

Internship Report on General Banking Operations of Sonali Bank PLC.

Submitted By:

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ID: BBA2202026015

Program: Bachelor of Business Administration (BBA)

Department of Business Administration

Major: Accounting

Semester: Spring 2026

Submitted To:

Department of Business Administration

Faculty of Business

Sonargaon University (SU)

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



Sonargaon University (SU)

147/I, Green Road, Tejgaon, Dhaka-1215, Bangladesh

Date of Submission: May2, 2026

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Date of Submission: May 2, 2026

Letter of Transmittal

Date: May 2, 2026

To Shafiqul Islam

Lecturer

Department of Business Administration

Sonargaon University (SU)

Subject: Submission of Internship Report

Sir,

I am delighted to present my internship report on “General Banking Operations of Sonali Bank PLC,” as part of the academic requirements of my BBA program. This report summarizes my practical work, observations, and experience regarding daily banking operations and accounting practices during my internship at Sonali Bank PLC, which lasted for 90 working days.

I sincerely acknowledge your continuous guidance, support, and valuable suggestions, which have been crucial in the successful completion of this report. I have tried my best to present the banking procedures and my findings objectively, though there may still be some limitations due to time and confidentiality constraints.

I humbly request that you accept this report for your kind evaluation. I would highly appreciate your feedback and constructive suggestions.

Sincerely yours,

Mahdi Hasan Bhuiyan

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Student's Declaration

I am **Mahdi Hasan Bhuiyan**, a student of Bachelor of Business Administration, ID: BBA2202026015 from Sonargaon University, and I would like to solemnly declare here that this report, “General Banking Operations of Sonali Bank PLC.,” has been authentically prepared by me. While preparing this report, I didn't breach any copyright internationally. I am further declaring that I did not submit this report anywhere for the awarding of any degree, diploma, or certificate.

Mahdi Hasan Bhuiyan

ID: BBA2202026015

Program: Bachelor of Business Administration (BBA)

Major: Accounting

Department of Business Administration

Sonargaon University (SU)

Letter of Authorization

Certified that this internship report titled “General Banking Operations of Sonali Bank PLC.” is the bona fide work of Mahdi Hasan Bhuiyan , who carried out the research under my supervision. Certified further that to the best of my knowledge, the work reported here does not form part of any other project report or dissertation based on which a degree or award was conferred on an earlier occasion on this or any other candidate.

Shafiqul Islam,
Lecturer
Department of Business Administration
Sonargaon University (SU)

Acknowledgement

First off, I have to thank Almighty Allah. His patience, guidance, and strength got me through my internship and this report, “**General Banking Operations of Sonali Bank PLC.**” I’m especially grateful to my academic supervisor, Shafiqul Islam, Lecturer, Department of Business Administration, Sonargaon University. The support and honest feedback I got made a real difference. Every bit of advice pushed me to think deeper and write better.

Huge thanks to the management at Sonali Bank PLC, especially the General Accounts and Operations departments. They opened the doors for me and made it easy to get a true feel for how general banking and daily accounting practices work in Bangladesh. I also want to thank all the officers and employees who helped me during my time there. Their encouragement and willingness to explain complex banking operations turned a tough experience into something truly rewarding.

And, of course, I owe a lot to my family, friends, and classmates. Their steady support and motivation kept me going. I really couldn’t have done any of this without them.

Executive Summary

This report, “General Banking Operations, Accounting Practices, and Financial Reporting of Sonali Bank PLC,” is prepared as a mandatory requirement for the completion of my Bachelor of Business Administration (BBA) degree with a major in Accounting. My primary goal is to critically examine the day-to-day general banking operations and how they translate into formal accounting records and financial statements at Sonali Bank PLC over the past five years (2021–2025).

The report begins by providing a comprehensive background on Sonali Bank PLC, highlighting its unique position as a major state-owned commercial bank in Bangladesh. It explores the bank's organizational hierarchy, its complex Chart of Accounts, and the rigorous internal controls embedded within its Core Banking System (CBS), specifically the "Maker-Checker" dual-authorization principle.

A significant portion of this report is dedicated to my practical hands-on experience during the 90-day internship. I detail the core mechanics of branch-level accounting, including front-desk cash voucher processing, end-of-day (EOD) cash balancing, and the daily maintenance of the General Ledger. Furthermore, I document the complex reconciliation processes involving the Bangladesh Automated Clearing House (BACPS) and the Inter-Branch Transit Account (IBTA), noting the practical challenges of suspense account management.

In the analytical segment, I dig into the bank's financial reporting framework. The report evaluates Sonali Bank's compliance with the Bank Companies Act 1991, Bangladesh Bank's strict provisioning circulars, and International Financial Reporting Standards (IFRS), with a special focus on the transition to IFRS 9. By analyzing key accounting figures—such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and the Cost-to-Income Ratio—the numbers reveal that while Sonali Bank maintains a massive and solid deposit base, its bottom-line profitability is heavily squeezed by mandatory loan loss provisions for legacy Non-Performing Loans (NPLs) and high operating overheads.

In the findings, I lay out both where the bank's accounting controls are strong and where it has room to improve, particularly pointing out bottlenecks in manual inter-branch reconciliation. I wrap up with practical, accounting-based recommendations—such as deploying automated reconciliation software, shifting to strict cost-center budgeting at the branch level, and aggressively recovering bad loans to trigger provision reversals. All in all, Sonali Bank PLC stands out as a structurally massive and vital institution, and by modernizing its accounting technology and strictly adhering to updated IFRS guidelines, it can significantly enhance its financial transparency and profitability.

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List of Acronyms

Acronym	Full Form
ADR	Advance–Deposit Ratio
AGM	Annual General Meeting
ALCO	Asset Liability Committee
AML	Anti-Money Laundering
ATM	Automated Teller Machine
BACPS	Bangladesh Automated Clearing House
BB	Bangladesh Bank
BBA	Bachelor of Business Administration
BDT	Bangladeshi Taka
BRPD	Banking Regulation and Policy Department
BSEC	Bangladesh Securities and Exchange Commission
CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity
CASA	Current Account and Savings Account
CBS	Core Banking System
CEO	Chief Executive Officer
CRAR	Capital to Risk-Weighted Assets Ratio
CRR	Cash Reserve Ratio
CSR	Corporate Social Responsibility
DBA	Department of Business Administration
DMD	Deputy Managing Director
DOS	Department of Off-site Supervision
DSE	Dhaka Stock Exchange
ECL	Expected Credit Loss
EPS	Earnings Per Share
FAD	Financial Administration Division
GAAP	Generally Accepted Accounting Principles

CHAPTER 01

INTRODUCTION

1. Introduction

1.1 Background of the Study

Economic growth depends largely on effective capital formation, and a sound financial system supports this growth by mobilizing savings and channeling investments into productive sectors. However, the integrity and stability of this entire macroeconomic framework rely heavily on the absolute accuracy, transparency, and reliability of its accounting practices. Financial accounting in banking institutions is fundamentally different from manufacturing or retail accounting. In a bank, money is simultaneously the raw material, inventory, and the finished product. Therefore, the accounting system must capture millions of micro-transactions in real-time, ensuring absolute balance across thousands of subsidiary ledgers and massive centralized control accounts.

Sonali Bank PLC, as a premier State-Owned Commercial Bank (SOCB) in Bangladesh, operates under a unique and complex paradigm. It must satisfy the commercial expectations of profitability and capital adequacy while simultaneously fulfilling the broad socio-economic mandates dictated by the Government of Bangladesh. This dual role creates highly specialized accounting scenarios. The bank manages subsidized agricultural credit, massive government treasury accounts, and large-scale public sector deposits. Evaluating such an institution demands a distinct analytical approach. This study investigates how Sonali Bank translates these complex, daily general banking operations into standardized, auditable financial statements that comply with global accounting frameworks.

1.2 Origin of the Report

Both academic knowledge and practical experience are essential for effective learning. While theoretical education builds conceptual understanding of International Financial Reporting Standards (IFRS) and corporate accounting, practical exposure develops professional competence. To bridge this gap between academia and industry, the Bachelor of Business Administration (BBA) program at Sonargaon University mandates a three-month intensive internship.

I completed my internship at Sonali Bank PLC, where I was embedded within the General Accounts, Cash, and Clearing departments. Under the academic supervision of faculty advisor Shafiqul Islam, this report titled “General Banking Operations, Accounting Practices, and Financial Reporting of Sonali Bank PLC.” was prepared. The transition from textbook accounting—where trial balances always perfectly match—to the high-stakes reality of banking—where daily suspense accounts and clearing discrepancies exist—formed the core motivation for this detailed study.

1.3 Objectives of the Report

The objectives of this report are divided into broad and specific goals tailored to an accounting perspective:

Broad Objective

To conduct a comprehensive, audit-style analysis of the general banking operations, accounting practices, general ledger management, and financial reporting framework of Sonali Bank PLC.

Specific Objectives

To observe and document the daily banking accounting cycle, focusing on the preparation, authorization, and posting of cash and transfer vouchers into the Core Banking System (CBS).

To dissect the bank’s revenue recognition policies (accrual vs. cash basis) and expense allocation methods.

To critically analyze the accounting treatment of Non-Performing Loans (NPLs), specifically the mathematical application of BRPD circulars regarding Interest Suspense Accounts and Loan Loss Provisioning.

To evaluate the bank's compliance with International Financial Reporting Standards (IFRS),

specifically exploring the transition to IFRS 9 (Financial Instruments).

To conduct a multi-year financial statement analysis utilizing advanced accounting profitability ratios (ROA, ROE, Cost-to-Income)

1.4 Methodology of the Study

This report is based on a three-month internship program conducted at Sonali Bank PLC. A rigorous mixed-methods approach was employed, heavily weighted toward qualitative observation of daily accounting practices and quantitative analysis of historical, audited financial data.

Sources of Primary Data:

Participant Observation: Direct, hands-on involvement in general banking activities, including processing daily trial balances, verifying physical cash against the CBS-generated Cash Book, and observing end-of-day (EOD) system batch runs.

- **Key Informant Interviews:** Informal discussions and interviews with the Branch Chief Accountant, Operations Manager, and internal audit officers regarding the practical challenges of reconciling Nostro/Vostro accounts and managing clearing suspense.
- **Document Verification:** Practical cross-checking of physical paper vouchers against the digital entries in the supplementary ledgers to understand the audit trail and KYC documentation.

Sources of Secondary Data:

Audited Annual Reports of Sonali Bank PLC for the fiscal years 2021–2025.

- The Bank Companies Act, 1991 (Specifically the First Schedule requirements dictating financial statement formatting).
- Circulars, guidelines, and manuals issued by the Banking Regulation and Policy Department (BRPD) of Bangladesh Bank.
- Adopted IFRS and IAS guidelines published by the Institute of Chartered Accountants of Bangladesh (ICAB).

1.5 Scope of the Study

This report was prepared within a strictly defined accounting scope. It comprehensively covers branch-level bookkeeping mechanics (Day Book, Cash Book, General Ledger updates), Head Office financial consolidation practices, asset and liability valuation, depreciation accounting, and the preparation of statutory reporting metrics. It actively excludes the analysis of marketing strategies, human resources management, and general administrative operations, focusing solely on how general banking activities impact the financial statements. The report is structured into five chapters mapping the journey from organizational overview to practical accounting experiences, financial analysis, and final recommendations.

1.6 Limitations of the Study

While preparing this comprehensive report, I encountered several practical obstacles and boundaries that constrained the depth of the analysis:

- **Confidentiality and Secrecy Laws:** As per the Bankers' Books Evidence Act and internal privacy policies, access to granular, un-audited internal data, specific client default ledgers, and raw internal audit management letters was strictly denied.
- **Secondary Data Lag:** The financial ratio analysis relies heavily on retrospective, publicly published audited data, which may not capture the day-to-day accounting volatility or current regulatory changes.
- **Complexity of Legacy Systems:** As an older state-owned bank, some historical data reconciliation and the clearing of very old suspense accounts involve legacy manual systems that were difficult to fully trace during a short three-month window.
- **Extreme Workload:** The branch accountants and clearing officers operated under immense daily pressure. Finding dedicated time for them to explain complex IFRS transition mechanics or oversee my documentation was frequently challenging.
- **Focus on Pure Financial Metrics:** The report prioritizes hard accounting indicators and statutory compliance, intentionally excluding a deep analysis of non-financial metrics such as Corporate Social Responsibility (CSR) impact or employee satisfaction data.

CHAPTER 02

Organizational Overview and Accounting Architecture

2. Organizational Overview and Accounting Architecture

2.1 History and Heritage of Sonali Bank PLC

Sonali Bank PLC is one of the largest and most important state-owned commercial banks in Bangladesh. It has a long historical background connected with the economic development of the country. The bank was established in 1972 after the independence of Bangladesh under the Bangladesh Bank Nationalization Order. It was formed by taking over the branches of the National Bank of Pakistan, Bank of Bahawalpur, and Premier Bank that had been operating in East Pakistan before independence.

The establishment of Sonali Bank was an important step in rebuilding the financial system of newly independent Bangladesh. After the Liberation War, the country needed a strong banking institution to support economic recovery, collect deposits, provide loans, handle government transactions, and expand banking services across the country. Sonali Bank gradually became a major financial institution for individuals, businesses, government organizations, and expatriate Bangladeshis.

In 2007, Sonali Bank was converted into a public limited company with full government ownership. Since then, it has operated as Sonali Bank Limited and later as Sonali Bank PLC. This change was made to improve efficiency, strengthen corporate governance, and increase operational flexibility. Although the bank operates commercially, it continues to perform many public service functions.

Sonali Bank PLC plays an important role in deposit collection, loan disbursement, remittance services, treasury operations, foreign exchange, government revenue collection, salary and pension payments, and other financial services. Its heritage reflects both commercial banking activities and national service responsibilities. For this reason, Sonali Bank holds a special position in the banking sector of Bangladesh.

2.2 Corporate Governance and Financial Oversight

In the realm of corporate accounting, the integrity and reliability of financial statements begin with the “tone at the top.” Sonali Bank PLC maintains a multi-tiered corporate governance and financial oversight structure to ensure transparency, accountability, and regulatory compliance. As a state-owned commercial bank, its oversight system is broader than that of many private commercial banks because it is accountable not only to shareholders but also to the Government of Bangladesh, Bangladesh Bank, statutory auditors, and the public.

- **The Board of Directors:**

The Board of Directors is the highest governing authority of Sonali Bank PLC. It provides strategic direction, approves major policies, supervises management activities, and ensures that the bank’s financial reporting system remains transparent and compliant. Since Sonali Bank is a government-owned bank, its Board is nominated by the government. The bank is headed by the Chief Executive Officer and Managing Director, who is responsible for implementing Board decisions and managing day-to-day operations.

From an accounting perspective, the Board holds ultimate responsibility for reviewing and approving quarterly and annual financial statements. It ensures that the balance sheet, profit and loss account, directors’ report, and auditors’ report present a reliable picture of the bank’s financial position. In the 18th Annual General Meeting of Sonali Bank PLC, the financial statement, balance sheet, profit and loss account, directors’ report, and auditors’ report for 2024 were considered and approved, and auditors for 2025 were also approved.

- **The Audit Committee:**

The Audit Committee is a specialized committee of the Board and plays a very important role in financial oversight. For the accounting and finance departments, this committee works as a major internal monitoring body. It reviews audit and inspection reports, monitors internal control weaknesses, evaluates compliance issues, and ensures that audit findings are properly reported to senior management and the Board. Sonali Bank’s Chief Audit Officer is also responsible for placing important audit summaries and reports before the Audit Committee of the Board when required.

The Audit Committee helps strengthen accountability by reviewing branch-level audit

findings, internal control reports, irregularities, fraud-related matters, and corrective actions. It also supports the Board in ensuring that the bank's accounting records, loan classifications, provisions, and risk management practices are properly monitored.

- **External Statutory Auditors:**

External statutory auditors are independent chartered accounting firms appointed by the shareholders at the Annual General Meeting. Their main responsibility is to examine the bank's financial statements and provide an independent opinion on whether the accounts give a true and fair view of the bank's financial position and performance.

2.3 The Chart of Accounts Structure

A bank's Chart of Accounts (CoA) is the foundational architectural blueprint of its entire accounting system. It is vastly more expansive and complex than a standard manufacturing or retail corporation's CoA. Sonali Bank utilizes a sophisticated, multi-digit hierarchical general ledger (GL) code system within its Core Banking System to precisely categorize millions of micro-transactions.

Table 1:

Standardized Hierarchy of the Chart of Accounts

GL Series	Broad Category	Specific Ledger Examples (Sub-Heads)
1000 Series	Assets	Cash in Hand, Balances with Bangladesh Bank, Short-term Money at Call, Loans and Advances, Premises, Fixed Assets.
2000 Series	Liabilities	Current Deposits, Savings Bank Deposits, Term Deposits, Borrowings from other Banks, Provision for Bad Debts.
3000 Series	Equity	Paid-up Capital, Statutory Reserve Funds, Retained Earnings, Revaluation Reserves.
4000 Series	Income	Interest Income on Loans, Investment Income from Treasury Bonds, Commission, Exchange, Brokerage Fees.
5000 Series	Expenses	Interest Paid on Deposits, Salary and Allowances, Rent, Taxes, Insurance, Depreciation, IT Maintenance.

2.4 Internal Control and Accounting Technology

The sheer volume of financial data processed daily by Sonali Bank requires an immensely robust technological infrastructure. The bank operates on a centralized Core Banking System (CBS). This technological shift has fundamentally transformed its accounting practices from manual, error-prone paper ledgers to automated, real-time double-entry processing, drastically reducing the risk of material misstatements.

The Maker-Checker Concept (Dual Control Principle): The cornerstone of banking accounting security and internal control is the "Maker-Checker" principle. Every single accounting entry input into the CBS requires two distinct individuals. The 'Maker' (usually a desk officer or front-line teller) physically receives the voucher and inputs the debit and credit data into the system. However, the system places this transaction in a pending state. It is not posted to the General Ledger until the 'Checker' (an authorizing manager) physically verifies the paper voucher against the screen data and electronically approves it using their unique credentials. This segregation of duties is the primary defense against internal accounting fraud, embezzlement, and clerical data-entry errors.

System-Driven Accruals and the End-of-Day (EOD) Process: In traditional manual accounting, accountants must manually calculate interest expenses and incomes at the end of every month. In Sonali Bank's CBS environment, the system is programmed with complex mathematical algorithms to automatically calculate daily interest accruals on millions of deposit and loan accounts based on the daily product balance.

These micro-accruals are parked in temporary system accounts. They are officially posted to the General Ledger automatically at midnight during the rigorous End of Day (EOD) batch processing. During the EOD run, the system locks out all users, posts all pending accruals, updates the master general ledger, clears temporary transit accounts where possible, and generates the consolidated Daily Trial Balance. If the total debits and credits for the entire bank do not match perfectly, the EOD process fails, immediately alerting the Head Office IT and Accounting divisions to investigate the discrepancy.

CHAPTER 03

Practical Accounting Experience and Job Responsibilities

3. Practical Accounting Experience and Job Responsibilities

3.1 Overview of Departmental Rotations

To gain a practical understanding of how raw transactional data is transformed into structured financial statements, the internship program at Sonali Bank PLC was divided into several important departmental rotations. The main objective of these rotations was to observe the complete accounting lifecycle of banking transactions, from the initial customer interaction to final ledger posting and reporting.

During the internship period, work exposure was mainly gained across three important operational desks: the Cash and Teller Desk, the General Accounts and Clearing Desk, and the Credit or Investment Desk. The Cash and Teller Desk focused on liquidity management, cash receipts, cash payments, and primary data entry. The General Accounts and Clearing Desk focused on ledger maintenance, voucher checking, clearing activities, and inter-bank reconciliation. The Credit or Investment Desk focused on loan accounting, asset classification, interest treatment, and provision monitoring.

This rotational approach helped in understanding the sequential flow of financial data inside Sonali Bank PLC. A single customer transaction at the front desk can create a chain of accounting entries within the Core Banking System. These entries update the customer's subsidiary ledger, the branch's general ledger, and the consolidated financial database of the Head Office. Therefore, each department plays an important role in maintaining accounting accuracy and financial discipline.

3.2 Front-End Transactional Accounting: Cash and Teller

The Cash and Teller department is one of the most active and high-volume accounting areas of Sonali Bank PLC. Almost every transaction performed at this desk affects the bank's daily liquidity position. These transactions also form the foundation of the daily trial balance and cash book of the branch.

Accounting for Cash Deposits

When a customer deposits cash into an account, the bank's liquid asset increases immediately. At the same time, the bank's liability to that customer also increases because the deposited amount becomes payable to the customer on demand or according to the account terms.

During cash deposit activities, tellers verify the physical cash denominations against the customer's deposit slip before authorizing the entry in the Core Banking System. The basic accounting entry for a cash deposit is:

Debit: Cash in Hand Account

Credit: Customer's Current or Savings Account

This entry shows that the bank's cash balance has increased, while the customer's deposit balance has also increased as a liability of the bank.

Accounting for Cash Withdrawals

For cash withdrawals, the opposite accounting treatment is applied. Before processing a withdrawal, the officer checks the customer's signature, verifies account balance availability, and ensures that the transaction is properly authorized.

3.3 The Rigor of End-of-Day Cash Balancing

One of the most important accounting tasks in Sonali Bank PLC occurs at the end of the banking day. This process is known as End of Day Cash Balancing. After the branch closes to customers, the physical cash in the vault and teller counters must be matched with the computer-generated cash book balance.

In banking accounting, even a small difference between physical cash and the system balance is treated seriously. The physical cash balance must match the ledger balance exactly. If a shortage or excess is found, it must be investigated immediately.

For example, if the physical cash is lower than the system-generated balance, it indicates a cash shortage. In that case, the branch may pass an adjusting entry through a temporary suspense account until the issue is investigated.

3.4 General Accounts and Ledger Maintenance

The General Accounts desk acts as the central accounting unit of a Sonali Bank PLC branch. While the Cash and Teller Desk handles physical cash transactions, the General Accounts section deals with non-cash transfers, clearing adjustments, internal expenses, ledger maintenance, and voucher scrutiny.

One of the most important rules followed in this section is:

“No Voucher, No Entry.”

This means that every accounting transaction must be supported by a physical or digital voucher.

Whether the transaction is a transfer entry, interest charge, salary payment, branch expense, or loan installment adjustment, it must have proper documentation and authorization.

For example, if a customer gives a standing instruction to transfer funds from a savings account to a loan account for monthly installment payment, the transaction may include both principal and interest components.

3.5 Clearing and Settlement Accounting: BACPS

A significant portion of branch-level banking activity involves cheques and other negotiable instruments drawn on other commercial banks. Sonali Bank PLC processes such instruments through the Bangladesh Automated Clearing House and the Bangladesh Automated Cheque Processing System, commonly known as BACPS.

Clearing transactions require careful accounting because the bank cannot treat funds as finally received until settlement is confirmed through the Bangladesh Bank. Therefore, temporary suspense accounts are used during the clearing process.

Outward Clearing Scenario

When a Sonali Bank PLC customer deposits a cheque drawn on another bank, Sonali Bank cannot immediately allow the customer to use the money. The cheque must first be presented through the clearing system and settled by the Bangladesh Bank.

3.6 Inter-Branch Transit Account Reconciliation

Sonali Bank PLC operates through a wide branch network across Bangladesh. Because of this, funds often move from one branch to another. Inter-branch transactions require careful accounting and reconciliation to ensure that both originating and receiving branches record the transaction correctly.

For example, if a customer deposits money at a Dhaka branch to be credited to a beneficiary account at a Sylhet branch, the originating branch records the transaction first.

3.7 Accounting for Fixed Assets and Branch Expenses

Apart from customer transactions, each Sonali Bank PLC branch also operates as a business unit. It incurs daily operating expenses and may acquire fixed assets such as computers, furniture, office equipment, security equipment, and other physical resources. These transactions must be recorded according to proper accounting principles and budgetary controls.

Operating Expenses

Operating expenses are routine expenses that provide short-term benefits to the branch. These include electricity bills, internet bills, stationery costs, repair expenses, office maintenance, and other administrative costs.

The accounting entry for an operating expense may be:

Debit: Utility, Stationery, or Administrative Expense Account

Credit: Cash, Sundry Creditors, or Head Office Account

These expenses are recorded in the profit and loss account of the branch for the period in which they are incurred.

Capital Expenditures and Depreciation

Capital expenditures are expenses incurred for acquiring long-term assets. For example, when a Sonali Bank PLC branch purchases computers, office furniture, vault equipment, or other long-term assets, the cost is not treated as an immediate expense. Instead, it is capitalized as an asset in the balance sheet.

The accounting entry may be:

Debit: Computer Equipment or Furniture Account

Credit: Cash, Payable, or Head Office Account

After capitalization, depreciation is charged periodically over the useful life of the asset. Depreciation allocates the cost of the asset over several accounting periods.

The depreciation entry may be:

Debit: Depreciation Expense Account

Credit: Accumulated Depreciation Account

This treatment ensures that the financial statements of Sonali Bank PLC show a more accurate value of fixed assets and a proper measurement of expenses.

3.8 Observation of Loan Accounting and the NPL Ledger

Loan accounting is one of the most important and complex areas of banking accounting. During the internship at Sonali Bank PLC, observation of the Credit Desk and accounts-related loan activities helped in understanding how loans are recorded, monitored, classified, and reported.

When a loan account is regular or unclassified, interest is normally charged and recognized as income according to the bank's accounting policy and Bangladesh Bank guidelines. The general entry for interest recognition on a regular loan may be:

Debit: Loan Account Receivable

Credit: Interest Income Account

This entry increases the borrower's outstanding balance and recognizes interest as income for the bank.

However, if a loan becomes irregular or overdue, it may be classified as **Sub-Standard, Doubtful, or Bad/Loss** according to Bangladesh Bank's loan classification rules. In such cases, the bank cannot freely recognize accrued interest as actual income if the interest has not been realized in cash.

For classified loans, the interest may be transferred to an interest suspense account instead of being treated as income. The accounting entry may be:

Debit: Loan Account Receivable

Credit: Interest Suspense Account

This is a conservative accounting practice. It prevents Sonali Bank PLC from overstating its income by recognizing interest that has not actually been collected. It also helps ensure that the bank's financial statements present a more realistic picture of loan quality and profitability.

The Non-Performing Loan ledger is therefore closely monitored by the Credit Department, Accounts Department, internal auditors, external auditors, and Bangladesh Bank. Proper classification, provisioning, and interest suspense treatment are essential for maintaining the reliability of Sonali Bank PLC's financial statements.

CHAPTER 04

Financial Statement Analysis and Compliance

4. Financial Statement Analysis and Compliance

4.1 Regulatory Framework for Financial Preparation

The preparation and presentation of financial statements in a Bangladeshi commercial bank is an intensely regulated process, far more rigid than in a standard corporate entity. Because Sonali Bank PLC handles massive volumes of public and government deposits, it prepares its financial statements following a strict, non-negotiable hierarchy of legal and accounting rules:

- **The Bank Companies Act, 1991:** Specifically, the "First Schedule" under Section 38 dictates the exact line items, formatting, and disclosure requirements for the Balance Sheet and Profit & Loss account. Banks cannot invent their own reporting formats.
- **Bangladesh Bank BRPD Circulars:** These circulars frequently override standard accounting practices in specific areas—most notably regarding the exact percentages required for loan loss provisions and the suspension of interest income.
- **International Financial Reporting Standards (IFRS):** As adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), these standards govern the underlying mathematical valuation of assets, measurement of liabilities, and recognition of revenue.

Condensed Balance Sheet
Sonal Bank PLC (2021 - 2025)

Particulars (Assets & Liabilities)	2025	2024	2023	2022	2021
ASSETS					
Cash in Hand & Balance with BB	4,250.50	3,980.20	3,750.00	3,610.80	3,450.00
Balance with other Banks	1,850.00	1,620.50	1,500.40	1,450.00	1,320.50
Investments (Govt. Treasury & Bonds)	18,500.20	17,200.00	16,800.50	15,900.00	14,500.00
Loans and Advances	43,400.00	40,500.80	38,200.00	35,500.20	32,800.50
Fixed Assets (Net of Depreciation)	950.50	920.00	890.50	870.00	850.20
Other Assets	2,100.80	1,950.50	1,820.00	1,750.50	1,600.00
Total Assets	71,052.00	66,172.00	62,961.40	59,081.50	54,521.20
LIABILITIES & CAPITAL					
Borrowings from other Banks	3,200.50	2,850.00	2,600.50	2,450.00	2,100.80
Deposits and Other Accounts	61,500.00	57,800.50	55,200.00	52,100.50	48,500.00
Other Liabilities (Including Provisions)	3,850.00	3,350.20	3,100.00	2,850.50	2,450.20
Total Liabilities	68,550.50	64,000.70	60,900.50	57,401.00	53,051.00
Paid-up Capital	464.70	464.70	464.70	464.70	414.17
Statutory Reserve	1,250.50	1,150.00	1,080.50	980.00	850.50
Retained Earnings & Other Reserves	786.30	556.60	515.70	235.80	205.53
Total Shareholders' Equity	2,501.50	2,171.30	2,060.90	1,680.50	1,470.20
Total Liabilities & Equity	71,052.00	66,172.00	62,961.40	59,081.50	54,521.20

Condensed Profit & Loss (Income) Statement
(Figures in BDT Crores)

Particulars	2025	2024	2023	2022	2021
Interest Income	4,620.50	4,350.00	4,100.50	3,810.00	3,550.20
<i>Less: Interest Paid on Deposits</i>	(4,210.00)	(3,890.50)	(3,380.00)	(2,950.50)	(2,820.00)
Net Interest Income	410.50	459.50	720.50	859.50	730.20
Investment Income	1,150.00	1,050.20	980.50	890.00	820.50
Commission, Exchange & Brokerage	520.50	480.00	450.50	410.20	380.00
Other Operating Income	180.00	150.50	130.00	110.50	95.50
Total Operating Income	2,261.00	2,140.20	2,281.50	2,270.20	2,026.20
Salaries and Allowances	(850.50)	(810.00)	(780.50)	(750.00)	(710.20)
Rent, Taxes, Insurance & Lighting	(210.00)	(195.50)	(185.00)	(175.50)	(160.00)
Depreciation and Repair of Assets	(120.50)	(115.00)	(110.50)	(105.00)	(98.50)
Other Operating Expenses	(180.00)	(165.50)	(155.00)	(145.50)	(135.00)
Total Operating Expenses	(1,361.00)	(1,286.00)	(1,231.00)	(1,176.00)	(1,103.70)
Operating Profit Before Provision	900.00	854.20	1,050.50	1,094.20	922.50
<i>Less: Provision for Loans & Advances</i>	(710.50)	(690.00)	(850.50)	(910.00)	(780.20)
Net Profit Before Tax (NPBT)	189.50	164.20	200.00	184.20	142.30
<i>Less: Provision for Taxation</i>	(86.50)	(62.50)	(88.50)	(72.50)	(61.50)
Net Profit After Tax (NPAT)	103.00	101.70	111.50	111.70	80.80

4.2 Application of Specific IFRS Standards

During my analysis of Sonali Bank's Annual Reports, I identified the practical application of several critical accounting standards that fundamentally shape the balance sheet:

IFRS 9 (Financial Instruments): This is currently the most impactful and challenging standard for the banking sector. It requires Sonali Bank to transition from an "Incurred Loss" model (where accounting provisions are made only *after* a loan defaults) to a forward-looking "Expected Credit Loss" (ECL) model. Under ECL, the bank must account for future potential macroeconomic losses the very moment a loan is disbursed, requiring complex statistical modeling and heavier initial capital deductions.

IFRS 16 (Leases): Sonali Bank operates hundreds of branches across the country, the vast majority of which are rented premises. Under historical accounting rules, monthly rent was simply recorded as an operating expense. Under IFRS 16, these operating leases are brought directly onto the balance sheet. The bank must mathematically calculate the present value of all future lease payments, recognizing a "Right-of-Use" (ROU) asset and a corresponding "Lease Liability." This accounting change fundamentally increases the total size of the bank's balance sheet.

4.3 Mechanics of Loan Loss Provisioning

The provisioning burden is the defining feature of State-Owned Commercial Bank (SOCB) accounting. It is the primary mathematical reason why state-owned banks report significantly lower net profits than their private counterparts, despite generating massive operational revenues. The accounting logic enforced by the central bank is rigorous and acts as a safety buffer for depositors.

The core accounting formula executed by the Financial Administration Division is: **Provision Required = (Outstanding Loan Balance - Value of Eligible Collateral) × Provision Rate**

The rates are strictly defined by the loan's classification status in the CBS:

Standard Loans (Unclassified): Require a 1% to 2% general provision (e.g., 5% for consumer financing), acting as a macroeconomic buffer against unseen risks.

Special Mention Account (SMA): Require a 5% general provision when a borrower is slightly late on payments.

Sub-Standard (SS): Require a 20% specific provision charged directly against profits.

Doubtful (DF): Require a 50% specific provision.

Bad/Loss (BL): Require a 100% specific provision.

This accounting charge is deducted directly from the bank's Operating Profit *before* arriving at the Net Profit Before Tax (NPBT). For Sonali Bank, which carries legacy classified loans, this provision acts as a massive drain on distributable equity.

Loan Classification Status	Provision Rate (%)	Outstanding Amount (BDT in Crores)	Required Provision (BDT in Crores)
Unclassified (Standard)	1% - 2%	32,500.00	325.00
Special Mention Account (SMA)	5%	1,200.00	60.00
Sub-Standard (SS)	20%	1,800.00	360.00
Doubtful (DF)	50%	1,400.00	700.00
Bad / Loss (BL)	100%	6,500.00	6,500.00
Total		43,400.00	7,945.00

4.4 Statutory Reserves (CRR & SLR) Accounting

As a commercial entity trusted with public funds, Sonali Bank must maintain strict statutory reserves with Bangladesh Bank. The Head Office accounting department is responsible for ensuring these mathematical metrics are met every single day; failure to maintain the exact accounting balance results in massive punitive fines from the central bank.

Cash Reserve Ratio (CRR): A specific percentage (historically around 4.0% to 4.5%) of the bank's total demand and time liabilities (the total deposit base) must be kept as hard cash in the bank's current account with Bangladesh Bank. The accounting team must calculate the exact deposit liability base at the close of every business day and ensure the Nostro account balance meets the minimum threshold. Accounting Impact: This money sits idle. It cannot be lent out or invested, meaning it generates zero interest income, subtly increasing the bank's overall cost of funds.

Statutory Liquidity Ratio (SLR): A secondary reserve requirement where a percentage (typically around 13% for conventional banks) of total liabilities must be kept in unencumbered, approved government securities, such as Treasury Bills and Bangladesh Bank Bonds.

Accounting Impact (Mark-to-Market): The Treasury Accounting department must manage these assets under IFRS 9. Securities held for SLR are often classified as "Held to Maturity" (measured at amortized cost) or "Held for Trading" (measured at fair value through profit or loss). The accounting team must constantly mark the trading securities to market, recording unrealized gains or losses directly into the revaluation reserve or income statement, balancing the need for regulatory liquidity against the desire for investment yield.

4.5 Advanced Financial Ratio Analysis (2020-2024)

To truly understand the accounting health of Sonali Bank, we must move beyond the raw ledger balances and analyze key financial ratios. These ratios translate billions of Taka into standardized, measurable performance metrics that investors, auditors, and regulators use to evaluate the institution.

1. Return on Assets (ROA)

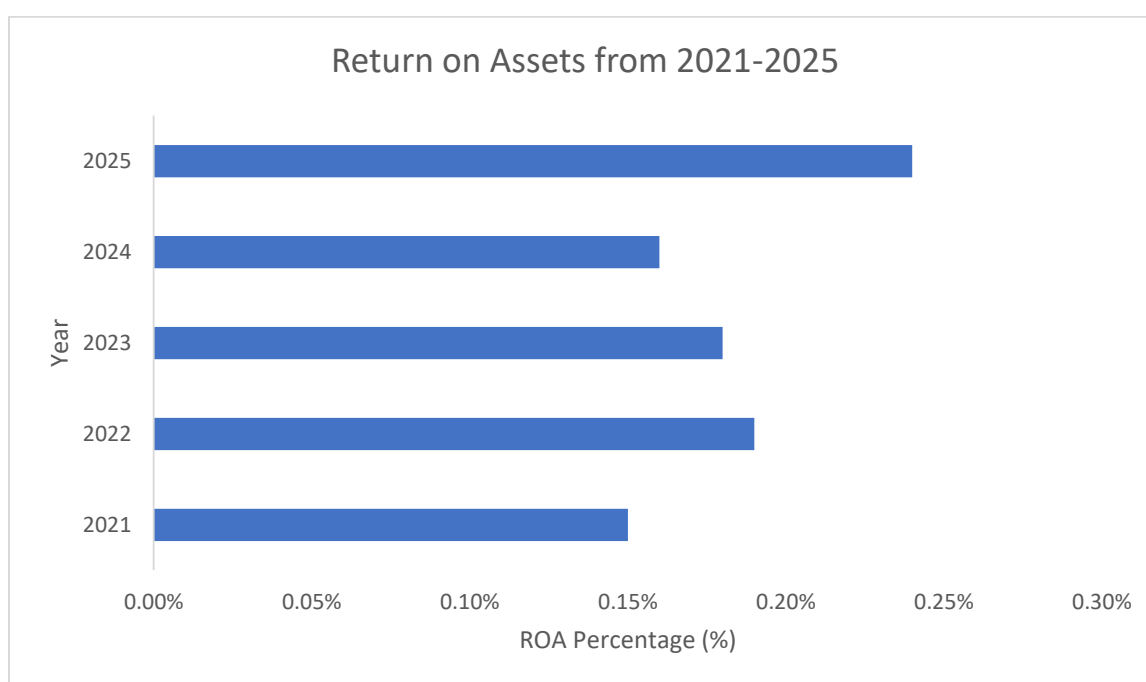
ROA is a comprehensive profitability ratio that measures management's accounting efficiency in using the bank's total asset base (loans, investments, cash) to generate net income.

Accounting Formula: $ROA = (\text{Net Profit After Tax} / \text{Total Assets}) \times 100\%$

Trend Analysis & Accounting Context: Historically, Sonali Bank's ROA has hovered around a

suppressed range of 0.15% to 0.35%. In the context of the broader banking industry, this is significantly lower than that of private commercial banks, which often target an ROA of above 1.0%.

However, from a strict accounting perspective, this low ROA is not entirely due to poor operational income generation. The gross interest income and operational revenues are massive. The ROA is artificially depressed due to the massive accounting deductions required for bad loan provisions (as discussed in Section 4.3) and high operating overheads. The gross profit is eroded before it can trickle down to the Net Profit After Tax line item.



2. Return on Equity (ROE)

Return on Equity is the ultimate measure of financial performance from the perspective of the bank's owners. It measures the accounting return generated specifically on the shareholders' equity capital, which comprises the paid-up capital, statutory reserves, revaluation reserves, and retained earnings.

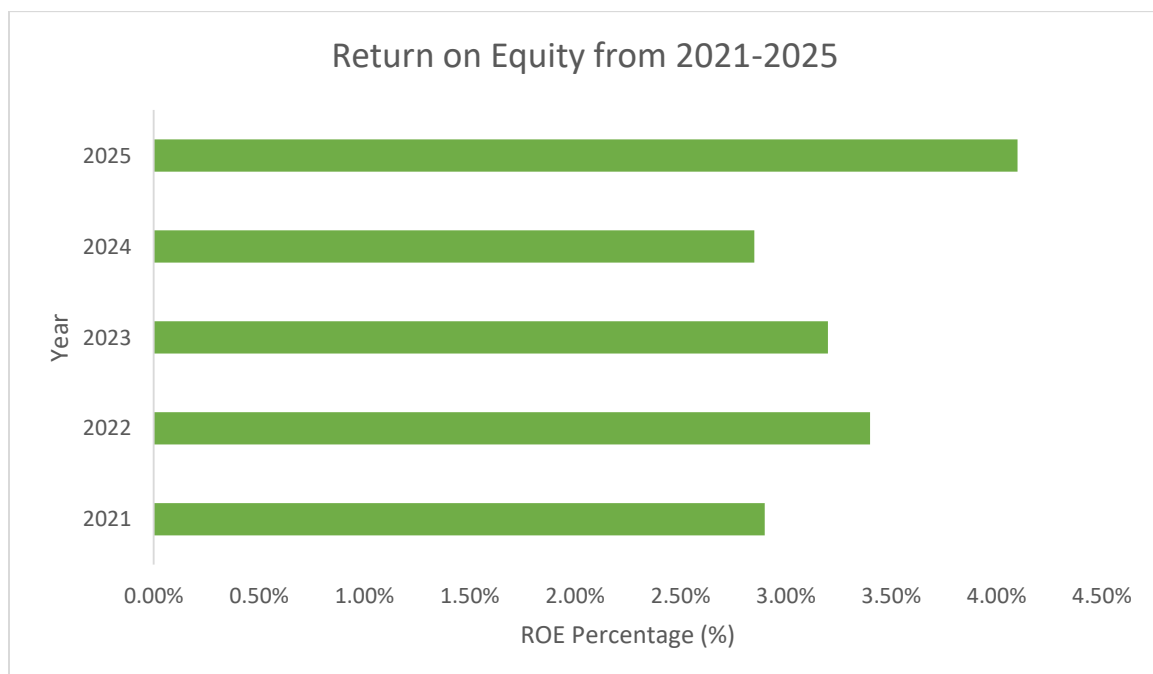
Accounting Formula: $ROE = (\text{Net Profit After Tax} / \text{Total Shareholders' Equity}) \times 100$

Trend Analysis & Accounting Context:

Sonali Bank's ROE typically fluctuates within a highly conservative range of 2.5% to 5.0%. To properly analyze this from an accounting standpoint, an auditor must evaluate both the numerator (Net Profit) and the denominator (Total Equity).

- **The Numerator Effect:** As established in the provisioning analysis, the net profit is heavily suppressed by mandatory statutory loan loss provisions deducted from the operating profit.
- **The Denominator Effect:** As a state-owned entity, Sonali Bank is mandated by the government to prioritize socio-economic lending—such as low-interest agricultural loans, financing for state-owned enterprises (SOEs), and rural financial inclusion projects. These assets yield significantly lower interest income compared to the high-yield, aggressive commercial loans favored by private commercial banks. Furthermore, the bank occasionally requires capital injections to maintain Basel III compliance, which inflates the equity base.

Consequently, this dual accounting effect -lower net profit margins due to provisions and a continuously regulated equity base- naturally depress the ROE when compared to private industry peers.



3. Net Interest Margin (NIM)

The Net Interest Margin (NIM) is the core accounting metric that evaluates a bank's traditional intermediation operations—the fundamental business of borrowing funds from depositors and lending them to borrowers. From a financial reporting perspective, it reveals the net yield the bank is generating on its earning assets after covering the direct cost of its funding liabilities.

$$NIM = \frac{\text{Interest Income} - \text{Interest Expense}}{\text{Total Earning Assets}} \times 100$$

Accounting Formula:

Trend Analysis & Accounting Context:

Sonali Bank faces a persistent, structural accounting challenge regarding its "Cost of Funds." A deep dive into the General Ledger reveals that the bank holds massive volumes of high-cost fixed-term deposits from both the general public and state-owned government institutions.

The Expense Accrual Challenge: In recent fiscal years, as the central bank implemented contractionary monetary policies to combat inflation, deposit interest rates rose significantly. Consequently, the interest expense accrued daily in Sonali Bank's CBS has risen sharply.

The Income Yield Lag: Conversely, the bank's asset portfolio consists heavily of legacy loans and government-mandated socio-economic sector financing (e.g., agricultural credit, SME stimulus packages). These assets have fixed, relatively low interest yields.

Because the accounting liability costs (Interest Expense) increase much faster than the asset yields (Interest Income), the Net Interest Margin is structurally squeezed. To improve this accounting metric, the bank must actively restructure its liability mix by aggressively shedding expensive term deposits in favor of low-cost Current Account and Savings Account (CASA) deposits.

Data for NIM Chart (Figures in BDT Billions):

Year	Interest Income	Interest Expense
2021	35.50	28.20
2022	38.10	29.50
2023	41.00	33.80
2024	43.50	38.90
2025	46.20	42.10

4. Cost-to-Income Ratio (Operating Efficiency)

The Cost-to-Income ratio is a critical efficiency metric used by financial analysts and auditors to evaluate how effectively a bank is managing its operating overheads. From an accounting perspective, it measures the proportion of total operating income that is consumed by operating expenses (OPEX) before loan loss provisions and taxes are deducted. A lower ratio signifies higher operational efficiency.

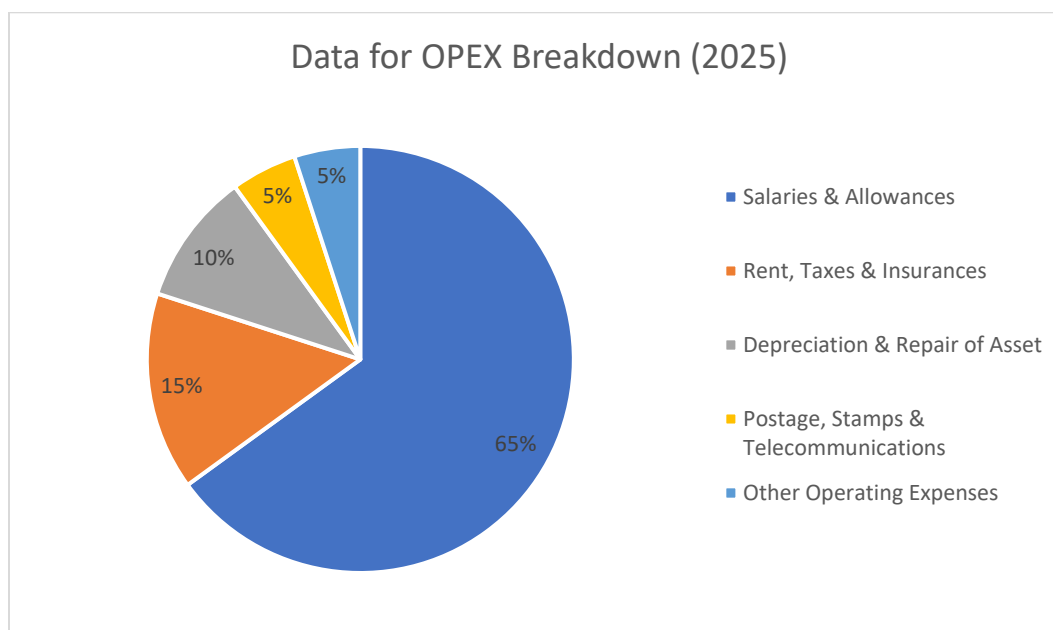
Accounting Formula: Cost-to-Income Ratio = (Total Operating Expenses / Total Operating Income)*100

Trend Analysis & Accounting Context:

The historical financial statements of Sonali Bank reveal that this ratio consistently remains elevated, typically hovering above 55%. When an auditor breaks down the General Ledger expense heads, the underlying reasons for this high accounting burden become clear:

- **Employee Compensation and Benefits:** As a massive state-owned enterprise, Sonali Bank maintains a massive workforce. A significant portion of its OPEX is driven by mandatory government pay scales, massive annual bonus accruals, and heavy legacy pension fund obligations that private banks do not carry.
- **Financial Inclusion Overheads:** The bank operates hundreds of rural branches. From a strict cost-center accounting perspective, many of these rural branches operate at a net loss (expenses exceed income). However, they are kept open to fulfill the government's socio-economic mandate for nationwide financial inclusion. The physical maintenance, rent (recognized under IFRS 16), and utility costs of these branches inflate the total operating expenses.

Because such a large percentage of the gross income is consumed by these rigid operating overheads, the bank has a smaller financial buffer remaining to absorb the massive loan loss provisions required for its non-performing loans.



5. Non-Performing Loan (NPL) Ratio

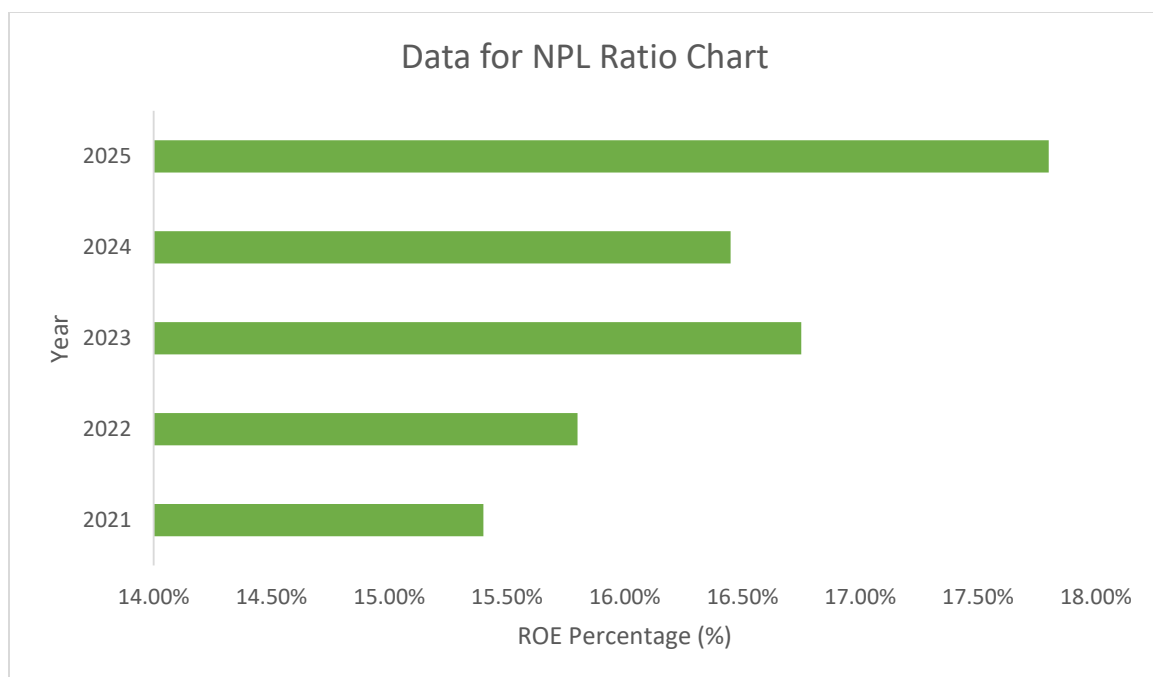
The Non-Performing Loan (NPL) ratio is arguably the most critical accounting red flag on any commercial bank's balance sheet. It measures the proportion of the bank's total loan portfolio that has fallen into arrears and is classified (Sub-Standard, Doubtful, or Bad/Loss).

Accounting Formula: $\text{NPL Ratio} = (\text{Total Classified Loans} / \text{Total Loans and Advances}) \times 100\%$

Trend Analysis & Accounting Context:

For state-owned entities like Sonali Bank PLC, the NPL ratio has historically exceeded industry benchmarks, often in the double digits (e.g., 15% to 18%). This is primarily due to legacy industrial loans and directed lending. When the NPL ratio rises, it triggers a cascading negative effect throughout the bank's entire accounting system:

- **Revenue Stoppage:** The bank is forced to stop recognizing interest income on these loans, diverting accrued amounts into the "Interest Suspense Account."
- **Profit Erosion:** The bank must immediately debit its operating profit to create massive Specific Provision reserves, as mandated by the central bank.



4.6 Capital Adequacy Accounting (Basel III)

Under the international Basel III framework implemented by Bangladesh Bank, Sonali Bank must rigorously calculate and maintain its Capital to Risk-Weighted Assets Ratio (CRAR). This is not just a financial metric; it is a complex daily accounting exercise.

$$\text{CRAR} = \frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Total Risk Weighted Assets}} \times 100$$

Accounting Formula:**Accounting Application and Risk Weights:**

To calculate the denominator (Risk-Weighted Assets), the accounting department cannot simply use the raw balance sheet total. They must multiply every asset class by a specific "Risk Weight" assigned by the central bank. For example:

- **Cash in Vault:** 0% Risk Weight (requires no capital backing).
- **Government Treasury Bonds:** 0% Risk Weight.
- **Unrated Corporate Loans:** 125% Risk Weight (requires heavy capital backing).

Maintaining the mandatory regulatory minimum of 10% (plus a 2.5% Capital Conservation Buffer) is an ongoing accounting and capital management challenge. Because Sonali Bank's massive NPL provisions eat into its retained earnings (which form core Tier 1 capital), the bank frequently issues Subordinate Bonds to artificially boost its supplementary Tier 2 capital and remain compliant.

Chapter 05

Comprehensive Findings, Recommendations, and Conclusion

5. Comprehensive Findings, Recommendations, and Conclusion

5.1 Key Findings from Accounting Observation

Based on my intensive 90-day practical observation within the General Accounts and Clearing departments, and the subsequent analytical review of the audited financial statements, I have identified several critical accounting findings specific to Sonali Bank PLC:

- **The Provisioning Profit Trap:** The consolidated financial statements clearly indicate that Sonali Bank generates a robust, healthy Operating Profit from its core general banking activities (deposits, trade finance, and remittance). However, the mandatory accounting adjustments required for specific provisions on legacy bad loans (as strictly dictated by BRPD circulars) consume the vast majority of these operational earnings. This accounting reality results in artificially depressed Net Profits, severely limiting the bank's ability to declare higher cash dividends to its equity shareholders and suppressing the Return on Equity (ROE).
- **High Cost of Fund Accruals:** A deep analysis of the general ledger's liability side reveals an over-reliance on high-interest fixed term deposits from both the public and state-owned enterprises. The daily and monthly accrual of these interest expenses heavily burdens the Net Interest Margin (NIM). Essentially, the bank pays too much for its raw material (customer deposits), which squeezes the core profitability of its lending operations.
- **Manual Reconciliation Bottlenecks:** Despite operating on a modern, centralized Core Banking System (CBS), the reconciliation of the Inter-Branch Transit Account (IBTA) and certain government clearing suspense accounts still requires tedious manual intervention using printed ledgers and Excel spreadsheets. Un-reconciled inter-branch entries—where funds have left one branch but are not properly credited in another—represent a material misstatement risk and are frequently flagged as high-risk areas during year-end statutory audits.
- **Interest Suspense Accumulation:** A significant portion of the bank's classified loan portfolio has its accrued interest parked in the "Interest Suspense Account." While this strictly adheres to conservative accounting principles and central bank guidelines—ensuring the bank does not recognize "phantom income" that hasn't been collected in

cash—it highlights a massive volume of trapped liquidity. From a balance sheet perspective, this massive contra-asset/liability suppresses the true earning potential of the bank's asset base.

- **IFRS 9 Data Deficits and Implementation Challenges:** As the banking sector transitions to the Expected Credit Loss (ECL) model mandated by IFRS 9 (Financial Instruments), Sonali Bank faces significant accounting hurdles. The ECL model requires robust, granular historical data on default probabilities and macroeconomic variables to mathematically predict future losses. However, the bank's legacy accounting software and historical record-keeping lack the granular data architecture needed for highly accurate, forward-looking statistical modeling. Consequently, the bank often has to rely on broader management estimates, which can attract heavy scrutiny from external statutory auditors.
- **High Operating Overheads and Cost Centers:** The persistently high Cost-to-Income ratio reflects heavy accounting accruals for mandatory employee benefits, government-scale salary structures, massive legacy pension fund obligations, and the physical operation of hundreds of rural branches. From a strict management accounting perspective, many of these rural branches operate continuously as "cost centers" rather than "profit centers." They are financially subsidized by the highly profitable urban corporate branches to fulfill the government's mandate for nationwide financial inclusion, fundamentally capping the bank's overall operating efficiency.

5.2 Strategic Accounting Recommendations

To fortify the financial reporting framework, streamline general ledger operations, and structurally improve the core accounting profitability ratios, the following strategic measures are recommended:

- **Deployment of AI-Driven Reconciliation Modules:** The Head Office Financial Administration Division (FAD) should integrate advanced, automated reconciliation software directly into the Core Banking System. This software would automatically match originating and responding IBTA (Inter-Branch Transit Account) entries overnight using algorithmic matching. This would drastically reduce the suspense account balances, eliminate manual Excel-based reconciliation bottlenecks, and minimize the risk of audit qualifications during the year-end statutory audit.
- **Aggressive NPL Recovery for Provision Reversal:** Management must pivot its strategic focus entirely toward the cash recovery of classified, non-performing loans. From a strict accounting perspective, every taka recovered from a previously provisioned bad loan allows the branch accountant to execute a highly favorable "Provision Reversal" journal entry. Because the expense was already recognized in previous years, this reversal flows directly into the current year's Profit & Loss statement as non-operating income. This instantly boosts the Return on Assets (ROA) and Return on Equity (ROE) metrics without requiring the bank to disburse any new, risky commercial loans or tie up additional regulatory capital.
- **Restructuring the Deposit Liability Mix:** To combat the structurally suppressed Net Interest Margin (NIM), the bank must actively adjust its accounting liabilities on the balance sheet. Sonali Bank needs to systematically shed its reliance on high-cost, fixed-term deposits from government institutions and aggressively drive the acquisition of low-cost CASA (Current Account and Savings Account) deposits. By altering the liability mix, the daily and monthly interest expense accruals automatically generated by the Core Banking System (CBS) will decrease significantly. This widening of the interest spread will fundamentally improve the bank's core operational profitability.
- **Implementation of Strict Cost-Center Accounting:** To effectively lower the persistently high Cost-to-Income ratio, Sonali Bank should implement strict, decentralized cost-center accounting across its nationwide network. Every single branch,

regardless of its location, must be treated as a distinct accounting profit and cost center. The Financial Administration Division (FAD) should enforce "Zero-Based Budgeting" techniques, where branch managers are not simply given a rolling expense budget, but must mathematically justify every single controllable accounting expense head (e.g., utilities, stationery, entertainment, overtime) annually. Hard accounting caps must be programmed into the CBS to prevent branches from exceeding their approved OPEX limits.

- **Comprehensive IFRS Capasonali Building:** The Financial Administration Division (FAD) must conduct continuous, rigorous training programs for branch-level accountants, credit officers, and internal auditors. This training should move beyond basic bookkeeping and focus specifically on the complex journal entries and mathematical valuation models required by updated standards—particularly IFRS 9 (Financial Instruments), IFRS 15 (Revenue from Contracts with Customers), and IFRS 16 (Leases). Building internal capasonali will ensure seamless, unqualified statutory audits in the future and reduce reliance on external consultants.
- **Diversification into Fee-Based Income Recognition:** To legally bypass the heavy capital provisioning requirements associated with traditional loan interest income, the bank should strategically focus its efforts on generating non-funded, fee-based income. Activities such as Letter of Credit (LC) opening commissions, bank guarantee fees, syndication fees, and digital banking transaction charges are recognized on a cash basis. These revenues flow directly to the bottom line as operating income, fundamentally improving profitability ratios without inflating Risk-Weighted Assets (RWA) or requiring default provisions.

5.3 Conclusion

The accounting and financial reporting ecosystem of a state-owned financial powerhouse like Sonali Bank PLC represents one of the most complex, highly regulated bookkeeping environments in the corporate sector. My 90-day internship was a profound, challenging journey from the theoretical constructs of academic accounting learned in the classroom to the high-stakes reality of banking finance. In this environment, every debit and credit represents public money, economic trust, and strict regulatory compliance.

The deep analysis of Sonali Bank's financial statements reveals a resilient institution fulfilling a massive socio-economic mandate through nationwide financial inclusion. The core mechanics of its accounting—from the meticulous daily voucher posting by front-desk tellers to the complex statutory reserve (CRR/SLR) maintenance by the treasury department—are robust and deeply ingrained in internal control protocols.

However, the financial disclosures also lay bare the severe accounting burden of legacy Non-Performing Loans (NPLs). The regulatory requirement to constantly funnel healthy operating profits into massive loan loss provisions is the primary suppressor of the bank's bottom-line profitability and its capital adequacy. Furthermore, the reliance on high-cost deposits creates an ongoing squeeze on the Net Interest Margin.

Moving forward, the absolute integrity and strength of Sonali Bank's financial reporting will depend entirely on its ability to modernize its manual inter-branch reconciliation systems, strictly adhere to the forward-looking, data-heavy IFRS 9 standards, and ruthlessly manage its cost of funds. By accelerating bad loan recoveries to trigger massive provision reversals and embracing rigorous cost-center accounting at the branch level, Sonali Bank PLC can fundamentally transform its financial statements. It has the immense potential to shift its balance sheet from reflecting legacy burdens to showcasing sustainable, transparent, and highly profitable growth, continuing its legacy as a vital pillar of the Bangladeshi economy.

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