

Thesis Report

on

"Financial statements analysis of AKL as an internal auditor perspective."

Submitted to:
Department of Business Administration
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Submitted by:
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Program: MBA
Major: Finance and Accounting
Semester: Spring-2023

Submitted for the partial fulfillment of the degree
Master of Business Administration

Date of Submission: 11th May, 2023



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Prepared for:

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Letter of Transmittal

May 11, 2023

Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon University (SU)

Subject: Submission of thesis report.

Dear Sir,
With humble honor and respect, I am submitting my thesis report on **"Financial statements analysis of AKL as an internal auditor perspective".** As per partial accomplishment of the requirements for the MBA degree, this internship has been carried out under the supervision of you.

This report 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 core part of the topic. I hope this report reflects on the contemporary issues in the finance and accounting area that are being practiced by organizations in our country.

In completing the report, I tried my best to blend all my knowledge, imparted every available detail, and attempted to avoid unnecessary amplification of the report.

I humbly request you to accept this report for your kind evaluation.

Sincerely yours,

……
Md. Mominul Islam
ID: MBA2202026017
Major: Finance and Accounting
Department of Business Administration
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Student's Declaration

I, the undersigned, am a student of Business Administration, Department of MBA program, majoring in Finance and Accounting at Sonargaon University (SU) do hereby declare that the thesis report on **"Financial statements analysis of AKL as an internal auditor perspective"** is the original one and has been prepared by myself and has not been submitted anywhere for any degree, diploma, title or recognition.

The report was prepared under the supervision of Md. Shahbub Alam, Lecturer, Department of Business Administration of Sonargaon University (SU).

Sincerely yours,

……
Md. Mominul Islam
ID: MBA2202026017
Major: Finance and Accounting
Department of Business Administration
Sonargaon University (SU)

Letter of Authorization

Certified that this thesis report titled **"Financial statements analysis of AKL as an internal auditor perspective"** is the bona fide work of Md. Mominul Islam, who carried out the study under my supervision. Certified further that to the best of my knowledge, the work reported herein does not form part of any other project or dissertation on the basis of which degree or award was conferred on an earlier occasion on this or any other candidate.

……...

Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon University (SU)

Acknowledgment

I want to acknowledge and most grateful to almighty Allah, the most merciful blessing me with patience and tenacity of mind to complete the Thesis report which requirements for the degree successfully. Then, I specially want to acknowledge Mr. Joydeb Dutta CEO of JD & Co. firm MD Shamimul Haque Assistant General Manager Commercial at Hemayetpur Head office for their tremendous support, guidance and patience. Without their kind supervision, preparing this report would be very difficult. I am also thankful to them for providing me all the relevant and available information to have a clear concept on the subject. They provide me the guidance and counseling during my entire thesis report. Their continuous and well-thought feedback enabled me to make this report a comprehensive one.

I would like to express my sincere gratitude to my academic supervisor Md. Shahbub Alam, Lecturer, Department of Business Administration of Sonargaon University (SU) for his guidance, supervision and feedbacks which enabled me to prepare a well-executed report.

The following persons also game me important information which were necessary for analysis and provided me with feedbacks, which helped me a lot in preparing the report, their assistance is gratefully acknowledge: Md Kamrul Huda & Mr. Shymoleddu Ghosh.

Table of Contents

Executive summary	01
1. Introduction	02
1.2 Product/service offerings	03
1.3 Operational network organogram	04
1.4 Visions for the future	04
2.1 Description/nature of the job/s	05
2.2 Specific responsibilities of the job	06
2.3 Different aspects of job performance	07
2.4 Critical observations and recommendations	08
3.Literature Review	09
Recommendations	11
4.1 Summary of the report	12
4.2 Description of the report	12
4.2.1 Objective of the report	12
4.2.2 Methodology	13
4.2.3 Limitations	13
5. Financial statement analysis	14
5.1 Liquidity ratios	14
5.2 Efficiency ratio	14
5.3 Profitability ratio	16
6. Tally application	19
6.1 Functions/implementation	19
6.2 Purpose	19
6.3 Benefit	20
6.4 Cost	21
7.1 Risky area basis classifications & Factor analysis	22
8. Conclusion	26
9. References	27
10. Appendix 1	29
11. Appendix 2	31

EXECUTIVE SUMMARY

This report was originated in result of my thesis program, which I did, as must requirement of MBA program. This report was done based on my learning of 12 weeks' thesis report in Aman Knitting Limited. The objective of this report was to gain knowledge from one of the job experience and at the same time about AKL and analyzing the financial performance, based on the knowledge that I gathered in the MBA courses. Aman Knitting Limited is garment factory with green concept. The company import garment products and accessories and distribute all over the Bangladesh. Mainly, the machineries are imported from china, Germany, Korea, Taiwan, and India. The major clients of the company are diagnostic center and rests of the clients are physician.

This report aims toward providing and overview on account management department of Aman Knitting Limited. While preparing this report it has been tried to reveal the insights of the account management department & performance analysis of the organization and findings.

Finally, I have made a financial analysis to figure out some of the finding regarding the performance of Aman Knitting Limited.

Meanwhile I have included my suggestions and recommendations in order to eradicate the weakness of their department. Finally, I have ended my report though including references and sources that I have used to make this report.

CHAPTER – ONE

1. *Introduction*

Aman Kniting Limited (AKL) is a 100% export oriented vertical Knitting Designing company. Aman Knittings Ltd. (A member of Unifill Group) started its business in the year of 2002 at Savar, Dhaka, Bangldadesh. The promoters & management of Aman Knittings have been in the apparel business since last fifteen years. The company owns and operates modern ceramic wares factory and products high quality Porcelain tableware products and sells them in the local as well as International Markers. It is located in Kulasur (Ground -5th floor) Hemayetpurt, Savar, Dhaka AkL uses a large variety of circular-knit and warp fabrics produced exclusively by the company's fabrics department, from a wide range of fibers. For last 16 years AKL has been a regular supplier to some of the largest retail chain stores of Europe and North America, e.g., Marks and Spencer, Tesco, Next, target, Woolworth and Shop Direct. AKL has an enviable reputation as an international garment manufacturer based on a simple but unwavering philosophy of high quality products. All materials are tested in its own laboratory equipped with modern textile testing equipment. AKL fully complies with all the environmental and labor Code of Conduct required by major retail stores of Europe and USA.



1.2 Product/service offerings

Sweater is no longer a warmth provider. Now a day its's a fashion statement. People now more towards flat knits then it was in early days. The comfort & variety of designs in flat knit has given a new name to sweater industry. Now sweaters are being use as outwear & casual wear. Besides using the regular yarns Aman Knittings Limited has got its expertise to do plating with Lycra to give a proper shape to the fitted garments. Styles with embroidery and printing are some added value addition to their range. Aman Knitting Limited is capable in doing acid wash, enzyme wash, and distress look sweater which is the most recent trend in fashion.

RAW MATERIAL

Raw material is the most important element in the creation of a best product. We always deal with almost all types of yarn starting from natural fibers like wool, woolen blends, cotton blends to manmade fibers like viscose, nylon & acrylic & their blends. Based on deliveries & quality preferences, we source yarn from Bangladesh, China, Korea, Italy and Taiwan.

PRODUCT & DEVELOPMENT

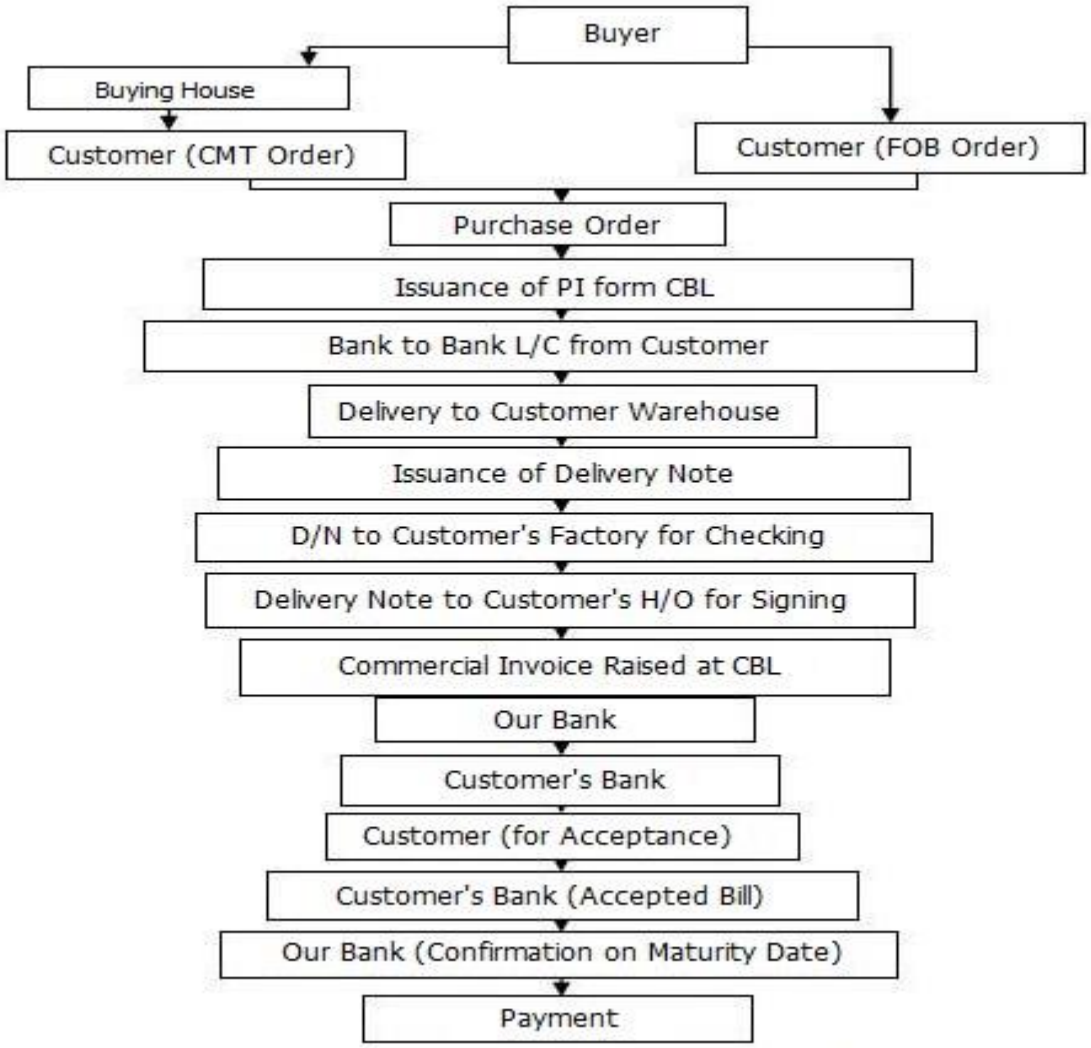
Sampling section of Aman knittings Limited is equipped with all kinds of machinery to fulfill its buyer's need at any point of time. Experienced designer & skilled workers are sampling department enables quick turnaround of sampling request. Organization product prototyping to translating concepts into collection, all done here professionally with help of technically experienced professionals. Huge database of yarn, trims & accessories always lead to timely deliveries of all samples.

QUALITY ASSURANCE

Aman knitting Limited have its 'own quality assurance system to make top quality sweaters. Quality assurance & quality efficiency monitoring system reduces the rework & hence improve the product efficiency as well as identity operators who require more training to meet requirements. Cheek point at all process end better quality product. Testing of raw materials for physical & chemical characteristics by reputed textile testing laboratories ensures that the materials are of high standard. In house QA team carries out random in house final inspection of the packed goods before conducting final inspection by buyer's QA.

1.3 Operational network organogram

Here is the operational network organogram of AKL



1.4 Visions for the future

To be a leading business group in fashion industry by offering best price & quality services within 2022. Their vision is to set benchmark in the 3p – product quality, productivity & process. Flexibility to meet customer's need in terms of product innovation, deliveries & quick turnaround.

As a responsible apparel manufacturer, their vision is to groom a top quality ethical management team & a disciplined work force. Our goal is to produce top quality products by adhering to just in time schedule, supported by professional management & advanced technology.

CHAPTER – TWO

2.1 Description/nature of the job/s

Ensures successful completion of assigned audit engagements, from start to finish, inclusive of preplanning and wrap up activities. Depending on assigned engagement, report to one or more member(s) of the Internal Audit senior management team. Manages and directs daily activities of more junior auditors assigned to assist the Supervising Auditor during an engagement. Applies risk and control concepts to scenarios encountered and identifies any potential issues. Communicates identified issues with Internal Audit senior management to ensure any potential concerns are addressed in a timely in a timely and effective manner.

2.2 **Specific responsibilities of the job**

Responsibilities that I had to fulfill during my thesis report,

- Conducts assigned audit engagements successfully from beginning to end
- Assessment of Existing Organogram
- Assessment of Jobs & Responsibility of each person
- Organogram Setting
- Fixation of Time Line of Reporting
- Daily Flash Report (Tally)
- Monthly/ Quarterly/Annual Budget
- Salary & Benefit (S&B) Analysis
- Provident Fund Audit up to June 2022
- Reconciliation on AKL performance (2021-22)
- Feasibility Report – Aman Knitting Limited
- Tax Exemption for Utility Bills
- Bank Charge Analysis Report
- Bank Account opening for Expatriate
- Income Tax deduction for Staff and workers
- Reconciliation on AKL
- Internal Audit – AGDL & AKL for the financial 2022
- Organizes personal effort along those of junior auditors to be risk-based, productive, and efficient at all times
- Communicates assigned tasks to engagement team in a manner that is clear and concise ensuring high related duties as assigned.
- Ensures adequate focus on personal professional growth relevant to taking on more challenging assignments, in line with standard audit career progression – proactively seeks relevant Education and training opportunities.

2.3 Different aspects of job performance

The purpose of government audit is to ensure transparency and accountability in the use of resource in all types of government management. The objective of audit work includes verification of statements of account and statement of income and expenditure to determine whether these are prepared truly and correctly. The focus has been shifted to traditional compliance and financial auditing to issues of performance and results.

(a) Financial Audit: The purpose of conduction a financial audit is to give an opinion on whether the financial statement prepared by the public sector agencies shows a true and fair view of the financial position. For this type of audit, the Auditor General attests to the accuracy and fairness of financial information in terms of whether they have been prepared in accordance to financial reporting framework requirements. It is mandatory for the Auditor General to conduct the financial audit to certify the financial statements of the federation, states and other public authorities and public bodies as provided by the law.

(b) Compliance: Audit Compared to a financial audit, it is not compulsory for the compliance audit to be conducted to all government agencies yearly. This type of audit is performed on cyclical basis. In compliance auditing, the Auditor General will examine and review the transactions and activities of ministries/departments or agencies to determine whether they have conformed to all laws and regulations. For example, the Auditor General verifies whether the income and expenditures of government departments have been authorized and spent for the designed purposes.

(c) Performance Audit the performance audit involves studies and evaluation of specified programs or activities of ministries/department and other government agencies. This is to determine whether the objectives of the programs or activities are achieved and whether the implementation of the programs and activities were carried out in an economical, efficient and effective manner. For the purpose of this research, performance audit was selected as the subject dues to its importance of its functions to the public sector community.

Here we have been doing all types of audit as internal auditor on Aman Knittings Limited (AKL).

2.4 Critical observations and recommendations

We would like to inform you about the issues about our deliverables and delivered:

SL	Particulars	Planned Date	Current Status	Remarks
01	Assessment of Existing Organogram	Within 3 months	Done	We have reviewed the organogram and spoke with every staff of Accounts & Finance team
02	Assessment of Jobs & Responsibility of each person	Within 3 months	Done	Finance people related with AKL has been finalized and AKL work is going one
03	Organogram Setting	Within 1st 3 month	Done	As per present working condition again it would be reviewed upon automation of Tally Software vouching system.
04	Fixation of Time Line of Reporting	Within 2nd month	Yet to be done	Need more time as we are yet to fix the system.
05	Daily Flash Report	Within 2nd month	Done	Weekly, Bi-monthly and monthly AKL flash Report already finished and AKL flash report would be started soon.
06	Daily Cash Flow Analysis	From 3rd month	Not yet done	Need few more months
07	Monthly/Quarterly/Annual Budget	From 3rd month	Work already started	Production Budget, Utility Budget & Monthly Build up plans have already been formalized and Payroll Budget has already sealed up.
08	Salary & Benefit (S&B) Analysis	From 4th month	Is in progress	From next month it will be given
09	Provident Fund Audit up to June 2022	Not within the scope	Up to June 2015 of AKL & AKL finished	Till June it has been done. PF people are working on those and upon getting from them we would start our work.
10	Reconciliation on AKL performance (2021-22)	Not within the scope	Almost finished	Report already sent out
11	Tax Exemption for utility Bills	Not within the scope	In Progress	Mr. Syamal is sending letter to VAT office for exemption hope fully each year we can save BDT 8-10 lacs
12	Bank Charge Analysis Report	From 8th month	Already started	
13	Bank Account opening for expatriate	Not within the scope	Done	From this month Expatriate Salary is now being deposited to Bank
14	Income Tax deduction for Staff and workers	Not within the scope	Done	Already checked and reviewed
15	Reconciliation on AKL performance Actual vs Budget	Not within the scope	Almost finished	Report already sent out

16	Internal Audit – AKL & AKL for the financial 2022	Not within the scope	Almost finished	For the last 2 months we were working on Internal Audit coz we have got changes total 5 times and still Accounts department making changes in Tally Software.

In addition to the above we are now closely working with software team on ERP development issue and we would also take of Internal Audit from next months for the total group which was not covered in our scope of work.

CHAPTER – THREE

3.Literature Review:

The survey of related literature covers many studies that were done nationally and at the international levels, here, this study covers some of them as follows:

The study of Laitinen (2006) presents a framework for the financial statement analysis of a network of small and medium-sized enterprises. The objective is to make an approach towards a systematic network financial statement analysis. The data for the study are drawn from the public financial statements of the partner firms. The proportion of income statement items and balance sheet items is traced by a simple estimation to the resources used by the network and identified by each firm. Virtual network income statement and balance sheet are made up of the allocated proportions. The paper is focused on eight measurement objects that are causally related to form a strategic map: resources; growth; concentration; productivity; profitability; mutual flows; risk and value; and, several measures for each object are suggested.

The study that has been done by Al-Aameri and Alrikabi (2007) was focusing on one of the important techniques in financial analysis, namely, the financial ratios, for the purpose evaluating the performance of petroleum projects company, and to find out the main strength and weakness points, so as to suggest the remedial actions for treatment of negative points and enhance the positive one. The paper's contains detail study for the data included in financial statements to explain the financial performance of the company, and that will help the management for planning the future according to the previous performance, and also contain the converting process of the data of financial statements to meaningful information through several techniques, the financial statement analysis among them.

Maggina (2008) used the financial ratios so as to investigate the distributional properties of financial ratios. Distributions presented in both theory and practice such as Cauchy, chi-square, Erlang, exponential, extreme value, Gamma, Laplace, logistic, lognormal, Student t, triangular, uniform and Weibull have been tested in the study. Panel data of financial ratios for the time period 1974-2006 for Greek listed companies indicate that none of the financial ratios selected in the study follows a normal distribution. The value of test statistic (KolmogorovSmirnov) is relatively large and the p-value of the test is lower than 1%. This is merely inconsistent with the literature.

Malhotra, et al (2009) investigated the credit crisis in the financial markets had led to tremendous turmoil in the financial services industry. As a result, a substantial decline in the profitability and liquidity of the financial services companies was seen. They analyzed the financial performance of thirteen leading financial services firms to evaluate their relative standing in the industry. They illustrate the use of data envelopment analysis (DEA), an operations research technique, to evaluate the relative financial strength of thirteen financial services firms by benchmarking the financial ratios of a firm against its peers. DEA clearly brings out the firms that are operating more efficiently in comparison to other firms in the industry, and points out the areas in which poorly performing firms need to improve.

Pazarskis et al (2011) empirically, examine the impact of merger and acquisitions on the post-merger performance of Greek merger-involved firms in the long-run perspective. The post-merger performance of an extensive sample of acquiring listed firms is investigated with accounting data analysis. For the purpose of the study, an explanatory set of 24 financial ratios (divided into five main groups) is employed, in order to measure firms' post-merger performance. The results

revealed that six out of all the examined ratios had decreased and showed, in general, deterioration in several business functions of merger-involved firms' performance in the post-merger period.
Yaseen (2011) investigates the effects of accounting principles and accounting assumptions of the financial analysis, since the financial analysis process comes after the disclosure of accounting system output. The research reveals that there are both positive and negative effects of accounting principles and assumptions on the accounting measurement process. So the research seeks how to remove the negative effects of these principles and make the results of the financial analysis more accurate and realistic. The study concludes that the historical cost principle was inconvenient and the organization must use the methods such as the fair value, and to work for developing the approaches of financial management and analysis to make a compromise between the accounting and economics concepts of the organization’s value

CHAPTER – FOUR

Recommendations

OPERATIONAL GUIDELINE

A big trend for organizations is to blend their operational functions under the umbrella known as supply chain management. Often, the first two functions to merge are purchasing and inventory management. Distribution channels and appropriate recording of the same are the pathways that companies use to sell their products to end-users. During the course of our audit we observed that there is no written policy or guidelines relating to working capital management in Aman Knitting Ltd (AKL)

We recommend that the management should take necessary steps to design and develop a standard operation policy (SOP) covering material accounting, purchase control, sales policy, credit policy and any other internal control of the company.

ONLINE INFORMATION SYSTEM

The objective of introducing Online Information Systems within the company is to inform the management about any financial transactions from any branch and to understand and evaluate the scope and impact of the said financial transactions soon after entering the transaction into the system.

Benefit of online Data entry facilities are:

i) Time saving if trained workforce is employed.
ii) Security of data.
iii) High Speed and Low Cost Communication.
iv) It reduces capital costs of infrastructures.
v) Quick turnaround time with high accuracy.
vi) Efficiency control over all branches from central office.
vii) Quick Management decisions can be made as and when required.

We recommend that the management should implement effective management information system (MIS) initially so that transactions can be monitored form the head office by concerned officials from time to time.

FINANCIAL GUIDELINE

During the course of our audit we observed that there is no written financial guideline in the company. The objectives of maintaining the accounts of Aman Knitting Ltd (AKL) are:

a) To maintain an utmost sound financial regularity & discipline in all levels of financial management of the company;

b) To achieve the transparency and accountability through better implantation of effective financial management control systems and accordingly, better preparation & presentation of the company's financial statements following the international standards.
c) Full disclosure of the operating cost/ expense of the company.
d) Accounting records that can serve as the basis of ascertaining the implementation of plan and budget, preparing future plan of operation and budgets, and for evaluating plan and budget demands and proposals.
e) Financial information needed for monitoring expenditure and for exercising effective management control of operations of the company.
f) Reliable information for report purposes, which will serve the requirement of GOB, Aman Knitting Ltd (AKL). Internal Management, Investors, Internal Audit, External Audit, Investigation, Assessment, Review and other relevant agencies.
g) Periodical statement and report to company management and other related offices as required by the management.
h) To strengthen internal control techniques & polices, internal checking mechanisms to improve financial accountability, to ensure the accuracy of the financial reports and maintain a methodical recording of financial transactions.

We recommended that the management should take necessary steps to design and develop a standard financial guideline to ensure above control mechanisms of the company.

4.1 Summary of the project

Financial statement analysis is the process of reviewing and analyzing a company's financial statement to make better decisions. This statement includes the income statement, balance sheet, cash flow statement, and statement of retained earnings. Financial statement analysis is requirement for evaluation risks, performance, financial health and future prospects of an organization. In this report, the financial statements of Aman Knitting Limited are analyzed. Aman Knitting Limited is one of the 100% export oriented vertical Knitting Designing Company in Bangladesh.

4.2 Description of the thesis report

This report on "Financial statement analysis of Aman Knitting Limited as an internal auditor" has been prepared as a partial requirement for the completion of the internship program for the Master of Business Administration (MBA) program of one the leading university of Bangladesh, Sonargaon University (SU). For thesis report purpose, I worked in Aman Knitting Limited as an intern and worked as an internal Auditor. The preparation of this report was supervised by Md. Shahbub Alam, Lecturer, Sonargaon University.

4.2.1 Objective of the thesis report

The key objective of the report is to analyze the financial performance of Aman Knitting Limited. There are some specific objectives also. This are-

- To analyze the financial statements of Aman Knitting Limited.
- To calculated the different financial ratios.
- To understand the implications in analyzing and interpreting the financial ratios.
- To identify the findings and raise possible recommendations for Aman Knitting Limited.

4.2.2 Methodology

This report is descriptive in type that briefly reveals the overall financial activities performed by AKL. Collection of primary and secondary data has been required for the analysis. Annual reports of AKL were the source of secondary data in this regard. Ratio analysis has also been used as major tools for the financial performance analysis of AKL.

Primary Source of Data are:

- Conversations with the different officials of AKL.
- Focus group discussion
- Take expert opinion from the officers.
- Direct Observation.
- Informal Discussion.

Secondary Sources of data are:

- Annual report of AKL.
- Different textbooks and journals.
- Various reports and articles related to study.
- Some of my course elements as related to this report.
- Web base support from the internet and intranet.

4.2.3 Limitations

- Time of this report was very limited. It was really tough to know details about a company like Aman Knitting Ltd. Within a short span of time.
- Sometimes I could not communicate with the respective personnel of Aman Knitting Ltd. Properly as they are very busy.
- Because of Strategic and comparative position of the company, it could not disclose the confidential information which might make the report worthier.
- As I am not that much experienced to analyze financial performance of a giant company, there might have some short comings. But I tried sincerely to submit a significant report.

CHAPTER – FIVE

5. Financial statement analysis

Financial statement analysis is the process of reviewing and evaluating a company's financial statements (such as the balance sheet or profit and loss statement), thereby gaining and understanding of the financial health of the company and enabling more effective decision making. Financial statements record financial data; however, this information must be evaluated through financial statement analysis to become more useful to investors, shareholders, managers and other interested parties. It is an evaluative method of determining the past, current and projected performance of a company. Several techniques are commonly use as part of financial statement analysis including horizontal analysis, which compares two or more years of financial data in both dollar and percentage form; vertical analysis, where each category of accounts on the balance sheet is shown as a percentage of the total account; and ratio analysis, which calculates statistical relationships between data.

5.1 Liquidity ratios

Liquidity ratios measure a firm's ability to meet its current obligations. These include:

5.1.1 Current Ratio:

Current Ratio = Current Assets / Current Liabilities

This ratio is needed to measure a firm's ability to meet its short term obligations. Unlike some other ratios current ratio incorporates all current assets and liabilities. That is why it is called "current". The current ratio is needed to give and idea of the company's ability to pay back its liabilities (debt and accounts payable) with assets (cash, marketable securities, inventory and accounts receivable).

Years	**2022**	**2021**	**2020**
Current Assets	1,365,595,482	1,068,024,701	1,200,829,925
Current Liabilities	837,953,897	678,024,051	476,630,782
Current Ratio	1.63	1.57	2.52

Interpretation:

The current ratio for the year 2020, 2021 and 2022 is 2.52, 1.57 and 1.63 respectively, compared to standard ratio 2:1 this ratio is lower which shows low short term liquidity efficiency at the same time holding less than sufficient current assets mean inefficient use of resources.

5.1.2 Quick Ratio:

Quick Ratio = (Current Assets-Inventory)/ Current Liabilities

A ratio which measures a company's ability to meet its short-term obligations with its most liquid assets. It is needed to measures the dollar amount of liquid assets available for each dollar of current liabilities.

Years	**2022**	**2021**	**2020**
Current Assets	1,365,595,482	1,068,024,701	1,200,829,925
Current Liabilities	837,953,897	678,024,051	476,630,782
Inventory	336,642,996	224,554,129	212,590,177
Quick Ratio	1.23	1.24	2.07

Interpretation:
From the above table, this company's quick ratio of 2020 was 2.07, which means that Lafarge had $2.07 of liquid assets available to cover each $1 of current liabilities. But simultaneously for 2021 and 2020 it is decreasing. So the decreasing quick ratio indicates AKL's liquidity position is having worst.

5.1.3 Working Capital:

Working Capital = Current Assets – Current Liabilities

Net working capital is a liquidity calculation that measures a company' ability to pay off its current liabilities with current assets. This measurement is important to management, vendors, and general creditors because it shows the firm's short-term liquidity as well as management's ability to use its assets efficiently.

Years	**2022**	**2021**	**2020**
Receivable	379,370,863	196,512,567	333,919,532
Inventory	336,642,996	224,554,129	212,590,177
Cash & Cash Equivalent	166,549,401	93,997,207	71,325,142
Payables	758,517,851	598,462,243	402,226,967
Net Working Capital	124,045,409	(83,398,341)	215,607,885

Interpretation:
It is very clear from the above calculations that the working capital of the company was decreased on 2021 but is recovers in 2020, which shows good short term liquidity efficiency.

5.2.1 Inventory Turnover:

Inventory Turnover = cost of sales / Inventory

The inventory turnover ratio is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. This measures how many times average inventory is "turned" or sold during a period. In other words, it measures how many times a company sold its total average inventory dollar amount during the year.

Years	**2022**	**2021**	**2020**
Cost of Sales	896,737,855	748,728,980	728,067,584
Inventories (RM)	164,533,224	69,526,492	130,278,151
Inventories (WIP)	108,835,400	65,399,821	54,498,221
Inventory (Including FG)	336,642,996	224,554,129	212,590,177
Inventory Days	111	66	93
Months	3.7	2.2	3.0

Interpretation:
AKL's Inventory turnover ratio is increased in 2020, which is a good sign for the company because a high ratio indicates inventory is selling quickly and that little unused inventory is being stored.

5.2.2 Receivable Turnover:

Receivable Turnover = Revenue / Receivables

It measures the efficiency of extending credit and collecting the same. It indicates the average number of times in a year a company collects its open accounts. A high implies efficient credit and collection process.

Years	**2022**	**2021**	**2020**
Revenue	2,738,459,323	2,331,731,107	1,995,899,603
Receivable	379,370,863	196,512,567	333,919,532
Receivable Days	51	31	61
Months	2.2	1.4	2.0

Interpretation:

From the above table we can see that AKL's turnover of receivables was decrease in 2021 but has increase in 2020 which is a good for the company because the higher the turnover, the shorter the time between sales and collecting cash.

5.2.3 Payable Turnover:

Payable Turnover = Purchase / Payables

Payable turnover ratio represents the number of times a company pays its accounts payable during a period. A low ratio is favored because it is better to delay payments as much as possible so that the money can be used for more productive purposes.

Years	**2022**	**2021**	**2020**
Purchase	1,00,826,721	760,693,045	712,153,625
Payable	758,517,851	598,462,243	402,226,967
Payable Days	274	287	206
Months	9.0	9.4	6.8

Interpretation:

It is clear from the table that in 2021 the turnover was increased but in 2020 it decreased a little which is good for the company.

5.3 Profitability ratio

Profitability ratios are the way to measure a company's performance. It is needed to assess a business's ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time.

5.3.1 Gross Profit Margin:

Gross Profit Margin Ratio = Gross Profit / Total Sales

Gross margin ratio is a profitability ratio that compares the gross margin of a business to the net sales. This ratio measures how profitable a company sells its inventory or merchandise. In other words, the gross profit ratio is essentially the percentage markup on merchandise form its cost. This is the pure profit from the sale of inventory that can go to paying operating expenses. Gross

margin ratio is often confused with the profit margin ratio, but the two ratios are completely different. Gross margin ratio only considers the cost of goods sold in its calculations because it measures the profitability of selling inventory. Profit margin ratio on the other hand considers other expenses.

Years	**2022**	**2021**	**2020**
Gross	1,720,760,783	1,482,672,526	1,208,940,668
Sales	2,714,790,547	2,306,405,946	1,995,899,603
Gross Profit Margin	16%	16%	12%

Interpretation:
We can see from the above table that the company's gross profit margin ratio increased from 12% to 16% in 2020 which means the company is selling their inventory at a higher profit percentage.

5.3.2 Net Profit Margin:

Net Profit Margin = Net Profit /Sales

Net profit margin ratio is a profitability ratio that measures the amount of net income earned with each dollar of sales generated by comparing the net income and net sales of a company. In other words, the profit margin ratio shows what percentage of sales are left over after all expenses are paid by the business. Creditors and investors use this ratio to measure how effectively a company can convert sales into net income.

Years	**2022**	**2021**	**2020**
Net Profit / Loss	218,526,265	196,044,966	131,737,899
Sales	2,714,790,547	2,306,405,946	1,995,899,603
Net Profit Margin	8%	8%	6%

Interpretation:
Therefore, the Net Profit Margin was 6% in 2020, increase to 8% in 2021 and then in 2022 it is same as 2022

5.3.3 Interest Coverage Ratio:

Interest Coverage Ratio = EBIT / Interest Expenses

The interest coverage ratio is debt ratio and profitability ratio use to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio may be calculated by dividing a company's earnings before interest and taxes (EBIT) during a given period by the amount a company must pay in interest on its debts during the same period.

Year	**2022**	**2021**	**2020**
EBIT	230,768,993	207,233,034	147,162,727
Interest Expenses	50,267,668	28,247,615	18,992,454
Interest Coverage Ratio	5	7	8

Interpretation:
The table shows that the interest coverage ratio is above 1, It means that the company is making more than enough money to pay its interest obligations with some extra earnings left over to make the principle payments. In 2022 the ratio is 5. So AKL is extremely liquid and shouldn't have problem getting a loan to expand.

CHAPTER – SIX

6. Tally application

Tally is powerful accounting software, which is driven by a technology called concurrent multi-lingual accelerated technology engine. It is easy to use software and is designed to simply complex day to day activities associated in an enterprise. Tally provides comprehensive solution around accounting principles, inventory and data integrity. Tally also has feature encompassing global business. Tally software comes with easy to use interface thus making it operationally simple.

6.1 Functions/implementation

Tally is a complete Enterprise Resource Planning system with a excellent grip in accounting features. Although it has many more core features that a business requires but its hold in accounting is truly commendable. Therefore, it is known more for accounting rather than any other of its features.

If I have to mention a single software for a business need even if the business is just starting out, Tally is the one which I would recommend.

The reason for this recommendation is because Tally does all the things that a business at a time of starting up requires.

For example,

- Accounting
- Billing
- Sales and profit analysis
- Banking
- Inventory
- Taxation (VAT, TDS, TCS)

6.2 Purpose

Tally is an account and inventory management software which is having many other features too. With the latest version of this software Tally 9 you can

- Do all basic accounting function
- Manage firm’s store and items,
- Do the job costing
- Manage payroll,
- Get many MIS reports which are useful for day today functions,
- File the tax returns like prepare balance sheet, profit and loss statement, VAT forms, TDS, returns, Service tax returns, e-TDS filing, Excise forms, FBT reports and forms,
- Maintain budgets, scenarios,
- Calculate interest on pending amount
- Manage data over different locations and synchronize it and many more other features.

In fact, in today's environment a firm just needs a computer with Tally software to manage their accounting debt, which is less time consuming and give the flexibility to the employees.

6.3 Benefit

1. Installation of Tally is fast and easy:

Tally has a simple procedure of installation and the software does not require high level of hardware configuration for installation. It takes not much time to install and you do not require more than 8 MB space for loading the software. Buyers can specify the directory to install the software and get it installed in 1 minute.

2. Fast data transaction:

Tally uses flexi data and flexi fields, which are self-indexed file structure, and the data transaction is very fast. Therefore, the software is easy to use even for people who are not proficient in computer hardware of software.

3. High operating system compatibility:

It runs on many operating systems and it is very compatible to other software products. You can install Tally on Windows NT, Windows 95, Windows 98 and Windows 2000.

4. High network compatibly:

Tally runs on different network protocol such as NT, Peer – Peer N / W, Novell, TCP / IP may require the unlock feature.

5. Reliable data transaction:

Data integrity checks are carried out by the machines at regular intervals, which enable complete reliability. A binary coding is used to store data, which prevents direct access to the data and data can only be accessed through OBDC Layer.

6. Admin features

The software provides rights to the administrator to conduct audit of all the data stored in the data files. The main administrator can alter the data as per the requirement and after the alternation the software depict the changed data with the name of the person, who changed it.

7. User's rights can be defined:

The software provides the features to define user's right and the administrator has the right to access all the features of the software. Multi user version also called Gold version, allows people to work on network to run on many machines and data transaction is very easy on multi user environment.

8. Data encryption through Tally vault:

The data of the software is encrypted through Tally Vault. The admin user for a new company is created on the set up stage or new rights can be defined by modifying the previous entries.

9. Easy to restore data and take a backup:

Tally offers a user friendly backup option and the backup can be taken to local machine. You can take back-up of data of one more company in one folder. The software also allows splitting data to separate two units of a company.

10. Allows data formatting and import/ export of data:

Tally provides support for protocols such as HTTP, FTP, HTTPS, SMTP and RAW, and it allows data to be transferred to other formats of data such as XML, HTML, SOAP and SDF. Tally can export data in many formats and imports can be taken from XML or DBF from of data formatting. The software allows graphical reports and web enabled features.

6.4 Cost

Tally.ERP 9 is presently available in two editions: Silver & Gold.

Silver is for a sigle user, while Gold is for unlimited users on a Local Area Network (LAN). Therefore, Tally.ERP 9 Silver can be activated (as in licensed) on one computer and used from that same computer. Tally.ERP 9 Gold can be activated on one computer and accessed from any or all computers on that network.

The cost of tally Software is given bellow:

Version	**Approximate Price**
Tally.ERP 9 Silver	BDT. 50,000
Tally.ERP 9 Gold	BDT. 130,000

CHAPTER – SEVEN

7.1 Risky area basis classifications & Factor analysis

Unit management throughout the Unifill Group is responsible to establish internal controls to keep their unit on course toward its financial goals, to help it achieve its mission, to minimize surprises and risks, and to allow the organization to successfully deal with change. Internal controls are defined as activities undertaken to increase the likelihood of achieving management objectives in three areas:

- Efficiency and effectiveness of operations
- Reliability of financial reporting
- Compliance with laws and regulations

Some internal controls are established at the institutional level; others are established by unit management. To achieve success, unit management needs to

1. Be knowledgeable about, and support, institutional controls, and
2. Implement practical and effective internal controls specific to the particular unit.

The following checklist is provided to facilitate a self-assessment of internal controls by management of individual departments. It is intended to address general aspects of internal controls, and does not include specific controls applicable to individual units. Organization of the checklist is consistent with the five interrelated components of internal control defined by the International Auditing Standard (ISA). We encourage department heads and other unit management to use this self-assessment checklist to evaluate internal controls in their areas of responsibility. Management should also add to the checklist other controls that apply specifically their units. Internal Audit would be please to consult on methods to improve your internal controls.

7.1.1 Control Environment

Integrity and Ethical Values

- Unit management (faculty and supervisory staff) understand the Aman Knitting Ltd. Policies covering matters such as legitimate use of Aman Knitting Ltd. Resources.
- Unit management understands the Aman Knitting Ltd. Policies governing relationships with sponsors, suppliers, creditors, regulators, the community, and the public at large.
- Unit management understands the Aman Knitting Ltd. Policies regarding potential conflicts of interest.
- Unit management sets a good example and regularly communicates high expectations regarding integrity and ethical values.

Organizational Structure

- Complexity of the structure is commensurate with the organization. Lines of reporting are clear and documentation is up-to-date.
- Documentation exists and is up to date.
- Size is commensurate with the complexity of the unit and its growth.
- Low turnover.

Human Resource Policies and Practices

- A careful hiring process is in place. The Human Resources Department is involved in identifying potential employees based on job requirements.

- On-the-job and other training programs have defined objectives. They are effective and important.
- Personnel are adequately supervised. They have a regular resource for resolving problems.
- Inappropriate behavior is consistently reprimanded in a timely and direct manner, regardless of the individual's position or status.
- An organized evaluation process exists.
- Compensation decisions are based on a formal process with meaningful involvement of more than one level of management. The effect of performance evaluations on compensation decisions is defined and communicated.
- Critical functions are adequately staffed, with reasonable workloads.
- Low turnover.
- Management understands root causes of turnover.

7.1.2 Risk Assessment

Organizational Goal and Objectives

- A formal unit-wide mission or value statement is established and communicated throughout the unit.
- Factors that are critical to achievement of unit-wide objectives are identified. Resources are appropriately allocated between critical success factors and objectives of lesser importance.
- Realistic objectives are established for all key activities including operations, financial reporting and compliance considerations.
- Unit-wide and activity level objectives include measurement criteria and are periodically evaluated.
- Employees at all levels are represented in establishing the objectives.
- Long and short-range plans are developed and are written. Changes in direction are made only after sufficient study is performed.
- Detailed budgets are developed by area of responsibility following prescribed procedures and realistic expectations. Plans and budgets support achievement of unit-wide action steps.
- Planning for future needs is done well in advance of expected needs and considers various scenarios.

Risk Identification and Prioritization

- A process exists to identify and consider the implications of external risk factors (economic changes, changing sponsor, student and community needs or expectations, new or changed legislation or regulations, technological development, etc.) on unit wide objectives and plans.
- A process exists to identify and consider the implications of internal risk factors (new personnel, new information systems, changes in management responsibilities, new or changed educational or research programs, etc.) on unit-wide objectives and plans.
- The likelihood of occurrence and potential impact (monetary and otherwise) have been evaluated. Risks have been categorized as tolerable or requiring action.
- In-depth, cost / benefit studies are performed before committing significant unit resources.
- A risk management program is in place to monitor and help mitigate exposures.
- External advisors are consulted as needed to supplement internal expertise.

Managing Change

- Management promotes continuous improvement and solicits input and feedback on the implications of significant change.
- Management is willing to commit resources to achieve positive change.
- Mechanisms exist to identify, prioritize, and react to routine events (i.e., turnover) that affect achievement of unit-wide objectives or action steps.
- Mechanisms exist to identify and react to economic changes.
- Mechanisms exists to identify and react to regulatory changes (maintain membership in associations that monitor laws and regulations, participate in Aman Knitting Ltd. Forums, etc.).
- Mechanisms exist to identify and react to technological changes and in the functional requirements of the unit.

7.1.3 Information and Communication

Access to Information

- Unit members receive relevant information regarding legislation, regulatory developments, economic changes or other external factors that affect the unit.
- An executive information system exists. Information and repots are provided timely. Report detail is appropriate for the level of management. Data is summarized to facilitate decision making.
- Information is evaluated and classified based on level integrity, confidentiality and availability. Individuals with access to information are trained to understand their responsibilities related to the information.

Communication Patterns

- Management promotes and fosters trust between employees, supervisors and other units.
- Employees who violate and important policy are disciplined. Management's communications and actions are consistent with policies.
- Employees are encouraged to provided recommendations for improvement. Ideas are recognized and rewarded.
- Formal methods are used to communicate unit policies and procedures (e.g,. manuals, training programs, written codes of conduct, and acceptable business practices.)
- Standards and expectation are communicated to key outside groups or individuals (e.g., vendors, consultants, donors, sponsors, subcontractors, sub-recipients).
- Employees are kept informed of important matters (downward communication) and are able to communicate problems to persons with authority (upward communication)
- There is effective functional coordination within the unit (lateral communication).
- Information is openly shared with outside evaluators.

7.1.4 Monitoring

Management Supervision

- Management routinely spot-checks transactions, records and reconciliations to ensure expectations are met.
- Accounting policies are defined and adopted after appropriate consideration. Policies are effectively communicated (in writing).
- Policies are defined for developing new systems or changes to existing systems (cost/benefit analysis, team composition, user specifications, documentation, acceptance testing, and user approval).
- Budgets are compared to actual results and deviations are followed up on a timely basis. Adequate consideration is given to commitments.

Outside Sources

- Data is used to compare the unit's performance with peers or industry standards.
- Reports form regulatory bodies are considered for their internal control implications.
- Root causes of inquiries or complaints are investigated and considered for internal control implications.
- Information provided by external auditors about control-related matters are considered and acted on at high levels.

Self-Assessment Mechanisms

- Management periodically assesses employee attitudes, reviews the effectiveness of the organization structure, and evaluates the appropriateness of policies and procedures.
- Management periodically evaluates the effectiveness of its risk assessment process.
- Internal controls are subject to a formal and continuous internal assessment process.
- Management periodically evaluates the accuracy, timeliness and relevance of its information and communication systems. Management questions information on management reports that appears unusual or inconsistent.

CHAPTER – EIGHT

8. Conclusion

Aman Knitting Limited is a sister concern of Unifill Group is a trend better in the RMG Industry. The company is always trying for better environment friendly RMG products. AKL has been a regular supplier to some of the largest retail chain stores of Europe and North America, e.g., Marks and Spencer, Tesco, Next, target, Woolworth and Shop Direct which the largest means for great achievement all over the country. This company has been playing an important role to earn foreign currency. Getting listed DSE, bringing this company closer to the mass people and clearer of its operation. We should like to inform that we have been impressed with the curtesy extended to us, the considerable help from the management and all level of staff members of Aman Knitting Ltd (AKL) with whom we have come into a contact during the course of our audit. The management and financial analyst of the company analyze the financial statements for making any further and administrative decisions for the betterment of the company. Therefore, I select this topic, so that I have done some financial analysis that will certainly help the management of review their performance and also assist the interested people like investors and creditors. If I consider myself as a financial statements of the company. Because, it is a primary responsibility of the financial managers or financial analyst to manage financial matters company by evaluating the financial statements.

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Appendix 1

Aman Knitting Ltd.

Cosolidated Balanced Sheet

As on December 2022

		BDT
Fixed Asset		
	Plant & Machinery	83,331,385
	Plant & Machinery – In transit	
	Furniture & Fixtures	16,313,693
	Computer & Printer	
	Software	-
	Factory & Office Equipment	83,313,052
	Motor Vehicle	36,986,560
	Construction & Development	43,649,499
	Land & Land Development	106,432,895
	Accumulated Depreciation & Amortization	(193,073,197)
	Total Fixed Asset	**176,953,887**
Current Asset		
	Raw Materials & WIP	273,368,624
	Finished Goods	63,274,372
	Accounts Receivable	129,834,447
	Bank Bills Receivable	207,343,682
	Trade Receivable	4,984,695
	Advance & Prepayments	(1617,426)
	Current A/C With Sister Concern	1,776,538,412
	Loan to others	377,289,351
	Inter Company Interest	50,388,689
	Cash at Bank	14,925,144
	Security Deposit / Reserve at Bank	136,134,867
	Cash in Hand	822,246
	Total Current Asset	**3,033,287,104**
Current Liabilities		
	Bank Bills Payable	687,271,994
	Trade Payable	62,293,754
	Loan from others	20,000,000
	Provident Fund	1,999,356
	Salary & Wages	3,360,636
	Worker Welfare Fund	2,603,573
	Accruals & Provisions	56,326,741
	Liability for PPS	(46,856,007)
	Total Current Liabilities	**787,000,047**
Net Current Asset		**2,246,287,057**
Total Asset		**2,423,240,944**

	Owner’s Equity & Finance By	
	Share Capital	
	Current A/C With Inter Company	
	Bank Financing-Secured & Unsecured Loads	384,334,080
	Profit & Loss for the year	638,119,446
	Retain Earnings	1,400,787,417
	Total Owner’s Equity & Finance by	**2,423,240,944**

Appendix 2

Aman Knitting Ltd.

Consolidated Profit & Loss Statement

As on December 2022

	BDT
Sales	
Garment Sales against Export	2,714,790,547
Garment Export – Left Over	5,390,625
Other Income	-
Discount on export	-
Penalty on Delay Shipment	-
Compensation against export	2,360,598
Cash Incentive	2,363,240
Gain on Disposal of Fixed Assets	(2,828,243)
Sub contract income	4,831,900
Left Over Stock Sales – Local	11,550,656
Total Income	**2,738,459,323**
Total Garments Export in pcs	**5,923,909**
Total Garments Produced in pcs	**5,897,444**
Cost of Goods Sold	
Opening Stock of Raw Materials & WIP	134,926,313
Opening Stock of Finished Goods	89,627,816
Purchase of yarn & Accessories	913,431,085
Purchase of Fabric	95,395,636,
Available for consumption	**1,233,380,850**
Closing Stock of Raw Material & WIP	273,368,624
Closing Stock of Raw Finished Goods	63,274,372
Contribution **(Yan & Accessories)**	**896,737,855**
Direct Expenses	
Factory Rent	28,400,616
Other Rental expenses	6,020,740
Direct Wages & Salary	785,051,534
Other allowances – Direct	61,670,997
Meal & Tiffin expenses	13,912,681
Carriage Inward	9,803,555
Technical Know How	5,985,289
Electricity charges	22,312,530
Gas Charge	11,145,243
Chemical Expense	10,403,534
Laboratory test	13,468,776
Worker Transport	16,763,805
Consumable stores	43,177,756
Special charge – AGDL	48,830,831

Special charge – Others	64,439,118
Bank Charges	35,604,957
Documentation / Processing charge	4,574,192
Insurance – Import L/C	694,751
C & F charge	10,767,094
Freight & Transport	20,241,460
Air Freight charge – Import	13,142,254
Air Freight charge – Export (Aman Cost)	50,763,520
Air Freight charge – Export (Buyer Cost)	259,579
Air Freight charge – Export (Supplier Cost)	1,103,390
Air Freight charge – Local & Late Hand Over	389,872
Generator Running Expenses	8,164,505
Boiler Running Expenses	187,715
Factory Compliance	392,240
Repair & Maintenance – Factory Building	3,272,980
Repair & Maintenance – Electric work	1,430,068
Repair & Maintenance – Factory Machine	4,542,981
Rep. & Main. Of Water Treatment Plant	255,410
Total Direct Expense	**1,297,197,683**
Cost of Goods Sold	**2,193,935,538**
Gross Profit / (Loss)	**544,523,786**
Administrative & Financial Expenses	
Administrative expenses	
Administrative Salaries	75,308,532
Other Allowances Indirect	12,178,145
Carriage Outward	9,685,634
Office Transportation expenses	9,685,634
Rent/Rates/Taxes	1,360,896
Printing & Stationery	4,030,670
Postage & Currier	559,239
Advertising & Business Promotion	818,962
Repair & Maintenance – Office	2,868,599
Telephone / Fax/Internet charge	3,109,699
Travel expenses	11,195,932
Training & Recruitment expenses	1,881,364
Entertaining expenses	5,374,745
Insurance expenses	1,266,026
Audit & Accountancy	1,267,663
Commission to Buying House	1,554,968
Bonus to Buying House	-
Remuneration	15,573,049
Legal & Professional	4,269,806

Research & Development	10,271,761
Security expenses	2,157,498
Donation & Gift	3,909,445
Jakat	-
Safety & Health care expenses	1,438,135
Compliance & Festival expenses	5,487,597
Subsidy & Compensation	5,998,234
Sundry Expenses	5,077,625
Yearly conference	3,800
Loss on disposal of asset -	-
Total Administrative Expenses	**188,419,967**
Financial Expenses	
Bank Interest	62,900,095
Inter Company Interest Charge / Income	1,032,933
Bank Charge	333,642
Total Financial Expenses	**64,266,670**
Total Administrative & Financial Expenses	252,686,636
Profit /(Loss) before Depreciation & Amortization	**291,837,149**
Depreciation & Amortization	
Depreciation expenses	92,712,318
Amortization	9,970,216
Total Depreciation & Amortization	**102,682,534**
Profit /(Loss) after Depreciation & Amortization	**189,154,615**
Exchange Gain/Loss	(41,614,378)
Profit /(Loss) before Income Tax & PPF	**230,768,994**
Income Tax paid	12,242,728
Profit participation Scheme -	-
Net Profit / Loss	**218,526,265**