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| **Client Name:** Cosmopolitan Industries Pvt. Ltd. (CIPL) | | |
| **Accounting period:** 01 July 2020 to 30 June 2021 | | |
| **Prepared by:** Tanvir Ahamed | | **Date:** 07 June 2021 |
| **Reviewed by:** Humaun Ahamed |  | **Date:** 09 June 2021 |
| **Final Reviewed by:** Faruk Uddin Ahammed, FCA, CISA |  | **Date:** 09 June 2021 |
| **Subject:** Accrued expense and other liabilities process | | |

**Objective:** The objective of this memo is to document **Accrued expense and other liabilities** of the Cosmopolitan Industries Pvt. Ltd. (CIPL) under EPIC Group.

**Process performed:** Following process is noted from the discussion with Md. Golam Mowla, Deputy General Manager-Financial Control (Taxation), Epic BD.

Epic Group Ltd. Follows the BGMEA Service rules and Bangladesh Labour Act 2006 (Amended up to date) for Head office and Factory plant.

**Recruitment process**

* For worker recruitment HR head of factory publish circular in print media or notice in front of the factory gate.
* For employee recruitment HR head of factory publish circular in BD jobs and social media, personal reference and advertisement
* provide employment contract / appointment letters to all of its employees under its payroll (both office employee and factory employees)
* In case of recruit third party vendors, Epic Group Ltd. enter into formal contracts with them
* Provide ID card to all employees and workers
* Maintain separate personnel file by using KURMI software for both employees under own payroll and outsourced employees and some are manually maintain
* Probation period 6 month

**Performance appraisal process**

* Performance appraisal take place in May to June each year
* Recommend by department head and after approval by board, it implement from the month of July

**Termination process**

* Policy for termination by Epic Group Ltd.:

Notice period as per Labour Law

Compensation / gratuity payment as per Labour Law

* Policy for termination by employee (resignation):

Notice period as per Labour Law

Compensation / gratuity payment as per Labour Law

**Benefits and remuneration process**

* Worker grading is mandatory according to wages rule. There are internal grading at employee level
* Epic Group Ltd. record attendance and working hours of employees (both head office and factory) in KORMI software.
* Factory workers is providing overtime as per Labour Law
* No life insurance for employees
* Provident fund available to all employees as per Labour Law except GTL
* Compensation/Gratuity fund available to all employees as per Labour Law
* Allow advance salary and loan against provident fund (Up to 80% self-contribution) after approval

**Salary sheet prepare process**

* Attendance confirm from system and send to payroll dept. after adjustment for system disruption
* Prepare payroll register
* Receive payroll register from plant HR after approved by CFO and HR
* Head office prepare payment advice prepared and send to bank with signatures of signatory
* Salary prepared and paid following month(Within last bank working day within 7th day) of service
* When internally confirm the salary amount passes the JV as below:

Salary-expatriate…..Dr.

Salary-local……Dr.

Salary Payable……..Cr.

Tax payable ………..Cr

* After payment and confirmation from Bank entry in SAP as below:

Salary Payable……………..Dr.

Tax payable………………….Dr

Bank A/C……………………...Cr.

Note: Normally Tax payable clear/paid within one week of salary payment

**What could go wrong?:**

1. Accrued expenses and other liabilities booked in the financial statement may be recorded inaccurately.

**Controls:**

1. Accrued expenses and other liabilities are incurred mainly during the administrative operations, the significant portion of which include the payroll process. Salary & allowances are prepared and paid in the following month of the chargeable month. The accrued part is usually recorded as liability till the payment. All accrued expense and provision amounts are reviewed by Finance Manager and approved by Finance Head/ VP, Finance.