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| --- | --- | --- | --- | --- | --- |
| ***Client:*** XYZ Limited |  |  |  |  |  |
| ***Period ended:*** 31 December 2014 | ***Prepared by:*** | **A** | ***Reviewed by:*** | B |  |
| ***Subject:*** Preliminary Analytics | ***Date:*** |  | ***Date:*** |  |  |
|  |  |  |  |  |  |
| **Statement of financial position** | | | | |  |
| **as at 31 December 2014** | | | | |  |
|  |  |  |  |  |  |
| **Particulars** | **As at 30 Dec 2014** | **As at 31 Dec 2013** | **Change** | | **Note Ref.** |
|
| **Taka** | **Taka** | **Amount** | **%** |
| **Assets** |  |  |  |  |  |
|  |  |  |  |  |  |
| ***Non current assets*** |  |  |  |  |  |
| Property, plant and equipment | 3,799,146,712 | 3,384,489,286 | 414,657,426 | 12.25% | Note 1 |
| Investments | 1,799,058,949 | 1,846,292,287 | (47,233,338) | -2.56% | Note 2 |
| Intangible assets | 825,571 | 1,358,905 | (533,334) | -39.25% |  |
|  | 5,599,031,232 | 5,232,140,478 | 366,890,754 | 7.01% |  |
| ***Current assets*** |  |  |  |  |  |
| Inventories | 2,961,175,971 | 2,553,330,342 | 407,845,629 | 15.97% | Note 3 |
| Trade and other receivables | 5,802,572,938 | 5,796,239,556 | 6,333,382 | 0.11% | Note 4 |
| Advances, deposits and prepayments | 700,887,177 | 728,000,934 | (27,113,757) | -3.72% | Note 5 |
| Cash and cash equivalents | 462,525,465 | 384,201,664 | 78,323,801 | 20.39% | Note 6 |
|  | 9,927,161,551 | 9,461,772,496 | 465,389,055 | 4.92% |  |
| **Total assets** | **15,526,192,783** | **14,693,912,974** | **832,279,809** | **4.92%** |  |
|  |  |  |  |  |  |
| **Equity and Liabilities** |  |  |  |  |  |
|  |  |  |  |  |  |
| ***Shareholders' equity*** |  |  |  |  |  |
| Share capital | 343,944,021 | 285,820,824 | 58,123,197 | 20.34% |  |
| Share premium | 351,340,343 | 333,302,465 | 18,037,878 | 5.41% |  |
| Reserves | 1,049,866,633 | 1,005,465,390 | 44,401,243 | 4.42% |  |
| Retained earnings | 4,861,534,405 | 4,012,663,572 | 848,870,833 | 21.15% |  |
|  | **6,606,685,402** | **5,637,252,251** | **969,433,151** | **17.20%** | Note 7 |
|  |  |  |  |  |  |
| ***Non current liabilities*** |  |  |  |  |  |
|  |  |  |  |  |  |
| Employee benefits | 441,858,763 | 340,664,767 | 101,193,996 | 29.70% | Note 8 |
| Other non-current liabilities | 56,114,163 | 519,789,367 | (463,675,204) | -89.20% | Note 9 |
| Deferred tax liabilities | 62,743,398 | 94,711,720 | (31,968,322) | -33.75% |  |
|  | **560,716,324** | **955,165,854** | **(394,449,530)** | **-41.30%** |  |
|  |  |  |  |  |  |
| ***Current liabilities*** |  |  |  |  |  |
| Bank overdraft | 427,836,789 | 741,441,244 | (313,604,455) | -42.30% | Note 10 |
| Loans and borrowings | 5,916,571,029 | 5,059,890,494 | 856,680,535 | 16.93% |  |
| Trade and other payables | 1,624,157,078 | 1,833,527,360 | (209,370,282) | -11.42% |  |
| Provision for tax | 390,226,161 | 466,635,771 | (76,409,610) | -16.37% |  |
|  | **8,358,791,057** | **8,101,494,869** | **257,296,188** | **3%** |  |
| **Total equity and liabilities** | **15,526,192,783** | **14,693,912,974** | **832,279,809** | **5.66%** |  |

**Explanations for the changes:**

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| **Note 1** | Usually net property, plant & equipment decreases due to depreciation charges. But this year it has increased by more than 12% which indicates the substantial addition in this year. Business expansion might be the key reason for that or a revaluation might have taken place this year. If this incline is for revaluation, we need to check the revaluation report very carefully, assess the competency of the revaluation firm and check the accounting entries along with tax impact related to revaluation. |
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| **Note 2** | Investment from 2013 to 2014 has been changed by 47 million. If this increase is due to investing in new subsidiaries, we need to be very careful to consolidation process as this is the first year of consolidation of the new subsidiaries. If this increase is related to investing in existing subsidiaries we need to check the changes of ownership, the accounting entries and consolidation impact accordingly. |
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| **Note 3** | In 2014 closing balance of inventories was 3 billion whereas in 2013 that was 2.5 billion, net increase is 408 million. Very unusual incline. Need to check very carefully. This may be the impact of higher sale in this year. We need to perform logic test with the changes in revenue. As the inventory level is very high there is a risk of having obsolete or slow-moving inventory in the closing stock. We need to assess the impairment impact for those obsolete and slow-moving inventories. |
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| **Note 4** | Trade and other receivable: Net increase 6 million in compare to 2013. Perhaps this is due to the higher sale in this year. Need to ensure the circulation of confirmations and their replies in time. If we don’t get the confirmations back we need to check the subsequent position very carefully or need to check the accuracy of invoice creation for those receivables. We need to check the impact of inter-company receivables movement and their logical changes. |
| **Note 5** | Advance, Deposit and Prepayment were decreased to 700m from 728m net change is 27m. Not that much change and this is very low risk areas. Nothing to worry about. We will apply our usual audit procedures to get comfort on accuracy, completeness and occurrence. |
| **Note 6** | Cash and cash have increased from 384m in 2013 to 462m in 2014 by 20% mainly due to an increase in cash receipts from customers by 21%. |
| **Note 7** | Total Equity increased by 969m. Nothing to worry about. Just check the relevant and logical changes in share capital, share premium (if any), retained earnings and reserves. |
| **Note 8** | Long term employee benefit has been increased by 101 million. Check the logical addition to gratuity provision and the valuation report (if any). |
| **Note 9** | Other non-current liabilities have fallen significantly by 89%. Need to check whether there was any addition in long term loan. If so, check the loan agreement, collateral disclosure and check the reflection in bank statement. |
| **Note 10** | Apart from the reason explained in Note-6 Cash and cash equivalents, the reason for bank overdraft showing a significant fall of 42% is may be mainly due to an increase in other short-term borrowing. Check it vey carefully. |

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| **Statement of financial performance** | | | | |  |
| **for the year ended on 31 December 2014** | | | | |  |
|  |  |  |  |  |  |
| **Particulars** | **1 Jan to 31 Dec** | | **Change** | | **Note Ref.** |
| **2014** | **2013** |
| **Taka** | **Taka** | **Amount** | **%** |
| **Revenue** | **12,318,723,190** | **10,683,600,712** | **1,635,122,478** | **15.30%** | **Note 1** |
| Pharmaceuticals | 5,744,012,657 | 4,975,668,245 | 768,344,412 | 15.44% |  |
| Animal Health | 1,669,138,273 | 1,271,620,170 | 397,518,103 | 31.26% |  |
| Consumer brands | 3,590,229,865 | 3,350,515,901 | 239,713,964 | 7.15% |  |
| Seeds (Local) | 378,897,032 | 365,547,389 | 13,349,643 | 3.65% |  |
| Seeds (Import) | 167,004,135 | 84,979,986 |  |  |  |
| Fertilizer | 490,736,885 | 377,719,065 | 113,017,820 | 29.92% |  |
| Cropex | 278,704,343 | 257,549,956 | 21,154,387 | 8.21% |  |
| **Less: Cost of goods sold** | **7,147,881,434** | **6,426,070,148** | **721,811,286** | **11.23%** | **Note 2** |
| Pharmaceuticals | 2,393,753,549 | 2,264,012,340 | 129,741,209 | 5.73% |  |
| Animal Health | 1,141,730,225 | 874,546,761 | 267,183,464 | 30.55% |  |
| Consumer brands | 2,663,733,821 | 2,500,050,869 | 163,682,952 | 6.55% |  |
| Seeds | 340,831,506 | 283,001,145 | 57,830,361 | 20.43% |  |
| Fertilizer | 344,780,857 | 254,649,880 | 90,130,977 | 35.39% |  |
| Cropex | 263,051,476 | 249,809,153 | 13,242,323 | 5.30% |  |
| **Gross profit** | **5,170,841,756** | **4,257,530,564** | **913,311,192** | **21.45%** |  |
|  |  |  |  |  |  |
| **Less:** | **3,468,192,050** | **3,031,647,932** | **436,544,118** | **14.40%** |  |
| Salary and wages | 1,366,975,593 | 1,178,536,554 | 188,439,039 | 15.99% |  |
| Traveling and conveyance | 399,514,263 | 359,905,986 | 39,608,277 | 11.01% |  |
| Rent and rates | 86,210,756 | 96,797,993 | (10,587,237) | -10.94% |  |
| Repair and maintenance | 22,180,177 | 18,072,681 | 4,107,496 | 22.73% |  |
| Fuel and power | 21,219,616 | 17,247,448 | 3,972,168 | 23.03% |  |
| Postage | 35,811,419 |  |  |  |  |
| Printing and stationery | 36,417,603 | 28,231,046 | 8,186,557 | 29.00% |  |
| Promotional expenses | 877,363,707 | 32,715,882 | 844,647,825 | 2581.77% |  |
| Entertainment | 15,737,215 | 863,682,949 | (847,945,734) | -98.18% |  |
| Vehicle maintenance | 89,854,029 | 15,178,480 | 74,675,549 | 491.98% |  |
| Bad debts | 115,886,216 | 86,355,314 | 29,530,902 | 34.20% |  |
| Truck and handling | 176,869,980 | 28,818,195 | 148,051,785 | 513.74% |  |
| Legal and professional charges | 10,884,695 | 152,118,300 | (141,233,605) | -92.84% |  |
| Audit fees | 500,000 | 6,875,904 | (6,375,904) | -92.73% |  |
| Insurance | 16,992,465 | 450,000 | 16,542,465 | 3676.10% |  |
| Directors' fees | 20,250 | 14,493,083 | (14,472,833) | -99.86% |  |
| Bank charges | 8,821,062 | 21,526 | 8,799,536 | 40878.64% |  |
| Sundry expenses | 285,660 | 8,344,277 | (8,058,617) | -96.58% |  |
| Product development expenses | 25,110,102 | 549,938 | 24,560,164 | 4465.99% |  |
| Training expenses | 25,639,854 | 15,024,639 | 10,615,215 | 70.65% |  |
| Depreciation | 82,286,949 | 6,751,410 | 75,535,539 | 1118.81% |  |
| Amortisation | 633,932 | 62,686,209 | (62,052,277) | -98.99% |  |
| Lab chemical and apparatus | - | 576,432 | (576,432) | -100.00% |  |
| Meeting expenses | 29,993,285 | 24,989,804 | 5,003,481 | 20.02% |  |
| Share department expenses | 1,321,440 | 902,199 | 419,241 | 46.47% |  |
| Export expenses | 8,244,879 | 4,639,151 | 3,605,728 | 77.72% |  |
| ISO/TQM related expenses | 536,247 | 553,287 | (17,040) | -3.08% |  |
| Market research | 10,940,473 | 5,491,976 | 5,448,497 | 99.21% |  |
| Corporate Social Responsibility expenses | 1,940,183 | 1,637,269 | 302,914 | 18.50% |  |
|  |  |  |  |  |  |
| **Add:** | **82,582,624** | **137,591,248** | **(55,008,624)** | **-39.98%** |  |
| Service charges | 4,122,794 | 1,905,190 | 2,217,604 | 116.40% |  |
| Dividend received | 63,021,168 | 63,021,166 | 2 | 0.00% |  |
| Rental income | 1,807,000 | 2,388,000 | (581,000) | -24.33% |  |
| Proceeds from sale of fixed assets | 2,769,410 | 56,294,280 | (53,524,870) | -95.08% |  |
| Gain/(loss) from foreign currency translations | 1,705,037 | 544,059 | 1,160,978 | 213.39% |  |
| Proceeds from scrap sale | 7,258,369 | 6,800,094 | 458,275 | 6.74% |  |
| Miscellaneous income | 1,898,846 | 6,638,459 | (4,739,613) | -71.40% |  |
| **Operating profit** | **1,785,232,330** | **1,363,473,880** | **421,758,450** | **(0)** |  |
|  |  |  |  |  |  |
| **Less:** | **150,000,000** | **-** |  |  |  |
|  |  |  |  |  |  |
| **Less: Financing Cost** | **296,400,829** | **295,776,400** | **624,429** | **0.21%** |  |
| Bank loan\* | 210,562,823 | 199,782,600 | 10,780,223 | 5.40% |  |
| Employee welfare fund | 15,687,235 | 13,085,490 | 2,601,745 | 19.88% |  |
| Finance lease | 407,603 | 534,407 | (126,804) | -23.73% |  |
| Security deposits | 16,037,409 | 10,583,375 | 5,454,034 | 51.53% |  |
| Workers' profit participation fund | 24,389,086 | 19,796,251 | 4,592,835 | 23.20% |  |
| ACI 20% Zero Coupon Bonds | 29,252,922 | 51,889,132 | (22,636,210) | -43.62% |  |
| Other funds/borrowings | 63,751 | 105,145 | (41,394) | -39.37% |  |
|  |  |  |  |  |  |
| **Profit before contribution to WPPF** | **1,338,831,501** | **1,067,697,480** | **271,134,021** | **25.39%** |  |
|  |  |  |  |  |  |
| **Less:Contibution ot WPPF** | **66,941,575** | **53,384,874** | **13,556,701** | **25.39%** |  |
|  |  |  |  |  |  |
| **Profit before tax** | **1,271,889,926** | **1,014,312,606** | **257,577,320** | **25.39%** |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Less: Income tax expenses** | **321,176,317** | **250,124,700** | **71,051,617** | **28.41%** |  |
|  |  |  |  |  |  |
| **Profit for the year** | **950,713,609** | **764,187,906** | **186,525,703** | **24.41%** |  |

**Explanations for the changes:**

|  |  |
| --- | --- |
| **Note 1** | Revenue has been increased by 15%. As revenue is very susceptible area, we need to be very careful. Along with usual audit procedures for revenue we need to have some discussions with management to know if there is any incentive with the revenue growth. We need to keep our eyes open for every perspective of this revenue growth. |
| **Note 2** | Cost of Sales have been increased by 11% compared to the increase in revenue by 15%. If revenue is found okay, not to be worried about this incline in cost of sale. Need to be extra careful in checking costing. |

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