

**MANAGEMENT AND RESOURCES DEVELOPMENT INITIATIVE (MRDI)**  
**2/8 SIR SYED ROAD, MOHAMMADPUR, DHAKA-1209.**

**MANAGEMENT REPORT**  
**ON THE ACCOUNTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE, 2006.**

**M. IDRIS & CO.**  
**CHARTERED ACCOUNTANTS**  
**27, GREEN CORNER,**  
**DHANMONDI, DHAKA-1205.**  
**PHONE # 8611026.**

**The Executive Director,**  
Management and Resources  
Development Initiative (MRDI),  
2/8 Sir Syed Road,  
Mohammadpur,  
Dhaka-1209.

**Subject : Management Report on the Financial Statement  
of  
MRDI for the year 2005-2006.**

**Dear Sir,**

Pursuant to your appointment letter dated 26 July,2006,we have completed the audit of accounts of **Management and Resource Development Initiative (MRDI)** for the year ended 30 th June,2006 and already submitted our detailed Audit Report of even date on the financial statements. It may be mentioned here that the preparation of these financial statements are the responsibility of the management of MRDI and our responsibility is to form and express an independent opinion on these financial statement based on our experiences gathered on verification of books of accounts and relevant bills, vouchers papers and other documents.

As required by the said appointment letter we have prepared this management report in conjunction with our observations and notes to the accounts made in the above said detailed audit report highlighting only the matters which have been observed by us during the course of conducting our audit and are considered appropriate to bring to the knowledge of the management which may help the better internal control and accounting procedures.

### **OBSERVATIONS AND RECOMMENDATIONS**

#### **1.00 ADMINISTRATIVE AND FINANCIAL MANAGEMENT :**

##### **(a) Administrative, Management and Control :**

The provisions of the personal Manual prepared and approved by the board of directors of the Company is followed . In view of the maintenance of files, registers, records etc, the management is considered satisfactory.



(b) **Financial Control :**

In view of the compliance with the provisions of the Financial and Accounts Manual covering the procurement policies as approved by the board, the internal control of finance is also considered satisfactory.

**2.00 LOAN ACCOUNT:**

**Observation :** Loan Account has been maintained as control head in cash book as well as ledger covering, the transaction of Loan Receipts Account and Loan Payments. Consequently the Loan Receipts and Loan Realisation have been posted / inserted in one Credit Column and in the same way the Loan Payments and Loan Repayments have been posted in one/common Debit Column of the only Control Account of Loan Account .This practice can in no way should be continued.

We have shown in the Receipts and Payments Account such merged amount of loan receipts and realisation and loan payment & repayments under the same single head of Loan Account as maintained Ledger.

We have however shown the Loan Accounts distinctly in Balance Sheet under the proper and suitable heads of

Loan from Directors Account

Loan from Others Account

loan Payment/Receivable Account

**Implication :** Under the present system following by MRDI both the Debit and Credit Columns always required further analysis to ascertain the loan payable and loan receivable possible.

**Suggestion :** Loan receipt and repayment should be kept in ledger under Loan Receipt Account or Loan from Directors and Loan from Others Accounts.

Like way the loan payment and loan realization should be maintained under the head Loan Payment or Loan Receivable Account.

**3.00 JOURNALS :**

**Observation:** Where the question is how far an Accounting System is good, better or best, there the answer is as far it is simple to follow, comply with and understand. The system understandable by a lay man without raising question / requiring explanation is the best one. Some of the Journals passed by MRDI are found complex and in some other cases two or more transaction (journals) are journalized in one Journal Voucher.

In case of posting from journal to ledger, the No. of Journal Vouchers are written in Particulars Column of Ledger Accounts instead of the correspondence Dr or Cr Accounts .

**Suggestion :** To make the journals easy to prepare & understand and to minimize the probable mistake hidden in it, simple journal by preparation of single journal for each transaction is advised.

The Journal Voucher No. shall be put in the Folio Column and the corresponding Debit /Credit Account(s) should be written in the Particulars Column.



**4.00 FIXED ASSETS :**

Fixed Assets as detailed in Fixed Assets Schedule-A as on 30 th June, 2005 have been regrouped this year and shown in the Schedule-A as on 30 th June,2006. This will necessitate the change in the control Accounts of Fixed Assets maintained in ledger.

Depreciation was charged on damaged/lost fixed assets for the year under audit and had shown as adjustment of depreciation including depreciation of this year. But Accounting and Income Tax Principles provided that depreciation upto the year ending date proceeding to the year in which the asset is lost, sold or disposed off will be adjusted and depreciation shall not be charged for any period of the year in which such adjustment is occurred.

We have however rectified and shown the correct amount of adjustment of depreciation charged upto 30.6.2005. Rectification/adjustment entry will therefore be required in books of account.

**5.00 OVER-WRITTINGS:**

Over- writings are observed in some cases both in the cash book and petty cash book without signature.

**Suggestion:** Over-writing should fully be avoided and in case of necessity the correct figure/ writing shall be inserted cutting through the wrong one keeping the same readable.

**6.00 VAT AND TAX DEDUCTION AT SOURCE – TK. 2,058.00 :**

An amount of VAT and Tax deducted from the salary account remained unpaid which in our opinion should be deposited as early as possible.

**7.00 BUDGET:**

Introduction of budget preparation and budgetary control system including the known projects will help better the financial and fund management and monitoring.

**8.00 ACCOUNTS:**

Subject to our discussions above the present system of maintenance of books of account, preparation of financial statements is considered proper.

We accord our thanks to the management as well as the concerned officers for their courtesy shown and co-operation extended to us required for finalization of the audit work smoothly and satisfactory

Thanking you,

Yours faithfully,

(MOHAMMAD IDRIS) FCA  
**M. IDRIS & CO.**  
Chartered Accountants

