara Food and Beverage employs manual system to provide a means of processing and storing information generated by the day to day activities in the council. The records used to receive items are bin-cards, stock record cards and stores ledger which provides more information about the availability of the purchased item.

4.2 Effectiveness of Inventory Control System in Bashundhara Food and Beverage Limited:

The success of inventory control system in providing high levels of customer services shows that 65 percent of the respondents agreed that the council received services or products at the right time, orders received were complete, damage free, and were accurately filled and billed. All these suggest that inventory control system has been successful.

Based on the reliability of the inventory management system in Bashundhara food and beverage, this study realized that the inventory control system has become reliable. Inventory management in Bashundhara food and beverage, included everything from accurate record-keeping to shipping and receiving of products on time. Hence Inventory management was properly maintained which kept a Council's supply chain running smoothly and efficiently.

Bashundhara food and beverage, has improved all inventory control system through operating activities at a minimum cost. The techniques used in Bashundhara food and beverage, to reduce cost in inventory control system include base cycle stocks on economics, reduced order transaction costs, reduced acquisition lead times, implemented joint procurement for purchased products, minimized purchase and maintained accurate inventory balances.

4.3 IFRS Benefits and Challenges:

The global adoption of IFRS could yield several potential benefits, including better financial information for shareholders and regulators, enhanced comparability,

improved transparency of results increased ability to secure cross-border listing (Li, 2013), better management of global operations, and decreased capital cost.

However, these benefits are accompanied by challenges. For instance, a single set of accounting standards cannot reflect all differences in national business practices by various institutions and cultures. Cultural (e.g., Ding et al. 2005; Gray, 1988), political (e.g., Ramanna, 2013), and business differences may also continue to pose significant obstacles in the progress towards a unified, global financial communication system

Reviewing prior studies summarize challenges confronting the worldwide adoption of IFRS. First is IASB funding, staffing, and governance structure as well as consistent adoption. Second is the presence of various versions of IFRS applications with inconsistent IASB prescriptions, which creates the need for a regulatory review and enforcement mechanism. The interpretation of principle-based accounting such as IFRS may vary by nation and society and this may limit the claimed comparability advantage of a single set of accounting standards Third is the possibility of an auditor's failure to express an opinion about IFRS compliance or non-compliance as cited . Fourth is the increased need for training and education for accountants, auditors, investors, drafters, and users of financial statements. Thus, by examining the readiness of practicing accountants in Saudi Arabia, this study can help determine the need for more training and education for IFRS implementation

4.4 The Success of Inventory Control System in Providing High Levels of Customer Service:

About 65 percent of the respondents agreed that the council received services or products at the right time, orders received complete, orders received damage free, and orders were filled and billed accurately. All these may create a sign that inventory control system has been successful.

Reliability of Inventory Management System in Bashundhara food and beverage Limited:

Table 4.1 shows the reliability of inventory control system in Bashundhara food and beverage from 2017 to 2021. The results show that during 2016/2017 financial year there was one old facility, one balance, and no new facility. During 2017/2018financial year there were two new facilities, two balance facilities and no old facilities. The study further found that, during the 2018/2019 financial year the old facilities were two, new

facilities were two and balance facilities were four. During 2019/2020 or financial year there were two new facilities, one balance facilities and two old facilities. And the last year 2020/2021 financial year there were two new facilities, two balance facilities and no old facilities. This study realized that inventory control system in Bashundhara food and beverage has become reliable. Inventory management in Bashundhara food and beverage included everything from accurate record-keeping to shipping and receiving of products on time. Hence an Inventory management was properly maintained, which kept a Council's supply chain running smoothly and efficiently.

Table: Reliability of Inventory Control Systems in Bashundhara food and beverage Limited:

Year	Old facilities	New facilities	Balance
2016-2017	1	-	1
2017-2018	2	-	2
2018-2019	2	2	4
2018-2020	2	2	4
2020-2021	2	-	2

Source: Bashundhara ATTA Department Unit 2019

4.5 Costs of Operating Inventory Control in Bashundhara food and beverage limited:

Bashundhara food and beverage has improved all inventory control systems through operating activities at a minimum cost. The techniques used in Bashundhara food and beverage to reduce cost in inventory control system include base cycle stocks on 39 economics, reduced order transaction costs, reduced acquisition lead times, implemented joint procurement for purchased products, minimized purchase, and maintained accurate inventory balances. Figure 4.1 shows that 75 percent of respondents strongly agree that storekeepers or stock controllers achieved the purposes for which they were established. About 12 percent of respondents agree that stores department unit performed all plans, 5 percent were neutral, 5 percent of respondents disagree and none of the respondents strongly disagree.

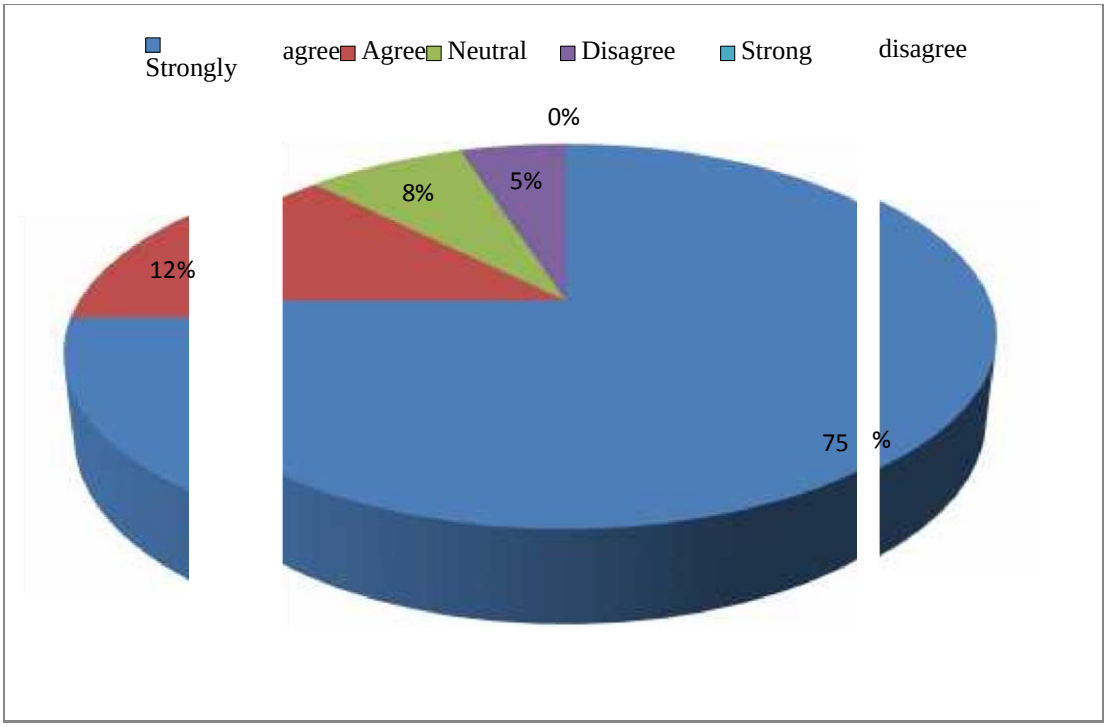


Figure: 4.1 Respondents Statistics

Source: Study Findings March 2019

4.6 Independent Performance of Storekeepers in Performing their Daily Duties:

About 12.5 percent agreed and 42.5 percent of respondents were strongly agree that the stores department staffs perform their work independently. 12.5 percent were neutral, 20 percent disagreed and 12.5 percent of the respondents strongly disagreed based on the performance of the storekeepers in their daily duties.

Usefulness of Stock Document for Decision Making:

The findings of this study show that 75 percent of the respondents agree that stock document was useful for decision making, 15 percent were neutral and 10 percent of respondents disagreed that stock document was useful for decision making (Figure 4.2).

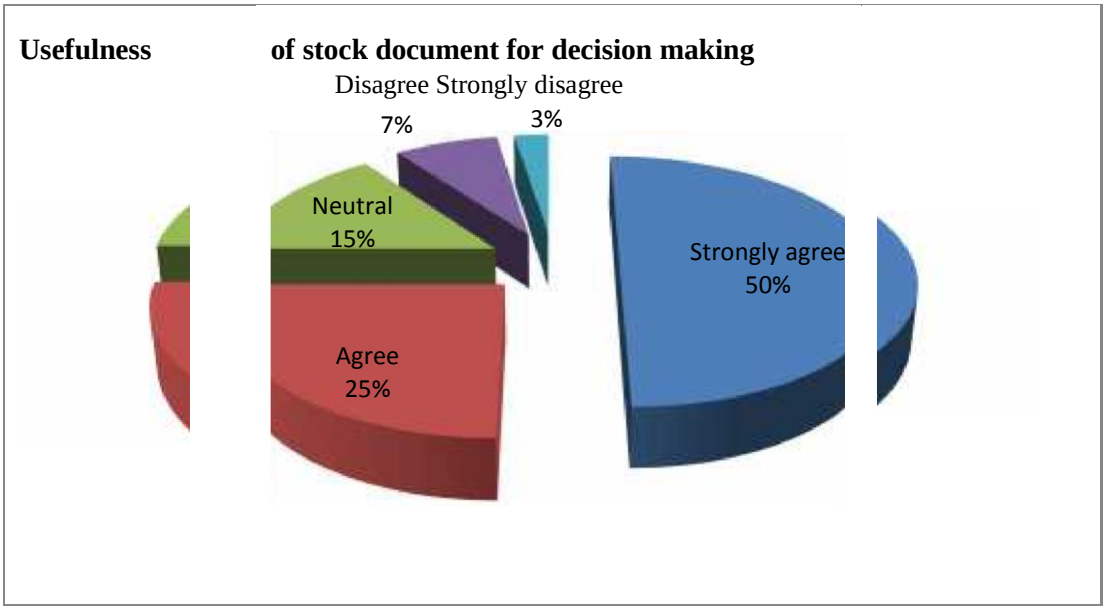


Figure 4.2 Respondents Statistics

Source: Study Findings, March 2021

Competence of Storekeepers in Performing their Duties:

The study revealed that 62.5 percent of respondents disagreed that the stores department unit in Bashundhara food and beverage has no competent storekeepers while 37.5 percent agreed that stores department has competent storekeepers (Table 4.3).

Lack of Facilities

The analysis of available facilities in food and beverage department at Bashundhara group. The foods department unit lacks important working tools to facilitate their work such as motor vehicles, TTA, Maida, Shoji, Noodles, Pasta, Macaroni, Semai, Puffed Rice, Spice, Sauce, Toggi Chips, Crackers, are some of the popular offerings, Most of their involve traveling to remote areas where infrastructure is very poor and office transport is needed for convenience

Findings:

1. Bashundhara Food and Beverage limited follows Objectives of financial statement, Component of financial statement, Reporting period. Comparative information, Consistency of presentation, Statement of financial position, Current assets, Current liabilities, Statement of cash flow and Disclosures about dividends etc.

2. Inventories shall be measured value at cost for particular period.

3. Under BAS-8 Accounting Policies, Changes in Accounting Estimates and Errors does not fully comply the components of Financial Statement.

4. Bashundhara Food and Beverage limited prepared Cash flow Statement from operating activities in direct method.

5. Bashundhara Food and Beverage limited also follows Income statement, Balance sheet, financial instruments disclosure and presentation, Maturities of assets and liabilities and Concentrations of assets, liabilities and off balance sheet items etc. of IAS- 2.

6. Bashundhara Food and Beverage limited did not follows an entity's assets are not carried at more than their recoverable amount

7. It outlines the accounting requirements for intangible assets, which are non-monetary assets not follows this IAS-2

Chapter-Five

Recommendation & conclusion

5.1. Recommendations:

Based on the results of the study, the following recommendations are being made with a view towards improving perceived levels of service quality and improving the capacity of service personnel:

- There is no doubt that Bashundhara food and beverage limited is the reputed corporation in our country. The strategic planning situation is good in present, but it has some problems in this process. If the corporation can remove those problems then the corporation will be role model in the business sector of Bangladesh. The corporation has some problems in their legal sector. If the corporation improves their legal problems, they could create most popular of the biggest groups in Bangladesh. It has been performing well since a long time. The plan and the policy of the company is always up to the mark. It has a huge influence of the economy of Bangladesh. One of the sectors of this company, Bashundhara Food and Beverage Ltd. is being very good at generating revenues for the company. This sector can do even better if it gets gas connection from the government. In this case it can convince the government to get the gas line added to the factory in Keranigonj. This will surely help the company to produce at a cheaper rate, and the efficiency level would also increase. Bashundhara is utilizing is resources very efficiently, but this step to convince govt. to get the gas line would take the company in a better position in the future. Also, the company can be more careful about recruiting employees. It should focus on getting better employees recruited in the system.
- This would increase the productivity. The goodwill of the company will rise higher. Bashundhara Food and Beverage Industries Ltd. should be more proactive on promoting its goods in the market. Do necessary research and supply the goods as per the demand would be beneficial. The company should make sure that its products are available all over the country, even in the small shop of a village. Through intense promotion the company can increase the popularity of its goods and increase the demand as well. The promotion should focus on consumer benefits and the quality, and safeness the company provides with its products by producing using automated and high technological

machines. The increase in demand would be possible only if the company does high promotion. The company also can use its Brand name; it has a strong brand value among the Bangladeshi customers

- Give guidance to staff about giving business cards to customers during the service delivery. This is being insufficiently practiced in some branches as noted earlier, but this is a part of Customer Care standards.
- The service personnel should complete his/her service by expressing thanks/welcome, invite the customer to return, and maintain a smiling face throughout in order to make a good impression. Thus, customers can feel that they are always welcome to the bank.
- Signage instructions should be visible in different places or sections appropriate, so that they are easily noticeable to customers.

5.2 Conclusion:

IAS 2 Inventories is an accounting standard, which is part of the International Financial Reporting Standards (IFRS). This standard regulates the accounting treatment of inventories. It sets the framework to determine the value of inventories and its presentation in the financial statements. Products that are produced and bought, raw materials, work in progress and services in progress are considered inventories. Financial instruments and agricultural products before harvesting are taken into account in different standards; hence, they are not included in IAS 2 Inventories standard. Inventory is a major part of the total asset value. Therefore, value determination and presentation of inventories is an integral part of accounting. IAS 2 Inventories standard defines the components of the inventory value and gives options of valuation methods. According to the standard, the value of the inventory is the cost value or the net realizable value, and whichever one is lower. The cost includes purchasing costs, conversion costs and other costs related to bring the inventory to its present location and condition. Net realizable value is the selling price from which the costs of completion and costs related to making the sale are deducted. The costs are assigned to inventory by using one of the three methods, namely, specific identification, first-in first-out and weighted average. The cost calculation slightly differs from one method to another one. Since inventory is part of

the total asset value and it is written off as the cost of goods sold after its sale, the value of the inventory has an effect on the total asset value and the profit of the period. Therefore, the choice of the valuation method is related to the strategic managerial decisions. Bashundhara Group is the biggest corporation in our country. From above discussion we can say that the corporation strategic plan is effective. Now-a-days it wants to capture foreign market by producing quality products.

5.3 Reference:

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