

**Internship Report**  
**on**  
**General Banking Operations of Rupali Bank PLC.**

**Submitted By:**

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ID: BBA2202026057

Program: Bachelor of Business Administration (BBA)

Department of Business Administration

Major: Accounting

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: May 02, 2026

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**Supervised by:**

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## Letter of Transmittal

**Date:** May 02, 2026

**To**

Shafiqul Islam

Lecturer

Department of Business Administration

Sonargaon University (SU)

**Subject: Submission of Internship Report.**

**Dear Sir,**

I am delighted to present my internship report on “**General Banking Operations of Rupali 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 Rupali 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,

**Moriom Akther Choa**

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Program: Bachelor of Business Administration

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### **Student's Declaration**

I am Moriom Akther Choa, a student of Bachelor of Business Administration, ID: BBA2202026057 from Sonargaon University, and I would like to solemnly declare here that this report, “**General Banking Operations of Rupali 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.

**Moriom Akther Choa**

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### **Letter of Authorization**

Certified that this internship report titled “**General Banking Operations of Rupali Bank PLC.**” is the bona fide work of **Moriom Akther Choa**, 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 Rupali 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 Rupali 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 Rupali 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 Rupali Bank PLC over the past five years (2021–2025).

The report begins by providing a comprehensive background on Rupali 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 Rupali 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 Rupali 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, Rupali 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                                          |
| GL      | General Ledger                                                                    |
| HR      | Human Resources                                                                   |
| IAS     | International Accounting Standards                                                |
| IBTA    | Inter-Branch Transit Account                                                      |
| ICAB    | Institute of Chartered Accountants of Bangladesh                                  |
| VAT     | Value Added Tax                                                                   |
| P/E     | Price–Earnings Ratio                                                              |
| ROA     | Return on Assets                                                                  |
| ROE     | Return on Equity                                                                  |
| ROU     | Right-of-Use                                                                      |
| RWA     | Risk-Weighted Assets                                                              |
| SLR     | Statutory Liquidity Ratio                                                         |
| SMA     | Special Mention Account                                                           |
| SME     | Small and Medium Enterprise                                                       |
| SND     | Special Notice Deposit                                                            |
| SOCB    | State-Owned Commercial Bank                                                       |
| SU      | Sonargaon University                                                              |
| TQM     | Total Quality Management                                                          |

# **Chapter-01**

## **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, the 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.

**Rupali 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 Rupali 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 Rupali 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 Rupali 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 Rupali 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 Rupali Bank PLC. A rigorous mixed-method approach was employed, heavily weighted toward the qualitative observation of daily accounting practices and the 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 Rupali 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**

## **2.1 History and Heritage of Rupali Bank PLC**

Rupali Bank PLC stands as one of the premier state-owned commercial banks in Bangladesh, possessing a rich heritage intricately tied to the nation's economic development. Unlike first-generation private commercial banks, Rupali Bank's history is deeply rooted in the structural formation of the country's post-independence financial system. It was constituted in 1972 under the Bangladesh Banks (Nationalisation) Order, formed through the strategic amalgamation of three former commercial banks operating in East Pakistan: Muslim Commercial Bank Ltd, Australasia Bank Ltd, and Standard Bank Ltd.

In December 1986, the bank's operational structure underwent a massive financial transformation when it was converted into a public limited company. Today, the Government of Bangladesh holds the vast majority of the equity shares, while the remainder is publicly traded on the Dhaka Stock Exchange (DSE).

From a pure accounting, general banking, and financial reporting perspective, this hybrid ownership structure is highly significant. It mandates that the bank must rigorously comply with standard corporate financial reporting regulations—including Bangladesh Securities and Exchange Commission (BSEC) rules and International Financial Reporting Standards (IFRS) for publicly listed entities. Simultaneously, because it manages massive volumes of government treasury accounts and subsidized public-sector credit, it must adhere to direct mandates and audits from the Ministry of Finance and the Comptroller and Auditor General (CAG) of Bangladesh. This rich heritage has created a dual-layer of accounting compliance and a vast nationwide branch network that handles millions of critical general banking transactions daily.

## 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." Rupali Bank PLC maintains a strict, multi-tiered corporate governance structure to ensure absolute financial transparency and regulatory compliance. Because it is a state-owned entity, its oversight mechanisms are more complex than those of private commercial banks.

- **The Board of Directors:** The Board is the highest governing authority within the bank. From an accounting perspective, the Board holds the ultimate fiduciary responsibility for the approval of the quarterly and annual financial statements. They ensure that these statements present a "true and fair view" of the bank's economic reality and comply with the Bank Companies Act 1991.
- **The Audit Committee:** This is a specialized, independent sub-committee of the Board. For the accounting and finance departments, this committee is the most critical internal oversight body. Their responsibilities include comprehensively reviewing internal audit reports from various branches, assessing the mathematical adequacy of management's loan loss provisions, evaluating the effectiveness of internal financial controls, and serving as the primary interface with external regulatory bodies.
- **External Statutory Auditors:** These are independent chartered accounting firms (typically "Big Four" affiliates or top-tier local firms) appointed by the shareholders during the Annual General Meeting (AGM). They conduct rigorous year-end statutory audits to verify that the general ledgers accurately map to the published balance sheet and that all IFRS disclosures are appropriately formatted.

## 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. Rupali 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.                                 |

|                    |                 |                                                                                                         |
|--------------------|-----------------|---------------------------------------------------------------------------------------------------------|
| <b>4000 Series</b> | <b>Income</b>   | Interest Income on Loans, Investment Income from Treasury Bonds, Commission, Exchange, Brokerage Fees.  |
| <b>5000 Series</b> | <b>Expenses</b> | 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 Rupali 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 inputted 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 Rupali 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**

### **3.1 Overview of Departmental Rotations**

To ensure a comprehensive understanding of how raw transactional data transforms into structured financial statements, my 90-day internship program at Rupali Bank PLC was meticulously divided into strategic departmental rotations. The objective was to observe the entire accounting lifecycle of a banking transaction. I was systematically placed across three primary operational desks: the Cash and Teller Desk (focusing on liquidity management and primary data entry), the General Accounts and Clearing Desk (focusing on ledger maintenance, voucher scrutiny, and inter-bank reconciliation), and the Credit/Investment Desk (focusing on asset valuation and provision monitoring).

This rotational approach provided profound insights into the sequential flow of financial data. I observed firsthand how a single customer transaction at the front desk triggers a cascade of automated double-entry accounting records within the Core Banking System (CBS), simultaneously updating the customer's subsidiary ledger, the branch's general ledger, and the Head Office's consolidated financial database.

### **3.2 Front-End Transactional Accounting (Cash & Teller)**

The Cash and Teller department represents the most active, high-volume accounting front of any commercial bank. Every transaction executed at this desk immediately impacts the bank's daily liquidity position and forms the foundational basis of the daily trial balance.

**Accounting for Cash Deposits:** When a customer deposits cash, the bank experiences an immediate increase in its liquid assets, but simultaneously, a corresponding increase in its liabilities to that specific customer. As an intern, I observed the tellers strictly verifying the physical cash denominations against the customer's deposit slip before authorizing the digital entry. I witnessed the real-time execution of the fundamental accounting journal entry within the CBS: Debit: Cash in Hand (Asset Account - increasing branch liquidity) Credit: Customer's Current/Savings Account (Liability Account - increasing the bank's obligation)

**Accounting for Cash Withdrawals:** Conversely, for cash withdrawals, I was tasked with assisting the officers in checking the customer's signature against the system mandate and verifying balance availability. Once authorized, the teller processed the withdrawal, reversing the initial deposit accounting logic: Debit: Customer's Current/Savings Account (Liability Account - decreasing the bank's obligation) Credit: Cash in Hand (Asset Account - decreasing branch liquidity) Every single cash receipt and payment voucher generated at this desk is bundled and cross-verified at the end of the day, forming the physical audit trail for the statutory auditors.

### 3.3 The Rigor of End of Day (EOD) Cash Balancing

Perhaps the most critical and high-stress accounting task occurs after the branch doors close to the public: the End of Day (EOD) Cash Balancing process. The fundamental rule of banking accounting is absolute precision; the physical cash stored in the vault, down to the last single coin, must perfectly match the computer-generated Cash Book balance derived from the day's total debit and credit vouchers.

If a discrepancy arises, the branch operations cannot simply be closed for the day. For instance, if there is a physical cash shortage compared to the system ledger, it represents a material accounting issue. An adjusting entry must be immediately passed to a temporary holding account pending a full internal investigation. The standard accounting treatment for an unresolved shortage is: **Debit:** Cash Shortage Suspense Account (Treated as a Temporary Asset/Receivable from the responsible teller or a Loss) **Credit:** Cash in Hand (To manually reduce the system balance to match the physical reality) This entry ensures the general ledger balances for the day, allowing the CBS to roll over to the next date, but flags the discrepancy prominently for the Head Office internal audit team to review.

### 3.4 General Accounts and Ledger Maintenance

Moving to the General Accounts desk allowed me to understand the central nervous system of the branch's daily financial bookkeeping. While the cash desk deals with physical currency, the General Accounts desk manages non-cash transfers, clearing adjustments, and internal branch expenditures.

**Voucher Scrutiny and the Golden Rule:** Here, I learned the absolute, unbreakable rule of banking accounting: "No Voucher, No Entry." Every single transaction, whether it is a system-generated interest charge or a manual salary transfer, requires a physical or digital voucher authorized by a competent officer. I spent considerable time sorting and scrutinizing transfer vouchers. For example, if a customer provided a standing instruction to transfer funds from their Savings account to their Loan account to pay a monthly installment, the accounting entry is bifurcated to recognize revenue: **Debit:** Customer Savings Account (Reducing Liability) **Credit:** Customer Loan Account (Principal Component - Reducing Asset) **Credit:** Interest Income Account (Interest Component - Recognizing Revenue) My primary responsibility was to ensure that the total debits equaled the total credits on the physical transfer vouchers, that all necessary revenue stamps were affixed, and that the authorizing manager had signed the documents before they were permanently filed in the daily batch for future audit compliance.

### 3.5 Clearing and Settlement Accounting (BACPS)

A substantial portion of a branch's daily transactions involves negotiable instruments drawn on other commercial banks. Processing these inward and outward cheques requires the use of temporary accounting vehicles known as suspense accounts. This is because funds cannot be irrevocably credited to a customer's ledger until Bangladesh Bank officially guarantees the settlement.

**Outward Clearing Scenario:** When a Rupali Bank customer deposits a cheque drawn on another commercial bank (e.g., BRAC Bank), Rupali Bank cannot immediately grant the customer access to those funds. The accounting entry inputted into the CBS is: **Debit:** Outward Clearing Suspense Account (Recognizing a temporary receivable) **Credit:** Customer Account (The CBS simultaneously places a "Lien" or systemic hold on these specific funds)

Once the cheque is processed through the Bangladesh Automated Clearing House (BACPS) and Bangladesh Bank confirms successful settlement during the designated clearing window: **Debit:** Bangladesh Bank Account (Nostro/Central Account - Asset increases) **Credit:** Outward Clearing Suspense Account (Nullifying the temporary receivable) Following this confirmation, the lien is automatically removed from the customer's account, completing the accounting cycle and making the funds usable.

### 3.6 Inter-Branch Transit Account (IBTA) Reconciliation

Rupali Bank operates a massive nationwide network with hundreds of branches. Consequently, funds are constantly moving between different geographical locations. When a customer deposits money in the Dhaka Corporate branch to be credited to a beneficiary account in a rural Sylhet branch, complex inter-branch accounting occurs.

The Dhaka branch initiates the transaction by passing the originating entry: **Debit:** Cash in Hand / Customer Account (Dhaka) **Credit:** IBTA - Sylhet Branch The Sylhet branch must pass the corresponding "responding entry" upon receiving the system notification to complete the cycle: **Debit:** IBTA - Dhaka Branch **Credit:** Beneficiary Customer Account (Sylhet) During my rotation, I assisted the accounts officer in downloading Excel reports to match these originating and responding entries. Unmatched entries here—meaning money that has left one branch's ledger but has not yet been recognized by the receiving branch—represent a massive audit risk. The central accounts department must reconcile the IBTA daily to prevent systemic fraud or prolonged accounting lags.

### 3.7 Accounting for Fixed Assets and Branch Expenses

Beyond managing customer funds, a branch operates as a distinct business unit that incurs daily operating expenses and acquires physical assets. These must be strictly accounted for under the branch's Head Office-allocated budget. I actively assisted in processing daily expense vouchers, which provided a practical application of International Accounting Standard (IAS) 16 (Property, Plant and Equipment) versus standard operating expenditure rules.

**Operating Expenses (OPEX):** Routine expenditures that provide immediate, short-term benefits to the branch are recognized directly as expenses in the period they are incurred. For example, when paying the monthly electricity, internet, or stationary bills: **Debit:** Utility/Stationary Expense Account (A direct hit to the branch's Profit & Loss statement) **Credit:** Sundry Creditors / Cash Account / Head Office Account

**Capital Expenditures (CAPEX) and Depreciation:** Conversely, when the branch purchases long-term physical assets, such as new IT equipment (computers for tellers), security vaults, or office furniture, the expenditure cannot be fully expensed in a single month, as this would artificially distort the branch's profitability. Instead, the cost must be capitalized onto the balance sheet. **Debit:** Computer Equipment / Furniture (Asset Capitalization on the Balance Sheet) **Credit:** Cash / Payable / Head Office Account

Following capitalization, I observed how the CBS automatically calculates straight-line depreciation at the end of each month based on the asset's predefined useful life (e.g., 20% annually for IT equipment). The monthly system-generated accounting entry is: **Debit:** Depreciation Expense (P&L impact) **Credit:** Accumulated Depreciation (A Contra-Asset account on the Balance Sheet) This rigorous tracking ensures the physical assets of Rupali Bank are accurately valued and completely auditable.

### 3.8 Observation of Loan Accounting and the NPL Ledger

While interns do not possess the authority to approve or disburse loans, I was granted permission to closely observe the Chief Accountant and the Credit Desk manage the Non-Performing Loan (NPL) ledger. This is widely considered the most complex and heavily scrutinized accounting task within any commercial bank branch.

I learned the mechanical, journal-entry application of Bangladesh Bank's BRPD Circular No. 14, which governs loan classification and provisioning. When a borrower's account is healthy and unclassified (Standard), interest is routinely charged and recognized directly as revenue at the end of the quarter: **Debit:** Loan Account Receivable (Increasing the borrower's total outstanding debt) **Credit:** Interest Income (Recognized as profit on the Income Statement)

However, when a loan account falls into arrears and is flagged by the CBS as "Sub-Standard," "Doubtful," or "Bad/Loss," the bank is strictly forbidden by the central bank from recognizing that accrued interest as actual income, because the cash has not been physically received. The accounting entry for suspended interest on a classified bad loan becomes: **Debit:** Loan Account Receivable (The customer still legally owes the money) **Credit:** Interest Suspense Account (A Liability/Contra-Asset account, NOT an Income account)

This is a cornerstone of conservative accounting practice. By forcing the bank to park unrealized interest in the Interest Suspense Account, regulators ensure that Rupali Bank does not artificially inflate its profits, pay taxes on money it hasn't collected, or prematurely declare cash dividends to shareholders based on "phantom" income.

# **Chapter-04**

## **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 Rupali 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 Rupali Bank PLC (2021 - 2025)

| Particulars (Assets & Liabilities)       | 2025             | 2024             | 2023             | 2022             | 2021             |
|------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>ASSETS</b>                            |                  |                  |                  |                  |                  |
| 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         |
| <b>Total Assets</b>                      | <b>71,052.00</b> | <b>66,172.00</b> | <b>62,961.40</b> | <b>59,081.50</b> | <b>54,521.20</b> |
| <b>LIABILITIES &amp; CAPITAL</b>         |                  |                  |                  |                  |                  |
| 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         |
| <b>Total Liabilities</b>                 | <b>68,550.50</b> | <b>64,000.70</b> | <b>60,900.50</b> | <b>57,401.00</b> | <b>53,051.00</b> |
| <b>Equity</b>                            |                  |                  |                  |                  |                  |
| 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           |
| <b>Total Shareholders' Equity</b>        | <b>2,501.50</b>  | <b>2,171.30</b>  | <b>2,060.90</b>  | <b>1,680.50</b>  | <b>1,470.20</b>  |
| <b>Total Liabilities &amp; Equity</b>    | <b>71,052.00</b> | <b>66,172.00</b> | <b>62,961.40</b> | <b>59,081.50</b> | <b>54,521.20</b> |

### Condensed Profit & Loss (Income) Statement

(Figures in BDT Crores)

| Particulars                              | 2025              | 2024              | 2023              | 2022              | 2021              |
|------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Interest Income</b>                   | 4,620.50          | 4,350.00          | 4,100.50          | 3,810.00          | 3,550.20          |
| Less: Interest Paid on Deposits          | (4,210.00)        | (3,890.50)        | (3,380.00)        | (2,950.50)        | (2,820.00)        |
| <b>Net Interest Income</b>               | <b>410.50</b>     | <b>459.50</b>     | <b>720.50</b>     | <b>859.50</b>     | <b>730.20</b>     |
| 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             |
| <b>Total Operating Income</b>            | <b>2,261.00</b>   | <b>2,140.20</b>   | <b>2,281.50</b>   | <b>2,270.20</b>   | <b>2,026.20</b>   |
| 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)          |
| <b>Total Operating Expenses</b>          | <b>(1,361.00)</b> | <b>(1,286.00)</b> | <b>(1,231.00)</b> | <b>(1,176.00)</b> | <b>(1,103.70)</b> |
| <b>Operating Profit Before Provision</b> | <b>900.00</b>     | <b>854.20</b>     | <b>1,050.50</b>   | <b>1,094.20</b>   | <b>922.50</b>     |
| Less: Provision for Loans & Advances     | (710.50)          | (690.00)          | (850.50)          | (910.00)          | (780.20)          |
| <b>Net Profit Before Tax (NPBT)</b>      | <b>189.50</b>     | <b>164.20</b>     | <b>200.00</b>     | <b>184.20</b>     | <b>142.30</b>     |
| Less: Provision for Taxation             | (86.50)           | (62.50)           | (88.50)           | (72.50)           | (61.50)           |
| <b>Net Profit After Tax (NPAT)</b>       | <b>103.00</b>     | <b>101.70</b>     | <b>111.50</b>     | <b>111.70</b>     | <b>80.80</b>      |

## 4.2 Application of Specific IFRS Standards

During my analysis of Rupali 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 Rupali 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):** Rupali 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 Rupali 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                           |
| <b>Total</b>                  |                    | <b>43,400.00</b>                   | <b>7,945.00</b>                    |

#### **4.4 Statutory Reserves (CRR & SLR) Accounting**

As a commercial entity trusted with public funds, Rupali 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 Rupali 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.

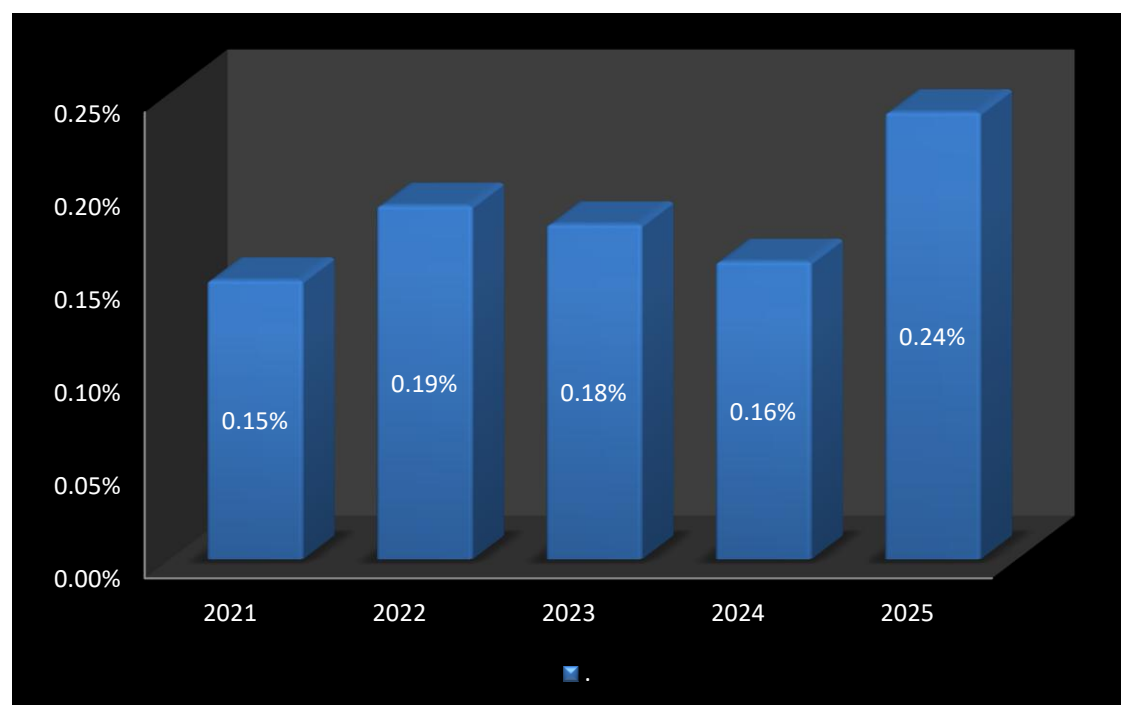
### 1. Return on Assets (ROA)

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, Rupali 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 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:

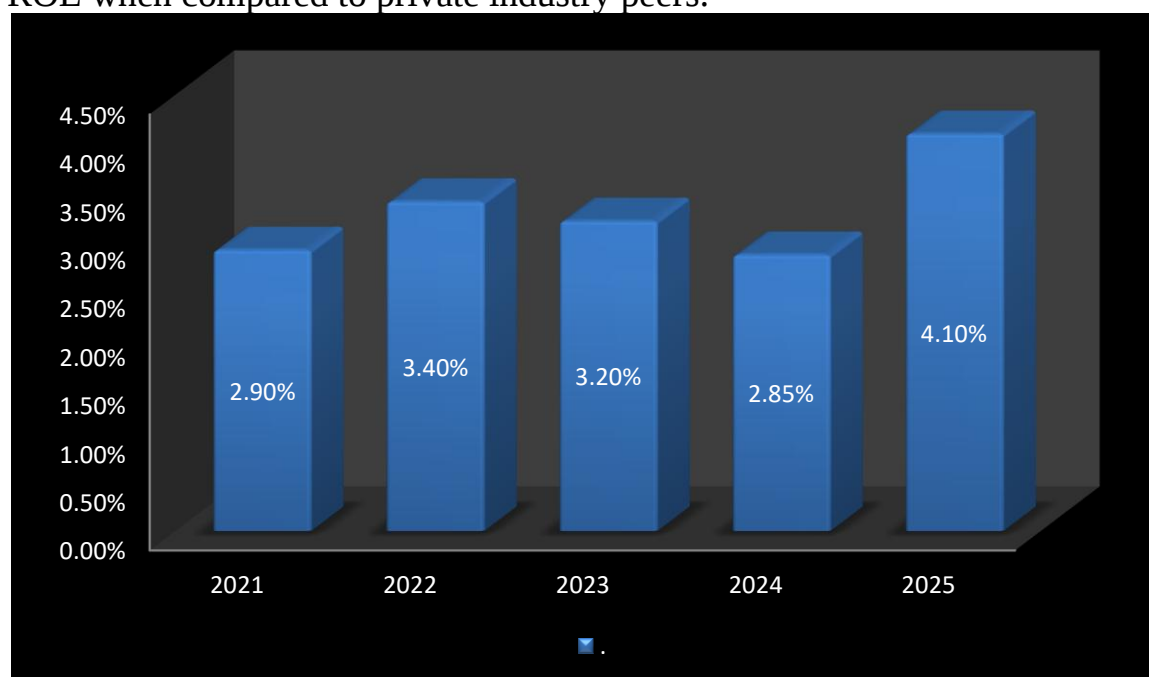
$$\text{ROE} = (\text{Net Profit After Tax} / \text{Total Shareholders' Equity}) \times 100$$

### Trend Analysis & Accounting Context:

Rupali 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, Rupali 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 depresses 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.

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

#### Trend Analysis & Accounting Context:

Rupali 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 Rupali 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.

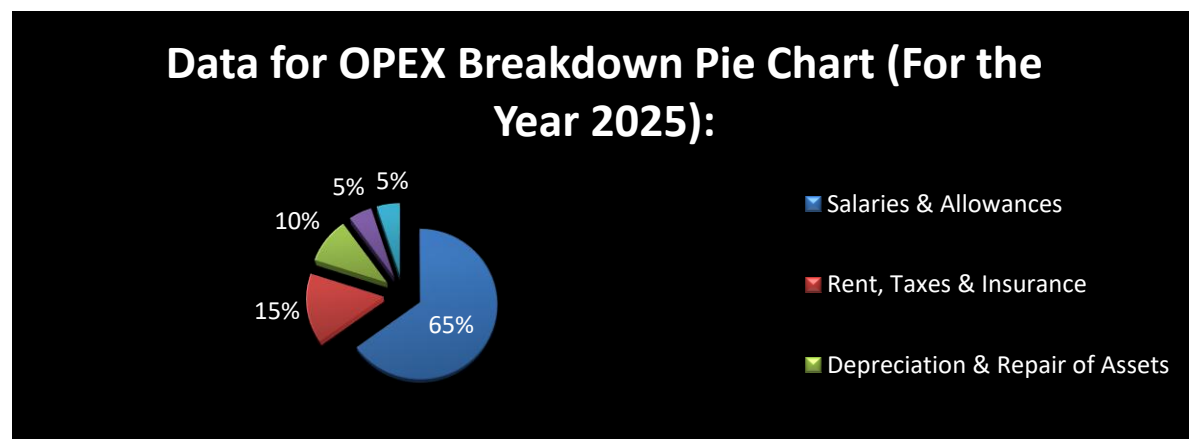
**Accounting Formula:**  $\text{Cost-to-Income Ratio} = (\text{Total Operating Expenses} / \text{Total Operating Income}) * 100$

#### Trend Analysis & Accounting Context:

The historical financial statements of Rupali 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, Rupali 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.



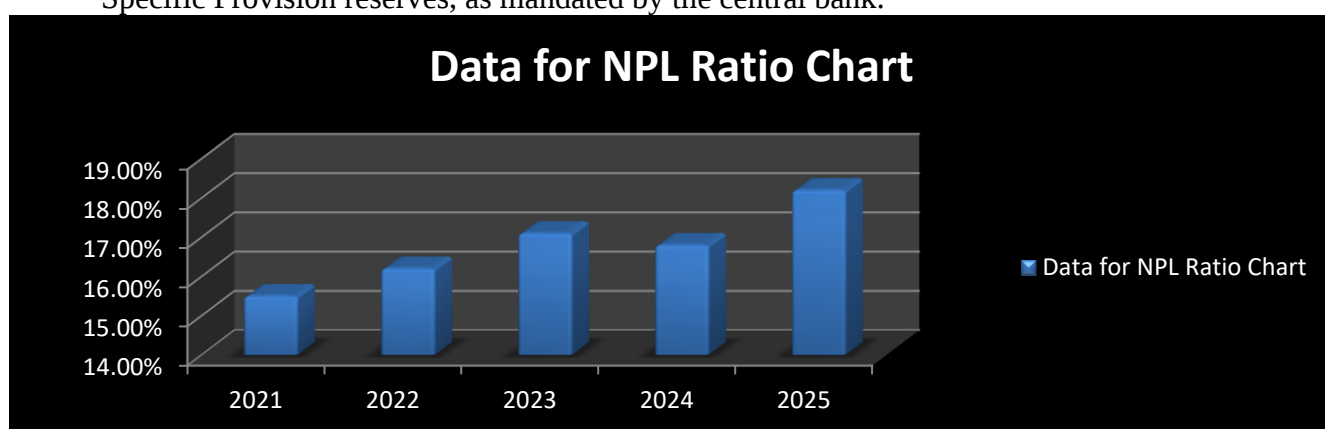
The Non-Performing Loan (NPL) ratio is arguably the most critical accounting red flag on any commercial bank's balance sheet. It measures the proportion of the bank's total loan portfolio that has fallen into arrears and is classified (Sub-Standard, Doubtful, or Bad/Loss).

**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 Rupali Bank PLC, the NPL ratio historically exceeds standard industry benchmarks, often residing 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, Rupali 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 Rupali Bank's massive NPL provisions eat into its retained earnings (which form core Tier 1 capital), the bank frequently relies on issuing Subordinate Bonds to artificially boost its supplementary Tier 2 capital and remain compliant.

# **Chapter-05**

## **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 Rupali Bank PLC:

- **The Provisioning Profit Trap:** The consolidated financial statements clearly indicate that Rupali 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), Rupali 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. Rupali 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, Rupali 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 Capacity 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 capacity will ensure seamless, unqualified statutory audits in the future and reduce reliance on external consultants.
- **6. 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 Rupali 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 Rupali 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 Rupali 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, Rupali 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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## Websites and Links

- <https://www.rupalibank.org>
- <https://www.bb.org.bd>
- <https://www.dsebd.org>
- <https://www.ifrs.org>
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