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| **Client Name:** Epic Garments Manufacturing Co. Ltd (CIPL) | | |
| **Accounting period:** 01 July 2021 to 30 June 2022 | | |
| **Prepared by:** Omar Sane | | **Date:** 27 April 2022 |
| **Reviewed by:** Salauddin Morshed, ACA |  | **Date:** |
| **Further Reviewed by:** Faruk Uddin Ahammed, FCA, CISA |  | **Date:** |
| **Subject:** Financial reporting closing process (FRCP) | | |

**Financial Reporting Closing Process (FRCP)**

**Objective:** The objective of this memo is to document the **Financial Reporting Closing Process** of Epic Garments Manufacturing Co. Ltd (CIPL).

**(The following process is noted from the discussion with Mr. H M Zahidul Islam, Manager-Finance & Accounts, Epic Group BD)**

**Epic Garments Manufacturing Co. Ltd.’s (CIPL) FRCP:**

**Supporting documents checking, voucher preparation, and journal entry booking system:**

**For Expense:**

1. At first delivery challan and invoice are received by the factory supervisor from the vendor for the product. Then those documents are checked & signed by Mr. Apu Datta, Senior Manager and approved by Mr. Roshan Wijerathna, GM from the Warehouse Department.
2. A GRN entry is made in the Factory OMS V-2 system which is linked with SAP. After GRN posting, a journal is posted in SAP by Mr. Bellal Hossain, Assistant manager , which is shown as follows:

Expenses A/C…….Dr

Temporary payable A/C…….Cr

1. This entry can be deleted later by the Accounts payable team. But for now, the expense is created in the SAP and in the ledger. A unique documents number for this entry is created by the system, which is then handwritten on the vendor invoice to trace the documents with the ledger in the future.
2. Then the invoice and delivery challan are sent to Mr. Bellal Hossain, Assistant manager from the central AP Team (Accounts Payable) who checks the invoice and delivery challan. After checking these two documents he also checks the system posted GRN entry and the document number on it. After that, he posts a journal entry in the System (SAP) by reversing the temporary payable A/c to Permanent payable A/c.

When a permanent payable account is created it cannot be revised/ edited. The entry is shown as follows:

Temporary payable A/C……..Dr

Permanent payable A/C………..Cr

1. Treasury team then takes over from this and extracts payable aging by the list of required payments needed. The company has 60 to 90 days credit limit. The list is shared with the group CFO in Hong Kong. After due diligence and review by CFO, a confirmation for payment is given on the revert mail. Upon approval from CFO, an online batch is created for bank payment and the authorized signatory approves the batches accordingly.
2. Treasury department makes payment to the vendor accordingly and then Mr. Nazmul Haque, Senior Manager, Treasury post a journal entry in the system (SAP) by reversing the permanent payable A/c to Bank A/c. The entry is shown as follows:

Permanent payable A/C………..Dr

Bank A/C…………………Cr

1. Any request for an edit of an entry must come from the persons who posted that entry in the system.

Md. Golam Mowla, DGM, F & A approves required adjustments (Edit or revise) when necessary after taking approval from Mr. Nilan Perera GM.

**Note:**

No voucher top sheet is printed. The voucher top sheet remains in the system. Supporting documents of that expense entry are traced by the Documents number from the ledger. Few documents are kept in system cloud storage by scanning but most of them are kept in the factory. In future, the company is trying to go for a fully paperless system.

**For revenue**

1. Once a sale contract is finalized, the contract is received by mail from the customer by the Factory in charge.
2. After an order is complete and shipped, the C&F agent provides the bill of lading to the commercial department of CIPL. A gate pass is also forwarded to the commercial department by the store in charge.
3. Based on the Bill of lading and gate pass, the commercial department raises the commercial invoice. The commercial invoice is prepared by Mr. Md. Rafique, Executive/ Rohit Biplop, Senior Executive and approved by Mr. Sujit Zine, head of commercial and logistics. After approval, this commercial invoice along with the bill of lading is forwarded to Mr. Rifat Ahmed, Executive, Accounts & Finance.
4. After receiving the bill of lading and commercial invoice from the commercial department, Mr. Rifat Ahmed, head office executive, post an entry in the system (SAP). The entry is shown as follows:

Receivable A/C………..Dr

Revenue A/C………….. Cr

This entry generates a documents number in the revenue ledger and this document number is manually posted in the face of the Commercial invoice to trace the supporting document with ledger entry in the future.

1. The central reconciliation team checks the journal entry posted in the SAP and reconciled it with the counter intercompany.
2. After receiving the payment from the customer, Mr. Rezaul Karim, Assistant Manager, checks and confirms the amount and posts a journal in the system (SAP). The entry is shown as follows:

Bank A/C…………………Dr

Receivable A/C………..Cr

1. Any request for an edit of an entry must come from the persons who posted that entry in the system.

Md. Golam Mowla, DGM, F & A approves required adjustments (Edit or revise) when necessary after taking approval from Mr. Nilan Perera GM.

**Note:**

No voucher top sheet is printed. The voucher top sheet that remains in the system can be printed from the system. Supporting documents like commercial invoices, Bill of lading, gate pass, Sales contract, and others are stored in the system storage. Documents are traced by the documents number from the ledger.

**For provision and estimation**

The estimate is mainly involved in the depreciation of non-current assets, deferred taxation, inventory valuation, workers incentives calculation, and corporate tax provision. The process of the estimate is given below:

1. Mr. Richard Baroi, Manager, FP & A team provides/prepares calculations for provision and estimation.
2. After checking, Mr. Richard Baroi sends the details to Mr. Mehedi, Executive, central AP Team for checking
3. Then he sends it to Md. Golam Mowla DGM, and Finance for approval.
4. After confirmation from Mr. Mowla, Mr. Mehedi posted the provision entry in the system.
5. Management follows consistent policies for estimation and provision.

For, any new estimation or provision other than the existing, proposal must come from the VP/ GM finance and it is shared with the group CFO for final approval.

**Financial statement preparation and approval:**

1. Each month end, Mr. H M Zahidul Islam (Controller, central finance) extracts Trial Balance from SAP and manually prepares a monthly financial statement. This monthly FS is prepared on a cumulative basis. For example, if for the month of April-21 FS is prepared, it means that FS consists of data from July-20 to April-21. After preparation of the FS, it is sent to Md. Golam Mowla, DGM for review and comments. Md. Golam Mowla then checks/ evaluates the same.
2. After the review from Md. Golam Mowla, he places the financial statements before the GM (Mr. Nilan Perera) of the central finance team for further review and comments.
3. After the review from Mr. Nilan Perera, he places the Financial statements to Mr. Himanshu Gupta (Vice President-Finance and Accounts) for final review.
4. After the review is performed by Mr. Himanshu Gupta, monthly financial statements are submitted via mail to the Board of Directors for their review and approval.
5. The final FS is sent to the group for consolidation purposes.

1. At the year-end, which is June, financial statements that consist of the full-year data are also approved by the same procedure mentioned above, and then it is sent to the External Auditor for audit purposes.

**Control Points:**

**1. Control over Journal Entries:**

• Mr. Apu Datta, Senior Manager checks the following supporting documents which are approved by Mr. Roshan, GM from the warehouse such as

a. For Sales: sales contract, bill of export, export, commercial invoice, bill of lading & bank status

b. For Salaries and wages: salary/wages payments sheet, contracts (if applicable) and cross-checked the payment amount with the bank statement

c. For procurement: commercial invoice, purchase order, GRN, & Import document advice (if applicable)

d. For expenses: bill/invoice of expense and/or bank status

e. For export incentive: auditor's incentive certificates, auditors attached sheet, PRC form & bank statement

f. For liabilities with third parties: Agreement, repayment schedule etc.

• DGM, Finance, and accounts approve required adjustments (Edit, or revise) after taking approval from GM, Finance, and Accounts;

**2. Control over accounting estimates:**

Estimates calculation is prepared by Mr. Richard Baroi, Deputy Manager, then it is checked by Mr. Mehedi, Executive, central AP Team and approved by Golam Mowla (DGM). Then the entry is given in SAP (What reviewed check)

**3. Control over Financials and other unusual transactions:**

The monthly Financial statement is prepared by Mr. H M Zahidul Islam (Controller, central finance), then it is reviewed by Md. Golam Mowla, DGM, F&A. Then it is further reviewed by Mr. Nilan Perera GM and Mr. Himanshu Gupta (VP); After reviewing by above-mentioned persons, the reviewed Financial Statements are submitted to the Board of Directors for approval. (What reviewer check)