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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

APRIL - JUNE 2026

THE BANGLADESH ACCOUNTANT

THE FUTURE OF CHARTERED ACCOUNTANCY
Technology, Trust & Transformation



A QUARTERLY JOURNAL OF
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

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Published by the
Editorial Board of the Council
The Institute of Chartered Accountants of Bangladesh (ICAB)
Publication date
October 10, 2026

ISSN 1993-3649
doi.org/10.5281/zenodo.17481740

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ICAB PUBLICATIONS

ICAB publications include, inter alia, a quarterly journal titled 'The Bangladesh Accountant', half yearly Journal 'Bangladesh Economia' and ICAB's mouthpiece ICAB Monthly News Bulletin.

In the quarterly journal, articles of ICAB Members, Members from other Accountancy bodies, Academics and Business Leaders from home and abroad are published.

The monthly news bulletin publishes different ICAB events of the month. This bulletin acts as an information hub for the Members to keep up-to-date about ICAB and its activities in addition to these publications, ICAB also publishes books, monographs, booklets and Students' Study Manuals regularly.



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Editorial

The Bangladesh Accountant embraces a **digital-first future**, making professional knowledge more accessible, dynamic, and globally connected—while continuing to preserve a limited print edition for valued stakeholders.



Mr. Ala Uddin FCA
CHAIRMAN, EDITORIAL BOARD

A New Chapter in ICAB's Publication Journey

This issue marks more than a change in format. It marks the beginning of a new chapter in ICAB's publication journey. In response to members' expectations, as reflected in the survey conducted in January 2026, and guided by ICAB's strategic reform intiatives of making professional communication more dynamic, accessible, and impactful, The Bangladesh Accountant moves, with this April–June 2026 issue, from a predominantly print-based publication to a digital-first platform. At the same time, a limited number of printed copies will continue to be produced for our valued stakeholders, patrons, and institutional partners.

This transformation represents an important step in ICAB's continuing journey of modernization and innovation. By embracing digital publication, the journal will be more accessible to members and readers, while enabling professional knowledge, insights, and ideas to reach a wider national and international audience without the limitations of traditional print.

As ICAB advances its broader reform and transformation agenda, The Bangladesh Accountant will evolve alongside it, not simply as a record of professional thinking, but as a dynamic platform for thought leadership, informed debate, and meaningful dialogue on issues of significance to the profession and the nation.

We invite our members, authors, contributors, and readers to join us in this new digital chapter. Together, let us shape The Bangladesh Accountant into a modern, globally connected, and forward-looking professional publication that reflects the aspirations, values, and excellence of Bangladesh's accounting profession.

President's Desk

Declaring 2026 as the "Year of Reform" and "Year of Transformation," ICAB is modernizing its systems, services, and professional framework through digitalisation, greater efficiency, transparency, and stronger member engagement—building a more responsive and globally aligned institution.



Mr. N K A Mobin FCA
PRESIDENT, ICAB

The Institute of Chartered Accountants of Bangladesh (ICAB) is a 53-year-old institution that has evolved through different regimes, economic conditions, and periods of significant change. Established shortly after the independence of Bangladesh, ICAB has carried the important responsibility of regulating and developing the accounting and auditing professions in the country.

As the professional and economic environment has changed, however, it has become increasingly evident that many of our existing rules, regulations, policies, procedures, and standard operating procedures (SOPs) were designed for an earlier era and are no longer fully aligned with present-day realities. Continuing to operate through processes that were developed decades ago can make it difficult for an institution to respond effectively to a rapidly changing economy and an evolving professional landscape.

At the same time, ICAB is a globally connected professional institution. Our profession does not operate in isolation; rather, it is closely linked with international standards, institutions, markets, and best practices. It is therefore essential that we continuously benchmark ourselves against global developments and ensure that our professional framework remains relevant, credible, and internationally aligned.

It is against this backdrop that the members of ICAB and the Council recognized the need for comprehensive reform. This reform cannot be confined to any single area of the Institute. It must encompass the broader ecosystem in which ICAB operates, including regulators, government agencies, professional bodies, businesses, and other stakeholders with whom we interact.

With the mandate and support of our members, we have therefore embarked upon a comprehensive reform programme at ICAB. We have declared 2026 as the **"Year of Reform" and the "Year of Transformation"** for the Institute. Our objective is not simply to change existing procedures, but to build a more modern, efficient, transparent, responsive, and internationally aligned professional institution.

Following a strategic planning exercise, we established our targets for the period from 2025 to 2030, structured around **eight strategic pillars**. Each pillar encompasses a number of initiatives and reform areas designed to strengthen the Institute and contribute to the sustainable development of the accounting and auditing professions in Bangladesh.

During the year in which I have had the privilege of serving as President, we initiated reforms across **37 key areas.** These represent some of the most important and immediate issues requiring attention. I am pleased to report that a



significant number of these initiatives have already been resolved or implemented, while most of the remaining reform initiatives have received approval from the Council.

Reform, however, is not a one-time exercise. The professional environment will continue to change, and new challenges and opportunities will emerge. We must therefore develop a culture of continuous improvement in which ICAB regularly reviews its policies, systems, and practices and responds proactively to emerging needs.

We now have two more years remaining in the current Council's tenure—2026–27 and 2027–28. Our objective is to use this period effectively to complete the implementation of the major reform initiatives and establish a sustainable foundation for continued transformation.

We communicated the progress of the reform programme to our members at the **Town Hall/Members' Meeting held in June 2026.** At that meeting, we acknowledged that, although substantial work had already been completed, the visibility of these reforms might not yet have been sufficiently evident to all members.

This is understandable because much of the initial reform work necessarily involved activities behind the scenes: evaluating existing systems, identifying weaknesses and bottlenecks, reviewing international practices, developing new policies and procedures, consulting stakeholders, and obtaining the necessary approvals. That foundational work has now largely been completed.

From this year onward, members should begin to see much more visible and tangible outcomes from the reform programme. These initiatives are intended to directly benefit our members and students while strengthening the profession as a whole.

One of our key priorities is to make ICAB's services more efficient, transparent, and predictable through **automation and digitalisation**. Members currently face challenges in areas such as professional clearance, record management, registration, and other regulatory processes. Through digital transformation, we aim to simplify these processes, reduce unnecessary administrative burdens, improve transparency, and provide greater predictability in service delivery.

We are also reviewing regulatory and procedural issues that may create operational obstacles for our members. Where such barriers are identified, we are taking steps to address them as part of the broader reform programme.

Our two most important stakeholder groups are, of course, **our members and our students.** Their needs, expectations, professional development, and future success are therefore at the heart of our reform agenda. A modern ICAB must be an institution that serves its members effectively, supports students throughout their professional journey, and strengthens public confidence in the profession.

A particularly important area of transformation is **communication and digital engagement**. ICAB's outbound communication platforms, including our quarterly journal, The Bangladesh Accountant, are progressively being digitalised. The digital transformation of the journal will enhance accessibility, expand its reach, and provide readers with a more convenient and engaging experience.

I would like to place on record my sincere appreciation for the Head of Pillar 7: Strategic Communication, Partnerships & Global Communication, under whose leadership a significant transformation has taken place in

ICAB's internal and external communication systems, social media platforms, and publications. These initiatives are helping ICAB communicate more effectively with its members, stakeholders, and the wider professional community.

I would also like to express my special thanks to the **Chairman and members of the Editorial Board of The Bangladesh Accountant** for their dedication and hard work in bringing the digital journal forward. Their efforts are an important part of ICAB's broader digital transformation and our commitment to making professional knowledge and information more accessible to our members and readers.

As we move forward, I believe that the success of the reform programme will depend not only on the Council or the office bearers but on the collective commitment of the entire ICAB community. Reform requires openness to change, constructive engagement, institutional discipline, and a shared vision for the future of our profession.

I am confident that, with the continued support of the Council, members, students, staff, regulators, government agencies, and other stakeholders, the next two years will be a period of meaningful transformation. Our aim is to complete the major areas of reform initiated during this Council's tenure and leave behind a stronger institutional foundation for future Councils to build upon.

The journey of reform does not end in 2028. Rather, it should establish a culture of continuous transformation within ICAB—one that enables the Institute to anticipate change, embrace innovation, uphold professional excellence, and remain aligned with international developments.

Together, let us build an ICAB that is **modern in its systems, efficient in its services, transparent in its processes, strong in its governance, globally aligned in its standards, and responsive to the needs of its members and students.**

This is our opportunity to transform ICAB for the next generation of the accounting and auditing profession in Bangladesh.

Let 2026 be remembered not merely as a Year of Reform, but as the year in which the transformation of ICAB truly began.

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ARTICLES

The Bangladesh Accountant | April - June 2026



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IFRS 19: Simplifying Disclosure Requirements for Subsidiaries without Public Accountability –Implications for Financial Reporting

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IFRS



The International Accounting Standards Board (IASB) introduced a landmark accounting standard in May 2024 — International Financial Reporting Standards 19 Subsidiaries without Public Accountability: Disclosures (IFRS 19). The standard is designed to simplify disclosure requirements for subsidiaries without public accountability while preserving the integrity and comparability of IFRS-based financial statements.

With increasingly complex group structures, eligible subsidiaries may face significant reporting requirements despite applying the same recognition and measurement requirements as their parent entities. IFRS 19 Subsidiaries without Public Accountability: Disclosures addresses this by permitting eligible subsidiaries to apply the recognition and measurement requirements of full IFRS Accounting Standards while using a reduced set of disclosure requirements. IFRS 19 therefore simplifies disclosures only; it does not change the recognition, measurement, or presentation requirements applicable under other IFRS Accounting Standards. By reducing the volume of disclosures required, IFRS 19 is intended to reduce the reporting burden and associated costs for eligible subsidiaries while maintaining the use of full IFRS Accounting Standards for recognition and measurement.

BACKGROUND OF IFRS 19

Before IFRS 19, subsidiaries generally had two alternatives:

- Apply local GAAP or IFRS for SMEs for statutory reporting, while separately maintaining IFRS-based information for group reporting purposes; or
- Apply full IFRS, which often required extensive disclosures that were disproportionate to the needs of users of subsidiary-level financial statements.

IFRS 19 may reduce duplication in many cases rather than implying that dual reporting is universal. This revision will better reflect the jurisdiction-specific nature of reporting requirements while maintaining the intended discussion of the potential benefits of IFRS 19.

The Standard is effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted, subject to any local jurisdictional endorsement requirements..

OBJECTIVE OF IFRS 19

The primary objective of IFRS 19 is to reduce the cost and complexity of preparing financial statements for eligible subsidiaries while maintaining the usefulness of financial information for users.

Importantly, IFRS 19 does not replace existing IFRS standards. Instead, it operates alongside them. Subsidiaries applying IFRS 19 continue to follow full IFRS requirements for:

- Recognition
- Measurement
- Presentation

However, they are permitted to apply reduced disclosure requirements specified under IFRS 19.

This balance between transparency and practicality makes IFRS 19 one of the most significant developments in corporate financial reporting in recent years.

ELIGIBILITY CRITERIA

A company can apply IFRS 19 only if all of the following conditions are satisfied at the end of the reporting period:

1. The entity is a subsidiary, including an intermediate parent, as defined under IFRS 10 Consolidated Financial Statements.

2. The entity does not have public accountability except if:

   (a) its debt or equity instruments are traded in a public market, or it is in the process of issuing such instruments for trading in a public market; or

   (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/ dealers, mutual funds, and investment banks.

3. Its parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards.

Eligible subsidiaries may apply IFRS 19 when preparing:

- Separate financial statements; and
- Consolidated financial statements, where the eligible subsidiary is an intermediate parent required to prepare consolidated financial statements.

The standard is also applicable for both annual and interim financial reporting.

HOW IFRS 19 WORKS

Under IFRS 19, subsidiaries continue to apply existing IFRS standards for accounting treatment, but disclosure requirements are replaced with simplified disclosures contained within IFRS 19.

For example, a subsidiary holding inventories would still apply IAS 2 Inventories for recognition, measurement, and presentation. However, instead of following the full disclosure requirements of IAS 2, it would apply the reduced disclosure requirements prescribed under IFRS 19.

Nevertheless, IFRS 19 does not provide reduced disclosures for certain areas such as:

- Operating Segments
- Insurance Contracts
- Earnings Per Share

Accordingly, entities dealing with these matters must continue to apply the disclosure requirements of:

- IFRS 8 Operating Segments
- IFRS 17 Insurance Contracts
- IAS 33 Earnings per Share for disclosure purposes.

KEY BENEFITS OF IFRS 19

1. Elimination of Dual Accounting Records

One of the most important benefits of IFRS 19 is the elimination of duplicate accounting systems.

Many subsidiaries currently maintain:

- One set of accounting records under local GAAP or IFRS for SMEs for statutory reporting; and

- Another set under IFRS for group reporting.

IFRS 19 allows subsidiaries to align with the parent company's IFRS recognition and measurement policies, thereby removing the need for parallel accounting records.

This reduces administrative burden and minimizes reconciliation complexities.

2. Reduced Disclosure Burden

The IASB's analysis found substantial reductions in disclosure volume under IFRS 19. For example:

- Disclosure requirements under IFRS 12 Disclosure of Interests in Other Entities could reduce by approximately 68%.
- Disclosure requirements under IAS 16 Property Plant and Equipment could reduce by around 64%.

This significantly decreases the time and effort needed to prepare financial statements.

3. Improved Reporting Efficiency

The alignment between subsidiary and group reporting frameworks can simplify reporting processes and reduce dependence on complex financial reporting systems.

Companies may also reduce training costs because finance teams no longer need to maintain expertise in both local GAAP and IFRS requirements.

4. Efficient Audit Process

Since IFRS 19 reduces duplication in accounting records and streamlines reporting processes, audit procedures may also become more efficient.IFRS 19 may reduce audit effort related to disclosure compliance by reducing the volume of disclosures required for eligible subsidiaries.

TRANSITION CHALLENGES

Despite its advantages, adopting IFRS 19 may involve certain transition costs.

Subsidiaries currently using local accounting standards or IFRS for SMEs may need to:

- Transition to full IFRS recognition and measurement requirements;
- Update accounting systems;
- Train finance personnel; and
- Review existing disclosures against IFRS 19 requirements.

Even subsidiaries already applying IFRS will need to analyze which disclosures can be removed and ensure compliance with the new framework.

However, the IASB expects that long-term savings and operational efficiencies will outweigh the initial implementation costs.



IMPLICATIONS FOR BANGLADESH

If adopted by the Financial Reporting Council (FRC) of Bangladesh, IFRS 19 could be particularly relevant for eligible subsidiaries of multinational groups and large domestic groups that prepare financial statements in accordance with IFRS Accounting Standards. By permitting substantially reduced disclosures while retaining the same recognition, measurement and presentation requirements as other IFRS Accounting Standards, IFRS 19 could:

- reduce the disclosure burden for eligible subsidiaries;
- reduce the need to prepare multiple sets of IFRS disclosures for statutory and group reporting purposes;
- improve the efficiency of financial reporting processes; and
- potentially lower financial reporting compliance costs.

However, these benefits would become available only after IFRS 19 is adopted in Bangladesh and incorporated into the applicable financial reporting framework. Its implementation would also depend on guidance issued by the Financial Reporting Council (FRC) of Bangladesh and other relevant regulatory authorities.

CONCLUSION

IFRS 19 represents a significant evolution in corporate financial reporting. By permitting reduced disclosures while maintaining full IFRS recognition and measurement principles, the standard provides a practical solution for subsidiaries without public accountability.

The standard offers substantial benefits through:

- Reduced disclosure requirements,
- Elimination of dual accounting records,
- Improved operational efficiency, and
- Lower reporting and audit costs.

Although transition challenges may arise initially, IFRS 19 has the potential to transform subsidiary reporting practices globally. For companies in Bangladesh and other developing economies, it could become an important tool for enhancing reporting efficiency while maintaining international financial reporting quality.

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The article was reviewed by
Sk. Ashik Iqbal FCA

IFRS 9: Expected Credit Loss Framework A Comprehensive Synthesis of Financial Theory, Methodologies, and Global Practices

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INTRODUCTION AND THE RATIONALE FOR EXPECTED CREDIT LOSS

Objective of the Research Paper

The aim of this research paper is to offer a practical, theoretically robust and auditable model for the implementation of the Expected Credit Loss (ECL) model under IFRS 9 in the banking sector of Bangladesh.

This paper combines international best practices, regulatory requirements, and practical implementation guidance to help banks successfully transition to the new impairment framework. It is meant to help risk management teams, finance teams, auditors, and model validation teams develop, deploy and manage an effective ECL framework in advance of the regulatory implementation deadlines.

Research Methodology

The paper is developed through a detailed analysis of International Accounting Standards, banking regulations, academic literature and industry practices.

The paper also provides a brief overview of various credit risk modelling techniques such as traditional statistical models and recent machine learning models. All methodologies are in line with the roadmap of implementation as prescribed by the Bangladesh Bank.

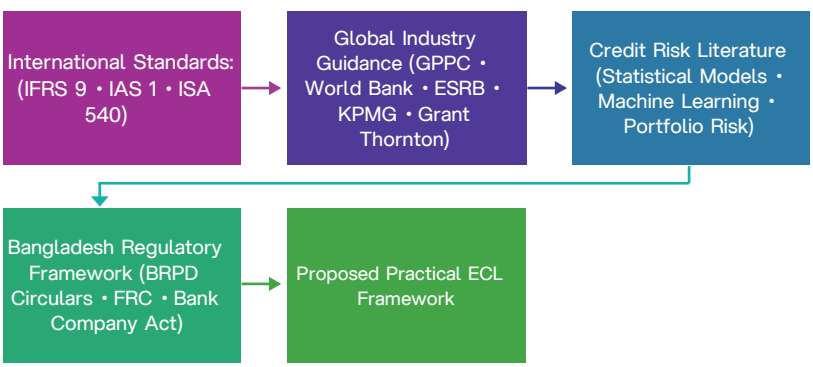


Figure 01: Research Methodology

Evolution from the Incurred Loss Model to the Expected Credit Loss Model

Under IAS 39, impairment losses were recognized when there was objective evidence of impairment arising from one or more loss events occurring after initial recognition. Examples included significant financial difficulty, default or delinquency, concessions granted because of financial difficulty, or other observable evidence of reduced expected cash flows (Camfferman, 2013).

The recognition of credit loss is often delayed due to this backward-looking approach. In times of economic expansions, banks reported higher profits because expected future losses were not recognized until there was objective evidence of impairment (Abdul Adzis, Tripe, and Dunmore, 2016). As a result, the credit risk that arises in a loan portfolio is not recognized in the financial statements.

This weakness is addressed by the expected credit loss model of IFRS 9. IFRS 9 stipulates that banks need to estimate and recognize expected

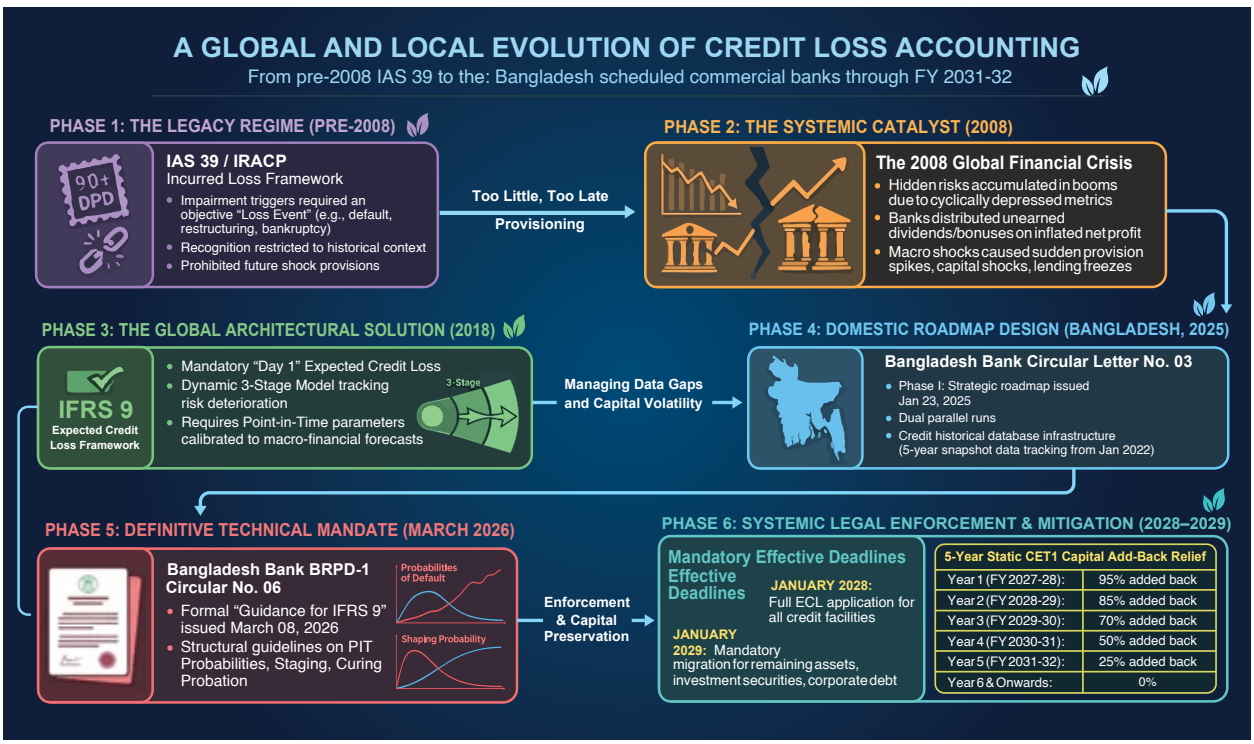


Figure 02: Evolution of Credit Loss Accounting in Bangladesh

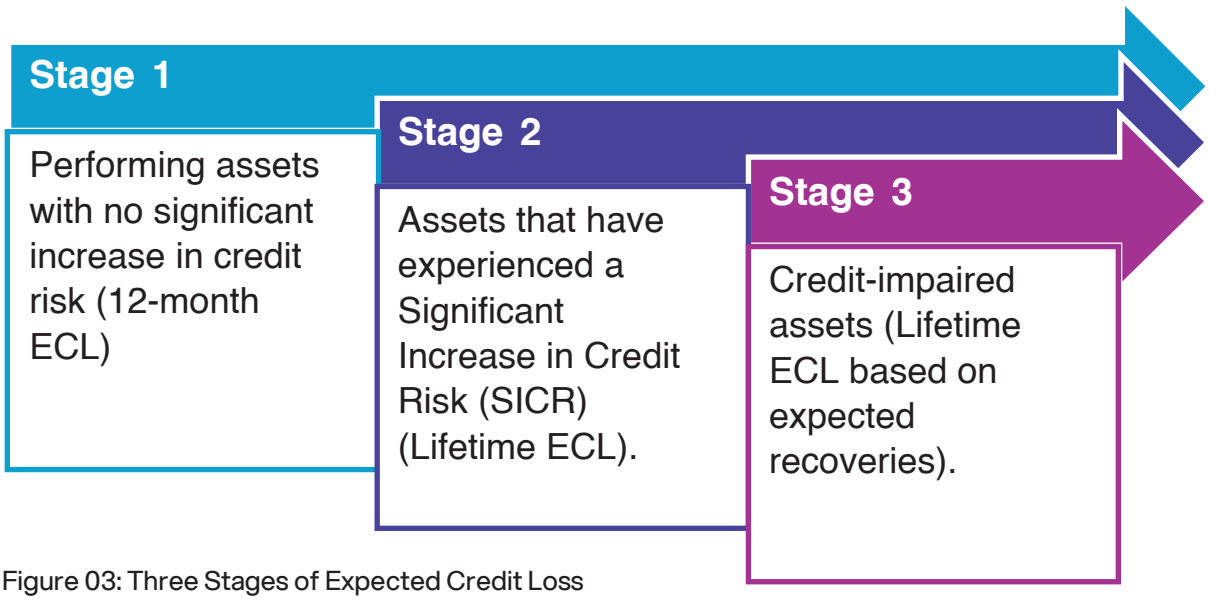


Figure 03: Three Stages of Expected Credit Loss

future credit losses from the date a financial asset is initially recognized, even if there is no default (Loew, Schmidt and Thiel, 2019). The standard requires a reasonable, supportable, and probability-weighted evaluation of future cash shortages based on current conditions and future economic forecasts (Grant Thornton, 2017). The impairment model is based on a three-stage approach that reflects changes in credit risk during the life cycle of an asset.

Point-in-Time (PIT) versus Through-the-Cycle (TTC) Approaches

One of the major implementation challenges is understanding the difference between IFRS 9 accounting requirements and Basel III regulatory capital requirements.

The IFRS 9 Expected Credit Loss model is designed for financial reporting. It requires banks to estimate losses using Point-in-Time (PIT) assumptions that reflect current economic conditions and forward-looking forecasts (Basel Committee on Banking Supervision, 2015). In contrast, the Basel III framework focuses on maintaining the long-term financial stability of banks. It generally uses Through-the-Cycle (TTC) probability of default estimates, which smooth the impact of short-term economic fluctuations across an entire economic cycle



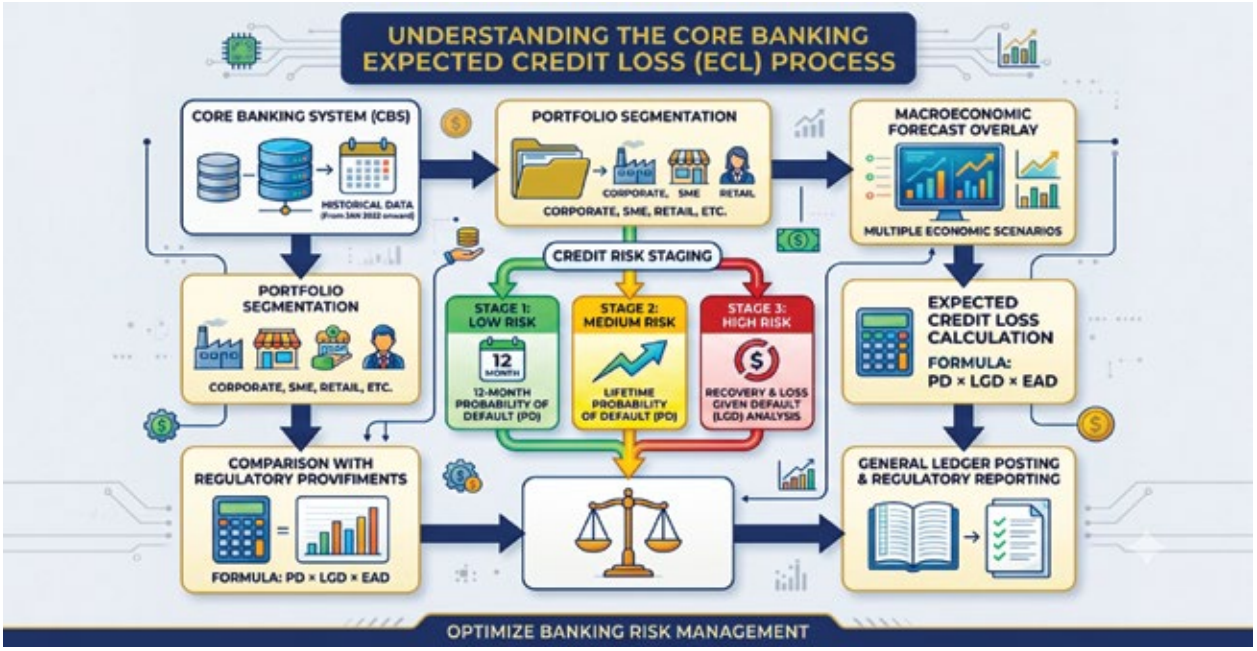
(Basel Committee on Banking Supervision, 2015). Although both frameworks estimate expected credit losses, they serve different purposes.

Overall ECL Data Flow and Processing Framework

The implementation of the ECL model follows a structured data and modelling workflow. The quality of the ECL framework depends heavily on strong governance, data quality, and

Feature	IFRS 9 (Accounting ECL)	Basel III (Regulatory EL)
Objective	Financial reporting	Capital adequacy
Philosophy	Forward-looking ECL measurement and financial reporting	Prudential Stability
PD	PD methodology reflects the entity's forward-looking ECL model based on current and forecasted conditions (IFRS 9 does not mandate "Point-in-Time" as a rigid statutory label)	Regulatory capital PD / risk-parameter methodology calibrated to long-run averages or regulatory supervisory floors (not universally defined as pure Through-the-Cycle)
LGD	Best Estimate	Downturn LGD
Macroeconomic Inputs	Forward-looking macroeconomic information incorporated where relevant	Regulatory framework-specific inputs and assumptions
Conservatism	Neutral	Conservative
Reporting Frequency	Financial Statements	Regulatory Reporting
Primary User	Investors	Regulators

Table 01: Comparison of IFRS 9 and Basel III



independent model validation (KPMG, 2026). Consistent with the guidance issued by the Global Public Policy Committee (GPPC) and ISA 540, banks should establish robust validation procedures to assess data accuracy, model assumptions, staging decisions, parameter estimation, and management overlays (Global Public Policy Committee, 2017). The following Figure 04 shows the comprehensive framework.

CURRENT GLOBAL TRENDS AND MACROPRUDENTIAL GLIDE PATHS

Evolutionary Pathways of Mature Adopters and Emerging Market Adaptations

The transition from incurred loss accounting to the forward-looking Expected Credit Loss (ECL) framework has followed different implementation paths across mature financial markets and Emerging Markets and Developing Economies (EMDEs). The European Union implemented IFRS 9 on 1 January 2018 (European Central Bank, 2017), followed by the United States, which adopted the Current Expected Credit Loss (CECL) model under ASC 326 in 2020 (Kim et al., 2026). While both frameworks require forward-looking impairment recognition, IFRS 9 applies a three-stage impairment model, whereas CECL requires lifetime expected credit losses to be recognized at loan origination (Kim et al., 2026).

Evidence from mature banking systems suggests that the transition to forward-looking impairment models had a measurable but manageable impact on regulatory capital. The ECB reported that the initial adoption of IFRS 9 reduced banks' fully loaded CET1 capital by approximately 40–59 basis points (European Central Bank, 2018). In contrast, the Federal Reserve reported that CECL initially reduced U.S. banks' aggregate CET1 capital by about 50 basis points due to the immediate recognition of lifetime expected credit losses (Loudis et al., 2021). These implementations also highlighted the procyclical nature of Expected Credit Loss models. Because IFRS 9 relies on Point-in-Time (PIT) risk estimates and forward-looking macroeconomic forecasts, provisions increase rapidly during economic downturns as loans migrate to higher impairment stages, leading to greater earnings and capital volatility.

Implementation in Emerging Markets and Developing Economies (EMDEs) has been driven by different challenges, including limited historical default data, fragmented information systems, and lower modelling capacity. Early adopters in the Gulf Cooperation Council (GCC), including Saudi Arabia (SAMA) and the United Arab Emirates (CBUAE), reported Day 1 CET1 reductions of 0.5% to 3.6%, reflecting the sensitivity of ECL estimates to local economic conditions and portfolio composition (KPMG, 2018). Empirical studies also suggest that the front-loading of expected credit losses influences lending behaviour, with banks reducing loan-to-asset ratios and increasing investments in lower-risk sovereign securities to preserve capital and reduce earnings volatility (Naili and Lahrichi, 2022).

A World Bank macroprudential survey covering 91 jurisdictions identified common implementation challenges in EMDEs, including limited historical Point-in-Time (PIT) data, incomplete credit-cycle observations, fragmented IT systems, and heavy reliance on external vendor models (Caruso et al., 2021). These weaknesses increase model risk and constrain independent validation. In response, many regulators have adopted phased implementation programs supported by minimum modelling standards, regulatory backstops, and stronger governance requirements (Caruso et al., 2021). They also require locally calibrated models, independent validation, and clear management accountability to ensure that ECL estimates appropriately reflect domestic economic conditions.

Prescriptive Timelines and Jurisdictional Mandates in Bangladesh

In Bangladesh, the adoption of the IFRS 9 Expected Credit Loss (ECL) model is part of the broader modernization of banking regulation and financial reporting. As Public Interest Entities (PIEs) under the Financial Reporting Act, 2015, scheduled banks are required to comply with IFRS as adopted by the Financial Reporting Council (FRC) (The Business Standard, 2020).

Bangladesh Bank initiated the transition through BRPD Circular Letter No. 03 (2025), requiring banks to begin parallel implementation activities, including historical data collection, portfolio segmentation, system upgrades, and model development. This was followed by BRPD-1 Circular No. 06 (08 March 2026), which established the technical, governance, and operational framework for IFRS 9 implementation. The Circular mandates a two-phase implementation: by January 2028, banks must apply the ECL framework to all funded and non-funded credit facilities, while by January 2029, implementation must extend to all remaining financial assets within the scope of IFRS 9. Foreign bank branches may adopt group-wide IFRS 9 methodologies, provided the models are calibrated to Bangladesh's economic conditions and remain subject to local governance, validation, and regulatory accountability.

Capital Smoothing Policies and the Mechanics of CET1 Transitional Relief

The initial adoption of IFRS 9 increases impairment provisions through the recognition of expected credit losses at the date of initial application, resulting in a reduction in retained earnings and Common Equity Tier 1 (CET1) capital. To mitigate this "Day 1" capital impact, BRPD-1 Circular No. 06 (2026) introduces a Static Amortization Approach, allowing banks to phase in the regulatory capital effect over a five-year transition period. Under this framework, banks may add back 95%, 85%, 70%, 50%, and 25% of the Day 1 ECL adjustment to CET1 capital during Years 1 to 5, respectively. From Year 6 onwards, the transitional relief expires, requiring the full impact of IFRS 9 to be recognized in regulatory capital. The Circular also specifies the regulatory treatment of Expected Credit Loss provisions. Provisions relating to Stage 1 and Stage 2 exposures are classified as general provisions and, subject to regulatory limits, may be recognized as Tier 2 capital. In contrast, provisions relating to Stage 3 credit-impaired exposures are treated as specific provisions and are deducted from gross credit exposures when calculating credit Risk-Weighted Assets (RWAs).

To enhance transparency and market discipline, banks are required to disclose the impact of IFRS 9 on regulatory capital, including capital adequacy ratios, before and after applying transitional adjustments. These disclosures enable regulators, investors, and other stakeholders to assess both the accounting impact of the Expected Credit Loss framework and the institution's underlying capital position during the transition period.

CONCEPTUAL FRAMEWORK ON MODEL DEVELOPMENT AND CORE PARAMETER CALIBRATION

Building the Foundation: Portfolio Segmentation

Before calculating Expected Credit Loss (ECL), banks may group financial assets into portfolios with similar credit risk characteristics, a process known as portfolio segmentation (Awad and Riedweg, 2026). This ensures that loans with different risk profiles are assessed using appropriate default assumptions, resulting in more reliable ECL estimates. Accordingly, Bangladesh Bank's BRPD-1 Circular No. 06 (2026) requires banks to classify credit exposures into homogeneous pools before estimating ECL. Typical segmentation criteria include:

- **Product type:** mortgages, SME loans, corporate loans, agricultural credit, credit cards, etc.

- **Collateral type:** secured by real estate, financial securities, movable assets, or unsecured.
- **Borrower profile and geography:** retail, SME, corporate, state-owned enterprises, industries, or regions.
- **Internal credit rating:** exposures with similar risk grades and repayment behaviour.

Segmentation should be reviewed regularly to ensure that the selected risk characteristics continue to reflect changes in borrower behaviour and economic conditions.

IFRS 9 Measurement Approaches

Once portfolios are segmented, IFRS 9 provides three impairment approaches.

1. **General Measurement Model (GMM):** The primary approach for banks, covering loans, advances, overdrafts, and mortgages. Financial assets move through a three-stage impairment model based on changes in credit risk (PWC, 2023).
2. **Simplified Approach:** Applied mainly to trade receivables, contract assets, and lease receivables (Moodys.com, 2016). Lifetime ECL is recognized from initial recognition without assessing changes in credit risk.
3. **Purchased or Originated Credit-Impaired (POCI) Approach:** Applies to assets that are credit-impaired on acquisition. Expected losses are reflected through a Credit-Adjusted Effective Interest Rate (CEIR), with only subsequent changes in lifetime ECL recognized in profit or loss (EFRAG, 2024).

As commercial banks primarily manage lending portfolios, the remainder of this chapter focuses on the General Measurement Model (GMM).

The Three-Stage Model

Under the General Measurement Model (GMM), financial assets are classified into three impairment stages based on changes in credit risk:

- **Stage 1 – Performing Assets:** Loans with no Significant Increase in Credit Risk (SICR) are measured using 12-month ECL, representing losses from defaults expected within the next 12 months.
- **Stage 2 – Underperforming Assets:** When credit risk increases significantly after initial recognition, the loan moves to Stage 2 and Lifetime ECL is recognized over the remaining contractual life.
- **Stage 3 – Credit-Impaired Assets:** Exposures that are in default under the bank's documented definition of default or are credit-impaired are classified in Stage 3. Under BRPD-1 Circular No. 06 (2026), the quantitative default criteria include exposures that are 90 days or more past due or credit-impaired, with specific criteria for continuous loans. Interest income on Stage 3 exposures is calculated on the net carrying amount.Loans may be upgraded only after overdue amounts are fully repaid, the causes of credit deterioration have been resolved, and satisfactory repayment performance has been demonstrated. For restructured or forborne loans, a 12-month probation period is required before reclassification.

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Interest Recognition

The method of recognizing interest income depends on the impairment stage. For Stage 1 and Stage 2 assets, interest income is calculated by applying the original Effective Interest Rate (EIR) to the gross carrying amount before deducting the impairment allowance. For Stage 3 assets, interest income is calculated using the same EIR but only on the net carrying amount, that is, the outstanding balance after deducting the Lifetime ECL allowance. This prevents banks from recognizing interest that is unlikely to be recovered.

Measuring Expected Credit Loss

Once the impairment stage has been determined, the Expected Credit Loss is estimated using three core risk parameters.

Expected Credit Loss (ECL) = Probability of Default (PD) × Loss Given Default (LGD) × Exposure at Default (EAD)

Although simple in appearance, each parameter requires historical analysis, current borrower information, and forward-looking economic forecasts.



Probability of Default (PD) Component

Probability of Default (PD) represents the likelihood that a borrower will default on its contractual obligations over a specified future period (Blümke, 2018). Under IFRS 9, banks are required to estimate a Point-in-Time (PIT) PD that reflects current borrower conditions and forward-looking macroeconomic expectations, rather than relying on long-term regulatory averages. The estimation of PD typically involves the following key processes:

- **Historical Migration Analysis:** Banks should analyze at least five years of historical credit data to track how borrowers migrate between internal credit grades or delinquency buckets over time (Bangladesh Bank, 2026). These migration patterns establish the baseline probability of default.

- **Forward-Looking Calibration (Z-Score):** Historical default patterns are transformed into a forward-looking risk measure using statistical techniques such as the one-factor Z-score model (Hafeez et al., 2022). This enables the model to reflect changes in the economic environment rather than relying solely on historical experience.

- **Macroeconomic Variable (MEV) Overlay:** The calibrated PD is adjusted using econometric models that relate default behaviour to relevant macroeconomic variables (Moodley, Verster and Raubenheimer, 2025). In Bangladesh, these variables commonly include GDP growth, inflation, policy interest rates, and industry-specific indicators such as textile export performance or agricultural production. This ensures that PD estimates remain responsive to expected economic conditions.

- **Lifetime PD Estimation:** For Stage 2 exposures, IFRS 9 requires the estimation of Lifetime PD. This can be achieved by constructing a marginal PD curve, where the probability of default is estimated separately for each future period, assuming the borrower has survived all preceding periods (Folpmers, 2025).

- **Alternative Scoring Techniques:** Where reliable historical default data or external credit ratings are unavailable, particularly for corporate borrowers, banks may use structured qualitative methodologies such as the Analytic Hierarchy Process (AHP) (Roy and Shaw, 2021). These techniques combine key financial indicators, including profitability, leverage, liquidity, and debt-servicing capacity, to develop internally calibrated PD estimates.

Loss Given Default (LGD)

Loss Given Default (LGD) represents the percentage of the exposure that a bank expects to lose if a borrower defaults after considering recoveries from collateral, repayments, and other recovery actions (Galow, Georgescu and Ponte Marques, 2024). It measures the economic loss that remains after all reasonable recovery efforts have been exhausted. The estimation of LGD generally involves the following key processes.

- **Historical Workout Analysis:** Banks analyse at least five years of historical recovery data to understand how defaulted loans are resolved (Bangladesh Bank, 2026). This includes measuring the time required for legal proceedings, collateral realization, and other recovery activities, providing the foundation for estimating future recovery patterns.

- **Loss Given Loss (LGL):** For secured lending portfolios, the initial loss is estimated by comparing the outstanding loan balance with the expected realizable value of the collateral. This is measured using the Loan-to-Value (LTV) ratio and the expected Sales Ratio (SR), which incorporates market depreciation and forced-sale discounts to reflect realistic recovery values (Caloia and Jansen, 2021). The basic calculation is: LGL = Maximum of [(LTV - SR) / LTV, 0]

- **Probability of Cure:** Not all defaulted borrowers ultimately require collateral enforcement. Therefore, the LGD model incorporates the Probability of Cure, which estimates the likelihood that a borrower will regularize the loan and return to performing status without completing the recovery process (Lohmann and Ohliger, 2024).

- **Recovery Costs:** The model also includes all direct and indirect costs associated with the recovery process, such as legal fees, collection expenses, administrative costs, and asset disposal charges (Caloia and Jansen, 2021). The resulting LGD is estimated as: LGD = [(1 - Probability of Cure) * LGL] + Recovery Costs.

- **Discounting Future Recoveries:** Since recoveries are often received several years after default, all expected cash recoveries are discounted to the default date using the loan's original Effective Interest Rate (EIR). This ensures that LGD reflects the present value of future recoveries and the economic cost of delayed collections.

Exposure at Default (EAD)

Exposure at Default (EAD) represents the total amount that a bank expects to be outstanding at the time a borrower defaults. It reflects the bank's maximum expected exposure before recoveries are considered. The estimation of EAD depends on the nature of the lending facility and generally includes the following components:

- **Outstanding Loan Balance:** For standard amortizing loans, such as retail and corporate term loans, EAD is estimated using the contractual repayment schedule and includes the remaining principal balance together with accrued interest up to the reporting date (ADB, 2022). A simplified calculation is: EAD = Principal Outstanding - Scheduled Amortization + Accrued Interest.

- **Future Drawdown Behaviour:** For revolving credit facilities, overdrafts, cash credit accounts, and other committed lines, borrowers may draw additional funds before default, particularly during periods of financial distress (Moodys.com, 2019). Consequently, the exposure at default may exceed the balance outstanding at the reporting date.

- **Credit Conversion Factor (CCF):** To estimate this additional utilization, banks apply a Credit Conversion Factor (CCF) derived from historical drawdown behaviour (European Banking Authority, 2025). The CCF estimates the proportion of undrawn commitments expected to be utilized before default. The EAD is therefore calculated as: EAD = Drawn Balance + (CCF * Undrawn Limit).

Integrating the ECL Model

The ECL framework combines Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) to estimate the present value of expected future credit losses. These parameters are updated at every reporting date using historical performance, current borrower information, and forward-looking macroeconomic forecasts. As credit quality changes, exposures migrate between Stage 1, Stage 2 and Stage 3, ensuring that impairment allowances remain aligned with the underlying level of credit risk.



KEY REQUIREMENTS AND CONSIDERATIONS FOR AN EFFECTIVE ECL MODEL

Data Governance and ETL Architecture

The reliability of an Expected Credit Loss (ECL) model depends on the quality, completeness, and traceability of its underlying data. As a result, banks may need to replace manual spreadsheet-based processes with automated Risk and Finance Data Aggregation systems. Since credit data are often spread across core banking, collateral management, customer, and credit rating systems, banks may use an Extract, Transform, and Load (ETL) process to consolidate them into a single, reliable data source for ECL modelling (Hendayun et al., 2021). The ETL framework consists of three stages:

- **Extract:** Credit, collateral, and customer information are collected from source systems at each reporting date without disrupting day-to-day banking operations.
- **Transform:** The extracted data are validated, standardized, and linked using unique customer identifiers to create a complete historical record. Bangladesh Bank requires sufficient historical information, generally covering at least five years, to support model development.
- **Load:** The processed data are stored in a centralized risk data warehouse, providing a single source of information for ECL calculation, reporting and model validation.

A centralized data platform also enables the automatic identification of Significant Increases in Credit Risk (SICR). Based on predefined quantitative and qualitative triggers, such as internal rating downgrades or past-due status, the system automatically updates the impairment stage and recalculates the corresponding ECL. Where historical default data are insufficient, particularly for low-default portfolios, external benchmark data may be incorporated, provided that the methodology remains transparent and fully auditable.

Advanced Modelling and Forecasting

Modern ECL models rely on advanced statistical techniques to estimate future credit losses and incorporate forward-looking economic conditions.

One of the most widely used techniques is the Markov Chain Transition Model, which estimates the probability that a loan will migrate between different credit states over time (Timofeev and Timofeeva, 2013). Using historical transition data, the model projects how exposures may move from Stage 1 to Stage 2 or Stage 3, providing the basis for estimating Lifetime Probability of Default (PD).

Another widely adopted technique is the Monte Carlo Simulation, which evaluates uncertainty by generating thousands of possible economic scenarios (Pavlik and Michalski, 2025). Rather than relying on a single forecast, the simulation models alternative paths for key macroeconomic variables such as GDP growth, inflation, exchange rates and interest rates. These probability-weighted scenarios enable banks to estimate more robust Expected Credit Losses under different economic conditions.

In practice, these techniques are used together. Monte Carlo simulations generate forward-looking macroeconomic scenarios, while the Markov transition model estimates how those scenarios influence future credit migration and default behaviour. This integrated approach improves the accuracy of Lifetime PD estimates and enhances the predictive capability of the ECL model.

Model outputs should also undergo regular validation and calibration. Where statistical models do not fully capture emerging risks, such as temporary government support measures or unexpected economic shocks, banks may apply management overlays (Folpmers, 2024). These adjustments should be supported by objective evidence, properly documented, independently reviewed, and approved through the bank's governance framework to ensure transparency and consistency.

Regulatory Provision Floor

Bangladesh Bank requires banks to compare the IFRS 9 Expected Credit Loss allowance with the regulatory provisioning requirement at each reporting date and maintain the higher of the two amounts. If the IFRS 9 ECL exceeds the regulatory provision, the ECL allowance is recognized in the financial statements, and no further adjustment is required. If the regulatory provision exceeds the IFRS 9 ECL, the bank continues to report the IFRS 9 allowance in its financial statements, while the shortfall is transferred from retained earnings to a Loan Loss Reserve within shareholders' equity (Bangladesh Bank, 2026). This reserve is not recognized as an expense and therefore does not affect profit or

loss. Instead, it serves as a prudential capital buffer and is maintained as a non-distributable reserve, ensuring that the additional regulatory provision cannot be paid out as dividends. When the difference between the regulatory provision and the IFRS 9 ECL subsequently narrows, the excess balance in the Loan Loss Reserve is transferred back to retained earnings without affecting the income statement (Bangladesh Bank, 2026). This dual-track approach preserves compliance with IFRS 9 while ensuring that banks continue to meet Bangladesh Bank's minimum prudential provisioning requirements during the transition period.

THE ROLE OF THE AUDITOR AND INDEPENDENT VALIDATION GOVERNANCE

Independent Model Validation and Governance

An Expected Credit Loss (ECL) model is only reliable if it is subject to independent validation and effective governance. To ensure objectivity, Bangladesh Bank's BRPD-1 Circular No. 06 (2026) requires banks to establish a clear separation between model development and model validation, consistent with the Three Lines of Defense framework. The first line of defense comprises business and risk management teams responsible for developing and operating the ECL model. The second line independently reviews the model's methodology, assumptions, data quality, parameter estimation, and governance controls. The third line, represented by Internal Audit, provides independent assurance over the effectiveness of the overall ECL framework.

Bangladesh Bank requires banks to complete an independent validation of their IFRS 9 ECL models before implementation and at least annually thereafter. Validators must be technically competent, independent of model development, and, where external specialists are appointed, Bangladesh Bank must be notified in advance. The validation should assess data quality, model methodology, parameter calibration, staging logic, governance, and model performance. Any deficiencies must be supported by a remediation plan, and the final validation report must be submitted to Bangladesh Bank within 30 days of completion.

External Audit Responsibilities

The implementation of IFRS 9 increases the use of management judgment, making external audit critical to the reliability of Expected Credit Loss (ECL) estimates. In accordance with ISA 540 (Revised), auditors apply professional skepticism when evaluating accounting estimates by assessing the ECL methodology, testing data integrity, reviewing macroeconomic assumptions and management overlays, and evaluating the effectiveness of key internal controls. Where necessary, auditors may engage credit risk or econometric specialists to assess complex models. As a final step, the engagement partner performs a stand-back test to determine whether the overall impairment allowance is reasonable in light of the bank's portfolio quality, historical loss experience, and prevailing economic conditions. Together with independent model validation and strong governance, these procedures enhance the transparency, reliability, and regulatory compliance of the ECL framework while strengthening confidence in financial reporting.

LIMITATIONS, SYSTEMIC RISKS, AND FUTURE DIRECTIONS

Model Limitations and Systemic Risks

Although the Expected Credit Loss (ECL) framework represents a significant improvement over the incurred loss model, it is not without limitations. One of its most widely recognized challenges is procyclicality (Resende, Carvalho and Carmo, 2024). During periods of economic downturn, a large number of performing loans may simultaneously experience a Significant Increase in Credit Risk (SICR) and migrate from Stage 1 to Stage 2. This "cliff effect" can substantially increase Lifetime ECL provisions within a short period, reducing earnings and regulatory capital and potentially limiting banks' ability to extend new credit when the economy requires it most.

Another challenge is the increasing complexity of credit risk models. Modern ECL frameworks increasingly employ advanced statistical and machine learning techniques to improve predictive accuracy. While these approaches enhance model performance, they may also reduce transparency and make it difficult for management, auditors, and regulators to understand how model outputs are generated. To address this issue, banks should adopt Explainable Artificial Intelligence (XAI) techniques, such as SHAP (Shapley Additive Explanations) (Rasheed et al., 2022) and LIME (Local Interpretable Model-Agnostic Explanations) (OECD.AI, 2025), to provide clear and auditable explanations for model decisions.

Looking ahead, ECL models are expected to evolve further by incorporating climate-related, environmental, and social risk factors into credit risk assessment. As sustainable finance and climate-related financial disclosures become more prominent, these emerging risk drivers will play an increasingly important role in forward-looking impairment models.

Conclusion and the Way Forward

The implementation of IFRS 9 under Bangladesh Bank's BRPD-1 Circular No. 06 (2026) represents a significant step toward strengthening financial reporting and risk management in the banking sector. By replacing the incurred loss approach with the forward-looking Expected Credit Loss (ECL) model, banks can recognize credit deterioration earlier and improve the transparency of financial reporting. Successful implementation requires stronger capabilities in data governance, statistical modelling, model validation, internal controls, and audit oversight. As data quality and modelling techniques continue to improve, supported by sound governance and independent validation, the ECL framework will enhance financial resilience, strengthen market confidence, and contribute to a more stable and sustainable banking sector in Bangladesh.

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The article was reviewed by
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How Technology, Ethics, and Continuous Learning are Reshaping the Chartered Accountancy Profession in the Age of Artificial Intelligence

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TECHNOLOGY



ABSTRACT

Artificial intelligence is transforming the field of accounting by automating basic tasks like financial data recording, processing of transactions, reporting, auditing, and compliance with regulations. Consequently, Chartered Accountants (CAs) are increasingly required to provide advisory services, make strategic decisions, manage risks, and create value for businesses, rather than doing purely accounting work.

In order to remain relevant, chartered accountants should acquire skills other than just technical accounting knowledge. Apart from the knowledge of accounting and auditing standards, CAs have to become knowledgeable in digital technologies, artificial intelligence, data analytics, cybersecurity, critical thinking, ethics, leadership, and business process with communication. Although technology is revolutionizing accounting practices, human attributes such as professional skepticism and sound judgement are still crucial.

Bangladesh can benefit significantly from artificial intelligence and other authenticating technologies through increased transparency, compliance, efficiency, and international competitiveness. Realizing these potential benefits necessitates cooperation between professional bodies, educational institutions, employers, policy makers, and individual chartered accountants.

The aim of this paper is to explore the impact of artificial intelligence on the profession of chartered accountancy, highlight necessary skills in the future and suggest recommendations.

Key Words

Artificial Intelligence, Chartered Accountants, Digital Transformation, Data Analytics, Professional Skills, Ethics, CPD, ICAB, Bangladesh.

INTRODUCTION

With the advent of Artificial Intelligence (AI), the accounting profession has been revolutionized through automation of routine jobs and processes, processing of financial information, analysis of financial information and reporting.

With technological advancement, the role of Chartered Accountants is being transformed from traditional accounting and compliance to advisory roles, risk management, governance and decision making of businesses.

There will be efficiency and productivity gains with AI, Chartered Accountants will need to possess technical and non-technical skills in addition to their knowledge base in technical accounting. The knowledge in digital technologies, AI, data analytics, cybersecurity, communication, leadership and ethical judgment will become imperative. Professional values of integrity, independence and professional skepticism have continued to remain imperative and irreplaceable.

In the light of increasing adoption of digital technologies in business process and all stakeholders, and government in Bangladesh, that lead the opportunities to the CA profession. If CA profession wants to lead, they need to continue its learning process and be ready to adapt to changes in AI-driven technology.

Here discusses the impact of AI on the profession of Chartered Accountancy and sheds light on the technical and professional skills needed in the age of AI.

THE CURRENT STATUS OF THE ACCOUNTING PROFESSION

The current status of the accounting profession sees it going through some of the most dramatic changes in its history.

Developments in AI-driven cloud computing, automation, blockchains, big data, cybersecurity, and Artificial Intelligence have resulted in a transformation in the way that financial information is produced, processed, validated, and disseminated.

Traditionally, Chartered Accountants spent a great deal of time in their professional capacity in the financial transaction processing, reconciliation, financial statement preparation, tax management, and audit work.

In today's world, however, many of these tasks are performed automatically using intelligent accounting software that is capable of processing large numbers of transactions quickly and accurately. The future direction of the profession lies in the transition from being transaction processors to becoming effective value creators.

Digital transformation is currently being prioritized by modern accounting firms. Global firms such as Deloitte, EY, KPMG, PwC, BKR and other have implemented AI technology in audit processes, fraud detection, risk assessment, and consulting services. Audit professionals now use complete sets of data for analysis, as opposed to just small samples.

Finance departments have evolved as well. Financial controllers and CFOs are now utilizing dashboards, predictive analytics, scenario modeling, and AI-generated insights for their decisions. It means that Chartered Accountants are required not only to know accounting standards, but also data science, business analytics, information systems, and digital governance. Also, regulatory requirements are expanding all the time. ESG reporting, sustainability reporting under IFRS S1, IFRS S2, integrated reporting, cybersecurity, anti-money laundering regulation, and data privacy require accountants to be multidisciplinary experts, business process experts, not only accounting experts.

The new scenario has resulted in different abilities being required of those who have just become Chartered Accountants. The emphasis is now on analytical skills, flexibility, ability to communicate, leadership, technological proficiency, and problem solving rather than accounting expertise alone.

Far from making Chartered Accountants less relevant, AI is defining a new role for the profession. Manual tasks are no longer as prevalent as they used to be; however, advisory services, planning, governance, ethical considerations, and assurance are growing more important. Consequently, the field of professional accounting will move from "recording the past" to "shaping the future."

ARTIFICIAL INTELLIGENCE AND THE CHANGING ROLE OF CHARTERED ACCOUNTANTS

AI has changed the relationship between technology and accounting practice in a fundamental way. While earlier accounting applications were dependent on pre-programmed instructions and user inputs, AI systems learn continually from historical data, discover patterns, find discrepancies, make forecasts, and increase in efficiency.

In auditing, AI is able to examine entire population of transactions, identify unusual journal entries, identify signs of potential fraud, assess the weaknesses of internal controls, and single out risky transactions needing professional attention. This makes audits more efficient while allowing auditors to pay attention to areas that require professional scepticism.

In the field of taxation, AI-driven systems will be able to automatically classify transactions, understand tax legislation, identify problems, calculate tax liability, and track legislative changes. Tax professionals would have more time for giving advice regarding tax planning, international tax matters (transfer pricing), and regulatory risks.

Financial reporting also changed considerably. Smart systems will be able to automatically aggregate financial statements, prepare management reports, reconcile accounting, find discrepancies, and enable financial reporting in real-time. Decision makers now need continuous financial reporting.

In spite of all the technical capabilities that AI can offer, it is impossible for it to replace the ethical obligations of a Chartered Accountant. Professional judgment, independence, confidentiality, integrity, and accountability can only be performed by humans. AI might detect any anomalies, but the importance of these anomalies can only be assessed by professionals. AI might provide some forecasts, but the implications for a business can only be considered strategically.

As a result, the Chartered Accountant of the future will be defined not by his or her ability to do quick calculations/ computations faster than computers, but by his or her ability to possess technological capability and at the same time demonstrate ethical leadership, strategic thinking, and professional judgment. The future of the profession does not lie in the resistance to AI, but in the use of it.

CURRENT STATUS IN BANGLADESH (LOCAL PERSPECTIVE)

The country of Bangladesh is undergoing an era of rapid digital revolution due to the rising connectivity of the Internet, using of AI, growing use of cloud computing technology, modernization of the finance industry, and governmental efforts for digital governance. The accounting profession is slowly getting integrated into this revolution, albeit at different speeds.

Larger multinational corporations, commercial banks, stock exchanges, listed companies, and international accounting firms that operate in Bangladesh have been using enterprise resource planning systems like SAP, Oracle, and Microsoft Dynamics more and more. These organizations also use the tools of business intelligence, cloud-based accounting software, and automated financial reporting systems to boost efficiency and effectiveness. As a result, the Chartered Accountants that work in these companies have to be familiar not only with the accounting and auditing standards but also digital business operations.

On the other hand, many entities still continue to practice traditional approaches to accounting, spreadsheet accounting and manual documentation. Limited finances, lack of technological support, poor IT knowledge and reluctance to adopt changes prevent many companies from adopting new technologies such as artificial intelligence in a timely manner. It is true that competition and rising regulatory requirements gradually push businesses to adopt digital accounting systems.

Accounting firms in Bangladesh are adopting new approaches to performing audits. They increasingly employ data analysis, electronic working papers, collaborative cloud services and computer assisted audit techniques. The adoption of advanced Artificial Intelligence in audit planning, risk assessment and continuous auditing is going on. This approach to conducting an audit is increasingly used by firms belonging to international accounting networks.

The Institute of Chartered Accountants of Bangladesh (ICAB) actively takes measures to enhance technological competence of its members through Document Verification System (DVS) updating, CPD programs, seminars, workshops and publication of technical literature and also introduced CA Connect platform. With further development of international financial reporting standards and growth in adoption of digital reporting, ICAB plays a vital role in preparing its members for future technological changes.

Bangladesh Bank has also encouraged the adoption of digital financial services, electronic payment solutions, regulatory technology, and cybersecurity frameworks within the financial

industry. Such efforts indirectly raise the need for Chartered Accountants who have experience in the fields of information systems, technology risks, and digital assurance.

In spite of some progress, there are still many issues. The majority of accounting graduates lack knowledge of AI technologies, data analytics, programming, cybersecurity, and business intelligence in their studies. It is often reported that there is a discrepancy between conventional accounting education and technological skills of professionals.

The solution to these problems implies coordinated efforts from universities, professional bodies, regulatory agencies, employers, and individual Chartered Accountants themselves. It is up to them whether Bangladesh's accounting profession will be able to compete in the digital economy of today.

GLOBAL TRENDS

On the international front, there has been massive technological change within the accounting field. The various professional organizations including IFAC, ICAEW, CPA Australia, ACCA and AICPA & CIMA constantly reiterate that Artificial Intelligence must augment not override the professional judgment of an accountant.

The international accounting firms have spent billions of dollars on AI-based systems. For instance, Deloitte uses AI technology for document analysis of contracts and risk evaluation. On the other hand, PwC uses machine learning in order to make auditing more efficient by automating repetitive processes. Similarly, EY uses analytics for fraud detection and risk assessment. Finally, KPMG has incorporated AI in audit planning and tax advisory services.

The functions performed by the finance team are also changing globally. In the past, these teams used to produce reports for the past. Today, they give forecasts about future developments with help of predictive analytics, scenario modeling, and performance dashboards. Today, the role of CFOs includes integrated data ecosystems including financial data, operational data, customer data, and market data to make strategic decisions.

Analytical thinking, technological skills, creative problem solving, resilience, leadership, and skills in AI are some of the most rapidly growing skills in professions according to the Future of Jobs Report of the World Economic Forum. The same findings have been made in researches done by McKinsey & Company, OECD, and Microsoft regarding future workers. Additionally, ESG reporting, sustainability assurance, climate related financial disclosures, and integrated reporting have widened the scope of activities for Chartered Accountants beyond financial reporting. Now financial knowledge is not enough for professionals; they are required to possess knowledge of sustainability, data management, and AI-driven digital technology.

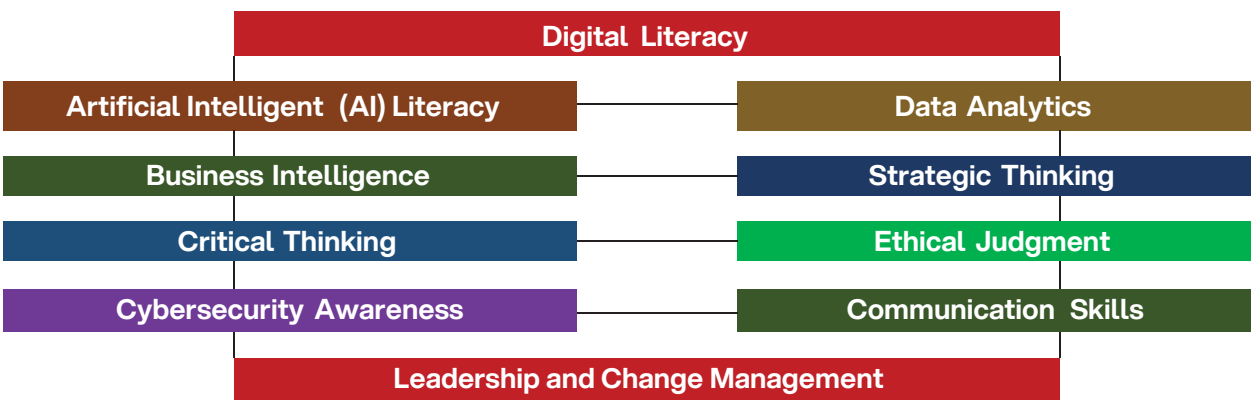
The above international trends indicate that competitiveness in the future will require more than accounting expertise but also the combination of finance, AI-driven technology, strategic thinking, and leadership.

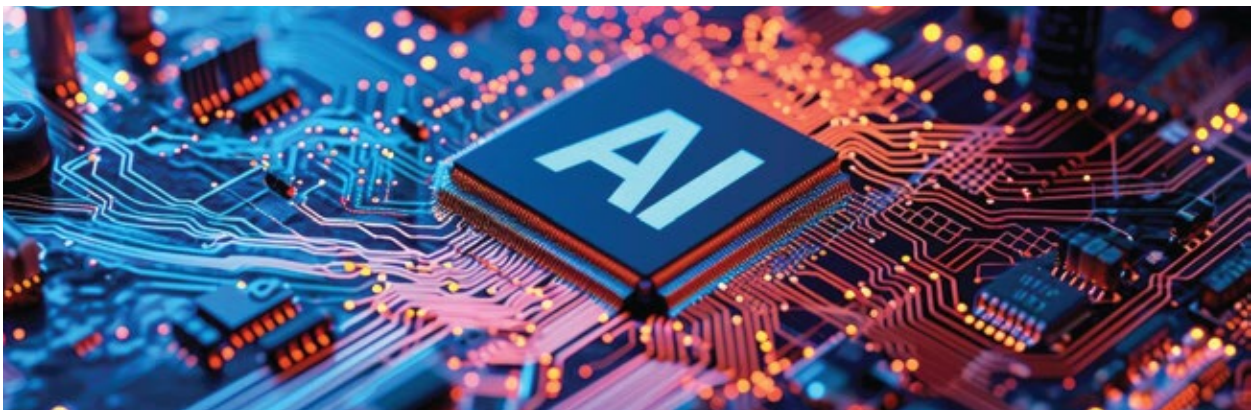
SKILLS REQUIRED BY CHARTERED ACCOUNTANTS IN THE AGE OF AI

In the current era of AI, the following skills are a must-have for a Chartered Accountant:

Digital Literacy

In today's times, digital literacy has emerged as the bedrock of modern accounting skills. The





following is what all Chartered Accountants must know about cloud computing, enterprise resource planning, digital collaboration, documentation, and cyber security.

Being able to understand how digital data flows through an organization's IT systems allows accountants to perform their roles more effectively as they can now evaluate the internal controls and use technological capabilities in making decisions.

AI Literacy

While AI literacy is not merely the knowledge about how to use generative AI technologies, it comprises understanding how AI models work, recognizing their advantages and drawbacks, critical evaluation of AI-generated outputs, and proper use of AI in professional practice with effective prompt engineering.

Chartered Accountants need to know such notions as machine learning, natural language processing, predictive analytics, intelligent automation, and AI governance. At the same time, one needs to realize that all AI-generated outputs should be verified by people and assessed with professional skepticism before making any decisions.

This means that AI should be seen as an auxiliary instrument of professionals rather than an independent decision maker.

Data Analytics

Nowadays, DATA is considered to be one of the most valuable organizational resources. The work of many Chartered Accountants is connected with working with both structured and unstructured data sets which need interpretation rather than accounting. The competency in data analytics allows professionals to see trends in the data, spot anomalies, assess business performance, forecast future events, and make evidence-based decisions.

Excel Power Query, Power Pivot, SQL, Python, Power BI, Tableau, and other visualization techniques play a key role in improving analytics skills.

Business Intelligence

Organizations of the present era expect their finance professionals to convert raw financial data into useful business intelligence. It means that the finance professional needs to integrate the financial data along with operational data, customer data, and market data for evaluating the overall performance of the organization. Chartered Accountant needs to be able to design dashboards, track key performance indicators, perform scenario analysis, and help with executive decision making.

Strategic Thinking

Routine tasks of accountants are getting automated, but strategic advisory services keep growing in demand. Strategic thinking helps Chartered Accountant to evaluate future prospects of business, make investment decisions, detect threats, and ensure sustainability of the organization. The professional needs to be aware of industry dynamics, economic environment, technology disruption, and regulations while providing advice to the management.

Future Chartered Accountant will add value through bridging between financial data and strategic goals of the business.

Critical Thinking

Although Artificial Intelligence can provide reports, summaries, and recognize statistical

patterns, it lacks the capacity to assess the complexity of business reality on its own. Critical thinking helps Chartered Accountants to test assumptions, look into discrepancies, question the estimates made by management, understand contradictions, and exercise professional skepticism. The ability is especially relevant while auditing, conducting financial fraud investigations, assessing impairments and going concern status, and making strategic decisions that cannot be undertaken using automated algorithms.

Ethical Judgment

Ethical considerations have set Chartered Accountants apart from other professionals since the beginning. The development of Artificial Intelligence emphasizes the significance of ethical judgment even more. One has to analyze questions related to algorithmic discrimination, confidentiality, privacy, transparency, accountability, data ownership, and ethical AI governance. Even though AI can undertake the technical analysis, the Chartered Accountant remains accountable for financial statements, audit opinions (for practitioners), tax advice, and other professional recommendations.

Cybersecurity Awareness

As financial information gets more digitalized, the threat of cybersecurity keeps rising. Data breaches, ransomware attacks, identity theft, phishing and financial fraud may have substantial impacts on the performance and reputation of organizations. Chartered Accountants must be knowledgeable in cybersecurity, internal controls, information security policy, access management, data protection laws, and incident response. Despite the technical aspects being managed by cybersecurity experts, it is essential for Chartered Accountants to know the above-mentioned topics.

Communication Skills

The technological proficiency is not enough to ensure success in this career. Chartered Accountants are required to interact with boards of directors, audit committees, investors, regulators, tax authorities, creditors, and other interested parties. Ability to convey complex financial concepts clearly and persuasively is one of the most useful skills in this profession.

Effective written communication allows producing well-written financial reporting, audit working papers, consulting reports, and professional correspondence. At the same time, it is equally important to possess such skills as presentation, negotiation, listening, and interpersonal skills.

Leadership and Change Management

Artificial Intelligence is reshaping organizations in ways never seen before. Chartered Accountants take the role of leaders in digital transformation projects, finance reform programs, ERP implementation, internal control reform, and restructuring initiatives.

Effective leadership is characterized by continuous learning, fostering innovation, managing organizational resistance to change, and leading teams through technological change.

Leadership skills include emotional intelligence, adaptability, resilience, and the balancing act of advancing technology and ethical considerations. As business advisors, Chartered Accountants need to build trust as they assist their organizations in navigating uncertainties in today's highly digitalized world of business.

HOW CHARTERED ACCOUNTANTS CAN BUILD SUCH SKILLS

Skill development in modern-day accounting is no longer linear nor limited to credentials. It is modular and AI-driven technology enabled. The development process can be described with combined structured learning with real-world execution in a digital environment:

Follow a dual-track development approach

The first one is about developing professional competence (standards, assurance, taxation, and ethics). The second one is about building digital



skills (data, automation, analysis, AI solutions). Both should be treated equally as key performance factors.

Transition from conceptual-heavy learning to case-based application

All concepts whether it may be audit risk assessment or management accounting variance analysis need to be tested on real-world data sets. Simulated client data sets, ERP exports, and public company (PIE) financial statements are now training aids.

Implement tool-first learning

Implement "tool-first learning." Rather than learning software post-understanding of the concepts, learn them in reverse order; first by using the tools like Excel, Power BI and AI assistants and then mapping the theory of accounting to them.

Implement micro-learning cycles

Replace long training cycles with short high frequency skill sessions (30-90 mins each) dedicated towards developing one capability at a time building a dashboard, reconciliations automation, or running audit queries through AI.

Implement peer benchmarking

Output comparison helps improve results much more quickly and therefore dashboards, working papers, and models must be reviewed in a collaborative environment.

AI TOOLS & TECHNOLOGIES EVERY CHARTERED ACCOUNTANT MUST KNOW

Nowadays, the accounting processes undergo re-platforming in the direction of AI-supported decision-making systems. Learning is not about the tools, but the competence in using them. The tools provided in the list below represent different productivity and intelligence layers in the finance stack.

Microsoft Copilot

Microsoft Copilot serves as the AI-powered productivity layer integrated into Microsoft 365. For the accounting processes, Copilot is useful in writing accounting narratives, summarizing audit reports, providing explanations on variances, and conducting Excel analysis. The advantage of Copilot is the reduction of cognitive load related to routine documentation procedures.

Usage examples: (i) Accounting narratives writing, (ii) Summarization of audit work papers, (iii) Automated Excel formulas and scenarios, etc.

ChatGPT

ChatGPT serves as a universal reasoning and drafting tool. Within the professional sphere of accounting, it can be used to give the technical explanations, interpret policies, organize work papers, and develop training documents.

Usage examples: (i) Audit programs and checklist development, (ii) Technical explanations regarding IFRS/IAS and ISA, (iii) Training materials development, (iv) Structured accounting narratives writing, etc.

Claude

Claude is very proficient in analytics related to long context and document-based reasoning. The model has a special aptitude for analysis of long financial reports, contracts, and regulations.

Use cases: (i) Review of annual reports and discovery of issues with disclosures, (ii) Summary of the new regulation, (iii) Contract analysis concerning finances, (iv) Large text analytics to discover key audit risks, etc.

Gemini

Gemini uses multimodal intelligence that involves analysis of text, images, and data. This makes it useful in multi-format financial analysis and research processes.

Use cases: (i) Analysis of scanned financial documents, (ii) Merging of market research and financial analysis,

(iii) Industry benchmarking, (iv) Research-based audit planning, etc.

Microsoft Excel with AI

Excel remains the key operational platform in accounting, but now it comes with various AI-powered features. The revolution is that one should abandon formula creation in favor of smart model creation.

Use cases: (i) Financial modeling using AI, (ii) AI-based forecasting, (iii) Dynamic dashboard based on AI insights

(iv) Scenario & sensitivity analysis using AI recommendations, etc.



Transformation: Excel does not work anymore as a spreadsheet program, it became an environment for financial simulations.

Power BI

Power BI transforms static reports into decision intelligence systems. Chartered Accountants have to start working as dashboard designers, not just report writers.

Use cases: (i) Real-time dashboard with financial data, (ii) KPI monitoring for management, (iii) Identification of audit exceptions, (iv) Cash flow visualization and forecasting, etc.

Key value: Transformation of financial data into triggers for business decision making for business executives.

Tableau

Tableau expands Power BI capabilities in terms of advanced visual analytics and storytelling.

Usage cases: (i) Population audits, (ii) Expense pattern visualization, (iii) Revenue trend decomposition

(iv) Conduction of risk heatmaps for internal audit, etc.

The strategic value: simplifying complex datasets interpretation.

Python

Python provides automation, scaling, and advanced analytics in the accounting practice. This programming language becomes the core of financial data engineering.

Usage cases: (i) Reconciliation automation, (ii) Sampling model building for audits, (iii) Regression and prediction analysis, (iv) Treatment of huge transactional datasets, etc.

Core transformation: transition from sampling by hand to algorithm-based assurance.

ERP Systems (SAP, Oracle, Microsoft Dynamics)

ERP systems become the transaction backbone for enterprise accounting. Understanding ERP architecture becomes crucial for audit purposes, control, and financial reporting accuracy.

Usage cases: (i) Traffic monitoring through the transaction cycle, (ii) Controls evaluation, (iii) Consolidation of financial reporting, (iv) Audits of accounting systems in real time, etc.

Strategy: audit efficiency depends on understanding ERP systems now.

Audit Analytics & Continuous Auditing

Audit analytics implies a shift from periodic assurance to continuous assurance. Data is no longer examined periodically; it is analyzed on an ongoing basis.

Use cases: (i) Fraud detection due to anomaly detection, (ii) Continuous risk management, (iii) Analysis of population, not sampling, (iv) Automation of exception reporting, etc.

Outcome: more effective audit with less effort involved and shorter cycle time.

Continuous Professional Development (CPD)

Continuous professional development is not about compliance anymore; it is about capabilities. The aim is to continuously align the skills with a new technological and regulatory reality.

Modern CPD would include: (i) Technical accounting knowledge upgrade (changes in IFRS/ISAs, IAS),

(ii) Certifications in digital data analysis, (iii) Mastery of audit AI tools, (iv) Cybersecurity of financial systems

(v) Skills related to leadership and strategic finance, etc.

The future of CPD: CPD becomes a "skills operating system" instead of annual requirement.

The profession will evolve from the document-based accounting to intelligence-based finance. Chartered Accountants, applying AI technologies, analytical tools and automation frameworks, will move up their decision-making level from transaction processing to creating insights, risks prediction and strategic advisory.

CONCLUSION

The field of Artificial Intelligence is revolutionizing the domain of accounting by automating mundane activities and allowing Chartered Accountants to engage in value-added activities like advisory, risk management, governance, and decision-making within the enterprise. Although Artificial Intelligence is a necessity within the contemporary accounting field, there are certain aspects that are indispensable for the Chartered Accountants which AI cannot replace, namely professional judgment, ethics, critical thinking, and professional skepticism.

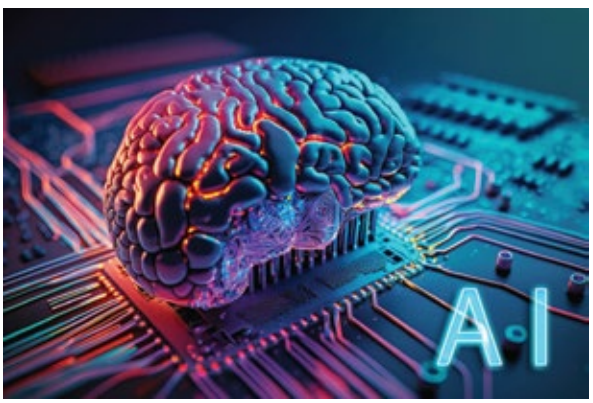
In order to sustain themselves in the future, Chartered Accountants have to adapt continuously and learn about AI along with other technological developments such as data analytics, digital technology, cybersecurity, and business intelligence in addition to accounting knowledge. Simultaneously, all the stakeholders including professional organizations, educational institutions, employers, and government authorities should collaborate and contribute towards updating the education system, CPD (Continuous Professional Development) programs and proper use of AI.

For the country of Bangladesh, AI is an opportunity that should be availed in order to improve transparency, efficiency, and global competitiveness. Through the integration of technology, ethics, continuous learning, and professional values, Chartered Accountants can establish themselves as business advisors and business strategists in the AI-driven digital economy.

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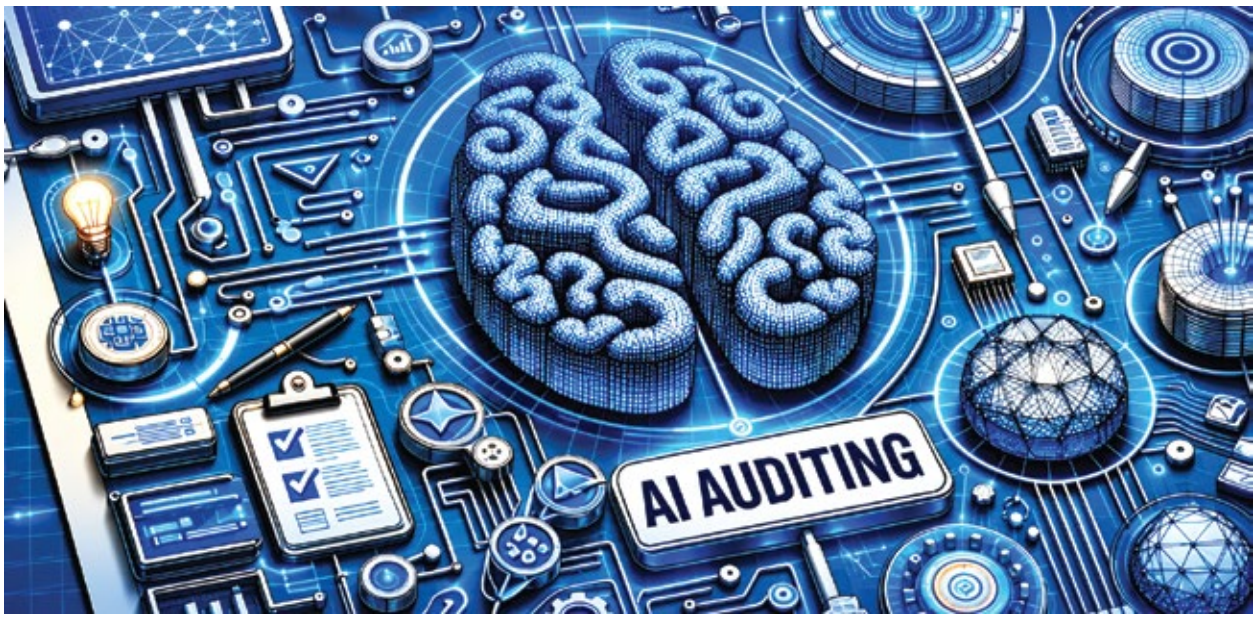


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Artificial Intelligence (AI) in Audit Perspectives

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TECHNOLOGY



ABSTRACT

The integration of Artificial Intelligence (AI) into auditing is transforming conventional audit processes by enhancing efficiency, cost-effectiveness, accuracy, and decision-making capabilities. AI technologies, including machine learning, natural language processing, and robotic process automation, enable auditors to analyze vast amounts of structured and unstructured data, identify anomalies, and perform continuous auditing with greater speed and precision. Despite these advantages, the adoption of AI in auditing presents several challenges. Key issues include data privacy and security concerns, lack of transparency in AI algorithms, ethical considerations, regulatory uncertainties, high implementation costs, and the need for specialized technical skills among audit professionals. Additionally, excessive reliance on automated systems may affect professional judgment and raise accountability concerns. However, AI offers significant opportunities for increasing and developing audit quality, strengthening fraud detection, reducing operational costs, and enabling auditors to focus on higher-value strategic and advisory roles. This article examines the major challenges and opportunities associated with AI integration in auditing and discusses strategies for achieving a stable and effective adoption of AI technologies. The study concludes that while AI is unlikely to replace auditors entirely, it will redesign the profession, requiring auditors to adapt their skills and embrace a collaborative human–AI approach to provide more reliable, transparent and insightful audit services.



INTRODUCTION

This article is motivated by the need to develop artificial intelligence (AI) governance mechanisms for trustworthy AI development and use in audits.1 Before these complex mechanisms can be developed, however, it is first necessary to gain some clarity on the risks and opportunities AI introduces to audit firms as they develop and use AI-aided audit support systems and their clients whose AI use influences their risk profile and thus the audit approach and the tools deployed as part of the audit. Therefore, we research (a) how AI is being implemented in auditing, (b) how audit clients are using AI in financial reporting, (c) what are the challenges related to AI implementation, and (d) what are the solutions to these challenges proposed by auditors and found in other fields.

Our work explores how AI is being used in audits, with special emphasis on the challenges and potential solutions related to the adoption of AI in audit. Our paper makes a necessary contribution to the growing literature on AI adoption in auditing. We provide a systematic overview and categorization of AI implementation challenges, including those that are linked to the human elements as well as technological aspects of AI and the nature of the audit process itself. Recognizing that the interface between technology and human judgement can be a source of challenges.

We find that auditors use simple natural language processing tools to extract key information from contract documents. They are using machine learning to detect anomalies in financial information and prioritize further human investigation. They are also investing heavily in data platforms to make further use of AI feasible. This AI activity has not yet diminished the need for human auditors, but it may do so in the future. AI typically automates tasks rather than entire jobs, but a large degree of audit task automation might lead to a need for fewer human auditors.



We find that the main challenges in AI tool development are related to transparency and explainability, AI bias, data privacy, robustness and reliability, fear of auditor overreliance on AI, and the need for AI guidance. Study participants report that audit clients are not yet using complex AI in financial reporting, but that the interaction between AI-aided financial reporting by clients and auditing could become a novel challenge in the future. While new techniques to audit client AI are being developed, the lack of trust in AI tools discourages auditors from auditing through AI and instead they audit around it by reviewing the outputs the tools generate.

The findings of this study should be of interest to academics exploring emerging technology adoption in auditing and auditors in practice trying to learn from professionals in their own field and other fields. Understanding the challenges and opportunities associated with AI is important for professional service firms as they assess ways to balance audit quality and efficiency. In addition, implementing responsible AI will not only be important to the firms but to their clients. Company managers can benefit from learning about the tools that auditors will implement to audit their financial statements and evaluating the opportunities and risks associated with their client service provider using AI tools with their company data. Continuing to provide additional insight into how public accounting firms are using technology can also inform the PCAOB and other regulators as they consider changes to the audit standards.

BACKGROUND AND LITERATURE REVIEW

Overview of AI and AI Capabilities in Accounting and Auditing

Artificial intelligence is generally defined as a set of technologies that can perform cognitive tasks that only humans could perform previously. The underlying capabilities of AI are statistics, logic (usually in the form of rules), and semantics. These capabilities can be combined or refined into specific applications such as machine learning-based prediction, robotic process automation (RPA) based on rules, and natural language processing based on semantics-based computational linguistics, deep learning neural networks, or both. Combinations of AI

technologies are increasingly prevalent in particular business use cases, such as the combination of ML and RPA, and rules engines and ML. Some AI technologies, such as RPA, simple machine learning, key data extraction from documents, and optical character recognition, are easy to use and quite well-established because of the accessibility of predeveloped tools for implementation in audit. We refer to those as "simple AI." Others, such as deep learning neural networks and generative AI, we refer to as "complex AI" because they are more technically complex and typically require data science and other technical expertise to create and use effectively in-house.

Key technologies for accounting and auditing are machine learning (almost exclusively "supervised" ML, which is trained on data with known outcomes) and automation. ML is the fastest-growing AI technology in business; it is essentially a "prediction machine" in which a statistical model predicts future values of an outcome variable based on the past data upon which the model has been "trained." It encompasses traditional machine learning (in its simpler forms, also known as predictive analytics), neural networks, and deep learning neural networks, and generative AI.

Machine learning (ML) has many potentials (and increasingly actual) uses in accounting and auditing. If trained on past accounting data (ideally across organizations), it can predict optimal, normal, or problematic levels of key financial resources—from inventory to accounts payable to risk. The study suggests that some firms are interested in using anonymized cross-client data to train models, while others are reluctant to do so for client data privacy reasons. ML can make possible continuous auditing of full data sets, rather than samples. ML



systems can extract relatively important provisions from contracts and other key documents. They can prioritize particular cases or situations for human investigation. They can integrate data across disparate systems using a "probabilistic matching" approach. Deep learning ML systems can count physical inventory through image recognition.

The other primary AI technology used in accounting is robotic process automation or RPA. RPA is most commonly used for automating structured data-oriented processes, of which there are many in accounting and auditing. Some uses of RPA and other automation tools include automation of evidence collection, automated report generation, combining data or evidence from multiple sources, and executing tests in Excel or other programs.

Though basic RPA applications can make some decisions using rules, companies are increasingly combining RPA with machine learning for more sophisticated and data-based decision-making or prediction. This combination, often called intelligent process automation, allows auditors to train models to recognize anomalies or prioritize investigations within a broader automated task flow. Intelligent automation might also include automated generation of reports using generative AI systems, which employ deep learning models to predict the next word in a sequence. Generative AI systems are already being used for a variety of business purposes involving content and code generation. They produce high-quality drafts of text documents, but need to be prompted, edited, and verified by a human accountant.

AI Adoption in Auditing

The adoption of artificial intelligence (AI) in auditing has been relatively slow compared with many other industries because auditing is a highly regulated profession where accuracy, reliability, and professional judgment are essential. Unlike many business functions, auditors are legally responsible for the opinions they express in audit reports, meaning that any errors made with the assistance of AI remain the responsibility of the auditor. As a result, audit firms are cautious about relying on AI technologies whose decision-making processes may not always be transparent or fully explainable.

Another significant reason for the slow adoption of AI is the sensitive nature of audit data. Auditors routinely handle confidential financial

information, and firms must ensure that any AI tools they use comply with strict confidentiality, privacy, and cybersecurity requirements. In addition, existing auditing standards and regulatory frameworks were largely developed before the emergence of modern AI, leaving firms uncertain about how AI can be used while remaining fully compliant with professional standards and regulatory expectations.

Furthermore, many audit tasks require professional skepticism, critical thinking, and the ability to interpret complex business circumstances—qualities that AI cannot fully replicate. While AI is highly effective at automating repetitive tasks such as data extraction, document review, and transaction analysis, it cannot replace the human judgment needed to evaluate audit evidence, assess management estimates, or identify subtle indicators of fraud. Audit firms also face challenges related to integrating AI with existing audit software, training employees to use the technology effectively, and justifying the significant investment required for secure AI implementation.

Despite these challenges, AI adoption in auditing is steadily increasing. Many firms now use AI to support risk assessment, analyze large volumes of financial data, review contracts, detect unusual transactions, and prepare audit documentation. Rather than replacing auditors, AI is expected to enhance audit quality and efficiency by automating routine procedures and enabling auditors to devote more time to complex analysis, professional judgment, and communication with clients. As regulatory guidance becomes clearer and AI technologies continue to improve, their adoption in the auditing profession is expected to accelerate.

Challenges to AI Adoption in Auditing

Artificial intelligence (AI) has the potential to transform the auditing profession by improving efficiency, enhancing risk assessment, and automating routine tasks. However, its adoption in auditing faces several significant challenges. One of the primary obstacles is the lack of clear regulatory and professional guidance regarding the appropriate use of AI in audit engagements. Since auditing is a highly regulated profession, firms are cautious about implementing AI technologies without assurance that they comply with auditing standards and legal requirements.

Another major challenge is data privacy and confidentiality. Auditors handle highly sensitive financial and business information, and using AI systems requires strong safeguards to prevent unauthorized access, data breaches, or misuse of confidential client information. Many firms are therefore reluctant to use cloud-based or public AI platforms for audit work.

The need for professional judgment also limits the extent to which AI can be adopted. Auditing involves evaluating evidence, exercising



professional skepticism, assessing management estimates, and making complex judgments that cannot be fully automated. While AI can support these processes by analyzing large datasets and identifying anomalies, it cannot replace the experience and ethical judgment of professional auditors.

Technical and organizational challenges further hinder AI adoption. Integrating AI tools with existing audit software and clients' information systems can be complex and costly. In addition, many audit professionals lack the technical knowledge and training required to use AI effectively, making investment in employee education and change management essential. The high costs associated with acquiring, implementing, and maintaining secure AI systems may also discourage smaller audit firms from adopting the technology.

Finally, concerns about the reliability, transparency, and explainability of AI-generated outputs present a significant barrier. AI models may produce inaccurate or biased results, and their decision-making processes are not always easily understood or explained. Because auditors remain accountable for the audit opinion, they must be able to verify and justify any conclusions supported by AI. Addressing these technical, regulatory, ethical, and organizational challenges will be essential for achieving broader and more effective adoption of AI in the auditing profession.

The Extent of AI use in Financial Reporting and Approaches to Auditing AI

In order to further our understanding of AI development and use in auditing, it is important to explore how audit clients are using AI in financial reporting as client use of AI often serves as a driver for AI use in the audits themselves. Companies in industries such as high tech, banking, and insurance are more ahead than the rest with their use of AI; however, they have not yet implemented complex AI in financial reporting due to the low payoff in the space. Study suggests that:

What they [clients] are seeing right now is if you think about the money it takes to put in an application, and train it, and design it, and really get behind it, the payoff in a financial reporting process is not high. Instead, the clients are more likely to implement automation to achieve internal efficiencies. Some are exploring the use of generative AI but there are not enough solutions for financial statements yet A possible reason for client hesitancy to implement AI in financial reporting is because it is a regulated environment and having significant automation and AI might expose the clients to more audit testing in accordance with IT general controls (ITGCs) unless they maintain the manual controls performed by humans.



Firm Governance Structure for Technological Innovations in Audit



A firm's governance structure for artificial intelligence (AI) in auditing refers to the policies, oversight mechanisms, roles, and responsibilities established to ensure that AI is used responsibly, ethically, securely, and in compliance with professional standards. An effective governance structure helps audit firms maximize the benefits of AI while managing the associated risks.

At the core of AI governance is strong leadership and oversight. Senior management and firm leadership are responsible for establishing the firm's AI strategy, approving policies, allocating resources, and ensuring that AI initiatives align with the firm's objectives and ethical responsibilities. Many firms also establish AI governance committees or cross-functional teams comprising audit professionals, technology specialists, legal advisors, risk managers, and compliance officers to oversee AI implementation and monitor its performance.

The governance framework should include clear policies governing the development, acquisition, testing, deployment, and ongoing monitoring of AI systems. These policies should address issues such as data quality, confidentiality, cybersecurity, model validation, documentation, and accountability. Audit firms should ensure that AI tools are thoroughly tested for accuracy, reliability, fairness, and compliance before being used in audit engagements.

A robust governance structure also emphasizes human oversight. AI should support, rather than replace, professional judgment, with auditors remaining responsible for evaluating AI-generated outputs and making final audit decisions. Regular training programs should be provided to ensure that audit professionals understand both the capabilities and limitations of AI technologies and can use them effectively and responsibly.

Risk management and continuous monitoring are also essential components of AI governance. Firms should regularly assess the risks associated with AI, including data privacy, cybersecurity threats, algorithmic bias, and model performance. Continuous monitoring and periodic reviews help ensure that AI systems remain accurate, effective, and compliant with evolving regulatory and professional requirements.

Overall, a well-designed governance structure enables audit firms to implement AI in a controlled and transparent manner, enhancing audit quality while maintaining public trust, professional integrity, and compliance with applicable laws and auditing standards.

CHALLENGES OF AI USE IN AUDITING

The use of artificial intelligence (AI) in auditing offers significant opportunities to improve audit efficiency, enhance risk assessment, and automate repetitive tasks. However, it also presents several challenges that auditors and audit firms must address to ensure that AI is used effectively and responsibly. The major challenges are as follows:



TRANSPARENCY AND EXPLAINABILITY

The terms transparency and explainability refer to understanding the model and reasons for its outputs and is a risk associated with AI tools that use machine learning. Transparency of AI systems relates to the "information about datasets, processes, uses, and outputs that are shared between stakeholders". Explainability in AI means "it is possible to understand how an AI output was calculated". Moreover, explainability is related to interpretability which centers on understanding relationships in a system as well as understanding "the training, the data, and the learned components, such as weights and parameters". Finally, intelligibility addresses "how well a model can be interpreted in human terms".

Challenges related to the transparency, explainability, interpretability, and intelligibility of AI tools were raised by many users mainly because of the need to communicate how the tool performed to the regulators. Communicating how AI develops its outputs will be a challenging area for firms to work through with their clients and regulators. While different techniques are starting to be used to explain this information, lack of knowledge and the complexity of these models may hinder some from relying on the technology for financial reporting areas. As a result, in cases where machine output is not sufficiently transparent, auditors might default to judgments based on their existing knowledge of the client

FAIRNESS AND IMPARTIALITY

Related to challenges of transparency and explainability is a concern over AI bias and thus fairness and impartiality. AI bias refers to the phenomenon of an algorithm producing results that are systemically prejudiced (e.g., by favoring one group of outcomes over another) due to erroneous assumptions in the training process. AI, if not sufficiently controlled, can then spread the bias found in the data used in its training. The profession has some significant ongoing challenges related to AI bias, both actual and perceived. While no clear solutions have been identified, firms will need to find ways to address finding representative data populations that are supported by good quality data.

PRIVACY

Privacy in AI refers to "guarding sensitive information, gaining consent for use of that data, ensuring models are resilient and do not leak or divulge protected data, using models in a way that respects privacy, and meeting the emerging laws and regulations around the world that do not just encourage but indeed mandate privacy.

Producing strong AI models requires large volumes of data to train the models. The more data, the more accurate results the model will produce. It is critical for firms to protect client data and build trust with clients. It will be important for firms to be transparent around how the data will and won't be used and demonstrate strong governance in this area to convince clients to provide access to more data.



ROBUSTNESS AND RELIABILITY

An AI model is likely to have an issue with robustness and reliability when a model performs well in training but fails to operate well in a dynamic environment after it is deployed. Robustness refers to an AI system's ability to perform accurately and consistently under different conditions, including variations in data quality, transaction complexity, or unexpected scenarios. A robust AI system can handle incomplete, noisy, or changing datasets without producing significantly inaccurate or misleading results. This is particularly important in auditing, where financial data often vary across industries, organizations, and reporting periods.

Reliability refers to the degree to which an AI system produces dependable, accurate, and consistent results over time. A reliable AI tool generates similar outcomes when analyzing the same data under similar conditions and performs its intended functions with a high level of accuracy. Reliable AI enables auditors to identify unusual transactions, assess risks, analyze large datasets, and detect potential fraud more efficiently while maintaining confidence in the results. However, AI-generated outputs should always be reviewed by auditors, as AI systems may produce errors, biases, or incorrect conclusions due to limitations in training data, model design, or changes in business environments.

To ensure robustness and reliability, audit firms should implement rigorous model validation, regular performance testing, continuous monitoring, and periodic updates of AI systems. High-quality and representative training data, strong cybersecurity measures, and clear documentation of AI processes are also essential. Human oversight remains a fundamental requirement, with auditors exercising professional skepticism and judgment to evaluate AI-generated findings before incorporating them into audit conclusions. By maintaining robust governance, validation procedures, and ongoing monitoring, audit firms can enhance the reliability of AI while preserving audit quality, professional accountability, and public trust.

TRUST IN CLIENT AI-GENERATED REPORTING

Among the common cases where genAI is used or expected to be used are writing disclosures of financial statements and writing code for various reports. Some of the risks reported are completeness, accuracy, and appropriateness of these disclosures.

The level of trust that auditors place in AI-generated reporting depends on several factors, including the design and reliability of the AI system, the quality of the data used by the system, the effectiveness of internal controls, and the extent of human oversight. If the client's AI system has been properly developed, validated, monitored, and governed within a strong internal control environment, auditors may place greater reliance on its outputs. Conversely, weak controls, poor-quality data, inadequate documentation, or limited transparency in how the AI system reaches its conclusions reduce the level of trust and require auditors to perform additional verification procedures.

Auditors should also evaluate the risks associated with AI-generated reporting, including algorithmic bias, data manipulation, system errors, cybersecurity threats, and unauthorized changes to AI models. Understanding the client's AI governance framework, testing relevant controls, reviewing system documentation, and performing substantive audit procedures help auditors assess the reliability of AI-generated information. Professional skepticism remains essential throughout this process, as auditors retain full responsibility for the audit opinion regardless of the technology used by the client.

Ultimately, trust in client AI-generated reporting is not based on the mere use of AI but on the strength of the controls, governance, data quality, transparency, and validation processes surrounding the AI system. Well-governed and properly monitored AI can enhance the reliability and efficiency of financial reporting, but auditors must independently evaluate its outputs before relying on them as audit evidence.

ADDRESSING THE CHALLENGES OF AI ADOPTION

The challenges with adoption of AI in auditing listed in the previous section are most generally related to technological limitations, human factors, and audit tasks / phases; however, the boundaries between these categories are not clear-cut. Following measures should be taken to address the challenges: Audit firms should begin by establishing a strong AI governance framework that defines clear policies,



responsibilities, and oversight mechanisms for the development, implementation, and monitoring of AI systems. Effective governance helps ensure that AI is used ethically, securely, and in compliance with auditing standards and legal requirements.

Improving data quality and security is another essential step. AI systems depend on accurate, complete, and reliable data to produce meaningful results, making robust data management practices critical. Audit firms should also implement strong cybersecurity controls and confidentiality safeguards to protect sensitive client information and comply with data privacy regulations.

Regular validation, testing, and monitoring of AI systems are necessary to ensure their accuracy, reliability, and fairness. AI models should be evaluated before deployment and continuously monitored to detect errors, performance deterioration, or bias as business conditions change. Maintaining comprehensive documentation of AI models and their outputs also supports transparency and facilitates regulatory compliance.

Developing the knowledge and skills of audit professionals is equally important. Firms should provide continuous training on AI technologies, data analytics, ethical considerations, and the limitations of AI so that auditors can use these tools effectively while maintaining professional skepticism. AI should be viewed as a tool that supports auditors rather than replaces them, with human judgment remaining central to evaluating audit evidence and forming audit opinions.

Collaboration among audit firms, regulators, standard-setting bodies, technology providers, and academic institutions can further accelerate responsible AI adoption. Clear regulatory guidance and updated auditing standards will provide firms with greater confidence in implementing AI while maintaining audit quality. In addition, phased implementation through pilot projects allows firms to test AI applications, identify potential risks, and refine processes before wider deployment.

By strengthening governance, enhancing data quality and security, investing in employee training, maintaining rigorous oversight, and fostering regulatory and industry collaboration, audit firms can overcome many of the barriers to AI adoption. These measures enable organizations to harness the benefits of AI while preserving audit quality, professional judgment, public trust, and compliance with applicable standards.

CONCLUSION

Artificial intelligence (AI) is transforming the auditing practices by upgrading efficiency, enhancing risk assessment, strengthening fraud detection, and enabling auditors to analyze large volumes of structured and unstructured data



with greater swiftness and accuracy. Technologies such as machine learning, natural language processing, robotic process automation, and predictive analytics are redesigning conventional audit procedures and allowing auditors to focus more on areas that require professional judgment and critical thinking.

Despite its significant potential, the adoption of AI in auditing remains slow due to challenges related to regulatory uncertainty, data privacy and cybersecurity, system reliability, implementation costs, skills shortages, ethical concerns, and the continued need for human oversight. These challenges focus that AI should not be viewed as a replacement for auditors but as a powerful tool that complements their skill and improves audit quality.

The effective integration of AI into auditing depends on full-bodied governance frameworks, reliable and transparent AI systems, effective risk management, continuous model validation, and comprehensive training for audit professionals. Audit firms must also maintain strong internal controls and ensure compliance with evolving auditing standards and regulatory requirements. Professional skepticism, ethical responsibility, and human judgment will continue to play a central role in the audit process, regardless of technological progresses.

As AI technologies continue to progress and regulatory guidance becomes more established, their adoption in auditing is expected to accelerate. Firms that invest in responsible AI execution, workforce development, and sound governance will be better positioned to enhance audit quality, increase operational efficiency, and strengthen stakeholder confidence. Ultimately, the future of auditing lies not in replacing human auditors with AI, but in generating a concerted environment where AI enhances human capabilities to deliver more effective, reliable, transparent and value-added audit services.

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The article was reviewed by
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Sammilito Islami Bank's Merger under Banking Resolution a Historical Milestone in the Banking Industry in Bangladesh

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BANKING



he establishment of Sammilito Islami Bank PLC via the historic merger of five troubled Shariah-based lenders -EXIM Bank, First Security Islami Bank, Global Islami Bank, Social Islami Bank, and Union Bank -marks a major milestone in Bangladesh's banking sector reforms.

This intervention by Bangladesh Bank (BB), initiated under the Bank Resolution Act. 2026, was designed to isolate toxic assets, restore governance, and stabilize a financial landscape which damaged by extensive loan defaults and liquidity shortages.

CAPITAL STRUCTURE AND CAPITAL INJECTION

To form the largest state-owned Shariah-based bank in the country, the central bank implemented an aggressive resolution framework:

- **Authorized & Paid-up Capital:** The bank was established with an authorized capital of Tk 40,000 crore and a paid-up capital of Tk 35,000 crore.
- **Government Ownership (Class A):** The government injected Tk 20,000 crore (combining cash and Sukuk bonds), making it the majority stakeholder.
- **Institutional Conversion (Class B & C):** To absorb structural stress, Tk 15,000 crore in fixed deposits from corporate and financial institutions were converted into equity shares.
- **Share Write down:** Existing shareholder equity in the five failing banks was written down to zero due to severely negative net assets.

UPHOLDING DEPOSITOR INTERESTS

Upholding public trust and protecting small depositors are the primary objectives of the Bank Resolution Scheme 2025. Safeguards include:

- **Immediate Small Refunds:** Depositors with balances up to Tk 2,000,000 were given immediate withdrawal access via the Deposit Insurance Fund.

- **Phased Withdrawal Roadmap:** Larger retail balances are structured on a staggered timeline, allowing additional withdrawals of Tk 100,000 every three months to prevent liquidity runs.
- **Humanitarian Exemptions:** Full, immediate fund access is granted to critically ill depositors requiring urgent medical treatments like cancer therapy or dialysis.
- **Competitive Shariah Returns:** Ongoing deposits are guaranteed competitive profit rates up to 9.5%, and non-commercial deposits (like trusts, hospitals, and education funds) were fully exempted from mandatory equity conversion.

THE WAY FORWARD

For Sammilito Islami Bank to achieve long-term commercial viability and ensure depositor protection, the following strategy is recommended:

[Operational Integration] ⟶
[Bad Loan Separation] ⟶
[Foreign Investment/ IPO]

1. **Strict Bad-loan Separation:** Promptly offload the Tk 1.47 lakh crore in combined non-performing loans to the newly created Bangladesh Asset Management Company (BAMCO). This keeps the new bank's balance sheet unburdened by toxic debt.
1. **Network Optimization:** Rationalize overlapping branches across district centers while relocating extra staff and resources to unbanked rural upazilas to optimize overhead costs.
2. **Resolve Regulatory Ownership Ambiguity:** Settle ongoing policy friction regarding former distressed owners seeking control under legislative amendments, ensuring the bank remains firmly state-backed but under independent private management.
3. **Strategic Divestment and IPO:** Once stable, secure strategic foreign Islamic institutional investors and pursue a public listing (IPO) to dilute state ownership and bring in world-class governance practices.

SUCCESS STORIES OF MERGER

Bank mergers succeed when they effectively consolidate operational channels, clean up toxic balance sheets, achieve economies of scale, and seamlessly cross-sell financial products. The most prominent historical success stories of bank mergers, categorized by Asia and the rest of the world, highlight these achievements:

REGIONAL SUCCESS

HDFC Bank and HDFC Ltd Merger (India)

In July 2023, India's largest private sector bank, HDFC Bank, merged with its parent housing finance company, HDFC Ltd, in a massive $40 billion deal.



- **The Strategy:** Cross-selling banking products to housing loan customers and vice versa. It combined low-cost bank deposits with a massive mortgages portfolio.
- **The Outcome:** The merged entity became the world's fourth-largest bank by market capitalization, significantly improving financial asset density and creating massive operational cost synergies.

State Bank of India (SBI) Consolidation

In 2017, the State Bank of India merged with five of its associate banks (including State Bank of Bikaner and Jaipur, State Bank of Mysore, etc.) and the Bharatiya Mahila Bank.

- **The Strategy:** Consolidating highly fragmented state-backed banking channels into a single, unified treasury and technological platform.
- **The Outcome:** The merger pushed SBI into the top 50 global banks, eliminated multi-channel operational redundancies, and drastically improved treasury efficiencies across India.

JPMorgan Chase & Co. Consolidation Era (USA, 2000–2004)

The modern JPMorgan Chase is the product of a series of successful mega-mergers, primarily the pairing of Chase Manhattan and J.P. Morgan & Co. (2000), followed by Bank One (2004).

- **The Strategy:** Blending elite, global investment banking capabilities (J.P. Morgan) with a massive consumer retail engine (Chase and Bank One).
- **The Outcome:** It created the undisputed leader of American banking. The inclusion of Bank One also brought in Jamie Dimon as CEO, whose strict risk- management framework allowed the merged entity to comfortably survive the 2008 global financial crisis while competitors collapsed.

BNP Paribas (Europe / France, 2000)

Born from the merger of Banque Nationale de Paris (BNP) and investment bank Paribas.

- **The Strategy:** A classic universal banking model combining a heavy retail deposit base with an agile, international corporate finance and investment wing.
- **The Outcome:** It established BNP Paribas as the largest banking group in France and a dominant force in the Eurozone, consistently ranking high in global asset density and financial stability.

Santander Group Regional Acquisitions (Global / Spain, 2000s)

Banco Santander grew into a global powerhouse by executing a "rolling merger" strategy, acquiring and integrating multiple regional banks across the UK (Abbey National), Brazil (Banco Real), and the USA (Sovereign Bank).

COMPREHENSIVE MERGER TIMELINE COMPARISON

Bank Merger & Region	Total Time Taken	Regulatory/ Legal Phase	IT & Operational Integration	Core Merger Driver
HDFC Bank + HDFC Ltd *(India, Asia)*	**15 Months** *(Apr 2022 – Jul 2023)*	12 Months	Ongoing (Est. 2-3 years)	Market Consolidation & Cross-Selling
SBI + 5 Associate Banks *(India, Asia)*	**12 Months** *(May 2016 – Apr 2017)*	10 Months	6 Months (Fast-tracked)	State-Led Asset Consolidation
MUFG Creation *(Japan, Asia)*	**14 Months** *(Aug 2004 – Oct 2005)*	8 Months	24 Months	Systemic Financial Stabilization
JPMorgan + Bank One *(USA, Global)*	**6 Months** *(Jan 2004 – Jul 2004)*	5 Months	18 Months	Market Power & Leadership Acquisition
UBS + Credit Suisse *(Switzerland, Global)*	**3 Months** *(Mar 2023 – Jun 2023)*	2 Weeks (Emergency)	36 Months (Phased)	State-Enforced Global Liquidity Rescue

- **The Strategy:** Migrating all acquired entities onto a single, proprietary global IT operating platform called Partenon.
- **The Outcome:** By unifying its global tech infrastructure, Santander achieved massive operational cost synergies. The diversified geographic footprint insulated the parent group whenever one specific domestic economy faced a downturn.

VISUAL INSIGHTS

- **The Integration Bottleneck:** In nearly all cases, IT & Operational Integration takes significantly longer than the legal merger itself.
- **Emergency Anomalies:** The UBS + Credit Suisse merger shows a massive disparity, where an emergency 2-week regulatory phase triggered a massive, complex 36-month phased technology timeline.
- **Fast-Track Success:** SBI + 5 Associate Banks stands out as an exceptionally efficient state-led restructuring, completing its system integration in just 6 months.

KEY REGIONAL DIFFERENCES IN MERGER TIMELINES IN ASIA AND OUTSIDE ASIA

Asia: The Strategic and State-Guided Approach

In Asia, timelines are heavily influenced by government supervision, labor union negotiations, and socio-economic considerations.

- **Extended Legal Phase:** Vetting and regulatory clearance from Central Banks and Competition Commissions usually take 10 to 12 months. Regulators thoroughly evaluate minority shareholder rights, board member "Fit and Proper" tests, and asset-liability valuations.
- **Employment Protection Delays:** Asian mergers (especially state-backed ones like SBI or major Islamic bank consolidations) often guarantee no immediate layoffs. Managing redundant human resources slows down the structural transition.
- **The "Fast-Track" Exception:** When an Asian central bank initiates an emergency bank resolution to protect depositors—as seen with Sammilito Islami Bank PLC—the legal and board-restructuring phase is squeezed into 2 to 3 months by utilizing special regulatory ordinances.



Western Economies (Rest of the World): The Market-Driven Model

In Western financial markets, mergers are designed to unlock immediate shareholder value and cost synergies, leading to compressed timelines.

- **Rapid Legal Closing:** Due to highly structured anti-trust guidelines, predictable court merger frameworks, and pre-negotiated terms, the legal transfer of shares is frequently completed in 6 to 9 months.
- **Aggressive Branch Rationalization:** Western banks move quickly to eliminate overlapping corporate functions and close redundant branches immediately after day one, accelerating the operational timeline.
- **The Emergency Loophole:** In extreme insolvency cases (e.g., UBS acquiring Credit Suisse in 2023), Western regulators can alter the law over a weekend, effectively completing the legal merger in weeks, while leaving the massive IT integration to be resolved over the subsequent 3 years.

KEY PILLARS OF A SUCCESSFUL BANK MERGER

When banks—including newly merged entities like Sammilito Islami Bank PLC—integrate, historical data shows that success depends on three primary pillars:

- **Tech Platform Integration:** Seamlessly migrating all legacy core banking systems

(CBS) into a single, secure platform to prevent customer friction.

- **NPL Resolution & Treasury Consolidation:** Aggressively provisioning or isolating bad loans while pooling liquid assets to optimize credit lending capacities.
- **Corporate Culture Alignment:** Standardizing the human resource frameworks, compliance checks, and operational code of conduct across all legacy branches.

CRITICAL TAKEAWAYS FOR NEW MERGERS

When analyzing these historical benchmarks against new entities like Sammilito Islami Bank PLC, success uniformly boils down to three execution pillars:

The Tech Platform: Migrating legacy core banking systems (CBS) into a single, unified framework to ensure customers do not face transaction disruptions.

- **Bad Asset Isolation:** Aggressively ring-fencing or restructuring non-performing loans (NPLs) so they do not drain the newly pooled liquid treasury.
- **Cultural Uniformity:** Standardizing the payroll, compliance protocols, and credit risk-assessment methodologies across all absorbed branches.

FINANCIAL & SUPERVISION STANDARDS

- **Risk-Based Supervision (RBS) Submissions:** Broad data points submitted directly to Bank Supervision Department of BB for the implementation of the central bank's modern financial evaluation models.
- **BASEL III Capital Adequacy Returns:** Computations showing the bank's Capital to Risk-Weighted Assets Ratio (CRAR) to prove it is closing its inherited legacy shortfall.
- **IFRS Implementation Reports:** Financial statements mapped to international accounting standards to facilitate the planned introduction of strategic foreign investors.

CONCLUSION

Depositors of the five banks under resolution are being refunded their money. According to the Deposit Protection Act, 2026, customers of those five banks are being paid a maximum of 2 lakh taka each. To recover laundered money, the banks have signed Non-Disclosure Agreements (NDAs) with nine international law firms and initiated the hiring process under 'no win, no fee' terms. "In the first phase, this operation has commenced with six cases. These are Saifuzzaman Chowdhury, S Alam, Beximco, Sikdar, Nassa, and Orion Group." To make the bank fully operational, the processes of establishing the organizational structure, service rules, IT systems, CBS (Core Banking Solution), manpower management, and branch mergers are underway, alongside the recruitment of a Company Secretary, Chief Financial Officer, and Chief Technology Officer.



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Beyond the Yield Rethinking Counterparty Risk in Corporate Bank Deposits in Bangladesh

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BANKING



ABSTRACT

For many years, corporate deposit decisions in Bangladesh were treated largely as matters of treasury efficiency: comparing rates, negotiating terms, and selecting maturities to maximise return while preserving liquidity. That approach is becoming increasingly inadequate. Recent developments in Bangladesh's banking sector, together with lessons from the global banking turmoil of 2023, have demonstrated that corporate deposits are not merely temporary parking of surplus cash; they are unsecured exposures to financial institutions. When the stability of those institutions becomes uncertain, the implications extend beyond interest income to working capital continuity, operational resilience, and fiduciary responsibility. Recent reporting based on Bangladesh Bank's Financial Stability Report 2025 shows a marked deterioration in capital adequacy and a high concentration of non-performing loans in a small number of banks, while liquidity challenges in parts of the Islamic banking segment have reinforced the importance of depositor confidence and governance quality. Building on this backdrop, the paper also proposes concrete governance measures that corporate boards and treasury functions can implement immediately to mitigate counterparty exposure.

This article argues that corporate deposit placement in Bangladesh should now be approached as a counterparty risk management issue rather than a simple yield optimisation exercise. It proposes a risk-based framework for bank selection, emphasising capital preservation, liquidity assurance, diversification, governance assessment, and board-level oversight. In the present environment, safeguarding access to cash may be more valuable than earning incremental basis points of return.

INTRODUCTION

Cash remains the most strategic asset on a corporate balance sheet. It funds payroll, supports working capital, enables debt servicing, and allows businesses to respond to shocks and opportunities alike. Yet discussions on corporate cash management in Bangladesh have

traditionally concentrated more on return enhancement than on counterparty resilience. Indicators such as banking sector capital adequacy, non-performing loan ratios, liquidity trends, and deposit growth increasingly point to a system under strain, even as the choice of a bank for fixed deposits or short-term placements continues to be influenced by quoted rates, legacy relationships, and operational convenience. In a stable system, that may appear reasonable. In a fragile or unevenly stressed system, however, the question changes fundamentally — from how much can be earned to how reliably can funds be accessed when needed.

That shift is particularly relevant in Bangladesh today. Recent analysis based on Bangladesh Bank's Financial Stability Report 2025 indicates that the sector's capital adequacy ratio moved into negative territory at the end of 2025, while a substantial share of total non-performing loans became concentrated in a limited number of banks. Reports also suggest that ten banks accounted for nearly three-quarters of all non-performing loans, implying that the risk is not evenly distributed across the banking system. Such developments do not in themselves predict immediate failure, but they do require finance professionals to reassess how deposit decisions are made and monitored.

For corporate treasurers, CFOs, audit committees, and boards, deposit placement can therefore no longer be viewed as a routine back-office activity. It has become a function of enterprise risk management.

CORPORATE DEPOSITS AS UNSECURED CREDIT EXPOSURE

A corporate deposit is often perceived as liquid and low-risk because it is classified as cash or near-cash on the balance sheet. Economically, however, it represents an unsecured claim on a bank. The depositor's protection depends not on collateral, but on the institution's solvency, liquidity, governance standards, and regulatory environment. This distinction is important because it reframes treasury from a yield-seeking function to one of capital protection.

International regulatory thinking supports this view. Under the Basel III Liquidity Coverage Ratio framework, unsecured funding provided by non-financial corporates is assumed to be less stable than retail deposits and is assigned a higher runoff factor under stress. Basel application guidance indicates a 40 percent runoff factor for unsecured wholesale funding from non-financial corporates, compared with much lower assumptions for stable retail deposits. This reflects the practical reality that corporate depositors tend to move faster than households when confidence begins to weaken.

The events of 2023 offered a vivid demonstration. The BIS described the March 2023 turmoil as the most significant system-wide banking stress since the global financial crisis. The ECB subsequently highlighted that Silicon Valley Bank lost roughly 85 percent of its total deposits over two days, while Credit Suisse faced outflows of about 21 percent over 90 days.





Silicon Valley Bank failed largely because a concentrated, uninsured depositor base withdrew funds within hours once solvency concerns spread on social media, while Credit Suisse's collapse reflected a longer erosion of market confidence driven by governance failures and recurring risk-management lapses. For treasury professionals, the lesson from both episodes is the same: deposit concentration and reputational fragility can convert a slow-moving solvency concern into an immediate liquidity crisis. These episodes underscored how quickly depositor behaviour can change once doubts arise about a bank's resilience. For corporate depositors, the key lesson is clear: liquidity can disappear far more quickly than formal insolvency processes would suggest.

WHAT THE BANGLADESH EXPERIENCE IS TELLING CORPORATE TREASURERS

Bangladesh's own banking experience reinforces these concerns. In 2024, reported data showed that excess liquidity at Islamic banks declined by 77.14 percent in a single quarter, falling from Tk 6,643 crore in December 2023 to Tk 1,518 crore in March 2024. Fitch also observed that the liquidity coverage ratio of Islamic banks in Bangladesh had weakened significantly. These are not merely sectoral statistics; they illustrate how rapidly confidence-sensitive deposits can come under pressure and why treasury decisions cannot rely solely on historical comfort or brand familiarity. That said, it is important to recognise that these risks are not spread evenly across the industry. A number of well-capitalised, well-governed banks continue to demonstrate sound capital, governance, and liquidity positions. This uneven picture is itself the reason why a bank-by-bank risk assessment matters more than broad sectoral labels.

At a broader level, concerns about governance, connected lending, delayed recognition of problem assets, and prolonged regulatory forbearance have been highlighted in both local and international commentary. The World Bank has noted that weak corporate governance and connected-group lending have significantly impaired the financial sector's health, while recent reporting indicates that Bangladesh has committed to a reform programme involving legal overhaul, asset reviews, and stronger crisis-management architecture. These developments should not be read as isolated policy discussions; they are signals that institutional quality matters materially for depositors as well as borrowers.

For a corporate depositor, the immediate risk is not always outright loss of principal. In many cases, the more practical and disruptive risk is delayed or uncertain access to funds at a time when salaries must be paid, customs duties settled, suppliers honoured, or debt obligations met. Treasury risk, in that sense, becomes a business continuity issue.

THE UNDERAPPRECIATED RISK OF DEPOSIT CONCENTRATION

One of the most common treasury patterns in Bangladesh is concentration of significant cash balances within a small number of relationship banks. That concentration often develops for understandable reasons: trade finance facilities, payroll processing, foreign exchange support, collection networks, and long-standing institutional familiarity. Yet operational convenience can quietly create balance-sheet vulnerability.

A company may appear conservatively managed and yet remain highly exposed if a substantial proportion of its deposits is placed with a single stressed institution or with several institutions that share similar governance weaknesses, depositor profiles, or ownership-related risks. Bangladesh's NPL concentration data make this point especially relevant. If ten banks account for roughly three-quarters of total non-performing loans, diversification by number alone may create false comfort unless the underlying risk characteristics are also differentiated. Apparent diversification across multiple banks may still represent concentration in a fragile banking cluster.

Deposit concentration should therefore be managed with the same seriousness typically



applied to customer concentration, supplier dependence, or foreign currency mismatch. Consider a mid-sized manufacturing group maintaining BDT 3 billion in short-term surplus across four relationship banks chosen mainly for their letter-of-credit and trade-financing support. On paper, the exposure may appear well diversified. Yet, if three of those four banks belong to the same business conglomerate or share overlapping ownership or board connections, close to 60 percent of the group's cash could effectively rest on a single point of failure. Treasury policy should ask not only how many banks are used, but how much risk is shared across them.

A PRACTICAL RISK-BASED FRAMEWORK FOR BANK SELECTION

In the present environment, a formal tier-based approach to bank classification is both prudent and practical. The purpose is not to predict bank failure, but to ensure that deposit exposures remain proportionate to observable risk.

- A Tier A bank would generally be one with stronger capital, relatively better asset quality, stable profitability, demonstrably stronger governance, and a more resilient funding profile.
- Tier B would include institutions that remain usable but warrant lower exposure limits, shorter tenors, and closer monitoring.
- Tier C would be reserved for banks where significant surplus placements should be avoided due to weakness in capital, governance, liquidity, or regulatory standing.

This framework is consistent with international prudential thinking that encourages close attention to liquidity resilience, depositor behaviour, and concentration risk. Given Bangladesh's own regulatory environment — where forbearance has at times delayed the recognition of weakness — management should consider at least six dimensions when scoring a counterparty bank.

1. The first is capital strength: a bank with weak capital buffers has less capacity to absorb losses.
2. The second is asset quality, particularly trends in non-performing loans and sector concentration.
3. The third is liquidity resilience, including whether the institution appears dependent on exceptional support or vulnerable to deposit outflows.
4. The fourth is governance quality — board effectiveness, ownership transparency, related-party exposures, audit quality, and regulatory history.
5. The fifth is market confidence, which can often deteriorate before ratios visibly weaken.
6. The sixth is regulatory standing, reflecting how the bank has historically been treated by supervisors — whether it has been subject to forbearance, special monitoring, or corrective directives — since this history often reveals underlying weaknesses before they surface in published ratios.

Recent developments in Bangladesh's banking sector illustrate why these dimensions must be assessed together rather than in isolation. Below table presents an illustrative risk-weighting matrix for assessing counterparty banks in the Bangladesh market. The suggested weightings are purely indicative and should be tailored by each corporate depositor to reflect its own risk appetite, treasury policy, and operational requirements.

Factor	Weight
Capital adequacy	20%
Asset quality	18%
Liquidity	18%
Governance	15%
Market confidence	14%
Regulatory standing	15%

TREASURY GOVERNANCE, ACCOUNTING AND AUDIT IMPLICATIONS

Corporate deposits should also be considered within the broader framework of financial reporting and governance. Under IFRS 9, bank deposits are financial assets that fall within the expected credit loss framework, and while the resulting impairment charge may often be immaterial in monetary terms, the underlying assessment carries real significance for how deposit risk is monitored and evidenced. This is particularly true where a counterparty bank shows visible deterioration in its financial profile, liquidity position, or regulatory standing. In practice, applying IFRS 9 to bank deposits raises five interconnected considerations that finance teams and auditors should address explicitly rather than treat as a formality.

1. **Significant increase in credit risk (SICR).** Where deteriorating capital, asset quality, or liquidity signals point to a weakening counterparty bank, that deterioration should trigger a formal SICR assessment rather than being noted only informally by treasury.

2. **Staging.** A bank deposit would typically sit in Stage 1, attracting a 12-month expected credit loss. However, where credit risk has increased significantly since initial placement, migration to Stage 2 — and the resulting shift to a lifetime expected credit loss basis — should be actively considered rather than assumed away by default.

3. **Expected credit loss judgement.** Even where the resulting provision is immaterial, the probability of default and loss given default assumptions underlying that conclusion should be reasoned and revisited as counterparty conditions evolve, rather than carried forward unchanged from one reporting period to the next.

4. **Audit documentation.** The judgements above should be supported by evidence — published financial indicators, credit ratings where available, and internal bank risk reviews — so that both management and auditors can substantiate the conclusion reached on each material counterparty exposure.

5. **Disclosure.** Where deposit concentration or counterparty risk is significant relative to the entity's liquidity position, financial statement disclosures should go beyond boilerplate credit risk language to reflect the specific concentration and the mitigating measures in place.

Taken together, these considerations mean the accounting treatment of bank deposits is not a mechanical exercise but a judgement-based one, and audit committees and boards should expect it to be treated accordingly. For them, the issue is not merely whether management earned a competitive return, but whether reasonable due diligence was performed in safeguarding liquid assets and whether that diligence is properly evidenced. A treasury framework should therefore include board-approved counterparty limits, regular bank risk reviews, documentation of exceptions, escalation procedures for emerging red flags, and periodic reporting to senior management. These expectations are consistent with the broader reform emphasis now emerging in Bangladesh, where banking sector governance and supervisory credibility have become central concerns.

Formal deposit protection in Bangladesh is limited to Tk 100,000 per depositor, which is immaterial for most corporate treasury balances. Corporate treasury therefore cannot rely on deposit insurance as a meaningful risk mitigant. The real protection lies in prudent bank selection, exposure diversification, appropriate tenor management, and contingency arrangements.

PRACTICAL SAFEGUARDS FOR CORPORATE TREASURIES

A disciplined treasury policy in Bangladesh should now incorporate several practical safeguards. Exposure limits should be approved based on risk tier rather than relationship intensity. Deposit maturities should be aligned not only with cash flow forecasts but also with counterparty quality; a higher-yielding long tenor at a weaker bank may represent hidden illiquidity risk rather than superior value. Operational accounts for payroll, collections, and mandatory payments should ideally be separated from surplus investment deposits so that a disruption in one bank does not immobilise a company's essential functions. Alternative banking arrangements should also be in place before they are needed, not established during stress.

Perhaps most importantly, treasury teams should become more sceptical of unusually attractive rates. In a fragile market, outlier pricing is often a signal of funding need rather than

franchise strength. A few additional basis points of return can be quickly outweighed by the cost of delayed access to funds, reputational strain, supply chain disruption, or breach of payment obligations. That is a treasury lesson that both domestic and global experience have made difficult to ignore.

Taken together, these safeguards can be distilled into a concise treasury policy checklist. Every corporate treasury in Bangladesh should be able to check off: an approved bank list; board-set exposure limits tied to each bank's risk tier; quarterly counterparty risk reviews; annual, more detailed credit assessments of every relationship bank; ongoing monitoring of liquidity indicators; pre-arranged contingency banking relationships that can be activated on short notice; regular board reporting of exposures; genuine counterparty diversification across unrelated ownership groups rather than just multiple bank names; placement tenor limits; and a clear, documented process for approving any exception to policy.

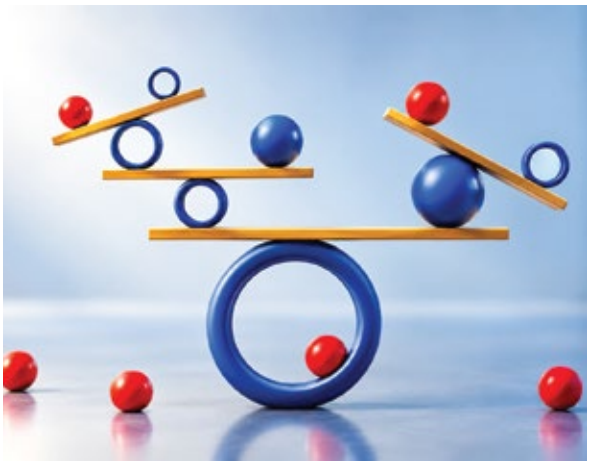
CONCLUSION

The banking environment in Bangladesh is changing, and treasury practices must evolve accordingly. Yield optimisation still matters, but it can no longer be the dominant lens through which corporate deposits are managed. In a system where capital buffers have weakened, asset quality concerns remain concentrated, and liquidity confidence can shift rapidly, the preservation of access to cash must take precedence over incremental enhancement of return.

The central treasury question today is not simply which bank offers the highest rate, but which institution is most likely to safeguard liquidity when confidence is tested. That is not a conservative overreaction. It is a practical response to a more complex financial environment. For corporate boards, CFOs, and treasurers, choosing safety over yield is no longer merely prudent — it is an essential aspect of sound governance and responsible financial stewardship. Looking ahead, ongoing banking sector reforms, Basel implementation, the growth of digital treasury and cash management tools, and greater attention to ESG and governance factors in bank selection are likely to reshape corporate deposit practices further in the years ahead.

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Navigating Tax Litigation in Bangladesh A Comprehensive Framework of Appeals, Revisional Powers, ADR and Procedural Variations under the Income-Tax Act, 2023

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TAX



ABSTRACT

The dispute-resolution system under the Income-Tax Act, 2023 of Bangladesh presents a structured blend of administrative correction, taxpayer relief, appellate scrutiny, judicial oversight and consensual settlement. The law provides multiple remedies to an aggrieved taxpayer, including revision before the Commissioner, appeal to the appellate income tax authority, appeal to the Taxes Appellate Tribunal, reference to the High Court Division on a question of law, appeal to the Appellate Division where certified, and Alternative Dispute Resolution (ADR). Simultaneously, the statute arms the revenue administration with special revisional jurisdiction to protect the public exchequer, notably through the power to revise erroneous orders prejudicial to revenue.

INTRODUCTION

A modern tax system is judged not only by how it imposes tax, but also by how it corrects error, resolves disputes and preserves fairness. The Income-tax Act, 2023 has introduced a more systematized framework for revision, appeal, reference and settlement of disputes in Bangladesh. It balances two core objectives: protection of taxpayer rights and protection of revenue. This balance appears most clearly in the contrast between taxpayer-invoked revision under section 285 and revenue-protective revision under section 213, alongside the broader appeal chain set out in sections 286 to 295 and the ADR framework in sections 296 to 308 and S.R.O. No.: 243-Law/IT-37/2024, 27 June 2024.

CONCEPTUAL STRUCTURE OF REMEDIES

The Act provides a layered remedial framework. At a practical level, an aggrieved party may move through the following sequence:

- → Order of tax authority
- → Revision or First Appeal
- → Appeal to Taxes Appellate Tribunal
- → High Court reference on question of law
- → Appellate Division appeal, if certified

Alongside this chain, the Act permits ADR for eligible pending disputes. The structure therefore combines:

1. Administrative correction
2. Appellate review on facts and law
3. Judicial determination on legal questions
4. Settlement-oriented resolution through ADR.

Remedy to an Aggrieved Party

An aggrieved taxpayer under the Act may pursue one or more of the following remedies, depending on the nature of the order, the forum, and the procedural stage:

Revision before the Commissioner

Section 285 allows a taxpayer to seek revision of an order passed by a subordinate authority under the Commissioner's jurisdiction. This is a taxpayer-friendly remedy because the Commissioner cannot pass an order prejudicial to the taxpayer under that provision. The application must generally be filed within 60 days, accompanied by a Tk 200 fee, and the admitted tax liability must be paid. If the Commissioner fails to decide within 60 days from filing, the revision is deemed allowed.

Appeal to the Appellate Income Tax Authority

Section 286 permits appeal against matters such as:

- assessment of income,
- determination of tax liability,
- loss adjustment or carry forward,
- imposition of penalty or interest,
- surcharge or other sums,
- refund amount,
- tax credit, and
- refund-related matters.

Appeal against Tax Recovery Officer Order

Section 290 provides a distinct remedy against an order of the Tax Recovery Officer, to be filed within 30 days before the designated Inspecting Additional Commissioner. The decision there is treated as final under that section.

Appeal to the Taxes Appellate Tribunal

A taxpayer aggrieved by the order of the appellate authority may appeal to the Tribunal under section 291, generally within 60 days, subject to payment of 3% of the differential tax, unless relaxed by the Commissioner.

Reference to the High Court Division

Where a question of law arises from the Tribunal's order, either the taxpayer or the Commissioner may apply to the High Court Division within 90 days. This is not a routine factual appeal; it is a law-focused judicial remedy.



Appeal to the Appellate Division

An appeal lies to the Appellate Division only where the High Court certifies the matter as fit for appeal.

ADR

A taxpayer may seek ADR in respect of eligible disputes pending before the appellate authority, Tribunal, or a division of the Supreme Court, subject to statutory conditions. Writ matters are excluded.

APPEAL PROCEDURES

Appeal is not merely a substantive right; it is a procedural discipline.

Grounds of Appeal

A strong tax appeal is not merely a complaint; it must be built upon legally sustainable grounds. Under the 2023 Act, the principal grounds of challenge usually fall within the following categories:

- Error in Assessment of Income
- Incorrect Determination of Tax Liability
- Wrong Disallowance or Failure to Allow Set-off / Carry Forward
- Penalty or Interest without Proper Basis
- Denial or Reduction of Refund
- Tax Credit Dispute
- Violation of Natural Justice
- Wrong Interpretation of Law

Form and Filing

The Act requires appeal to be filed in the prescribed form and manner, including electronic filing, where notified by the Board. Publicly accessible NBR form visibility for all appeal stages appears incomplete, but the statutory requirement for prescribed filing remains clear.

Fee as prescribes.

Tax Payment Condition

The statute imposes different preconditions.

Hearing and Additional Grounds

The appellate authority must fix hearing date and place and notify the appellant and the DCT. The appellant may appear personally or through representative. The authority may adjourn, allow additional grounds not originally set out if omission was not deliberate, and conduct inquiry or direct further inquiry. Additional evidence not produced before the DCT is generally restricted unless non-production was reasonably justified.

Ultra Summary-Table [Reference: Chapter-2, Part-20 of the Income Tax Act, 2023]

Stage	Who Can Prefer	Appeal / Application To	Time Limit	Fee	Prescribed Form	Tax Payment /Admission Requirement	Decision Time
First Appeal (Section:286-289)	Taxpayer	Additional Commissioner /Commissioner (Appeal)	45 days	Tk 200	**Rule 27/27A**	**1% differential tax**	150 days
Tribunal Appeal (Section:291-292)	Taxpayer / DCT (Assessing Officer)	Taxes Appellate Tribunal (TAT)	60 days	Tk 1,000	**Rule 28**	**3% differential tax**	180 / 240 days
High Court (Section:293-294)	Taxpayer / Commissioner	High Court Division	90 days	Tk 2,000	—	**15% / 25% differential tax** *(proposed by Finance Bill 2026: 10%)*	—
Supreme Court (Section:295)	By leave of High Court	Appellate Division	As per law	Court fee	**Rule 29**	—	—
ADR [S.R.O. No.: 243]	Concerned taxpayer / parties under the Act	ADR Authority / Facilitator	As applicable	—	—	Admitted tax mandatory	3 months

DECISION IN APPEALS

The decision-making powers under the Act are broad and flexible, but not uncontrolled.

[Reference: Section (289, 292, 294, 295), Chapter-2, Part-20 of the Income Tax Act, 2023]

Decision Type	Meaning	Practical Effect	Example
Set Aside	Order cancelled	Fresh consideration	AO order cancelled
Remand	Sent back to AO	Re-investigation	Case returned
Stay	Temporary suspension	Recovery halted	Tax stayed 6 months
Upheld	Confirmed	No change	Appeal dismissed
Modify	Partial change	Adjusted tax	Income reduced
Annul	Fully void	Assessment illegal	No jurisdiction
Enhancement	Increase income	Higher tax	Hidden income found
Rectification	Correct error	Minor correction	Math error fixed
Dismissed	Rejected	No relief	Appeal fails
Partly Allowed	Partial relief	Mixed result	Some claims accepted

Procedural Safeguards - No enhancement or adverse reduction may be made without giving the taxpayer a reasonable opportunity to show cause. Orders must be written, reasoned, and communicated within statutory time.

SPECIAL REVISIONAL POWER

a) For the interest of the Revenue: Section 213

One of the most significant features of the 2023 Act is the special revisional jurisdiction under section 213, which empowers the Inspecting Additional Commissioner to interfere where an order passed by the Deputy Commissioner of Taxes is erroneous and prejudicial to the interests of revenue. After examining the record, giving the taxpayer an opportunity of hearing, and conducting necessary inquiry, the authority may pass a proper order, including enhancement, modification, cancellation, or fresh assessment. The power cannot be exercised after four (04) years from the date of the original order.



The law itself identifies when an order may be treated as erroneous, including:

- wrong head of income,
- wrong interpretation of law,
- failure to verify where verification was required,
- allowing deduction without inquiry,
- failure to follow Board orders or instructions, and
- apparent error from the record.

b) Special Revisional Power of the Commissioner: Section 285

Section 285 allows a taxpayer to seek revision before the Commissioner against an order of a subordinate authority. However, the Commissioner will not exercise this power where:

- an appeal has been filed,
- the time for appeal has not expired and the taxpayer has not waived the right of appeal, or
- the matter is pending before the appellate authority or Tribunal.

This means the revisional route is not a parallel duplicative forum; it is an alternative remedy with controlled use. A notable taxpayer-protection feature is the deemed allowance if no order is passed within 60 days.

c) Comparison — Section 213 vs Section 285

Feature	Section 213	Section 285
Initiated by	Tax authority suomotu	Taxpayer
Objective	Protect revenue	Give relief to taxpayer
Time limit	4 years fromoriginal order	60 days from communication/knowledge
Fee	-	Tk 200
Admitted tax payment	Not a filing condition for authority	Mandatory for taxpayer's application
Best use	Under-assessment/non-inquiry/ wrong law	Quick taxpayer-friendly revision where appeal not preferred

ALTERNATIVE DISPUTE RESOLUTION (ADR)

Under the Income-tax Act, 2023 is a fast, confidential, and negotiation-based mechanism designed to resolve tax disputes efficiently and reduce litigation while ensuring quicker revenue realization in Bangladesh. It is available for disputes pending before the appellate authority, the Appellate Tribunal, or a division of the Supreme Court, subject to prescribed conditions; however, writ matters are not eligible, and cases pending before the Supreme Court require prior permission of the Court. To initiate ADR, the taxpayer must file an application in the prescribed form along with relevant facts, legal grounds, and supporting documents, and must first pay the admitted tax liability for the relevant year. The process is conducted by a facilitator appointed by the Board, with participation from the Commissioner's representative, and involves structured discussion and negotiation aimed at reaching a full or partial settlement. If the Deputy Commissioner of Taxes does not provide an opinion on compliance within five (05) working days, the facilitator may presume that the conditions are satisfied. Where a settlement is successfully reached, it is recorded in writing, becomes final and binding on both parties, and concludes the dispute; however, any settlement obtained through fraud or misrepresentation is void. If no agreement is reached within three (03) months from the end of the month in which the application is made, the ADR process is deemed unsuccessful, and the taxpayer may revert to the regular appellate process. Importantly, the time spent in ADR is excluded for limitation purposes, thereby protecting the taxpayer's right to appeal. Overall, ADR offers significant advantages by enabling faster resolution, reducing costs, and minimizing prolonged litigation.

PRACTICAL FILING PACK FOR TAX REMEDIES AND DISPUTE RESOLUTION

For an effective and professionally controlled tax filing, it is not sufficient merely to submit the prescribed form. Each remedy should be supported by a complete document pack so that the filing is procedurally valid, factually supported, and legally defensible.

- **Section 213 Reply:** Show-cause notice, written reply, evidence, and legal explanation.
- **Section 285 Revision:** Revision petition, challenged order, fee proof, admitted-tax proof, and grounds.
- **First Appeal:** Appeal memo, order, demand notice, fee proof, tax-payment proof, facts, and grounds.
- **Tribunal Appeal:** Tribunal petition, appellate order, fee proof, differential-tax proof/relaxation order, and grounds.
- **High Court Remedy:** Prescribed application, certified orders, court-fee proof, tax-payment proof, and question of law.
- **ADR:** ADR application, pending-case details, facts, legal basis, admitted-tax proof, and supporting documents.

PROFESSIONAL TAX LITIGATION

Tax litigation is a strategic professional function requiring the right remedy, forum, timing, evidence, and legal position.

- **Choose remedy carefully:** Revision is suitable for record-based mistakes; appeal is suitable for substantive disputes such as interpretation, valuation, or assessment.



- **Identify the correct forum:** Factual disputes generally go to the Tribunal, while substantial legal interpretation issues may proceed to the High Court.
- **Use ADR strategically:** ADR is useful where facts are largely settled, negotiation is possible, and the client wants faster and lower-cost resolution.
- **Control section 213 risk:** Weak documentation, unsupported expenses, inadequate audit trail, or missing statutory disclosures may expose a case to revisionary action.
- **Maintain complete records:** Proper books, evidence, reconciliations, audit trail, notices, orders, and correspondence are essential.
- **Monitor time limits:** Delay may make an appeal or revision time-barred and result in loss of remedy.
- **Assess financial exposure:** Consider tax demand, deposit requirement, litigation cost, interest, penalty, and cash-flow impact before proceeding.
- **Consider enhancement risk:** Appellate authority may enhance tax liability or raise additional issues.
- **Protect client interest:** The adviser should balance legal strength, cost, time, business continuity, settlement prospects, and relationship with the tax authority.

KEY CHALLENGES IN BANGLADESH TAX LITIGATION SYSTEM

An effective tax litigation system is essential for ensuring fairness, certainty, and timely collection of government revenue. In Bangladesh, taxpayers have several legal remedies to challenge tax assessments and related orders; however, practical obstacles often reduce the effectiveness of those remedies. Delays, case backlog, manual procedures, inconsistent decisions, and limited use of ADR make tax dispute resolution costly, uncertain, and time-consuming for both taxpayers and the revenue authority.

- **Delay in disposal:** Tax cases often continue for years due to multiple appeal stages, procedural complexity, and administrative delay. This creates uncertainty, increases legal and compliance costs, and delays revenue collection.
- **Tribunal case backlog:** ITAT faces heavy pending cases because of limited benches, shortage of members, rising disputes, and weak case-management systems. As a result, timely justice is affected.
- **Limited digitization:** Although e-filing exists, appeal and litigation procedures remain mostly paper-based. Physical filing, manual tracking, absence of a central database, and limited virtual hearings cause document loss, delay, and lack of transparency.

- **Inconsistent decisions:** Similar cases may receive different outcomes due to varying interpretation of law, inconsistent technical understanding, and weak precedent application at lower levels. This increases uncertainty and unnecessary litigation.
- **Underuse of ADR:** ADR is not widely used because of low awareness, limited trained facilitators, concerns about neutrality, and preference for formal litigation. Better ADR practice could reduce backlog, cost, and adversarial disputes.

RECOMMENDATIONS

First, tax professionals should maintain a litigation diary tracking limitation, fee, pre-deposit and communication dates for every disputed order.

Second, the NBR should continue improving public visibility of prescribed forms and digital filing instructions for all appeal and ADR stages.

Third, assessment files should be reviewed proactively for section 213 exposure, especially in cases involving large deductions, weak evidence or inadequate inquiry.

Fourth, ADR should be used more intelligently in disputes where law is settled but facts and quantification are negotiable.

Fifth, written grounds of appeal should be structured under separate heads: facts, law, natural justice, computation, and relief sought.

CONCLUSION

The Income-tax Act, 2023 has established a multi-tiered and comparatively coherent remedial framework for Bangladesh's direct tax system. The statute offers meaningful remedies to the aggrieved taxpayer while preserving the state's power to protect revenue through special revision. Section 213 serves as a corrective weapon against erroneous orders prejudicial to revenue; section 285 serves as a taxpayer-friendly revisional shield; sections 286 to 295 create the structured appeal and judicial chain; and sections 296 to 308 introduce ADR as a pragmatic settlement route. For chartered accountants and tax practitioners, mastery of this framework is essential not only for litigation but also for preventive advisory work, documentation discipline and sound tax governance.

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The Strategic Role of Audit Committees Strengthening Governance, Accountability, and Independence

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AUDIT



EXECUTIVE SUMMARY

In an increasingly complex business environment, audit committees have emerged as a critical governance mechanism to ensure transparency, accountability, and the confidence of investors, donors, and other stakeholders. This article highlights how well-composed and empowered audit committees support robust oversight of financial reporting, internal controls, risk management, ethical compliance, ESG, cybersecurity and fraud management. Key factors include independence and financial literacy of members, a clearly defined charter with unrestricted access to information, strong oversight of the internal audit function, and disciplined governance practices such as regular meetings and continuous professional development. We examine the essential roles and best practices for audit committees globally, and then focus on the Bangladesh context, where recent regulations from the Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank mandate independent audit committees, but challenges in enforcement and implementation remain. Strengthening these committees in line with international standards will enhance corporate resilience and integrity.

WHY AUDIT COMMITTEES MATTER

Audit committees reinforce corporate governance by providing independent oversight of management's financial and operational reporting. They serve as a bridge between management, internal auditors, external auditors, regulators, and the Board, ensuring the integrity of financial statements and compliance with applicable laws and regulations. An effective committee rigorously reviews accounting policies, monitors internal control systems, and promotes ethical conduct across the organization. By focusing on risk management and fraud prevention, it reduces the likelihood of financial irregularities and governance failures, thereby protecting shareholders' interests and reinforcing the credibility of the organization's broader governance framework.

For example, consider an organization facing increasing cybersecurity and data-related risks. An effective Audit Committee would not simply receive periodic risk reports; it would challenge management to demonstrate how significant cyber risks are identified, assessed, monitored, and mitigated. The Committee could request targeted internal audit work, review significant control weaknesses, assess management's remediation plans, and monitor whether critical risks have clear owners and escalation mechanisms. It may also seek regular briefings from technology and risk leaders and ensure that cybersecurity risks are appropriately reflected in the organization's broader risk and governance framework. This proactive approach enables the Audit Committee to identify weaknesses before they develop into significant financial, operational, or reputational consequences. Such oversight demonstrates how an Audit Committee can move beyond compliance monitoring to provide meaningful challenge, strengthen organizational resilience, and protect stakeholder confidence.

COMPOSITION AND QUALIFICATIONS

The Institute of Internal Auditors (IIA) recommends (Domain III, Principle 8, Standard 8.1) that Audit Committees comprise competent, financially literate members with collective expertise spanning accounting, auditing, risk management, governance, and compliance, and emphasizes that at least one member should possess significant accounting or financial management expertise to enable effective oversight of financial reporting and assurance activities. Global governance frameworks generally echo this by recommending committees of three to five non-executive directors with diverse professional backgrounds. Bangladesh's corporate governance framework also incorporates these principles by requiring independent and financially literate Audit Committee members. Such a composition promotes objective oversight, informed decision-making, and sound governance outcomes.

ROLES AND RESPONSIBILITIES OF AN AUDIT COMMITTEE

The Audit Committee supports the Board by overseeing financial reporting, risk management, internal controls, compliance, and assurance activities on the Board's behalf, with the primary objective of safeguarding organizational integrity and accountability.

Specifically, the Committee reviews the integrity of financial statements, significant accounting estimates, and major financial reporting judgments. It monitors budgeting and financial stewardship, oversees enterprise risk management and significant risk exposures, including fraud and information technology risks, and evaluates the effectiveness of internal controls, whistleblower arrangements, and



compliance processes. The Committee's remit should further encompass data governance, covering data quality, privacy, security, and accountability, alongside the adequacy of sustainability and ESG-related reporting and assurance.

A further core responsibility is oversight of the internal audit function: approving the internal audit charter, the annual risk-based audit plan, and resource requirements, while evaluating the performance and effectiveness of the Chief Audit Executive (CAE). To preserve internal audit's independence, the CAE should report functionally to the Audit Committee rather than to management.

Beyond internal audit, the Committee oversees the appointment, independence, scope of work, and performance of the external auditor, reviews significant audit findings and management's responses to them, and monitors compliance with applicable laws, regulations, and ethical standards. Carried out together, these duties strengthen governance and contribute to the organization's long-term resilience and sustainable performance.

ENSURING AUDIT COMMITTEE EFFECTIVENESS

Effectiveness requires more than ticking regulatory boxes; it rests on competence, authority, and disciplined governance practices. An effective Committee should have an independent chair, financially literate members with relevant accounting and audit expertise, and an appropriate mix of skills covering risk, technology, compliance, and emerging business risks. Clear terms of reference, sufficient resources, unrestricted access to information, and the authority to engage independent experts are equally important.

Operationally, the Committee should work under a charter granting unrestricted access to management, records, personnel, and both internal and external auditors, and allowing it to engage independent experts whenever specialized advice is needed, so its assurance is not limited to sources preferred by management.

Regular meetings supported by quality reporting, structured agendas, and periodic private sessions with internal and external auditors encourage open discussion of risks, control weaknesses, and audit findings. Continuous professional development and periodic performance evaluations, paired with regular reporting from risk, compliance, and internal audit functions, round out the practices that let a committee provide objective challenge and strategic insight rather than passive sign-off.

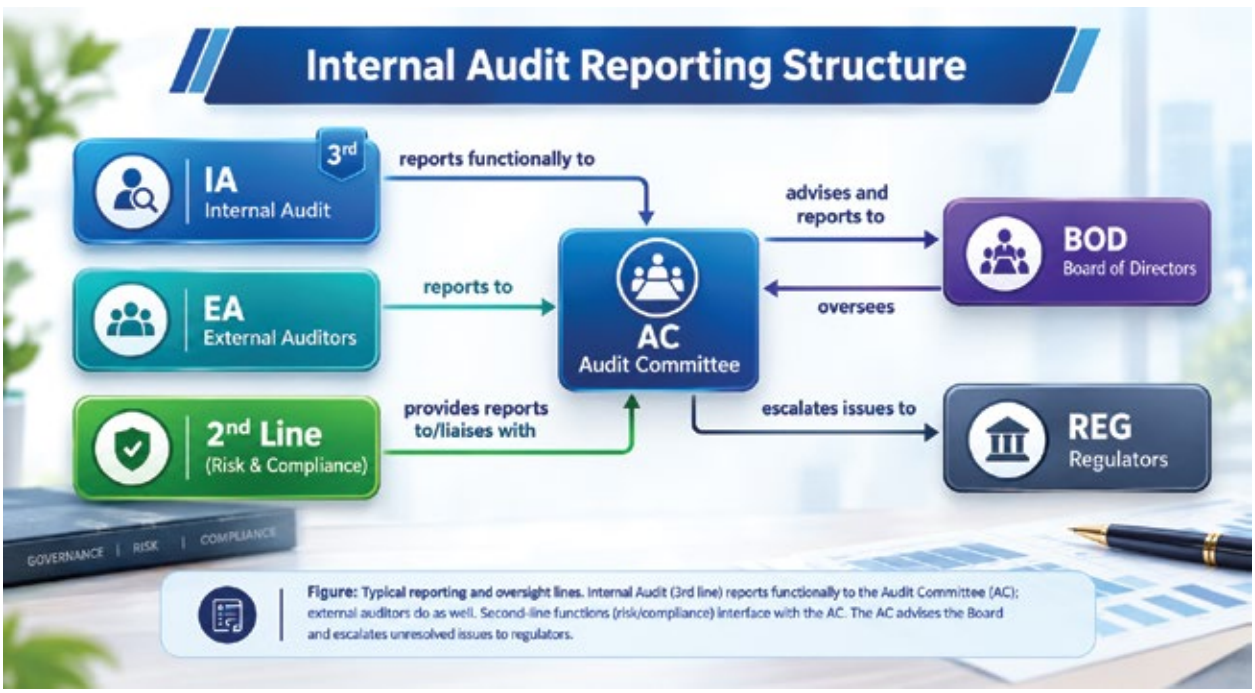


Figure: Typical reporting and oversight lines. Internal Audit (3rd line) reports functionally to the Audit Committee (AC); external auditors do as well. Second-line functions (risk/compliance) interface with the AC. The AC advises the Board and escalates unresolved issues to regulators.



AUDIT COMMITTEES IN BANGLADESH: FROM COMPLIANCE TO STRATEGIC OVERSIGHT

Bangladesh has significantly strengthened its corporate governance rules to mandate audit committees. The BSEC Corporate Governance Code (2018) stipulates that all listed companies establish an audit committee with at least three members (all non-executive) and a majority of independent directors. Similarly, Bangladesh Bank's BRPD Circular No. 11 of 2013 requires banks to have audit committees of up to five members, with at least two independent directors. These rules also emphasize financial literacy and expertise among committee members. Such frameworks align with global norms, signaling an official commitment to strong oversight.

Despite this progress, the effectiveness of Audit Committees varies considerably across organizations. In some cases, committees face challenges relating to independence, financial and risk expertise, engagement with internal audit, and oversight of enterprise risk management. Independence is further complicated in many private organizations, where family-dominated boards make it difficult to ensure that audit committee members function with the objectivity and independence the role requires. The functional reporting of Chief Audit Executives (CAEs) to management rather than the Audit Committee can also weaken internal audit independence. Moreover, many private companies outside the regulated sectors still operate without formal Audit Committees, limiting independent Board oversight and increasing governance and control risks.

The Institute of Chartered Accountants of Bangladesh (ICAB) is well positioned to help address this expertise gap. As the national professional accounting body of Bangladesh, established under the Bangladesh Chartered Accountants Order 1973, ICAB produces Chartered Accountants (FCAs and ACAs) whose training spans financial reporting, auditing, and assurance — precisely the competencies that audit committees are expected to bring to their oversight role. ICAB members hold a professional accounting qualification that supports enterprise, corporate governance, and sustainable growth, and the Institute's ongoing continuing professional development (CPD) programs help sustain this expertise throughout members' careers. As a leading accounting and auditing body, ICAB would increase collaboration with international professional bodies, including ICAEW, IIA, ISACA to exchange knowledge on governance and internal control, helping its members stay current with global best practices. Greater representation of ICAB-qualified professionals on audit committees could meaningfully strengthen the financial literacy and independence that effective oversight demands. Building on this foundation, the Institute could further strengthen members' capacity in emerging areas such as enterprise risk management, forensic audit and investigation, ESG, artificial intelligence, and cybersecurity through targeted CPD initiatives. Such efforts would better equip audit committee members to provide strategic, forward-looking support to their organizations — adding value to the organizations they served.

Encouragingly, several banks, multinational companies, and leading corporate groups have strengthened Audit Committee practices by enhancing the role of independent directors and improving oversight of risk, compliance, and internal audit functions. Going forward, stronger regulatory enforcement, greater committee independence, enhanced expertise, and structured reporting from assurance functions will be essential to transform Audit Committees from compliance-driven bodies into strategic governance partners that strengthen transparency, organizational resilience, and stakeholder confidence.

GLOBAL BEST PRACTICES IN AUDIT COMMITTEE GOVERNANCE

Globally, Audit Committees are widely recognized as a cornerstone of effective corporate governance, providing independent board oversight that strengthens transparency, accountability, and stakeholder confidence. Leading governance frameworks- including the Sarbanes-Oxley Act (SOX) in the United States, the UK Corporate Governance Code, the OECD

Principles of Corporate Governance, and the IIA Global Internal Audit Standards- strongly advocate independent Audit Committees as an essential element of Board governance.

The role of Audit Committees has expanded significantly beyond financial reporting and audit oversight to include enterprise risk management, cybersecurity, ESG reporting, regulatory compliance, artificial intelligence, digital transformation, data governance, and third-party risk. According to the OECD Corporate Governance Factbook 2025, the surveyed jurisdictions overwhelmingly either require or recommend that listed companies establish an independent Audit Committee, making them virtually universal among large publicly traded companies. Furthermore, the Deloitte and Center for Audit Quality (CAQ) 2025 Audit Committee Practices Survey found that the large majority of Audit Committees oversee finance and internal audit talent, with a substantial share also overseeing cybersecurity risk and enterprise risk management. These trends demonstrate the evolution of Audit Committees from traditional financial oversight bodies into strategic governance partners that enhance organizational resilience and long-term value creation.

CONCLUSION

Audit committees sit at the heart of effective corporate governance, anchoring trust through oversight of financial reporting, internal controls, and enterprise risk. That value is not automatic, though; it depends on deliberate structuring, namely the right mix of members, a clearly defined charter, real authority, and the resources to act decisively rather than symbolically.

Bangladesh's reforms have laid useful groundwork, but the gap between what the rules require and what committees actually do in practice persists. Narrowing it will take firmer enforcement, more genuine independence, and a commitment to the spirit of the rules rather than just their wording. Professional bodies such as the Institute of Chartered Accountants of Bangladesh (ICAB) can also play an important role by strengthening the financial, governance, risk, and emerging-risk capabilities of current and prospective Audit Committee members through professional development and knowledge-building initiatives.

Looking further ahead, audit committees must evolve beyond their traditional financial mandate to address emerging risks such as cybersecurity, ESG, and artificial intelligence, while investing in continuous member development to keep pace with this expanding scope. Committees that make this shift, moving from compliance checkpoints to strategic governance partners, will be best positioned to safeguard organizational integrity, strengthen resilience, and create sustainable, long-term value for all stakeholders.



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Big Data and Predictive Accounting Transforming Financial Accounting Systems Through Analytics and Artificial Intelligence

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INTRODUCTION

Accounting has traditionally focused on recording what has already happened. Financial statements, ledgers, vouchers, reconciliations, and audit reports usually look backward. They explain past transactions, past performance, and past risks. However, modern businesses no longer operate in a slow information environment. Sales, purchases, payroll, banking, inventory, production, VAT, and customer transactions are now generated continuously through ERP systems, mobile financial services, bank platforms, digital payment channels, and other automated systems. This has created a new opportunity for accounting professionals: instead of only reporting the past, they can now help predict the future.

Big Data and predictive accounting allow organizations to identify unusual transactions, forecast cash flow, detect fraud patterns, improve budgeting, monitor risks, and support faster management decisions. These tools help accountants move beyond traditional periodic reporting and use large volumes of financial and operational data for forecasting, scenario analysis, and real-time decision-making (Rahaman et al., 2024). In simple terms, accounting is moving from "What happened?" to "What may happen next, and what should we do now?" With the help of predictive analytics, businesses can identify patterns from historical data, anticipate possible risks, and respond earlier to financial or operational problems. This is especially useful for areas such as inventory control, supply chain planning, budgeting, sales forecasting, fraud detection, and compliance monitoring.



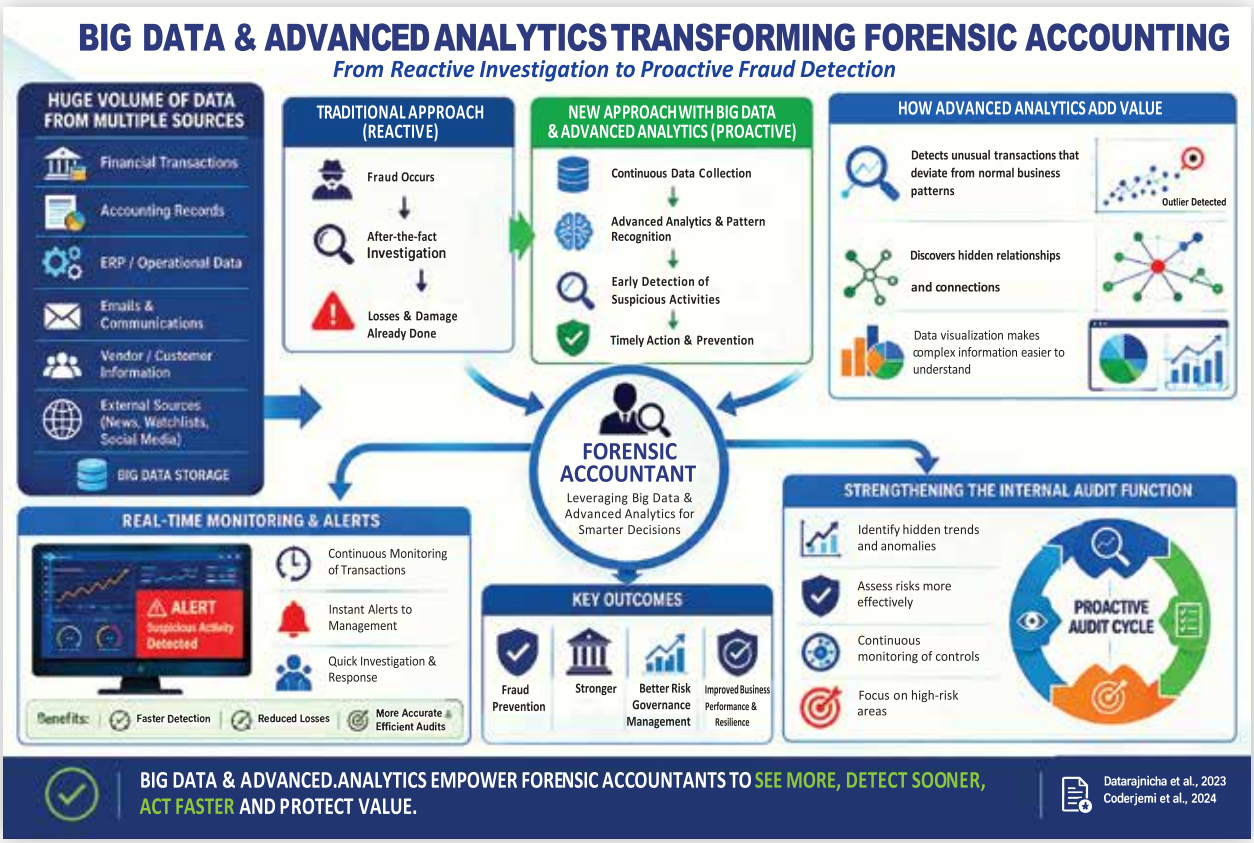
This shift is important for accountants, auditors, finance professionals, and business leaders because it changes the role of accounting from recordkeeping to real-time business intelligence. Predictive accounting also strengthens fraud prevention by supporting continuous monitoring, early warning signals, and faster corrective action when unusual activities are detected (Gkegkas et al., 2025).

CONCEPTUAL FRAMEWORK

Forensic accounting has greatly benefited from Big Data and advanced analytics because organizations now generate and store huge amounts of financial and operational information (Daraojimba et al., 2023). Traditionally, forensic accountants investigated fraud after it had already occurred. However, Big Data allows them to move beyond this reactive approach and identify suspicious activities much earlier. By analyzing large volumes of data from different sources, forensic accountants can detect unusual patterns and behaviors that may indicate fraud, corruption, or financial misconduct.

One of the key advantages of Big Data is its ability to identify transactions that do not follow normal business patterns. Advanced analytical tools can automatically flag unusual activities, helping organizations investigate potential issues before they become major problems (Odeyemi et al., 2024). Data visualization techniques also make it easier to understand complex information and spot hidden relationships that might otherwise go unnoticed.

Another important benefit is real-time monitoring. Modern analytics systems can



continuously review transactions and immediately alert management when unusual activities are detected. This significantly improves the speed and effectiveness of fraud detection while reducing the risk of financial losses. As a result, audits become more accurate, efficient, and focused on high-risk areas.

The integration of advanced data analytics into forensic accounting also strengthens the internal audit function. It enables auditors to identify hidden trends, assess risks more effectively, and monitor controls continuously rather than relying solely on periodic reviews. This proactive approach helps organizations prevent fraud, improve governance, and respond quickly to emerging risks, ultimately enhancing business performance and long-term resilience (Odeyemi et al., 2024).

DEFINING BIG DATA IN ACCOUNTING

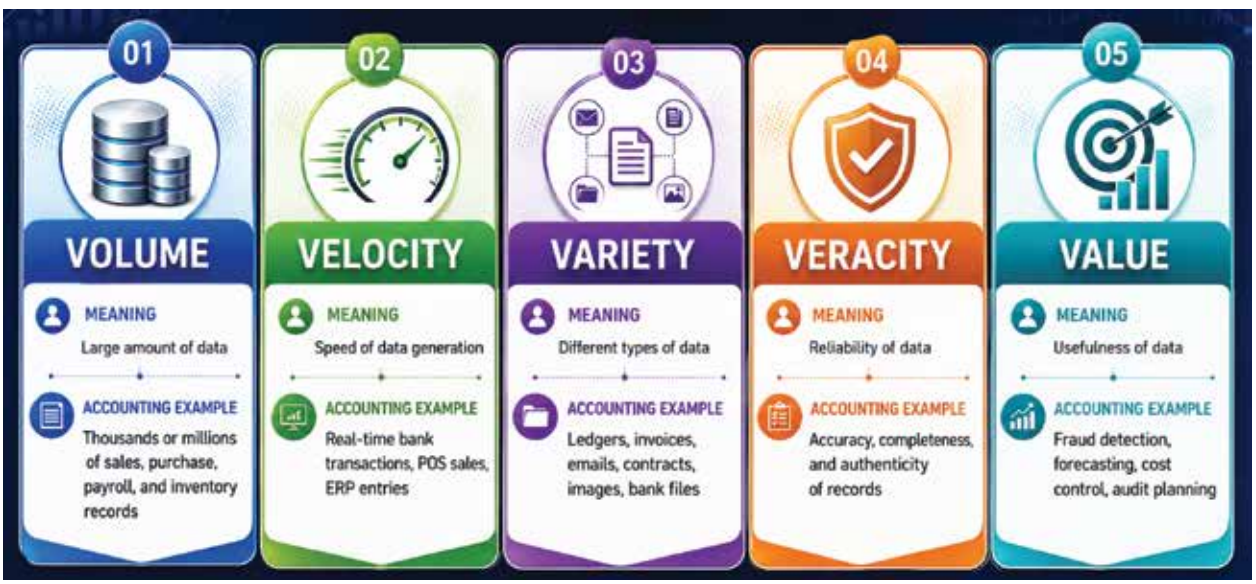
Big Data in accounting refers to large and complex sets of financial and non-financial information that cannot be properly reviewed through traditional spreadsheets or manual checking alone. It includes transaction records, ERP data, bank statements, payroll records, production data, inventory movements, customer behavior, supplier history, tax data, emails, contracts, and external market information. In simple terms, Big Data allows accountants and auditors to look beyond the ledger and understand what is actually happening inside the business.

The concept of Big Data is commonly explained through the 5Vs: volume, velocity, variety, veracity, and value.

However, Big Data becomes useful only when it is properly cleaned, connected, analyzed, and converted into business insight. A large amount of data without quality and purpose can create confusion instead of clarity. For example, millions of sales entries may not help management unless they are linked with customer trends, payment behavior, inventory movement, and profitability. Similarly, payroll data becomes more powerful when it is connected with attendance records, overtime, production output, and bank payment records.

In accounting and auditing, the strength of Big Data lies in its ability to reveal patterns that are difficult to identify through manual review. Auditors can analyze full populations of transactions instead of relying only on samples. This helps them understand business operations more deeply and identify unusual activities, repeated exceptions, duplicate payments, abnormal journal entries, inventory mismatches, or suspicious supplier behavior. The volume, speed, and variety of data therefore create both opportunities and challenges for accounting professionals. They provide a wider view of business performance, but they also require specialized tools, scalable systems, and strong data governance.

The veracity and value dimensions are especially important because unreliable data can lead to wrong conclusions. Clean, complete, and authentic data supports better audit planning, fraud detection, forecasting, and decision-making. This is why Big Data in accounting is not only about having more data; it is about having better insight from trustworthy data. Hezam et al. (2023) emphasized that



reliable and meaningful data is essential for effective fraud detection and decision-making.

Advanced technologies make this process more powerful. Machine learning algorithms can study large datasets, learn from past patterns, and adapt to new types of fraud. These tools can support anomaly detection, supervised classification, statistical analysis, and network-based review. As a result, accounting professionals can move beyond traditional rule-based checking and identify hidden relationships, unusual behavior, and early warning signs of financial misstatement or fraud.

Big Data also expands the scope of accounting analysis beyond structured numbers. Through Natural Language Processing, accountants and auditors can examine unstructured information such as contracts, emails, reports, and even social media content. These sources may contain important warning signals that were previously difficult to capture. Alshehadeh et al. (2023) highlighted that the quality and trustworthiness of data are critical for generating useful insights, particularly in areas such as fraud prediction and future growth assessment.

Therefore, Big Data is reshaping accounting from a backward-looking recordkeeping function into a forward-looking decision-support system. It helps accountants detect risks earlier, support management with better forecasts, improve operational efficiency, and strengthen financial control.

PREDICTIVE ACCOUNTING: EVOLUTION AND PRINCIPLES

Predictive accounting uses the power of Big Data and advanced analytical tools to forecast future financial results and identify potential risks before they occur (Abrahams et al., 2024). Unlike traditional accounting, which mainly focuses on explaining past financial performance, predictive accounting helps organizations understand what may happen in the future and prepare accordingly. It does this by analyzing large amounts of historical and real-time financial data using technologies such as machine learning.



By studying patterns and trends within financial information, predictive accounting can identify possible risks, estimate future performance, and highlight opportunities for improvement. This allows organizations to adjust their strategies based on changing market conditions and business activities. The ability to recognize hidden relationships within complex datasets helps management make faster and more informed decisions.

Another important benefit of predictive accounting is the improvement in the accuracy and reliability of financial forecasts. Automated analytical tools reduce the likelihood of human errors and personal biases that often affect traditional forecasting methods. As a result, organizations gain a clearer understanding of their financial position and can make better decisions regarding investments, budgeting, resource allocation, and operational improvements.

This forward-looking approach also helps financial managers identify emerging risks early, allocate resources more effectively, optimize the use of capital, and prepare for future economic changes. By moving beyond historical reporting and adopting a proactive approach, predictive accounting strengthens financial planning, risk management, and overall business performance.

BIG DATA TECHNOLOGIES IN ACCOUNTING

To make effective use of Big Data in accounting, organizations need specialized technologies that can store, process, and analyze large amounts of information from different sources. These technologies include data warehouses, cloud-based systems, distributed computing frameworks, and advanced analytical platforms that can handle both structured and unstructured financial and operational data. Such systems help accountants and financial managers convert large volumes of raw data into meaningful information that supports decision-making.

Many of these platforms use machine learning and artificial intelligence to automate data



analysis, identify unusual transactions, and generate forecasts. This reduces the time and effort required for manual analysis while improving accuracy and consistency. As a result, organizations can make faster and more reliable financial decisions with fewer human errors.

Big Data Analytics also enables the quick generation of reports and financial forecasts, helping businesses respond more effectively to changing market conditions. This technological capability supports the shift from traditional accounting, which focuses on past events, to predictive accounting, which helps organizations prepare for future opportunities and risks.

The integration of management accounting and financial accounting with Big Data technology creates a more comprehensive financial management system (Sun, 2022). It improves the accuracy of financial reporting, supports better resource allocation, and promotes sustainable financial management by helping organizations identify opportunities to reduce waste, improve efficiency, and minimize environmental impacts.

Data Sources and Collection

Big Data in accounting comes from many internal and external sources, including transaction records, ERP systems, customer databases, market information, and even social media activities. Bringing these different types of data together helps organizations build a complete financial information system that can support fraud detection, risk assessment, and performance forecasting (Azzam et al., 2023). Advances in computing power and data storage have made it possible to collect and analyze much larger amounts of information than before. This allows organizations to use artificial intelligence and machine learning to improve financial reporting, identify unusual transactions, and make more accurate predictions. For example, predictive analytics can help forecast investment trends and assess financial risks more effectively (Owoade et al., 2024).

Data Storage and Processing

Managing large amounts of financial data requires strong storage systems that can safely store, organize, and provide quick access to information. Organizations often use cloud-based platforms and other advanced storage technologies to handle the large volume, speed, and variety of data while maintaining data accuracy and security. Powerful data processing tools such as Hadoop and Spark help analyze huge datasets quickly by processing information across multiple systems at the same time (Eze et al., 2024). These tools convert raw data from different sources into a consistent format that can be easily analyzed. This makes it possible to perform advanced financial analysis, forecasting, and risk assessment. Data warehouses also play an important role by bringing together information from different systems and turning it into meaningful insights that support business decisions (Ionescu & Dıaconița, 2023).

Data Analytics Tools and Techniques

The conversion of raw Big Data into useful financial insights depends on advanced data analytics software and platforms. These tools use machine learning techniques such as regression analysis, decision trees, and neural networks to identify patterns and make predictions from large datasets. Unlike traditional methods, they can detect complex relationships within financial information and produce more accurate forecasts. This helps organizations make better business decisions and manage risks more effectively (Vuković et al., 2025). Modern analytical tools also use advanced approaches such as ensemble learning and hybrid optimization to improve prediction accuracy, especially in areas like

credit assessment and fraud detection. Supported by Big Data and strong computing power, these techniques help organizations identify risks and opportunities that traditional financial models may fail to detect (Nahar et al., 2024).

APPLICATIONS OF PREDICTIVE ACCOUNTING

This section discusses how predictive accounting is used in different areas of financial management and how it helps organizations make better decisions. It explores key applications such as financial forecasting, risk management, fraud detection, and performance improvement. By using advanced analytical tools and real-time data, predictive accounting helps businesses identify future opportunities and potential risks before they occur. This allows management to take timely action and improve planning. Effective data quality management ensures that decisions are based on accurate, complete, and reliable information (Adeniran et al., 2024). As a result, organizations can develop predictive models to identify potential fraud, customer defaults, and other transaction-related risks, helping them strengthen controls, reduce losses, and improve overall business performance.

Financial Forecasting and Budgeting

By analyzing historical financial information together with market and economic data, predictive accounting can generate more accurate forecasts of future financial performance. This helps organizations plan budgets more effectively, allocate resources efficiently, and prepare for changing business conditions (Eze et al., 2024). Unlike traditional forecasting methods that rely mainly on past results, predictive models continuously update their predictions as new information becomes available. They can also consider economic trends and industry developments, leading to more reliable financial planning. In addition, predictive analytics improves risk assessment by helping organizations evaluate credit risks, predict loan defaults, and optimize investment portfolios.

Risk Management and Fraud Detection

Predictive accounting uses Big Data and advanced analytical tools to identify, assess, and reduce financial risks before they become serious problems. By analyzing large amounts of financial information, these systems can detect unusual transactions and patterns that may indicate fraud or other risks. Machine learning and artificial intelligence allow organizations to monitor risks continuously and assess them in real time rather than relying on periodic reviews (Olorunyomi et al., 2022). This proactive approach helps management take corrective actions early, implement preventive measures, reduce financial losses, and strengthen the organization's long-term financial stability and resilience.

Audit and Assurance

The use of artificial intelligence (AI) and predictive analytics is changing the way audits are performed. These technologies allow auditors to continuously monitor financial activities, automatically identify unusual



transactions, and focus on areas with higher risk. Instead of reviewing only selected samples of transactions during periodic audits, auditors can analyze a much larger volume of data in real time. This helps detect unusual expense claims, fraudulent transactions, and other irregularities more accurately and efficiently than traditional audit methods (Antwi et al., 2024).

As a result, audits become more proactive rather than reactive. Auditors can identify potential errors, fraud, and weaknesses in internal controls at an earlier stage, helping organizations strengthen governance and compliance. AI-powered predictive analytics also provides deeper insights into financial and operational activities, making it easier to detect potentially misleading or falsified financial information. Continuous monitoring enables auditors to respond to emerging risks as they arise, creating a more effective and reliable audit process that supports better risk management and decision-making.

Strategic Decision Making

By using predictive insights in strategic planning, organizations can better prepare for future changes in the market, increasing competition, and new business opportunities. Instead of relying only on past performance, management can use data-driven forecasts to make better long-term decisions and build more flexible and resilient business strategies. This helps organizations respond quickly to changing business conditions and maintain a competitive advantage.

AI-powered predictive analytics tools can also create different business scenarios and estimate their possible financial outcomes (Antwi et al., 2024). This allows management to understand the potential impact of various decisions before taking action. As a result, organizations can adjust their strategies proactively rather than reacting after problems occur. These insights support better resource allocation, improve business performance, and contribute to long-term growth, sustainability, and overall organizational value.

CHALLENGES AND LIMITATIONS

Although Big Data and predictive accounting offer many benefits, their implementation can be challenging. Organizations must ensure data accuracy, reliable technology, and skilled professionals to generate meaningful results (Sayal et al., 2025). Poor-quality data can lead to incorrect predictions, while the cost of data collection, storage, and advanced computing systems may create significant barriers, particularly for smaller organizations.

Data Quality and Integrity

The success of predictive accounting depends heavily on the accuracy and completeness of the data being used. Incorrect, missing, or inconsistent data can lead to unreliable forecasts and poor business decisions. As organizations collect larger amounts of information, maintaining data quality becomes more difficult and requires strong data governance and validation processes to ensure reliability (Osundare & Ige, 2024). Combining data from different internal and external sources can also be challenging because information may be stored in different formats or use different definitions. In addition, organizations must address data privacy requirements, reduce algorithmic bias, and integrate new technologies with existing systems to achieve effective implementation.

Privacy and Security Concerns

The use of predictive accounting involves handling large amounts of sensitive financial information, which creates important privacy and security concerns. Organizations must implement strong security measures and comply with data protection regulations to prevent unauthorized access, data leaks, and cyberattacks. Since predictive models rely on large datasets, the risk of data breaches increases, making robust cybersecurity systems and advanced data protection techniques essential (Kindzeka, 2023).

Another challenge is ensuring that predictive models operate fairly and transparently. If the underlying data contains bias, the model's predictions may also be biased, leading to unfair or inaccurate decisions. Therefore, organizations must carefully monitor the ethical use of artificial intelligence and maintain accountability in decision-making processes.

Data quality is equally important. Financial information often comes from multiple sources and may contain missing values, inconsistent formats, or incorrect entries. These issues can reduce the accuracy of predictions and affect business decisions. To address this, organizations need strong data governance



practices, regular data validation, and effective data preparation processes to ensure the reliability and integrity of information used in AI-driven predictive accounting systems (Onwubuariri et al., 2024).

Regulatory and Ethical Considerations

The growing use of artificial intelligence in accounting creates important ethical challenges that organizations must address carefully (Adelakun et al., 2024). These include protecting data privacy and security, preventing misuse of information, and reducing the risk of biased or unfair decisions caused by algorithms. Organizations must also ensure transparency, accountability, and trust in AI-driven systems. In addition, clear regulations and ethical guidelines are needed to support the responsible use of AI, particularly in areas involving financial reporting, governance, and decision-making.

SKILL GAP AND ORGANIZATIONAL CHANGE

The successful adoption of Big Data and predictive accounting requires organizations to update their processes and invest in employee training (Odonkor et al., 2024). Accountants now need skills in areas such as data analysis, statistics, and machine learning, which are not traditionally included in accounting education. As AI technology continues to evolve rapidly, professionals must continuously learn and adapt to new tools and techniques. However, there is currently a shortage of people who possess expertise in both accounting and artificial intelligence, making training, education, and professional development essential for the future of the accounting profession.

FUTURE TRENDS AND OPPORTUNITIES

The growing use of Big Data and predictive accounting is creating new opportunities to improve financial forecasting, risk assessment, and business decision-making. Advanced analytics and machine learning help organizations gain deeper insights into financial performance and market trends (Odonkor et al., 2024). Real-time data allows continuous monitoring and faster responses to emerging issues. These capabilities help organizations detect risks early, allocate resources more effectively, and strengthen competitiveness. As technology continues to evolve, Big Data is expected to drive further innovation and transformation in the accounting profession (Nwaimo et al., 2024).

Integration with Artificial Intelligence and Machine Learning

The combination of artificial intelligence (AI), machine learning, and Big Data analytics provides powerful tools that help accountants make more accurate predictions and better business decisions. Instead of only explaining past events, accountants can now forecast future outcomes by identifying patterns and trends within large datasets. These technologies automate many complex accounting tasks, improve fraud detection, and increase the accuracy of financial forecasts. As a result, organizations can move from reacting to problems after they occur to preventing them before they happen.

AI-driven systems also support continuous auditing and real-time monitoring, helping organizations identify unusual transactions and strengthen internal controls. This improves data accuracy, reliability, and overall governance. In

addition, AI can help organizations evaluate intangible assets, improve risk assessment, automate compliance checks, and streamline operations. These capabilities support more informed decision-making while reducing risks and improving operational efficiency.

Real-time Reporting and Continuous Auditing

Real-time reporting supported by AI and machine learning improves financial transparency by providing immediate access to financial and operational information. This allows management and other stakeholders to make faster and more informed decisions based on the latest data. Continuous auditing further strengthens this process by monitoring transactions and controls on an ongoing basis, helping identify errors or unusual activities as they occur. As a result, audits become more effective, financial reporting becomes more reliable, and organizations can meet regulatory requirements more efficiently and transparently (Antwi et al., 2024).

Impact on Accounting Education and Practice

The growing use of Big Data, artificial intelligence (AI), and predictive accounting is changing the skills required for accounting professionals. As a result, accounting education needs to evolve by placing greater emphasis on data analytics, AI, and technology alongside traditional accounting knowledge. This will help prepare future accountants to work effectively in a data-driven business environment (Alnesafi, 2025).

The accounting profession is also shifting toward more analytical and technology-focused roles. AI-powered dashboards and reporting tools can provide real-time information about a company's financial and environmental performance, improving transparency and helping stakeholders make better decisions. By processing large amounts of data quickly and accurately, AI can reduce reporting errors, strengthen trust, and lower legal and reputational risks. It can also help detect fraudulent activities and improve compliance with regulations (Theodorakopoulos et al., 2024).

In addition, Big Data and AI enable organizations to monitor compliance automatically, improve forecasting accuracy, identify cost-saving opportunities, and better understand business performance. These technologies also help organizations identify and manage financial risks more effectively, supporting long-term growth and resilience. Given their increasing importance, professional accounting bodies should incorporate these technologies into their standards, recommendations, and training programs to encourage consistent and effective implementation across the profession (Abbas, 2025).

Bangladesh Context: The Future of Accounting Has Already Started

Bangladesh is rapidly moving toward a digital economy, a transition that is creating significant new opportunities for accountants, auditors, and business leaders by enhancing operational efficiency, accuracy, and transparency. Every day, millions of transactions take place through mobile financial services, banks, ERP systems, e-commerce platforms, and online tax systems. These transactions generate valuable data that can be used to improve decision-making, reduce risks, and strengthen business performance.

A good example of this modernization is the National Board of Revenue's e-VAT system. Businesses can now submit VAT returns online, and VAT information is stored digitally, which effectively reduces compliance costs and provides a convenient method for domestic resource mobilization. This digital storage reduces paperwork, improves transparency, and creates a large database that can be analyzed to identify unusual transactions, tax risks, and



compliance issues before they become major problems, reflecting the NBR's broader shift toward accounts-based audit systems.

Another example is the scale of mobile financial services such as bKash and Nagad, which have been widely embraced across the country for rapid and convenient digital transactions. Millions of transactions are processed every day through these platforms. By using artificial intelligence and data analytics, financial institutions can identify suspicious transactions, detect fraud, and strengthen anti-money laundering controls. Users in these emerging markets increasingly recognize the benefits of AI-driven fraud detection as a real-time tool for strengthening perceived security.

For manufacturing and business groups in Bangladesh, the benefits of digitalization can be even greater. By analyzing sales, procurement, inventory, production, and financial data together, companies can forecast future demand, optimize inventory levels, improve cash flow, and identify unusual activities much earlier than traditional methods. Research indicates that implementing predictive AIoT frameworks in Bangladeshi manufacturing can achieve up to 93% demand forecast accuracy and significantly reduce operational downtime. Internal auditors can also move from checking problems after they occur to identifying risks before losses happen. This evolution positions auditors as strategic partners rather than simple financial scrutineers, focusing on proactive risk management rather than reactive record checking.

The future of accounting in Bangladesh will be more than preparing financial statements. It will be about using data to predict risks, improve decisions, prevent fraud, and create stronger and more sustainable businesses. Organizations that embrace predictive accounting—shifting practices from simple compliance requirements into a strategic advantage—will be better prepared for the challenges and opportunities of tomorrow.

CONCLUSION

This analysis highlights the growing importance of Big Data, artificial intelligence (AI), and machine learning in the future of the accounting profession. To fully benefit from these technologies, accountants need new skills and training that go beyond traditional accounting knowledge. Machine learning can automate routine tasks such as bookkeeping and data processing, reducing errors and allowing accountants to focus on more strategic activities. AI technologies, including machine learning, natural language processing, and predictive analytics, are also improving the accuracy and speed of financial reporting. These tools help organizations gain deeper insights into financial performance, identify risks earlier, and make better decisions by considering both current conditions and future possibilities.

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Decoding the Finance Act, 2026

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FINANCE



KEY CHANGES TO THE INCOME TAX ACT, 2023, AND WHAT THEY MEAN FOR TAXPAYERS AND PRACTITIONERS

The Finance Act, 2026 has introduced a wide-ranging set of amendments to the Income Tax Act, 2023, touching on different subjects as varied as the submission of signed income computation sheets, abolition of minimum tax through deduction at source, and the pre-deposit required to file a tax appeal. Read together, the changes recalibrate several of the Act's founding concepts rather than merely adjusting rates or thresholds.

This article decodes the most significant of these amendments and offers a practitioner's assessment of their practical impact- the relief they offer, the ambiguity they leave behind, and the compliance burden they add.

Part I: Taxpayer Framework: Record-Keeping, Audit, Reopening

RECORD RETENTION AND REOPENING OF TAX FILES

Insertion of a new section 72Ka and amendment to section 212(4): Section 72Ka requires taxpayers to maintain books of accounts and supporting bill vouchers in physical form, digital form, or both. Companies are required to retain such records for 12 years in line with section 181(5) of the Companies Act, 1994, while other taxpayers (other than companies) must retain them for 06 years.

However, at the same time, section 212(4) has been amended to expand the scope of reopening of file. Previously, the DCT could generally reopen an assessment only within 06 assessment years, except where an undisclosed asset was discovered, in which case, the asset was deemed to have been acquired in the 6th assessment year. The amendment extends this exception to cover undisclosed income, expenditure and assets. Accordingly, where any such item is discovered beyond the 06-year period, it may still be brought to tax by deeming it to have been earned, incurred or acquired in the 6th assessment year.

Impact: Statutory record-retention periods under section 72Ka are welcome, as the ITA, 2023, previously prescribed no explicit time limit. However, the simultaneous expansion of section 212(4) may undermine this benefit: since the DCT can now reopen matters beyond 06 years for undisclosed income, expenditure or assets, taxpayers may still need to retain records beyond the statutory period, creating uncertainty over the effective retention duration.

AUDIT AND CERTIFICATION REQUIREMENTS

Amendment to section 73: Under the recent amendments to section 73, specific compliance mandates have been introduced based on entity type, turnover and capital thresholds:

- **Audited financial statements:** All companies, persons deriving income from long-term contracts, and any taxpayer operating as a firm, association of persons (AOP), Hindu undivided family (HUF), or artificial juridical person (AJP) with an annual turnover exceeding Tk. 100 million or capital exceeding Tk. 50 million, must furnish financial statements audited by a chartered accountant (CA) alongside their income tax returns.
- **Certified income computation sheet:** An income computation sheet- prepared and certified by a chartered accountant (CA), cost and management accountant (CMA), or income tax practitioner (ITP) must be submitted with the tax return by:
    - All companies, persons having income from long-term contracts, firms, AOPs, HUFs, AJPs,
    - Any person engaged in the trade of gold, silver, gold ornaments, silver ornaments, gems, diamonds or platinum as mentioned in section 112Ka, and
    - All manufacturers, importers, supplier, distributors or commission agents (aratdars) as mentioned in section 130Ka
- Developers or real estate developers are required to maintain their books of accounts in strict compliance with IFRS and recognize revenue under IFRS 15.



Impact: These compliance mandates raise several practical concerns:

- The long-term contract provision applies indiscriminately to individuals, for whom formal audited books to institutional standards may be commercially unfeasible.
- The mandatory requirement of online return filing (e-return) for individuals arises confusion as to how individual businessmen (proprietors) within the scope of sections 112Ka and 130Ka would attach income computation sheet prepared and certified by CA, CMA or ITP to the online returns.
- Requiring certified professionals merely to compute income suggests either an overly complex tax framework or unnecessary reliance on intermediaries.
- Since section 2(40ka)'s definition of 'developer' includes individual landowners in joint development agreements, they become bound by section 73(4) to maintain IFRS-compliant books and recognize revenue under IFRS 15- practically impossible for a short-term, one-off developer.

Part II: Business Income & Corporate Taxation

MINIMUM DIVIDEND DISTRIBUTION REQUIREMENT

Amendments to sections 22 and 23: According to the provisions of these sections, every listed company is required to declare dividends of at least 30% of its after-tax profits. Where the declared dividends are less than 30% of the after-tax profits, the shortfall will be subject to income tax at the rate of 10%.

Additionally, where 50% of the total declared dividends is distributed in cash, the entire amount of stock dividend declared will be subject to income tax at the rate of 10%. Before imposing tax under either of these provisions, DCT is required to provide the company with an opportunity of being heard. However, these provisions do not apply to listed banks, insurance, leasing and finance companies.

Impact: The amendments provide significant relief to listed companies. Previously, the entire amount transferred to retained earnings (where dividends fell below 30% of after-tax profits) was taxed at 10%; now only the shortfall from the

30% threshold is taxed, substantially reducing the burden.

Listed banks, insurance, leasing and finance companies are excluded from both the 30% dividend and 50% cash-dividend requirements, given their distinct regulatory capital-adequacy needs, giving them greater flexibility in capital and dividend policy.

DEDUCTION OF ACCRUED INTEREST EXPENSE

Amendment to sections 46(6ka) and 52(1): Finance Act, 2026 amends section 46(6ka) and 52(1) to allow accrued interest expense as deductible business expenditure. However, where such accrued interest remains unpaid for 03 consecutive years, the amount previously claimed as a deduction will be deemed business income in the 4th year. If the interest is subsequently paid, the amount so deemed as income will be allowed as deduction in the year of payment.

Impact: This marks a significant shift from the earlier cash-based approach, aligning tax treatment with accounting standards and easing the tax burden from timing differences. The 03-year reversal mechanism safeguards revenue by preventing indefinite deductions for unpaid interest.

INTEREST ON INTRA-GROUP LENDING

Amendment to sections 46(11ka), 52(2), 53: Previously, where a company (except banks and finance companies) borrowed funds from a bank or financial institution and on-lent them to its associate enterprise, the lender was denied a proportionate deduction of the related interest expense. In addition, the borrower's deduction for interest paid to the associate lender enterprise was capped at Tk. 15 lakh annually, with certain restriction exceeding that amount.

The Finance Act, 2026, has substantially revised this framework. Interest paid (not payable) by an associate enterprise to its related lender is now fully deductible without any monetary cap. Correspondingly, the lender will not suffer any proportionate disallowance of its interest expense paid to banks, provided it charges its associate borrower enterprise at least 12% annual interest. Where the interest charged is below 12%, the shortfall will be deemed special business income of the lender.

Impact: The amendment removes the earlier restriction on intra-group financing, easing treasury management within corporate groups. However, mandating a 12% minimum rate raises a policy concern, as lending rates typically fall within Bangladesh Bank's domain, not the tax authority's.

The provision also creates a tax arbitrage opportunity: a lender on a concessional or exempt regime (e.g., a garment exporter at 10%, or a fully exempt ITES provider) can lend at the mandated 12% to an associate taxed at the regular 27.5% rate, since special business income under section 46 is not taxed at the regular rate- a differential of 17.5%/27.5% on the same interest flow. Anti-avoidance safeguards, such as taxing at the higher applicable rate, could have been considered.

LIBERALIZED BUSINESS EXPENDITURE LIMITS

Amendments to sections 55 and 56 and insertion of section 56Ka: The Finance Act, 2026 introduces several business-friendly amendments to sections 55 and 56:

(i) The earlier proportionate disallowance of expenditure for non-deduction of tax at source (TDS), taxable at the regular rate, has been withdrawn;

(ii) The allowable limit for perquisites has been raised to Tk. 2.5 million from Tk. 2 million;

(iii) Entertainment expenses are deductible up to 4% of income from business;

(iv) For pharmaceutical companies, the maximum sample expenses are deductible as lower of the followings:

  (a) 2% of turnover, where turnover is up to Tk. 100 million;

  (b) 1.5% of turnover, where turnover is above Tk. 100 million but does not exceed Tk. 200 million

  (c) 1% of turnover, where turnover exceeds Tk. 200 million

  (d) Actual free sample expenditure claimed by the taxpayer

(v) Promotional expenses are now deductible up to 1% of business turnover;

(vi) Disallowances under section 55 will now be regarded as income from business or profession and taxed at the rate applicable to such business, instead of the regular tax rate.

(vii) Separately, TDS/TCS defaults will attract recovery of the short-deducted or short-collected tax together with an additional tax of 50%. When any proceeding under section 143 finds out that the short-deducted tax is less than the liability as determined above, the shortfall and an additional 50% tax thereof will also be payable.

Impact: The amendments substantially liberalize deductible business expenditure by raising the limits for entertainment, perquisite, pharmaceutical samples and promotional expenses. They also replace the earlier punitive TDS-default treatment (disallowance taxed at the regular rate) with a separate 50% additional tax on the shortfall, expected to reduce the overall tax cost of TDS non-compliance. Additionally, non-consideration of disallowance u/s 55 as Special Business Income, is beneficial for loss-making companies, as the resulting tax liability may be lower compared to the previous treatment.

Part III: Employment, Investment Rebate, Capital Gains & Other Sources

EMPLOYMENT INCOME

Exclusion of Group Insurance Benefits from Salary- Amendment to section 32: The scope of exclusions from income from employment has been expanded. In addition to the employer's contribution or premium paid for a group

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insurance policy, any reimbursement of medical expenses, received from an insurance company under the benefits of such group insurance will be excluded from income from employment.

Impact: Previously, group insurance benefits, including medical reimbursements, were taxable as income from other sources under section 66. The amendment excludes such benefits from both employment income and income from other sources, and para 37 of the 6th Schedule, Part 1, expressly exempts them- so such benefits are no longer taxable at all.

Reduced Investment Tax Rebate- Amendment to section 78: The Finance Act, 2026 has substantially contracted the scope of investment tax rebate for an individual assessee through 2 primary adjustments. The maximum allowable investment ceiling has been reduced to Tk. 1 million to Tk. 0.75 million. The tax-rebate rate applicable to the actual amount invested has been reduced from 15% to 10%.

Impact: This is a significant regulatory tightening that increases the net tax burden on individual assessees. The maximum claimable relief drops by Tk. 0.25 million, and since the rebate rate falls by a third (15% to 10%), an assessee must invest 50% more just to achieve the same rebate- made harder by the still-restricted range of eligible investment instruments.

CAPITAL GAINS

Capital Gain on Real Estate Development- Amendment to section 58(3) and 7th Schedule: The Finance Act, 2026 expands the scope of capital gain taxation. Where a landowner receives any benefits including flats/apartments or cash from a real estate developer under any specified contract, the excess of such benefits over the cost of acquisition of the property exchanged will be regarded as capital gain and taxed at a flat rate of 15%. The tax so payable is spreadable equally over 03 income years (the year of the benefits received and the following 02 years).

The amendment also brings gains from the transfer of certain personal assets within the capital gain regime. Capital gain arising from the transfer of gold, silver, gold ornaments, silver ornaments, gems, diamonds, metal coins, precious metal will be taxed at 5%, while gains from other personal assets, such as paintings, antiques and club memberships, will be taxed at the applicable rate- (for individual: slab rates, if transferred within 05 years from acquisition, or 15% if transferred thereafter).

Impact: No valuation methodology is prescribed for flats received in exchange, leaving discretion to the tax authority and risking valuation disputes. Where only flats (no cash) are received, tax may arise on notional value, potentially forcing the landowner to sell part of the property to fund the tax.

OTHER SOURCES

Motor Vehicles and Long-outstanding Loans- Amendment to section 67: The Finance Act, 2026 has brought the following amendment to section 67:

(i) The provision deeming 50% of the excess value of motor cars or jeeps purchased by a company over 10% of its paid-up capital, reserves and accumulated profits as special income from other sources has been amended to exclude companies engaged in the car rental businesses.

(ii) Where an individual receives loans, advances or deposits exceeding Tk. 0.5 million in aggregate through banking channels from persons other than banks, finance or leasing companies and fails to repay them within next 6 years, the outstanding amount will be treated as special income from other sources in the 7th year. If the amount is repaid in a subsequent year, it will be allowed as a deduction from total income in that year.

Impact: Excluding car-rental companies from the deemed-income provision removes an unintended hardship for fleet-heavy businesses.

However, the long-outstanding-loan provision may create challenges: genuine long-term



borrowings could become taxable solely due to delayed repayment, and though a deduction follows repayment, taxpayers face a timing mismatch and cash-flow burden on a non-economic gain.

Part IV: TDS on Dividend, Turnover Tax & Return Filing

DIVIDEND TAX LIABILITY RATIONALIZED

Amendment to section 117 and para (2) of 7th Schedule: The Finance Act, 2026 has rationalized the taxation of dividend income for individuals by prescribing a 15% tax deduction at source and a corresponding 15% tax rate on dividend income.

Impact: Aligning the TDS rate with the applicable tax rate reduces mismatches between tax deducted and tax payable. In most cases, TDS will effectively satisfy the individual's dividend tax liability, acting like a final discharge.

However, where TDS is deducted at a higher rate, e.g., 22.5% for lack of proof of submission of return (PSR), the excess 7.5% is now refundable on filing the return, since TDS no longer constitutes a minimum tax liability, relieving compliant but over-withheld taxpayers.

The 7th Schedule could have restricted the 15% dividend tax rate to residents and non-resident Bangladeshis. However, since it applies to any individual, non-residents may also claim the 15% rate on dividend income despite the Finance Act, 2026 prescribing a 30% tax rate for non-resident individuals.

TIME LIMIT FOR TDS VERIFICATION PROCEEDINGS

Amendment to section 147: By inserting sub-section (4) in section 147, the Finance Act, 2026 has limited the proceedings for confirmation and verification of tax deduction or collection at source to the concerned income year and 02 immediately preceding income years.

Impact: This provides greater certainty by capping TDS/TCS verification at the concerned income year plus 02 preceding years, curbing arbitrary or delayed action. Section 147 could have gone further by barring such proceedings for income years already covered by a completed normal assessment, avoiding duplicate scrutiny.

ABOLITION OF MINIMUM TAX THROUGH TDS/TCS

Substitution of section 163: The Finance Act, 2026 substitutes section 163 and fundamentally reforms the minimum tax regime. The concept of minimum tax through TDS/TCS has been abolished. Only a limited number of taxes will continue constituting final discharge of tax liability, including advance tax on commercially operated motor vehicles (u/s 138), inland water vessels (u/s 139) and TDS/TCS made from persons not required to file tax returns u/s 166(2). However, where regular tax liability exceeds the tax paid under sections 138 and 139, the higher tax liability will remain payable for those assessees.

The Act also replaces the previous minimum tax on gross receipts with a turnover tax applicable only to business turnover, excluding other heads of income. Previously, minimum tax on gross receipts was applicable to a firm or AOP having at least Tk. 5 million gross receipts or individuals having at least Tk. 40 million gross receipts. Unlike the earlier regime, turnover tax now applies without any minimum turnover threshold. The applicable rates have also been revised for certain sectors- for example, the rate has been reduced from 3% to 2.5% for manufacturers of carbonated or sweetened beverages, increased to 1.5% from 1% for NTTN operators and increased from 0.1% to 0.2% for new industrial manufacturing units (on which generally 1% turnover tax rate applies) during their first 03 years of commercial production.

However, turnover tax will not apply to government entities selling essential goods (seeds, fertilizer, etc.), commission agents or specific businesses like delivery orders, gold/jewelry trading and money exchange. Where income enjoys tax exemption or reduced tax rate, turnover tax will apply proportionately. Any turnover tax paid in excess of the regular tax liability may be carried forward for adjustment against future tax liabilities, without any specific time limitation.

Impact: The substitution of section 163 is one of the most significant reforms in the Act. Turnover tax remains a minimum liability on business income, but unlimited carry-forward of the excess substantially reduces its long-term burden. Nevertheless, there was no clear direction regarding treatment of Minimum Alternative Tax which was introduced through

Sl. #	Timeline	Tax incentive or penalty
1.	01 July to 30 September	Tax incentive of 5% of net tax payable (u/s 173(2)) not exceeding Tk. 25,000
2.	01 October to 31 December	No tax incentive, no additional tax
3.	O1 January to 31 March	Additional tax of 2% of net tax payable (u/s 173(2)) with a minimum of Tk. 3,000
4.	01 April to 30 June	Additional tax of 5% of net tax payable (u/s 173(2)) with a minimum of Tk. 5,000

Due date of return filing for corporate bodies (except individuals and HUFs):

For companies and other entities, except individuals and HUFs, the return due date is fixed as the 15th day of the 9th month following the end of the income year or 15 September, whichever is later. However, tax incentives or late fees have been ascertained in the following manner:

Sl. #	Timeline	Tax incentive or penalty
1.	2 months before the due date	Tax incentive of 5% of net tax payable (u/s 173(2)) not exceeding Tk. 25,000
2.	Within 15th day of 9th month	No tax incentive, no additional tax
3.	After 15th day of 9th month but within the assessment year	Additional tax of 2% of net tax payable (u/s 173(2)) with a minimum of Tk. 25,000

Finance Ordinance, 2025.

On the other hand, income previously subject to final discharge (e.g., capital gains on property, sanchaypatra interest, export cash incentives) may now attract regular tax if it raises overall liability. Conversely, taxpayers below the tax-free threshold can now claim refunds of excess TDS by filing returns- previously unavailable.

Amendment to section 119: where the non-resident does not have any PE in Bangladesh, the TDS made under section 119 will be its final discharge of tax liability in Bangladesh. Moreover, PE and residency status of foreign entities will be determined based on the applicable DTAA provisions, aligning with the provision of section 244(5).

Impact: Where a non-resident constitutes PE in Bangladesh, the tax deducted at source under section 119 will be regular advance tax and not a minimum tax.

RETURN FILING INCENTIVES & TIMELINE

Amendment to sections 170, 215, 226; and insertion of sections 170Ka: Finance Act, 2026 fundamentally reforms the return filing framework by introducing a structured system of tax incentives and additional tax based on the timing of return submission within the assessment year.

For individuals and Hindu undivided families (HUFs), returns may now be filed throughout the assessment year, in the following manner:

All individual assessees must file their tax returns under self-assessment scheme. Where an individual's income tax return contains only income from employment, financial assets and/or agriculture, any tax refund arising from the return will be processed by the DCT within 120 days and credited electronically to the assessee's designated bank account.

However, where the return includes any other head of income such as business income, capital gain, income from other sources or rental income, the return submitted under self-assessment scheme having tax refund will be automatically selected for normal assessment. If a tax refund becomes due after assessment, the taxpayer must apply online, and the refund must be transferred electronically to the assessee's designated bank account by 60 days from the application. Failure to do so may constitute misconduct on the part of the responsible tax officials. The assessee may inform the respective Commissioner of Taxes or in applicable cases, the NBR.

All entities except individuals may opt to file the income tax return under either self-assessment or normal assessment scheme. However, any self-assessed return claiming a tax refund will automatically be selected for normal assessment.

Impact: The existing due dates for new individual assessees (30 June following the income year; 90th day from return to Bangladesh for NRBs) are unchanged, but the amendment replaces the due-date-centric regime with a flexible, incentive-based system. Returns may be filed any time in the assessment year, with the financial consequence depending on timing- no extensions needed, and earlier compliance is encouraged.

The time-bound electronic refund mechanism is another significant reform, expected to improve efficiency for salaried individuals with simple income. Taxpayers with business, rental or capital gains income, however, still face normal assessment before any refund, limiting the immediate benefit.

Partnership-firm due dates remain unaligned with individual partners, who generally cannot finalize personal returns before firm accounts are done- though the flexible filing window mitigates this by removing the need for extensions.

Corporate taxpayers with a 31 December year-end (banks, subsidiaries, MNCs) face a narrower window: with a 15 September due date, they must file by 15 July to qualify for the incentive- just 15 days into the assessment year- making it difficult to achieve in practice.

LATE RETURN FILING REGIME

Amendment to sections 174, 183 and insertion of new section 212(2ka): The Finance Act, 2026 introduces a separate regime of late returns, i.e. returns filed after the end of the assessment year.

Where a late return is filed voluntarily, the assessee must pay an additional tax of 10% of the net tax payable u/s 173(2), subject to a minimum of Tk. 5,000. If the return is filed in response to a notice issued by the DCT u/s 212(1), the additional tax increases to 15% of the net tax payable, with a minimum of Tk. 10,000.

Generally, a late return will be subject to normal assessment under section 183. However, where an individual files a late return voluntarily reporting only income from employment and/financial assets, and the tax liability has been fully paid, the DCT will issue acknowledgment without initiating a normal assessment.

Impact: This clearly distinguishes in-year from late filing through a graduated penalty structure encouraging timely compliance and exempts salaried taxpayers with financial-asset income from normal assessment even when filed late (if tax is correctly paid)- reducing costs for low-risk taxpayers and freeing resources for complex cases.

However, the previous late-filing consequences remain significant: barring exemptions under paragraphs (1) (newly added), (4)-(8), (17) and (35) of the 6th Schedule, Part 1 (international organizations' and their employees' income, government/approved pension, PF, gratuity, superannuation, VRS from government organizations, foreign remittance, family gifts) and employment-income exemptions, all other exemptions- including investment tax rebate-

Stage	Previous Requirement	Current Requirement
Appeal before the Commissioner of Taxes (Appeals)	Where return was filed: payment of admitted tax Where no return was filed: at least 10% of the tax determined by the DCT	1% of the disputed tax
Appeal before the Appellate Tribunal	10% tax of disputed tax	3% of the disputed tax
Reference to the High Court Division	15% of disputed tax, when tax demand did not exceed Tk. 01 million, and 25% where it exceeded Tk. 01 million	10% of the disputed tax

are forfeited. The higher 15% simple interest under section 162 for advance tax shortfall below 75% of tax liability also remains unchanged, reinforcing the case for timely filing.

RESTRICTION ON REVISED RETURNS

Amendment to section 175: Finance Act, 2026 expands the scope of section 175 to include revised returns filed under section 180(2), as well as revised returns submitted pursuant to an order of any appellate authority setting aside the assessment order. The amendment further provides that no revised return may result in a tax liability lower than that declared in the original return.

Impact: This significantly restricts previously available flexibility. Under the earlier provision, a revised return under section 180(2) could correct any error, including ones affecting tax payable, either increasing or reducing the liability.

Bringing such revisions within section 175 now prohibits any downward revision- including revised returns filed after an assessment order is set aside on appeal.

Part V: Appeals & Schedules

APPEALS

Reduced Pre-deposit for Tax Appeals- Amendment to sections 286, 291 and 293: The Finance Act, 2026 substantially revises the tax payment requirements for pursuing appeals beyond the assessment stage.

The Finance Act, 2026 also withdraws the discretionary power of the Commissioner of Taxes to waive the pre-deposit requirement for appeals before the Appellate Tribunal and the power of the NBR to waive the corresponding requirement for references to the High Court Division.

Impact: This significantly lowers the financial barrier to tax litigation by reducing the mandatory pre-deposit at every stage. Though a new 1% pre-deposit applies at the first appellate stage (previously none), the amount is nominal and aligns income tax appeals more closely with the VAT framework.

On the other hand, removing the discretionary waiver power may adversely affect taxpayers facing genuine hardship- the process is more accessible overall, but exceptional circumstances lose flexibility.

Enforcement of ADR Settlements- Amendment to sections 304 and 305: The Finance Act, 2026 introduces a 06-month time limit for payment of the net tax payable pursuant to an agreement reached under the Alternative Dispute Resolution (ADR) mechanism. If the agreed amount remains unpaid after the expiry of this period, the DCT may initiate recover proceedings through a certificate case (u/s 216) and impose a penalty up to the amount of the unpaid tax by treating the taxpayer an assessee in default (u/s 275).

Impact: This strengthens ADR enforceability with a definite payment timeline and clear consequences, expected to encourage timely settlement- though non-compliant taxpayers face both coercive recovery proceedings and substantial penalties.

3RD SCHEDULE

Depreciation on Motor Vehicles and Accelerated Depreciation-Amendment to the 3rd Schedule: The Finance Act, 2026 introduces 02 important changes to the depreciation regime under the 3rd Schedule. First, the maximum cost of a motor vehicle eligible for depreciation has increased from Tk. 3 million to Tk. 6 million, effectively doubling the allowable depreciable value.

Secondly, the scope of accelerated depreciation has been narrowed. The incentive will now be available only to manufacturing, tourism and sports industries located outside the Dhaka and Chattogram City Corporations. The depreciation period has also been shortened from 03 years (50%, 30% and 30%) to 02 years, with 60% allowable in the 1st year and the remaining 40% in the 2nd year.

Impact: The higher depreciable value for motor vehicles is business-friendly, reflecting rising vehicle prices from local currency depreciation and higher import duties. The revised accelerated depreciation regime supports industrial decentralization by restricting the incentive to specified industries outside Dhaka and Chattogram, though qualifying businesses now recover capital costs faster over just 02 years.

6TH SCHEDULE

Exemptions and Investment Tax Rebate Changes- Amendment to the 6th Schedule,

Parts 1, 2 & 3: The Finance Act, 2026 introduces following key amendments to the 6th Schedule:

(i) Freelancing and content creation have been brought within the scope of ITES, making the income therefrom exempt from tax up to 30 June 2027, provided the earnings are received through banking channels. As such, the banks will not deduct tax at source under section 124 from such remittances;

(ii) Income of a manufacturing SME, owned by a person with disability will be exempt from tax where the annual turnover does not exceed Tk. 07 million and the enterprise is registered with the SME Foundation;

(iii) Any benefits received by an employee under a group insurance policy has been exempt from tax;

(iv) Donations actually made to the Center for Zakat Management, up to 10% of the donor's total income will be excluded from the donor's total income;

(v) For the purpose of investment tax rebate, the earlier investment ceiling of Tk. 0.5 million has been withdrawn for investments in unit certificates, mutual funds, Exchange-traded Funds (ETF) and joint investment scheme unit certificates issued by finance companies, Investment Corporation of Bangladesh (ICB), asset managers or fund managers;

(vi) To retain the benefit of investment tax rebate, investments in government securities, mutual funds and unit funds must now be held until maturity. Where such investments are encashed prematurely, the proportionate tax rebate previously allowed will be added to the assessee's tax liability in the year of encashment.

STARTUPS

Amendment to the 8th Schedule, Part 2: The Finance Act, 2026 expands the tax incentives available to NBR-registered startup entities. A registered startup will now be exempt from turnover tax under section 163(6) throughout its growth period, being 09 years from the end of the income year in which it is registered as a startup. The earlier time limit for obtaining startup registration has also been removed.

As earlier, the exemption of startups from the operation of sections 55 and 56 is still retained, meaning that they are not subject to the disallowance of revenue expenditure or the additional tax arising from TDS non-compliance on such expenditure. However, no corresponding exemption has been provided under section 56Ka, which imposes an additional tax liability of TDS defaults + 50% thereof for the non-compliance of TDS relating to the procurement of capital assets.

Impact: Startups are exempt from TDS non-compliance consequences on revenue expenditure under sections 55 and 56, but not from section 56Ka on capital asset procurement- despite typically incurring significant capital expenditure early on. This appears inadvertent and may warrant legislative reconsideration.

CONCLUSION

Taken as a whole, the Finance Act, 2026 pursues two objectives simultaneously: relief and rationalization on one hand, and tighter documentation and enforcement on the other. The abolition of minimum tax through TDS/TCS, the liberalized limits for several business expenses, non-consideration of disallowances as special business income and the sharply reduced appellate pre-deposits are genuinely business-friendly reforms.

Against these, the compulsory CA/CMA/ITP-certified income computation sheet, the IFRS 15 mandate for developers, excessive taxation on capital gains specially for land owners and the expanded six-year reopening window for undisclosed income pull in the opposite direction, adding cost and complexity for taxpayers and their advisers alike.

For tax practitioners advising clients through this transition, the amendments discussed above are not uniformly favorable or unfavorable- their impact depends heavily on the taxpayer's sector, financing structure and compliance history. What is clear is that the amendments reward early, accurate compliance, reduces cost of doing business and penalize under-deduction of tax at source and delay, more consistently and more steeply than before.

The article was reviewed by
Snehasish Barua FCA

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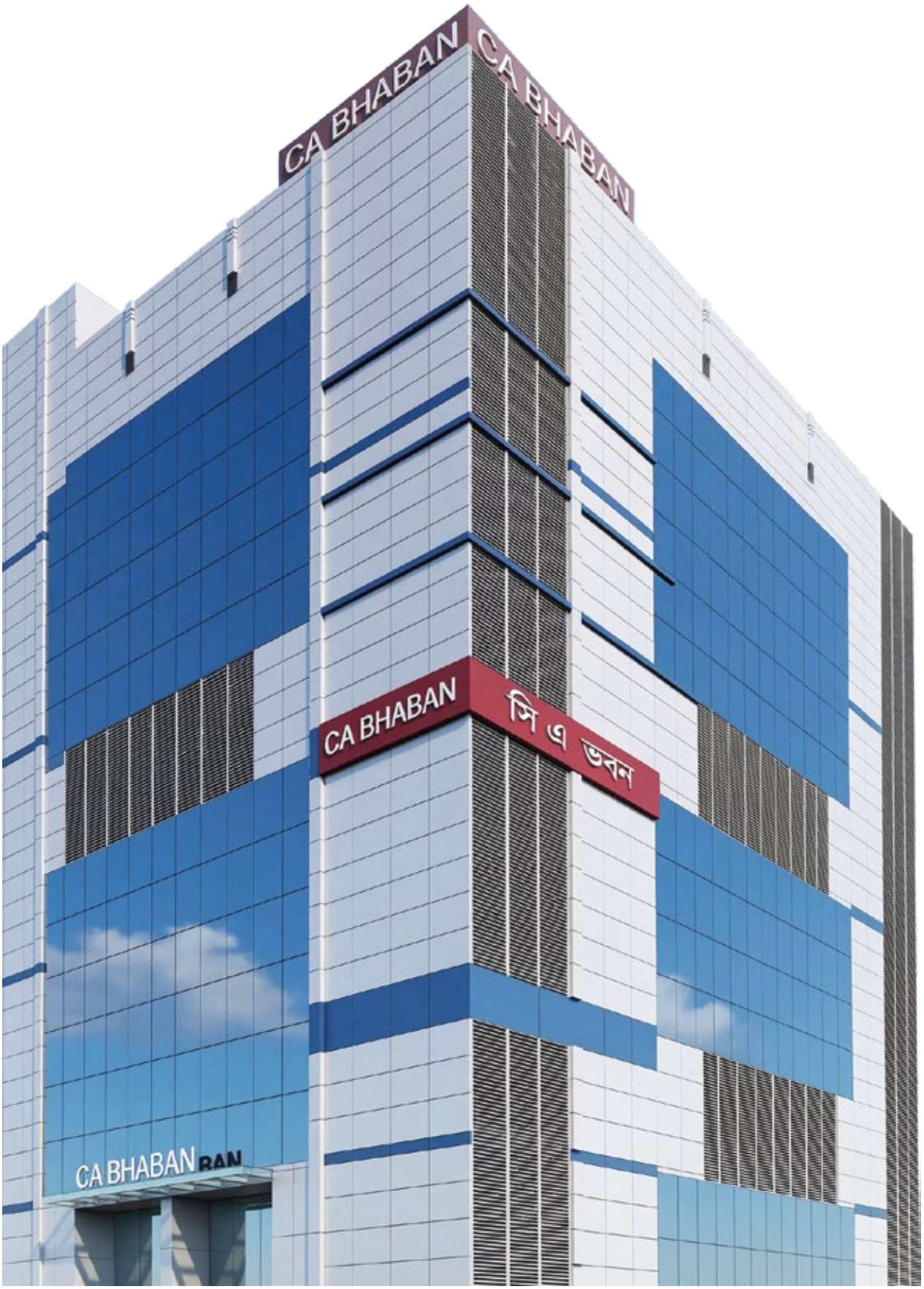
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Recognition of ICAB membership by ICAEW

Membership Scheme of The Institute of Chartered Accountants of England and Wales (ICAEW) allows the members of ICAB to apply for ICAEW membership based on their experiences.

Eligibility criteria of this membership scheme are a series of questions which assess ICAB Member's experience, achievements, skills and expertise. Each application must be supported by an eligible sponsor. Applicants need to complete an Examination of Experience.

Details of ICAEW Membership Scheme is available at http://www.icaew.com/membership/becoming-a-member/members-of-other-bodies/campaigns/pathways-to-membership.

ICAB signed it's first Memorandum of Understanding (MoU) with the Institute of Chartered Accountants in England and Wales (ICAEW) in 2009. Since them, ICAB has been working with ICAEW as the learning and professional development partner, and also recognized as an approved tuition provider of ICAEW.

As per MoU, ICAB Members can be the members of ICAEW after successful completion of 04 papers out of 15. These members have the opportunity to apply for UK Practicing Certificate (PC) subject to meeting the standard ICAEW PC requirement.

Recognition of ICAB Membership by CIPFA, UK

Members of the Institute of Chartered Accountants of Bangladesh (ICAB) are eligible to apply for membership of the Chartered Institute of Public Finance and Accountancy (CIPFA), a globally recognised membership body for the public sector.

An MoU between ICAB and CIPFA, UK was signed on 28 January 2017. Under this MoU, an ICAB member can also become a members of CIPFA subject to fulfillment of certain criteria.

An ICAB Member with good standing having five or more years post-qualification public sector experience are eligible for Full Membership of CIPFA as Chartered Public Finance Accountant (CIPFA) and the members having fewer than five years post-qualification public sector experience are eligible as Affiliate member of CIPFA (CIPFA Affiliat).

ICAB members having CIPFA Affiliate membership, or having no working experience in public sector can gain CIPFA status with the successful completion of exams of only two papers i.e. Public Sector Financial Reporting and Strategic Public Finance.

Membership through Chartered Accountants Australia & New Zealand (CA ANZ) International Pathway Program (IPP)

The Institute of Chartered Accountants of Bangladesh (ICAB) signed an MoU with the Chartered Accountants Australia & New Zealand (CA ANZ). Under this, ICAB members living in Australia or New Zealand having five years post qualification experience at anywhere will be eligible to be member of CA ANZ after successful completion of CA ANZ International Pathway Program (IPP).

There will be no requirement of passing CA ANZ general route examinations by eligible ICAB members as their International Pathway Program (IPP) workshop through case studies would examine the contemporary Australasian business, accounting and finance environment relevant for members of ICAB. On the other hand, CA ANZ members can also be members of ICAB subject to having Bangladeshi citizenship and other requirements as prescribed by ICAB Bye-laws.

Membership of the International Valuation Standards Council (IVSC)

Efforts are underway for ICAB to Become a member of the International Valuation Standards Council (IVSC). This would create an opportunity for the members of ICAB to involve in the valuation process of local and foreign investment in Bangladesh.

This would allow Chartered Accountants to put up their highly essential services and play positive roles in attracting foreign investment. With regard to this, ICAB has already conducted a Members Conference. More so, a virtual meeting with the CEO of IVSC was held on 8 June 2021 where the IVSC proposed ICAB to become member of IVSC on pro-rata basis.

Other Memberships

ICAB is an active member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants(CAPA) and South Asian Federation of Accountants (SAFA). ICAB is also an associate member of Chartered Accountants Worldwide (CAW).