

# 315. 2064-5941-1-SM artikel masuk

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**42,999**

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**576**

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**26 min 55 sec**reading  
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time

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**373**

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## Writing Issues

### 111 Engagement

111 Word choice 

### 193 Correctness


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14 Comma misuse within clauses 

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84 Determiner use (a/an/the/this, etc.) 


32 Punctuation in compound/complex sentences 

5 Faulty subject-verb agreement 

1 Misplaced words or phrases 

1 Pronoun use 

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1 Conditional sentences 

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34 Passive voice misuse 

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## Word Length

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**11.7**

Measures average sentence length

words per sentence

# 315. 2064-5941-1-SM artikel masuk

1

Divergence Within IFRS Adoption: The Case of Depreciation Practices of Listed Banks in Bangladesh

Mezbah<sup>1</sup> Uddin Ahmed

mezbah@isra.my

International Shari'ah Research Academy for Islamic Finance (ISRA), Kuala Lumpur, Malaysia

Abstract

Comparability is one of the qualitative characteristics of financial statements that are prepared<sup>2</sup> in compliance with the International Financial Reporting Standards (IFRS). The objective of this research is to identify whether this qualitative characteristic can be negated<sup>3</sup> even when entities apply IFRS. In achieving the research objective, the depreciation policies adopted by the listed banks in Bangladesh are identified<sup>4</sup> and compared with each other. This research finds that despite increasing<sup>5</sup> effort by accounting standard setters and pressure groups to achieve IFRS-compliance and harmonization in accounting practices, non-compliance and divergence still exists. This research also finds that the divergence<sup>6</sup> in depreciation practices can be of enough significance to negate comparability. The findings of this research expected to assist the international and national standard setters as well as

the regulators in understanding the practical issues in implementing  
accounting standards and developing clearer IFRS implementation guidelines.

Keywords: Financial reporting, IFRS, accounting policy, depreciation, Bangladesh.

JEL Classification: M41, G38, L15

## INTRODUCTION

The International Accounting Standards Board (IASB) has identified comparability as an enhancing qualitative characteristic of financial reporting. This can be attained if reporting entities adopt accounting policies that are not distant when transactions are similar. Comparability enhances usefulness of financial statements as it endows the users to identify and understand similarities in and dissimilarities among the reported amounts (Conceptual Framework, 2018).

In contrast, divergence in accounting practices increases the user's confusion and result misinterpretation of the reported amounts. This was the case during the Great Crash of 1929, which ensue the formation of regulators and accounting standard setters who insists on comparability of financial statements (Zeff, 2005). The International Accounting Standards Committee (IASC), predecessor of the IASB, was born in 1973 with the primary goal of generating a single set of international accounting standards, keeping in mind the cross-sectional comparability of financial statements in the facilitation of decision making (Krivogorsky, 2011). Perhaps with same motivation, i.e. to ensure comparability between financial statement line items, Section 38 of

Bangladesh Banks Act 1991 compels banks in Bangladesh to prepare financial statements in concurrence with the financial reporting format as laid down in the "first schedule" of the same Act.

To enhance comparability and credibility of the audited financial statements by overcoming divergences and by harmonizing accounting and auditing practices, the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted the accounting standards as issued by the IASB (Chowdhury, 2013). Banks listed with any of the two stock exchanges in Bangladesh shall prepare their financial statements in accordance with<sup>21</sup> IFRS as required by Rule 12(2) of Bangladesh Securities and Exchange Rules, 1987 (IFRS Foundation, 2016).

Nonetheless, despite developing and requiring IFRS standards to achieve comparability, some flexibilities are given within the IFRS standards. For instance, depreciation is one of the key<sup>22</sup> areas of financial reporting<sup>23</sup> where IFRS allows management of the reporting entities to apply significant judgment. After initial recognition of a tangible or intangible non-current asset, estimation of three factors: asset's pattern of use, useful life, and residual value determines the amount of depreciation to be charged over an asset's useful life. Longer useful life and higher residual value estimation decrease the periodical amount of depreciation<sup>24</sup> in comparison to shorter useful life and lower residual value estimation. Different estimations<sup>25</sup> on pattern<sup>26</sup> of use nominate different depreciation methods and, therefore, depreciate assets at different rates and patterns.<sup>27</sup>

There is a risk of earnings management when managers use judgment in financial reporting (KPMG, 2016). The room for management's judgment<sup>28</sup> in determining asset's useful life, residual value, and pattern of use may result reporting<sup>29</sup> entities to adopt depreciation policies that are in divergence and lacks comparability, even when the industry and the asset type are similar. This<sup>3</sup>

may also give room for deliberate misstatement as it was the case in Waste Management, Inc (US Securities and Exchange Commission, 2002).

This research identifies and evaluates the depreciation policies adopted by the listed banks in Bangladesh—an emerging economy that mandatorily applies IFRS for financial reporting of listed entities. This research establishes whether the depreciation policies of these banks meet IFRS requirements<sup>31</sup>, and whether the depreciation rates and useful lives of different classes of assets are in comparability across entities of the same industry.

## METHODS

This research is based<sup>32</sup> on content analysis of audited financial statements of thirty listed banks in Bangladesh. The research<sup>33</sup> first summarizes IFRS requirements for depreciating tangible and intangible non-current assets. It then reflects those requirements on depreciation policies adopted by the banks. Audited financial statements for the year-ending 31 December 2018 are<sup>34</sup> used to excerpt the depreciation policies.

The limitation of this research is that it could not quantify the monetary mismatch resulting from the differences in depreciation policies due to the absence of sufficient information in the financial statements.

## ANALYSIS OF ACCOUNTING STANDARDS

### 3.1 Depreciation concept

Depreciation is a non-cash expense that is recognized by the reporting entities in their Statement of Profit or Loss for assets that are expected to be used for more than one period and have a finite useful life (IAS 16: 6, 58; IAS 38: 8, 89). In

accrual accounting, when the economic benefits of an outlay are expected<sup>35</sup> to arise over a number of<sup>36</sup> periods, the outlay amount is allocated in the Statement of Profit or Loss over those periods on a systematic and rational basis (Conceptual Framework: Para 4.51, 2018). Depreciation designates this systematic and rational<sup>37</sup> basis of cost allocation that reflects the pattern of economic benefits consumed from the asset (Kieso, Weygandt, & Warfield, 2013).

Depreciation is a cost allocation process, not an asset valuation process. Depreciation<sup>38</sup> is not a technique that measures decline<sup>39</sup> in the market value of a tangible or intangible non-current asset. It is also not a process that periodically sets aside an amount of cash to replace assets as they wear out. Depreciation does, however, reduce the carrying value of assets, but not to reflect their market values. This<sup>40</sup> is justified in financial reporting because depreciation<sup>41</sup> is required<sup>42</sup> for those assets which are primarily held not for sale but for<sup>43</sup> entity's own<sup>44</sup> use<sup>45</sup> (IFRS 5: 1, 6). Revaluation, not depreciation, is the technique that allows reporting entities to adjust carrying value of assets to reflect to<sup>46</sup> their fair value<sup>47</sup>, if they materially differ (IAS 16: 34, IAS 38:75).

### 3.2 Relevant accounting standards

IAS 16 Property, plant and equipment prescribe the accounting treatment of tangible non-current assets that are held for use by a reporting entity in the production or supply of goods or services, or for<sup>48</sup> rental to others, or for<sup>49</sup> administrative purposes (IAS 16: 6). Determination of depreciation charges after the initial recognition of within scope assets is one of the principal issues covered by this standard.

The current version of IAS 16 was revised in December 2003 as part of the IASB's project on Improvements to International Accounting Standards. The



improvement project was undertaken<sup>50</sup> due to queries and criticisms raised by securities regulators, professional accountants, and other international parties. One of the objectives of the project was to reduce or eliminate alternatives, redundancies and<sup>51</sup> conflicts within the standards (IAS 16: IN2). The revision resulted<sup>52</sup> clarification in requirements related to depreciable amount calculation (IAS 16: IN11),<sup>53</sup> and depreciation period identification (IAS 16: IN12). IFRS-based reporting entities are required to apply the requirements of the revised IAS 16 from period<sup>54</sup> beginning or after 1 January 2005 (IAS 16: IN1). ICAB adopted this standard as BAS 16 with effective<sup>55</sup> date on or after 1 January 2007 (Hussain Farhad & Co., 2013).

IAS 38 Intangible assets prescribe accounting for identifiable non-monetary assets that do not have physical substance (IAS 38: 8). Financial assets and assets that are within scope<sup>56</sup> of another standard are not covered<sup>57</sup> by this standard (IAS 38: 2).

Assets that contain both tangible and intangible elements need to be depreciated together or separately either based on IAS 16 or based on IAS 38 depending on management's judgment of which element<sup>58</sup> is more significant and if the two elements<sup>59</sup> are separable. For example, operating software of an ATM machine<sup>60</sup> is more appropriately depreciated in conjunction with the tangible element<sup>61</sup> and following IAS 16 requirements as, in the complete<sup>62</sup> asset, the tangible element<sup>63</sup> is more significant than the intangible element, and the former cannot be operated<sup>65</sup> without the latter. If software<sup>66</sup> is not an integral part of related hardware, for example<sup>67</sup>: enterprise resource management software, then the software is more appropriately depreciated as a separate intangible asset following IAS 38 requirements (IAS 38: 4).

The current version of IAS 38 includes a number of<sup>68</sup> changes from the previous, including requirements related to determination<sup>69</sup> of intangible asset's useful life

(IAS 38: IN9, IN10). The revised version is compulsory for IFRS based reporting entities from period<sup>70</sup> beginning or after 31 March 2004 (IAS 38: IN1). ICAB adopted IAS 38 as BAS 38 with effective<sup>71</sup> date on or after 1 January 2005 (Hussain Farhad & Co., 2013).

### 3.3 Determining the useful life

The useful life of an asset is the period over which the asset is expected<sup>72</sup> to be available for use by the entity (IAS 16: 6, IAS 38: 8). It is not compulsory for a reporting entity to hold<sup>73</sup> an asset until the end of its usable economic life.

Management may adopt a policy to use only relatively new assets and replace assets after using only a portion of their economic usable<sup>74</sup> lives<sup>75</sup>. In such a case, where the useful life is shorter than the usable life (IAS 16: 57), reporting entities are required<sup>76</sup> to depreciate assets in terms of their usefulness to the entity<sup>77</sup>, not in terms of total usable lives.

Management of the reporting entities needs to apply careful judgment when estimating the useful life of an asset. However, they cannot apply the prudence concept as an excuse to depreciate assets over a shorter useful life even though they intend to use the asset for a longer<sup>78</sup> period. Prudence concept does not allow deliberate overstatement of expense or loss and understatement of profit (Conceptual Framework: Para 37, 2018).

Tangible non-current assets normally<sup>79</sup> have a finite useful life, except land. The factors which limit their useful<sup>80</sup> lives<sup>81</sup> include: physical wear and tear, deterioration and decay, damage or destruction, and obsolescence (Benedict & Elliott, 2008; Subramanyam, 2014; and Kimmel, Weygandt, & Kieso, 2015).

Wear and tear resulting from continuing use of the tangible<sup>82</sup> assets, whereas deterioration and decay occurs<sup>83</sup> because of aging even when they are not in use. A tangible<sup>84</sup> asset can become obsolete because of altered business

requirements or technological progress <sup>85</sup> which limits the asset from producing sufficient returns to justify its continued use. An intangible asset can also become obsolete.

Terms of <sup>86</sup> contract may limit the useful life of an asset. A license may have a limited useful <sup>87</sup> life because it is granted only for <sup>88</sup> a number of years. Previously IAS 38 required reporting entities to assume a finite <sup>89</sup> useful life for intangible assets of not more than twenty years from the date of the asset is available for use. However, in the revised <sup>90</sup> standard this requirement has been lifted (IAS 38: IN9).

Terms of contract may cap useful life of finance lease assets (Fargher et al., 2008 and Benedict & Elliott, 2008). IAS 17 Leases require finance lease assets to be depreciated by the lessee over the shorter of the lease term and its useful life if there is no reasonable certainty that the lessee will obtain ownership of the asset at the end of the lease term. If the reasonable certainty of ownership exists, the lessee is required to depreciate its finance leased assets, applying the same policy as for its owned assets (IAS 17: 27).

In <sup>91</sup> case of land, usefulness does not decline instead increases as good sites become scarce over time (Kimmel, Weygandt, & Kieso, 2015). Thus, other than <sup>92,93</sup> a few exceptions (where the fertility of the land diminishes over time), land is <sup>94</sup> classified as non-depreciable asset even when acquired in conjunction with a <sup>95</sup> building. <sup>96</sup> If land and building acquired together, <sup>97</sup> building is depreciated <sup>98</sup> separately (IAS 16: 58). <sup>99</sup> An increase in value <sup>100</sup> of land does not excuse depreciation charges for building (IAS 16: 58).

### 3.4 Depreciation commencement and cessation

The previous version of IAS 16 did not specify when an entity shall begin depreciating its assets (IAS 16: IN12); however, the revised IAS 16 clarifies the

issue by specifying that depreciation begins when an asset is in the location and condition necessary for it to be capable of operating in the manner intended by management, i.e., when the asset is ready to use (IAS 16: 55; IAS 38: 97).<sup>101</sup> Recognition of depreciation expense continues even if the asset's fair value exceeds the carrying amount (IAS 16: 58).

Repairs and maintenance are necessary to maintain tangible asset's expected performance, but this does not exempt an asset from being depreciated (IAS 16: 52).

Depreciation ceases when the asset is disposed of or sold by the entity, or when the entity decides to recover asset's carrying value principally through a sale and classifies the asset as held for sale as per the criteria set by IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations (IAS 16: 55, IAS 38: 97).<sup>102</sup><sup>103</sup>

Assets are to be depreciated based on their service potential, not actual use (IAS 16 BC: 31). Thus, depreciation does not cease if the entity puts the asset into idle or retires it from active use,<sup>104</sup> unless the asset already been fully depreciated (IAS 16: 55, IAS 38: 117).

### 3.5 Residual value

Residual value is the amount that the reporting entity currently would obtain from the disposal of the asset, after deducting the estimated costs of disposal,<sup>105</sup> as if the asset already were of the age at the end of its useful life (IAS 16: 6). Thus, the residual value estimation reflects current market condition, not future.<sup>107</sup>

The residual value depends on the asset retirement policy of the reporting entities. If an entity<sup>108</sup> uses an asset until the end of its useful economic life, i.e.<sup>109</sup> until the asset is physically exhausted, then the residual value can be

insignificant or nil. If, however, the entity disposes<sup>110</sup> its assets after using only a portion of its useful economic life, then the asset will have a higher residual value.

At the end of asset's<sup>111</sup> useful life, i.e.<sup>112</sup> at the point when the asset is fully<sup>113</sup> depreciated, the net book value of the asset will be equal to its residual value.

### 3.6 Depreciation methods

The two most common depreciation methods applied by reporting entities are: (1) the straight-line method, and (2) the reducing (diminishing) balance method.

Different methods<sup>114</sup> allow reporting entities to depreciate assets at different rates even<sup>115</sup> when asset's useful life and the depreciable amount are same.<sup>116</sup>

IAS 16 or IAS 38 do not restrict reporting entities to adopt any specific depreciation method for any particular class of assets. The standards also do not require a reporting entity to apply a single depreciation method for all of the depreciable assets. IFRSs do<sup>117</sup> however, require reporting entities to apply<sup>118</sup> depreciation method that reflects the pattern in which the asset's future economic benefits are expected<sup>119</sup> to be consumed by the entity<sup>120</sup> (IAS 16: 62; IAS 38: 97).

If an entity cannot reliably determine the expected pattern of economic benefits that to be consumed<sup>121</sup> from a depreciable intangible asset, IAS 38 dictates the use of straight-line<sup>122</sup> method for that asset (IAS 38: 97).

#### 3.6.1. Straight line<sup>123</sup> method

The straight-line method spreads an equal amount of depreciation expense over asset's<sup>124</sup> useful life. The asset is equally useful<sup>125</sup> during the periods of its useful life is the simple rationale for selecting this method. Kieso, Weygandt, & Warfield (2013) and Hoggett et al. (2012) identified the straight-line method as the most commonly used depreciation method. Kimmel, Weygandt, & Kieso

(2015) stated, for 83% of the 600 US largest companies<sup>126</sup> this method is the primary method of depreciation. Revsine et al<sup>127</sup> (2012) referred to the 2009 AICPA survey that found 99% of US companies use the straight-line method at least<sup>128</sup> for some of the assets. Wild (2013) stated, 87% of companies use this method for plant assets. Subramanyam (2014) stated<sup>129</sup>, 85% of publicly traded companies applies the straight line<sup>130 131</sup> method. Weetman (2011) stated<sup>132</sup>, most UK companies use straight-line<sup>133</sup> method.

Management of a reporting entity may prefer straight line<sup>134 135</sup> method as it allows recognition of a stable depreciation expense over the asset's useful life, therefore avoids causing any overwhelming fluctuations in reported profits. Depreciation applying using this method is also easier to calculate and administer. A newly established company or the one which recently invested heavily in non-current assets may prefer straight-line<sup>136</sup> method as this helps to avoid high depreciation charges, i.e.<sup>137</sup> a profit dip, in the beginning<sup>138</sup> years of asset's<sup>139</sup> useful life.

In the straight-line method, the depreciation charge for the year calculated as<sup>140</sup> depreciable amount (D) of an asset divided by its estimated useful life (n). Depreciable amount (D) is calculated<sup>141</sup> by deducting the residual value (R) from the capitalized amount (C) (IAS 16: 6). Figure 1 illustrates calculation of<sup>142</sup> periodic<sup>143</sup> depreciation charge applying the straight-line method.

Figure 1 Calculation of periodic depreciation charge in straight line<sup>144</sup> method

Periodic depreciation charge (amount),

Periodic depreciation charge (rate),

Where,

D = Depreciable amount R = Residual value

C = Capitalized amount n = Useful life

Source: Author's own.

### 3.6.2. Reducing balance method

In reducing balance method, depreciation expense reduces as asset<sup>145</sup> gets older. This method is appropriate for those assets from which the economic benefits expected to be consumed<sup>146</sup> gradually<sup>147</sup> reduces<sup>148</sup> as the asset advances to latter<sup>149</sup> years. This<sup>150,151</sup> is largely based on the assumption that asset's efficiency, output, or other benefits reduce over the periods, i.e., the asset suffers its greater<sup>152</sup> loss of service in the earlier years (Fargher et al., 2008).

In the early years of an asset, reducing balance basis depreciation will be higher than straight-line basis depreciation, but in later years, it will be lesser than straight-line (Kieso, Weygandt, & Warfield, 2013 and Kimmel, Weygandt, & Kieso, 2015). This method is sometimes referred to as a conservative accounting policy as it results<sup>153</sup> lower net profit in the early years of asset use (Robinson et al., 2009).

Expenses that follow a downward trend and profit that follow an upward trend are generally favored by management as<sup>154</sup> this indicates a progressing business performance (Carruth, 2011). As this is the case in reducing balance method, this may influence the management<sup>155</sup> of the reporting entities to prefer reducing balance method over the straight-line method. However, only 4% of the US largest 600 companies apply reducing<sup>156,157</sup> balance method as the primary method of depreciation (Kimmel, Weygandt, & Kieso, 2015). A 2009 AICPA survey shows that 7% of US companies use reducing balance methods at<sup>158</sup> least for some of the assets (Revsine et al., 2012). According to Wild (2013), 4% of the companies use this method for plant assets. Subramanyam (2014) stated that 10% of the publicly traded companies apply reducing<sup>159</sup> balance method.

In some tax jurisdictions reporting entities could <sup>160</sup>be required to recognize <sup>1</sup>same amount of depreciation for both accounting profit and tax profit calculations. <sup>162</sup>This may encourage the management of the reporting entities in such jurisdictions to adopt <sup>163</sup>reducing balance basis as this allows recognition of <sup>164</sup>higher deductible expense and lower tax at the beginning years of an asset's useful life. However, <sup>165</sup>National Board of Revenue (NBR) or any other regulatory body in Bangladesh does not require such uniformity in tax and financial reporting.

Depreciation charge using reducing balance method <sup>166</sup>is calculated by multiplying the depreciation rate (r) with <sup>167</sup>opening net book value (V0) of an asset. Opening net book value (V0) <sup>168</sup>calculated as: capitalized amount (C) of asset less accumulated depreciation to the current period beginning. Figure 2 illustrates <sup>169</sup>calculation of periodic depreciation charge applying the reducing balance method.

Figure 2 Calculation of periodic depreciation charge in reducing balance method

<sup>170</sup>Periodic depreciation charge (amount),

<sup>171</sup>Periodic depreciation charge (rate),

Useful life, n =

Where,

V0 = Opening net book value

C = Capitalized amount R = Residual value (R > 0)

Source: Author's own.



Repair and maintenance costs of tangible non-current assets generally increase as they age. Kieso, Weygandt, & Warfield (2013) and Hoggett et al (2012) presented an argument that reducing balance method allows entities to report an approximate straight line of total ownership costs for holding an asset in combination of decreasing depreciation expense and increasing repair and maintenance cost, therefore, equalizing total periodical expense for the asset. But, as Figure 3 illustrates, in reducing balance method an approximate straight line of total ownership cost is only likely if there is a drastic increase in repair and maintenance cost from the early stage of asset's useful life. Such increase in repair and maintenance costs can challenge the viability of continuation of an asset and thus nullifies the equalizing total ownership costs argument. This argument also misses the point that the cost of repair and maintenance is part of the recurrent expense while the depreciation is an allocation of the capitalized amount of an asset. IFRSs nowhere referred application of this assumption.

Figure 3 Total ownership cost

It is assumed that cost of the asset is CU 100, residual value is CU 1, useful life is 40 years, depreciation rate is 10.87% and total ownership cost is CU 12.

Source: Author's own

#### 4. RESEARCH FINDINGS

The findings of this research are primarily of twofold: (i) divergence in the determination of assets' useful lives, and (i) divergence in depreciation commence and cessation policies. The following discussion covers the findings in detail.

#### 4.1 Useful life of assets

Based on disclosures made in the financial statements by the banks in Bangladesh, depreciable freehold non-current assets can <sup>188</sup>be classified into six categories: (i) Buildings; (ii) Furniture and fixtures; (iii) IT and office equipment; (iv) Intangible assets; (v) Motor vehicles; (vi) Book and publications.

##### 4.1.1. Buildings

As highlighted in Table 1, out of the thirty banks, 29 disclosed depreciation rates for buildings. The <sup>189</sup>disclosed <sup>190</sup>rates range from 2.25% in reducing <sup>191</sup>balance method to 20% in <sup>192</sup>straight-line method, which results in five years to 200+ years of useful life. This research excludes leasehold properties as the useful life of these assets might be capped by their lease period.

Table 1 Depreciation of buildings

Depreciation method

Depreciation rate

Years to fully depreciate

No. of banks

Straight line

2.50%

40

10

5%

20

1

5% - 20%

5 - 20

1

Reducing balance\*

2.25%

202

1

2.50%

182

14

4%

113

1

5%

90

1

No mention

1

\*For reducing balance rates, residual value assumed to be 1% of the asset's capitalized amount.

Source: Financial statements of the banks. <sup>193</sup>

One of the banks <sup>194</sup> have not disclosed any depreciation rate for buildings. Two of the banks have not recognized any depreciation expense for buildings. In the absence of any clarification, it is not clear if those banks do not own any building or do not depreciate buildings even after <sup>195</sup> owning them. Benedict & Elliott (2008) identified several excuses that can be given by entities in resisting depreciation charges for buildings. These <sup>196</sup> include, <sup>197</sup> difficulty of <sup>198</sup> identifying the cost of building as it acquired in a combination of land, <sup>199</sup> useful life of buildings is too long to estimate, and <sup>200</sup> market price of buildings appreciates. These issues <sup>201,202</sup> are dealt in IAS 16 <sup>203</sup> in sufficient clarity, which establishes that the excuses of not depreciating buildings are invalid.

#### 4.1.2. Furniture and fixtures

Furniture and fixture assets include movable assets that are not <sup>204</sup> integral part of the structure of buildings and premises. This class of assets generally excludes mechanical equipment and IT equipment.

As highlighted in Table 2, the research reveals that banks apply a wide range of rates for depreciating furniture and fixture assets that give useful lives ranging from 3 years to 44+ years.

#### Table 2 Depreciation of furniture and fixtures

Depreciation method

Depreciation rate

Years to fully depreciate

No. of banks

Straight line

10.00%

10

8

10 / 15%

10 / 6.67

1

20%

5

1

6.67 - 33.33%

3 - 15

1

Reducing balance\*

10.00%

44

13

10 / 12%

44 / 36

1

10 / 20%

44 / 21

2

10 / 40%

44 / 9

1

Straight + Reducing\*

10 / 10%

10 / 44

1

20 / 10%

5 / 44

1

\*For reducing balance rates, residual value assumed to be 1% of the asset's capitalized amount.

Source: Financial statements of the banks.<sup>205</sup>

Some of the furniture and fixtures are exposed<sup>206</sup> to significant usage, for example<sup>207</sup>: furniture used in customer service centers or in<sup>208</sup> ATM booths, so subject to faster depreciation than the furniture and fixtures used for administrative purposes. However, the research reveals that twenty-two banks did not differentiate in types or usage of the assets in this board class and applied a single rate of depreciation.

#### 4.1.3. IT and office equipment

IT and office equipment assets include electrical appliances, IT equipment, and ATM machines<sup>209</sup>. Reporting entities may also capitalize and depreciate operating software with related<sup>210</sup> tangible asset<sup>211</sup> in this class.

This class of assets probably <sup>212</sup>include the most diverse range of assets that do not have <sup>213</sup>a uniform useful life. However, as shown in Table 3, twenty-one banks applied a single rate to depreciate all of their assets in this class. The <sup>214</sup>rates used by the banks ranged from 33.33% in straight-line, which gives <sup>215</sup>useful life of 3 years, to 20% in reducing balance basis, which <sup>216</sup>gives <sup>217</sup>useful life of 21+ years.

### Table 3 Depreciation of IT and office equipment

Depreciation method

Depreciation rate

Years to fully depreciate

No. of banks

Straight line

15%

6.67

1

20.00%

5

9

12.5 / 15 / 20%

8 / 6.67 / 5

1

20 / 30%

5 / 3.33

1

20 / 33.33%

5 / 3

3

Reducing balance\*

18.00%

23

1

20%

21

10

Straight / Reducing\*

20 / 20%

5 / 21

3

25 / 20%

4 / 21

1

\*For reducing balance rates, residual value assumed to be 1% of the asset's capitalized amount.

Source: Financial statements of the banks.<sup>218</sup>

#### 4.1.4. Intangible assets



Software is the primary form of intangible assets as capitalized by banks. This class <sup>219</sup>normally represent a minor share of the assets.

Fifteen banks did not disclose any depreciation rate for software. These banks either do not capitalize expenditure for software, <sup>220</sup>i.e. recognizes the amount as an expense in the Statement of Profit or Loss as incurred, or they <sup>221</sup>recognize and depreciate the amount as part of IT equipment.

As shown <sup>222</sup>Table 4, the banks that disclosed depreciation rates for <sup>223</sup>software, <sup>224</sup>they have adopted <sup>225</sup>rates that give a useful life ranging from 3 years at 33% straight-line to 21 years at 20% <sup>226</sup>reducing balance.

#### Table 4 Depreciation of intangible assets

Depreciation method

Depreciation rate

Years to fully depreciate

No. of banks

Straight line

5%

20

1

10%

10

1

20%

5

9

20 - 33%

5 / 3

1

25%

4

1

Reducing balance\*

20%

21

2

Do not depreciate as separate asset/ No mention of rate

15

\*For reducing balance rates, residual value assumed to be 1% of the asset's capitalized amount.

Source: Financial statements of the banks.<sup>227</sup>

It is arguable if reducing balance, as adopted by two banks, is the appropriate method for depreciating software as these assets typically provide equal economic benefits over their useful lives.

#### 4.1.5. Vehicles

Assets in this class are far more straightforward than assets in previous <sup>228</sup> four classes.<sup>229</sup> As shown in Table 5, twenty-six banks applied a uniform rate for

depreciating vehicles<sup>230</sup> that is 20% in straight-line which<sup>231</sup> gives five years of useful life. Three banks applied<sup>232</sup> 20% in reducing balance that results<sup>233</sup> 21 years of useful life<sup>234</sup>.

#### Table 5 Depreciation of vehicles

Depreciation method

Depreciation rate

Years to fully depreciate

No. of banks

Straight line

20%

5

26

20 / 25%

5 / 4

1

Reducing balance\*

20%

21

3

\*For reducing balance rates, residual value assumed to be 1% of the asset's capitalized amount.

Source: Financial statements of the banks.<sup>235</sup>

#### 4.1.6. Books

Only thirteen banks depreciate books as a separate class of assets <sup>236</sup> even though the amount represents an insignificant portion of the total of tangible and intangible non-current assets. The depreciation rates adopted by the banks do not show any uniformity in <sup>237</sup> rates or useful lives. As shown in Table 6, The <sup>238</sup> rates <sup>239</sup> adopted by the banks give <sup>240,241</sup> useful <sup>242</sup> life of the books ranging from 5 years to 44 years.

#### Table 6 Depreciation of books

Depreciation method

Depreciation rate

Years to fully depreciate

No. of banks

Straight line

10%

10

2

20%

5

3

Reducing balance\*

10%

44

2

20%

21

4

30%

13

2

\*For reducing balance rates, residual value assumed to be 1% of the asset's capitalized amount.

Source: Financial statements of the banks.<sup>243</sup>

#### 4.1.7. Discussion of the findings

A common observation is that the majority of the banks applied a uniform rate for depreciating their assets, however applying<sup>244</sup> two different methods, thus giving greatly<sup>245</sup> different useful lives and depreciation expenses.

2.5% applied<sup>246</sup> by 25 banks for buildings, but 11 banks applied<sup>247</sup> the rate in straight-line and 14 banks applied<sup>248</sup> in reducing balance.

10% is the most popular rate for furniture and fixture assets as disclosed by the banks. This rate is applied<sup>249</sup> by 28 banks.<sup>250</sup> However, 10<sup>251</sup> banks apply<sup>252</sup> the rate in straight-line<sup>254</sup> method and<sup>255</sup> 19 banks apply<sup>256</sup> the rate in reducing balance<sup>257</sup> method.<sup>258</sup>

One of the banks apply<sup>259,260</sup> the rate in both methods<sup>261,262</sup>.

For IT and office equipment assets, 20% is used<sup>263</sup> by almost all of the banks.

Twenty-nine banks apply<sup>264</sup> this rate<sup>265</sup>; where 17 banks use straight-line and 14 banks use reducing balance method (3 banks use both methods<sup>266</sup>).

This<sup>267</sup> may indicate management of the banks has a silent intention to be comparable with other banks, but they<sup>268</sup> differ in policies either due to misunderstanding of the effect or as part of deliberate earnings management.

Divergent in depreciation rates and asset's useful life results disparity in periodical<sup>269</sup> depreciation expenses in the Statement of Profit or Loss and in

carrying value of the assets in the Statement of Financial Position. For instance, at 2.5% in straight-line will allow an entity to fully depreciate an asset in 40 <sup>270</sup>years' time, whereas at 2.5% in reducing <sup>271</sup>balance an asset will be depreciated only 59.76% at the end of 40 years. At 2.5% reducing balance method, it will take 91 years for an asset's net book value to be equal to 10% of the capitalized amount, and 182 years to be <sup>272</sup>equal to 1% the <sup>273</sup>capitalized amount. The disparity is of similar extreme at other rates and methods. The marked area in Figure 4 <sup>274</sup>shows the difference in depreciation expense if different methods applied even if the rate is <sup>275</sup>same (2.5%). In this instance, the gap between depreciation expenses in two <sup>276</sup>methods will continue to be widening till <sup>277</sup>end of year-40. In year-40, depreciation expense in <sup>278</sup>straight-line method will be 2.69 times of the depreciation expense in reducing balance method ( $((2.5-0.93)/0.93) + 1$ ).

Figure 4 Difference in depreciation if <sup>279</sup>rate is <sup>280</sup>same

Source: Author's own.

Uniform useful life but <sup>281</sup>different method will not solve the issue of divergence. As Figure 5 illustrates, an asset if <sup>282</sup>depreciated over 40 years <sup>283</sup>but in two different <sup>284</sup>methods, the depreciation expense will still be <sup>285</sup>different.

Figure 5 Difference in depreciation if life is <sup>286</sup>same

<sup>287</sup>Source: Author's own.

## 4.2. Depreciation commencement and cessation policy

### 4.2.1. Depreciation commencement policy

Depreciation commencement policies disclosed by the listed banks in Bangladesh represent a wide array of practices. None but one <sup>288</sup>disclosed <sup>28</sup>policy <sup>290,291</sup>that is in <sup>292</sup>exactitude of IFRS <sup>293</sup>provisos; that is, <sup>294,295</sup>commencement of depreciation from the day asset is available for use.

Six banks stated that they depreciate assets from the day of <sup>294,295</sup>asset's acquisition. Five other banks disclosed that they depreciate assets from the day of asset's <sup>296</sup>"addition" which may imply they too depreciate assets from the day of asset's acquisition. In practice, entities may require a lead time to bring an asset into available for use condition after its <sup>297</sup>acquisition. Thus, the day an asset becomes available for use can be a later day than the day asset is acquired. Early commencement of depreciation charges may result in higher depreciation expense in the first year.

Depreciation from the day assets <sup>298</sup>are put into use is the policy disclosed by one bank. In this instance, the predicament is, an asset doesn't necessarily put into use on the same day it becomes available for use. The former may happen on a later day. This policy may allow a reporting entity to defer depreciation commencement of an asset.

Four banks stated that they charge full months depreciation in the month of asset's acquisition irrespective of the acquisition day in the month. One <sup>299</sup>charges <sup>300</sup>full month's <sup>301</sup>depreciation if the asset is <sup>302</sup>acquired within the first half of the month, otherwise do not charge any <sup>303</sup>depreciation in that month. Three others stated their policy is to depreciate assets from the month of <sup>304</sup>asset's acquisition, which may also imply that they charge full month's depreciation in the month of <sup>305</sup>acquisition. These policies were acceptable <sup>306</sup>prior to <sup>307</sup>revision of IAS 16 and IAS <sup>308</sup>38, but do not reflect the clarification made in the revised IFRSs. These non-compliances may <sup>309</sup>result over/understatement of depreciation expense in the first year.

Two banks disclosed that they depreciate assets from the following month of asset's acquisition<sup>309</sup>. Among them, one bank applies this policy only for its building, and furniture and fixture assets. This<sup>310</sup> can be a simplified and generalized approach of those banks to consider the lead time between asset acquisitions and available for use days. However, this may result<sup>311</sup> an<sup>312</sup> early or delayed commencement of depreciation expense<sup>313</sup>.

Full year's depreciation charged by three banks in the year of asset's acquisition, as disclosed in their financial statements.<sup>314</sup> Two among them apply<sup>315</sup> this policy only if an asset is acquired<sup>316</sup> within<sup>317</sup> first<sup>318</sup> nine months of the accounting year, otherwise do not charge any depreciation in that year. Two other banks disclosed that they depreciate assets from the year of asset's acquisition<sup>319</sup>. In absence of<sup>320</sup> further clarification, this may indicate that they also charge full year's depreciation in the year of asset's acquisition<sup>321</sup> irrespective of the acquisition day in the year. One other bank's stated policy is to depreciate mechanical<sup>322</sup>, and vehicle assets from the following year of their acquisition. These policies are farthest from that the revised IFRSs entails and likely to distort depreciation expense calculation in severity. Table 7 lists the different policies<sup>323</sup> on commencement<sup>324</sup> of depreciation charge<sup>325</sup> by the banks.

#### Table 7 Policies on commencement of depreciation

Depreciation begins:

No. of banks

From the date available for use

1

From the date<sup>326</sup> of acquisition

6

From the date<sup>327</sup> of addition



5

From the <sup>328</sup>date put into use

1

Full month's depreciation

5

From the month of acquisition

3

From the following month of acquisition

2

Full year's depreciation

3

From the year of acquisition

2

From the <sup>329</sup>following year of acquisition

1

No disclosure

2

Source: Financial statements of the banks.

#### 4.2.2. Depreciation cessation policy

Depreciation cessation policies are not as diverse or as ambiguous as it is in depreciation commencement policies. The scope of financial statement distortion is also limited in this case as consequences of departures from IFRS stipulations <sup>330</sup>normally are smoothed out by the recognition of disposal gain/loss in the same period. However, any <sup>331</sup>departures from IFRS stipulations may distort depreciation <sup>332</sup>expense, and disposal gain/loss line amounts reported in the financial statements.

IFRS based reporting entities are required to cease depreciation at the point of asset's disposal. <sup>333</sup> This is the stated policy of eight banks. One other bank's stated policy is to <sup>334</sup> cease depreciation <sup>335</sup> in the month of <sup>336</sup> asset's disposal. <sup>337</sup> This <sup>338</sup> may hint that they too <sup>339</sup> cease depreciation <sup>340</sup> on disposal.

Eight banks do not depreciate assets from/in the month of asset's disposal, as per their disclosure. No depreciation in the year of asset disposal is the policy adopted by five other banks. These policies are in the departure of precise IFRS requisites, which may <sup>341</sup> result understatement of depreciation expense, but overstatement of disposal gain, in the year of asset disposal. Table 8 lists the different policies on <sup>342</sup> cessation of depreciation <sup>343</sup> charge by the banks.

#### Table 8 Policies on cessation of depreciation

Depreciation ceases:

No. of banks

On disposal

8

In the month of disposal

1

At <sup>344</sup> end of <sup>345</sup> previous month of disposal

8

<sup>346</sup> In the previous year of disposal

5

No disclosure

8

Source: Financial statements of the banks.

#### 4.2.3. Discussion of the findings

<sup>347</sup> Prior to revised IAS 16, issued in 2003, IFRS based reporting entities were flexible in commencing depreciation of an asset. However, the revised IAS 16 made it clear that entities shall <sup>348</sup>commence <sup>349</sup>depreciation when an asset is available for use. Departure from this requirement represents that management of the listed banks either are not aware of the clarification made in the revised IAS 16 or they choose to continue what they have been doing previously.

## 5. CONCLUSION AND RECOMMENDATIONS

While adopting a depreciation policy for an asset, banks cannot ignore the reality of an asset's use pattern just because it might make a dent in the bank's reported profit or will not help to report desired financial performance. The concept of prudence does not also justify <sup>350</sup>deliberate understatement of asset values by making prompt depreciation.

The IASB has adopted <sup>351</sup>principles-based approach rather than <sup>352</sup>rules-based approach in establishing its accounting standards. Hence, in IFRS based reporting <sup>353</sup>environment a <sup>354</sup>greater degree of professional judgment is required. Though it may not practical for the IASB to suggest any specific useful life or <sup>355</sup>depreciation method for a particular class of asset as it can greatly vary based on geographical location and economic condition of a jurisdiction, the national accounting standard setters or the regulators can assume this responsibility as they are more aware of the business model in their jurisdiction <sup>356 357</sup>. However, the IASB can include financial reporting consequences of available alternatives to clarify the effect of each <sup>358</sup>alternative.

<sup>359</sup>Banking sector in Bangladesh can be considered <sup>360</sup>as <sup>361</sup>lot younger than many of the established economies. <sup>362</sup>This indicates <sup>363</sup>accounting policies of many yet to be shaped <sup>364</sup>into proper, and efforts to <sup>365</sup>be made towards standardization of the

accounting policies. For individual banks<sup>366</sup> it may not be possible to coordinate or influence other banks to come up with uniform or relatively similar depreciation policies in depreciating similar<sup>367</sup> class of assets. The Central Bank as<sup>368</sup> the primary regulator of the banks<sup>369</sup> can advise banks what shall be the ideal depreciation rate and useful life for a particular type of asset.

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1.	<del>Mezbah</del> → Mesbah	Misspelled Words	Correctness
2.	<i>are prepared</i>	Passive Voice Misuse	Clarity
3.	<i>be negated</i>	Passive Voice Misuse	Clarity
4.	<i>are identified</i>	Passive Voice Misuse	Clarity
5.	an increasing, or the increasing	Determiner Use (a/an/the/this, etc.)	Correctness
6.	<del>divergence</del> → change, difference, alteration, discrepancy	Word Choice	Engagement
7.	<del>clearer</del> → more explicit, more precise	Word Choice	Engagement
8.	<i>The findings of this research expected to assist the international and national standard setters as well as the regulators in understanding the practical issues in implementing accounting standards and developing clearer IFRS implementation guidelines.</i>	Incomplete Sentences	Correctness
9.	<i>This</i>	Intricate Text	Clarity
10.	<i>be attained</i>	Passive Voice Misuse	Clarity
11.	the usefulness	Determiner Use (a/an/the/this, etc.)	Correctness
12.	<i>Comparability enhances usefulness of financial statements as it endows the users to identify and understand similarities in and dissimilarities among the reported amounts (Conceptual Framework, 2018).</i>	Hard-to-read text	Clarity
13.	in misinterpretation	Wrong or Missing Prepositions	Correctness
14.	<i>This</i>	Intricate Text	Clarity
15.	<del>ensue</del> → ensure	Confused Words	Correctness

16.	the comparability	Determiner Use (a/an/the/this, etc.)	Correctness
17.	the predecessor, or a predecessor	Determiner Use (a/an/the/this, etc.)	Correctness
18.	the same	Determiner Use (a/an/the/this, etc.)	Correctness
19.	same → some	Confused Words	Correctness
20.	i.e.,	Comma Misuse within Clauses	Correctness
21.	in accordance with → by, following, per, under	Wordy Sentences	Clarity
22.	key → critical	Word Choice	Engagement
23.	reporting,	Punctuation in Compound/Complex Sentences	Correctness
24.	depreciation → reduction, discount, shrinkage	Word Choice	Engagement
25.	estimations → opinions, evaluations, estimates	Word Choice	Engagement
26.	the pattern, or a pattern	Determiner Use (a/an/the/this, etc.)	Correctness
27.	patterns → trends	Word Choice	Engagement
28.	judgment → discretion, experience	Word Choice	Engagement
29.	in reporting	Wrong or Missing Prepositions	Correctness
30.	This	Intricate Text	Clarity
31.	requirements,	Comma Misuse within Clauses	Correctness
32.	is based	Passive Voice Misuse	Clarity



33.	<del>research</del> → study	Word Choice	Engagement
34.	are used	Passive Voice Misuse	Clarity
35.	are expected	Passive Voice Misuse	Clarity
36.	<del>a number of</del> → several, some, many	Wordy Sentences	Clarity
37.	<del>rational</del> → logical	Word Choice	Engagement
38.	<del>Depreciation</del> → Discount, Reduction, Shrinkage	Word Choice	Engagement
39.	the decline	Determiner Use (a/an/the/this, etc.)	Correctness
40.	This	Intricate Text	Clarity
41.	<del>depreciation</del> → discount, reduction, repayment, amortization	Word Choice	Engagement
42.	is required	Passive Voice Misuse	Clarity
43.	for	Wordy Sentences	Clarity
44.	the entity's, or an entity's	Determiner Use (a/an/the/this, etc.)	Correctness
45.	own	Wordy Sentences	Clarity
46.	to	Wrong or Missing Prepositions	Correctness
47.	value,	Punctuation in Compound/Complex Sentences	Correctness
48.	for	Wordy Sentences	Clarity

49.	<del>for</del>	Wordy Sentences	Clarity
50.	<i>was undertaken</i>	Passive Voice Misuse	Clarity
51.	, and	Comma Misuse within Clauses	Correctness
52.	resulted in	Wrong or Missing Prepositions	Correctness
53.	),	Punctuation in Compound/Complex Sentences	Correctness
54.	the period	Determiner Use (a/an/the/this, etc.)	Correctness
55.	an effective	Determiner Use (a/an/the/this, etc.)	Correctness
56.	the scope	Determiner Use (a/an/the/this, etc.)	Correctness
57.	<i>are not covered</i>	Passive Voice Misuse	Clarity
58.	<del>element</del> → part, item	Word Choice	Engagement
59.	<del>elements</del> → parts, components	Word Choice	Engagement
60.	<del>ATM machine</del> → ATM	Wordy Sentences	Clarity
61.	<del>element</del> → item, part	Word Choice	Engagement
62.	<del>complete</del> → total	Word Choice	Engagement
63.	<del>tangible</del> → physical, visible, real, actual	Word Choice	Engagement
64.	<del>element</del> → item, factor, portion	Word Choice	Engagement
65.	<i>be operated</i>	Passive Voice Misuse	Clarity
66.	the software	Determiner Use (a/an/the/this, etc.)	Correctness

67.	<del>example:</del>	Misuse of Semicolons, Quotation Marks, etc.	Correctness
68.	<del>a number of</del> → several, some, many	Wordy Sentences	Clarity
69.	the determination	Determiner Use (a/an/the/this, etc.)	Correctness
70.	the period	Determiner Use (a/an/the/this, etc.)	Correctness
71.	an effective	Determiner Use (a/an/the/this, etc.)	Correctness
72.	is expected	Passive Voice Misuse	Clarity
73.	A reporting entity doesn't need to hold	Wordy Sentences	Clarity
74.	<del>economic</del> → financial	Word Choice	Engagement
75.	<del>economic usable</del> → usable economic	Misplaced Words or Phrases	Correctness
76.	are required	Passive Voice Misuse	Clarity
77.	<del>entity</del> → body, existence, object, substance	Word Choice	Engagement
78.	<del>longer</del> → more extended	Word Choice	Engagement
79.	<del>normally</del> → usually, typically	Word Choice	Engagement
80.	<del>useful</del> → meaningful	Word Choice	Engagement
81.	<del>include:</del>	Misuse of Semicolons, Quotation Marks, etc.	Correctness
82.	<del>the</del> tangible	Determiner Use (a/an/the/this, etc.)	Correctness
83.	<del>occure</del> → occur	Faulty Subject-Verb Agreement	Correctness
84.	<del>tangible</del> → real, definite	Word Choice	Engagement

85.	, which	Punctuation in Compound/Complex Sentences	Correctness
86.	the contract, or a contract	Determiner Use (a/an/the/this, etc.)	Correctness
87.	life → experience	Word Choice	Engagement
88.	a number of → several, some, many	Wordy Sentences	Clarity
89.	useful → helpful	Word Choice	Engagement
90.	standard,	Punctuation in Compound/Complex Sentences	Correctness
91.	the case	Determiner Use (a/an/the/this, etc.)	Correctness
92.	land → property	Word Choice	Engagement
93.	the land	Determiner Use (a/an/the/this, etc.)	Correctness
94.	a non-depreciable	Determiner Use (a/an/the/this, etc.)	Correctness
95.	<i>Thus, other than a few exceptions (where the fertility of the land diminishes over time), land is classified as non-depreciable asset even when acquired in conjunction with a building.</i>	Wordy Sentences	Clarity
96.	acquired → purchased, bought	Word Choice	Engagement
97.	the building	Determiner Use (a/an/the/this, etc.)	Correctness
98.	is depreciated	Passive Voice Misuse	Clarity
99.	the value	Determiner Use (a/an/the/this, etc.)	Correctness

100.	<del>land</del> → property	Word Choice	Engagement
101.	<i>The previous version of IAS 16 did not specify when an entity shall begin depreciating its assets (IAS 16: IN12); however, the revised IAS 16 clarifies the issue by specifying that depreciation begins when an asset is in the location and condition necessary for it to be capable of operating in the ...</i>	Hard-to-read text	Clarity
102.	<del>entity</del> → body, object	Word Choice	Engagement
103.	<i>Depreciation ceases when the asset is disposed of or sold by the entity, or when the entity decides to recover asset's carrying value principally through a sale and classifies the asset as held for sale as per the criteria set by IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations (...)</i>	Hard-to-read text	Clarity
104.	use,	Punctuation in Compound/Complex Sentences	Correctness
105.	<del>disposal</del> → destruction	Word Choice	Engagement
106.	the current	Determiner Use (a/an/the/this, etc.)	Correctness
107.	the future	Determiner Use (a/an/the/this, etc.)	Correctness
108.	<del>an entity</del> → an object, a body	Word Choice	Engagement
109.	i.e.,	Comma Misuse within Clauses	Correctness
110.	disposes of	Wrong or Missing Prepositions	Correctness
111.	the asset's, or an asset's	Determiner Use (a/an/the/this, etc.)	Correctness
112.	i.e.,	Comma Misuse within Clauses	Correctness

113.	<i>is fully depreciated</i>	Passive Voice Misuse	Clarity
114.	<del>methods</del> → <i>modes, ways</i>	Word Choice	Engagement
115.	<i>, even</i>	Punctuation in Compound/Complex Sentences	Correctness
116.	<i>the same</i>	Determiner Use (a/an/the/this, etc.)	Correctness
117.	<i>, however</i>	Comma Misuse within Clauses	Correctness
118.	<del>apply</del> → <i>use</i>	Word Choice	Engagement
119.	<i>are expected</i>	Passive Voice Misuse	Clarity
120.	<del>entity</del> → <i>body, object</i>	Word Choice	Engagement
121.	<i>be consumed</i>	Passive Voice Misuse	Clarity
122.	<i>the straight-line, or a straight-line</i>	Determiner Use (a/an/the/this, etc.)	Correctness
123.	<del>Straight line</del> → <i>Straight-line</i>	Misspelled Words	Correctness
124.	<i>the asset's, or an asset's</i>	Determiner Use (a/an/the/this, etc.)	Correctness
125.	<del>useful</del> → <i>helpful</i>	Word Choice	Engagement
126.	<i>companies,</i>	Punctuation in Compound/Complex Sentences	Correctness
127.	<del>et al.</del> → <i>et al.</i>	Comma Misuse within Clauses	Correctness
128.	<i>, at</i>	Punctuation in Compound/Complex Sentences	Correctness
129.	<del>stated</del> → <i>said</i>	Word Choice	Engagement

130.	<del>applies</del> → apply	Faulty Subject-Verb Agreement	Correctness
131.	<del>straight line</del> → straight-line	Misspelled Words	Correctness
132.	<del>stated</del> → said	Word Choice	Engagement
133.	the straight-line	Determiner Use (a/an/the/this, etc.)	Correctness
134.	a straight	Determiner Use (a/an/the/this, etc.)	Correctness
135.	<del>straight line</del> → straight-line	Misspelled Words	Correctness
136.	a straight-line	Determiner Use (a/an/the/this, etc.)	Correctness
137.	i.e.,	Comma Misuse within Clauses	Correctness
138.	beginning,	Comma Misuse within Clauses	Correctness
139.	<del>asset's</del> → assets	Incorrect Noun Number	Correctness
140.	as:	Misuse of Semicolons, Quotation Marks, etc.	Correctness
141.	is calculated	Passive Voice Misuse	Clarity
142.	the calculation	Determiner Use (a/an/the/this, etc.)	Correctness
143.	the periodic	Determiner Use (a/an/the/this, etc.)	Correctness
144.	<del>straight line</del> → straight-line	Misspelled Words	Correctness
145.	the asset	Determiner Use (a/an/the/this, etc.)	Correctness
146.	be consumed	Passive Voice Misuse	Clarity

147.	<del>reduces</del> → decreases, diminishes	Word Choice	Engagement
148.	<del>latter</del> → later	Confused Words	Correctness
149.	<i>This</i>	Intricate Text	Clarity
150.	<i>is largely based</i>	Passive Voice Misuse	Clarity
151.	<del>largely based</del> → primarily based, mostly based, based mainly	Word Choice	Engagement
152.	<del>greater</del> → more significant	Word Choice	Engagement
153.	results in	Wrong or Missing Prepositions	Correctness
154.	, as	Punctuation in Compound/Complex Sentences	Correctness
155.	<del>management</del> → control	Word Choice	Engagement
156.	<del>reducing</del> → cutting	Word Choice	Engagement
157.	the reducing	Determiner Use (a/an/the/this, etc.)	Correctness
158.	, at	Punctuation in Compound/Complex Sentences	Correctness
159.	the reducing	Determiner Use (a/an/the/this, etc.)	Correctness
160.	<i>be required</i>	Passive Voice Misuse	Clarity
161.	the same	Determiner Use (a/an/the/this, etc.)	Correctness
162.	<i>This</i>	Intricate Text	Clarity
163.	a reducing	Determiner Use (a/an/the/this, etc.)	Correctness



164.	the higher	Determiner Use (a/an/the/this, etc.)	Correctness
165.	the National	Determiner Use (a/an/the/this, etc.)	Correctness
166.	is calculated	Passive Voice Misuse	Clarity
167.	an opening	Determiner Use (a/an/the/this, etc.)	Correctness
168.	as:	Misuse of Semicolons, Quotation Marks, etc.	Correctness
169.	the calculation	Determiner Use (a/an/the/this, etc.)	Correctness
170.	Periodic → Regular	Word Choice	Engagement
171.	Periodic → Regular	Word Choice	Engagement
172.	et al → et al.	Comma Misuse within Clauses	Correctness
173.	approximate → approximately	Misuse of Modifiers	Correctness
174.	<i>Kieso, Weygandt, &amp; Warfield (2013) and Hoggett et al (2012) presented an argument that reducing balance method allows entities to report an approximate straight line of total ownership costs for holding an asset in combination of decreasing depreciation expense and increasing repair and maintenance...</i>		Clarity
175.	the balance	Determiner Use (a/an/the/this, etc.)	Correctness
176.	method,	Punctuation in Compound/Complex Sentences	Correctness
177.	approximate → approximately	Misuse of Modifiers	Correctness

178.	the asset's	Determiner Use (a/an/the/this, etc.)	Correctness
179.	an increase	Determiner Use (a/an/the/this, etc.)	Correctness
180.	the continuation	Determiner Use (a/an/the/this, etc.)	Correctness
181.	expense,	Punctuation in Compound/Complex Sentences	Correctness
182.	while → . At the same time,	Hard-to-read text	Clarity
183.	is assumed	Passive Voice Misuse	Clarity
184.	the cost	Determiner Use (a/an/the/this, etc.)	Correctness
185.	the residual	Determiner Use (a/an/the/this, etc.)	Correctness
186.	the depreciation	Determiner Use (a/an/the/this, etc.)	Correctness
187.	, and	Punctuation in Compound/Complex Sentences	Correctness
188.	be classified	Passive Voice Misuse	Clarity
189.	disclosed → published	Word Choice	Engagement
190.	rates → prices	Word Choice	Engagement
191.	the balance	Determiner Use (a/an/the/this, etc.)	Correctness
192.	the straight-line	Determiner Use (a/an/the/this, etc.)	Correctness
193.	Source: Financial statements of the banks.	Incomplete Sentences	Correctness

194.	<del>have</del> → has	Faulty Subject-Verb Agreement	Correctness
195.	<del>owning</del> → holding, possessing	Word Choice	Engagement
196.	<del>include,</del>	Comma Misuse within Clauses	Correctness
197.	the difficulty	Determiner Use (a/an/the/this, etc.)	Correctness
198.	<del>identifying</del> → determining	Word Choice	Engagement
199.	the useful	Determiner Use (a/an/the/this, etc.)	Correctness
200.	the market	Determiner Use (a/an/the/this, etc.)	Correctness
201.	are dealt	Passive Voice Misuse	Clarity
202.	dealt with	Wrong or Missing Prepositions	Correctness
203.	<del>in sufficient</del> → insufficient	Confused Words	Correctness
204.	an integral	Determiner Use (a/an/the/this, etc.)	Correctness
205.	Source: Financial statements of the banks.	Incomplete Sentences	Correctness
206.	are exposed	Passive Voice Misuse	Clarity
207.	example:	Misuse of Semicolons, Quotation Marks, etc.	Correctness
208.	<del>in</del>	Wordy Sentences	Clarity
209.	<del>ATM machines</del> → ATMs	Wordy Sentences	Clarity
210.	a related	Determiner Use	Correctness

		(a/an/the/this, etc.)	
211.	<del>asset</del> → assets	Incorrect Noun Number	Correctness
212.	<del>include</del> → includes	Faulty Subject-Verb Agreement	Correctness
213.	<del>a uniform</del> → a normal	Word Choice	Engagement
214.	<del>rates</del> → prices, standards, frequencies	Word Choice	Engagement
215.	a useful	Determiner Use (a/an/the/this, etc.)	Correctness
216.	<del>gives</del> → offers	Word Choice	Engagement
217.	<del>useful</del> → valuable, helpful	Word Choice	Engagement
218.	Source: Financial statements of the banks.	Incomplete Sentences	Correctness
219.	<del>normally</del> → usually, frequently, regularly, typically	Word Choice	Engagement
220.	i.e.,	Comma Misuse within Clauses	Correctness
221.	<del>recognize</del> → realize, acknowledge	Word Choice	Engagement
222.	in Table	Wrong or Missing Prepositions	Correctness
223.	software,	Punctuation in Compound/Complex Sentences	Correctness
224.	<del>they</del>	Pronoun Use	Correctness
225.	<del>rates</del> → standards	Word Choice	Engagement
226.	, reducing	Punctuation in Compound/Complex Sentences	Correctness

227.	<i>Source: Financial statements of the banks.</i>	Incomplete Sentences	Correctness
228.	the previous	Determiner Use (a/an/the/this, etc.)	Correctness
229.	classes → categories, types	Word Choice	Engagement
230.	vehicles,	Punctuation in Compound/Complex Sentences	Correctness
231.	, which	Punctuation in Compound/Complex Sentences	Correctness
232.	applied → asked, used	Word Choice	Engagement
233.	results in	Wrong or Missing Prepositions	Correctness
234.	life → experience	Word Choice	Engagement
235.	<i>Source: Financial statements of the banks.</i>	Incomplete Sentences	Correctness
236.	, even	Punctuation in Compound/Complex Sentences	Correctness
237.	rates → standards, prices	Word Choice	Engagement
238.	rates → standards	Word Choice	Engagement
239.	adopted → approved	Word Choice	Engagement
240.	useful → helpful	Word Choice	Engagement
241.	a useful	Determiner Use (a/an/the/this, etc.)	Correctness
242.	life → experience	Word Choice	Engagement
243.	<i>Source: Financial statements of the</i>	Incomplete Sentences	Correctness

	<i>banks.</i>		
244.	<del>applying</del> → using	Word Choice	Engagement
245.	<del>greatly</del> → considerably, hugely, significantly, substantially	Word Choice	Engagement
246.	<del>applied</del> → used	Word Choice	Engagement
247.	<del>applied</del> → used	Word Choice	Engagement
248.	<del>applied</del> → involved, used	Word Choice	Engagement
249.	<del>applied</del> → used, affected, utilized, implemented	Word Choice	Engagement
250.	28 banks apply this rate	Passive Voice Misuse	Clarity
251.	<del>10</del> → ten	Improper Formatting	Correctness
252.	<del>apply</del> → use	Word Choice	Engagement
253.	<del>rate</del> → standard, price	Word Choice	Engagement
254.	the straight-line	Determiner Use (a/an/the/this, etc.)	Correctness
255.	, and	Punctuation in Compound/Complex Sentences	Correctness
256.	<del>apply</del> → use	Word Choice	Engagement
257.	<del>rate</del> → standard, price	Word Choice	Engagement
258.	the balance	Determiner Use (a/an/the/this, etc.)	Correctness
259.	<del>apply</del> → use	Word Choice	Engagement
260.	<del>apply</del> → applies	Faulty Subject-Verb Agreement	Correctness

261.	<del>rate</del> → price, standard, pace, scale	Word Choice	Engagement
262.	<del>methode</del> → ways, modes	Word Choice	Engagement
263.	is used	Passive Voice Misuse	Clarity
264.	<del>rate;</del> → rate,	Punctuation in Compound/Complex Sentences	Correctness
265.	, and	Punctuation in Compound/Complex Sentences	Correctness
266.	<del>methode</del> → ways	Word Choice	Engagement
267.	This	Intricate Text	Clarity
268.	<del>, but they</del> → . Still, they	Hard-to-read text	Clarity
269.	<del>periodical</del> → annual, yearly, monthly, recurring, daily	Word Choice	Engagement
270.	<del>years' time</del> → years	Wordy Sentences	Clarity
271.	balance,	Punctuation in Compound/Complex Sentences	Correctness
272.	<del>equal</del> → fair	Word Choice	Engagement
273.	<del>capitalized</del> → obtained	Word Choice	Engagement
274.	<del>shows</del> → would show	Conditional Sentences	Correctness
275.	the same	Determiner Use (a/an/the/this, etc.)	Correctness
276.	<del>methode</del> → ways	Word Choice	Engagement
277.	the end	Determiner Use (a/an/the/this, etc.)	Correctness

278.	the straight-line	Determiner Use (a/an/the/this, etc.)	Correctness
279.	the rate	Determiner Use (a/an/the/this, etc.)	Correctness
280.	the same	Determiner Use (a/an/the/this, etc.)	Correctness
281.	the different	Determiner Use (a/an/the/this, etc.)	Correctness
282.	if → is	Confused Words	Correctness
283.	, but	Punctuation in Compound/Complex Sentences	Correctness
284.	methods → ways	Word Choice	Engagement
285.	different → unusual, changed	Word Choice	Engagement
286.	the same	Determiner Use (a/an/the/this, etc.)	Correctness
287.	Source: Author's own.	Incomplete Sentences	Correctness
288.	disclosed → communicated, published	Word Choice	Engagement
289.	policy → system	Word Choice	Engagement
290.	in exactitude → inexactitude	Confused Words	Correctness
291.	the exactitude	Determiner Use (a/an/the/this, etc.)	Correctness
292.	provisos → requirements, clauses	Word Choice	Clarity
293.	the commencement	Determiner Use (a/an/the/this, etc.)	Correctness
294.	the asset's, or an asset's	Determiner Use (a/an/the/this, etc.)	Correctness



295.	<del>asset's</del> → asset	Incorrect Noun Number	Correctness
296.	addition,	Punctuation in Compound/Complex Sentences	Correctness
297.	<del>acquisition</del> → purchase	Word Choice	Engagement
298.	are put	Passive Voice Misuse	Clarity
299.	<del>full</del> → whole, entire	Word Choice	Engagement
300.	<del>depreciation</del> → discount	Word Choice	Engagement
301.	is acquired	Passive Voice Misuse	Clarity
302.	<del>depreciation</del> → reduction, discount	Word Choice	Engagement
303.	<del>asset's</del> → asset	Incorrect Noun Number	Correctness
304.	<del>acquisition</del> → purchase	Word Choice	Engagement
305.	<del>prior to</del> → before	Wordy Sentences	Clarity
306.	the revision	Determiner Use (a/an/the/this, etc.)	Correctness
307.	38,	Punctuation in Compound/Complex Sentences	Correctness
308.	result in	Wrong or Missing Prepositions	Correctness
309.	<del>asset's</del> → asset	Incorrect Noun Number	Correctness
310.	This	Intricate Text	Clarity
311.	result in	Wrong or Missing Prepositions	Correctness
312.	<del>an</del> → in	Confused Words	Correctness
313.	<del>expense</del> → expenses	Incorrect Noun Number	Correctness

314.	<del>asset's</del> → <del>asset</del>	Incorrect Noun Number	Correctness
315.	<i>Full year's depreciation charged by three banks in the year of asset's acquisition, as disclosed in their financial statements.</i>	Incomplete Sentences	Correctness
316.	<i>is acquired</i>	Passive Voice Misuse	Clarity
317.	<del>the first</del>	Determiner Use (a/an/the/this, etc.)	Correctness
318.	<del>asset's</del> → <del>asset</del>	Incorrect Noun Number	Correctness
319.	<del>In absence of</del> → <del>In the absence of</del>	Determiner Use (a/an/the/this, etc.)	Correctness
320.	<del>asset's</del> → <del>asset</del>	Incorrect Noun Number	Correctness
321.	<del>acquisition</del> → <del>purchase</del>	Word Choice	Engagement
322.	<del>mechanical,</del>	Punctuation in Compound/Complex Sentences	Correctness
323.	<del>policies</del> → <del>theories</del>	Word Choice	Engagement
324.	<del>the commencement</del>	Determiner Use (a/an/the/this, etc.)	Correctness
325.	<del>charge</del> → <del>charges</del>	Incorrect Noun Number	Correctness
326.	<del>date</del> → <del>time, age</del>	Word Choice	Engagement
327.	<del>date</del> → <del>time, age</del>	Word Choice	Engagement
328.	<del>date</del> → <del>time</del>	Word Choice	Engagement
329.	<del>following</del> → <del>next</del>	Word Choice	Engagement
330.	<del>normally</del> → <del>usually, typically</del>	Word Choice	Engagement

331.	<del>departures</del> → deviations, withdrawals	Word Choice	Engagement
332.	expense,	Punctuation in Compound/Complex Sentences	Correctness
333.	This	Intricate Text	Clarity
334.	<del>cease</del> → discontinue, stop	Word Choice	Engagement
335.	<del>depreciation</del> → reduction	Word Choice	Engagement
336.	the asset's	Determiner Use (a/an/the/this, etc.)	Correctness
337.	<del>disposal</del> → disposition, allocation	Word Choice	Engagement
338.	This	Intricate Text	Clarity
339.	<del>cease</del> → halt, stop	Word Choice	Engagement
340.	<del>depreciation</del> → discount, reduction	Word Choice	Engagement
341.	result in	Wrong or Missing Prepositions	Correctness
342.	the cessation	Determiner Use (a/an/the/this, etc.)	Correctness
343.	<del>charge</del> → charges	Incorrect Noun Number	Correctness
344.	the end	Determiner Use (a/an/the/this, etc.)	Correctness
345.	the previous	Determiner Use (a/an/the/this, etc.)	Correctness
346.	<del>In the previous</del> → In the last, During the last, In the prior	Word Choice	Engagement
347.	<del>Prior to</del> → Before	Wordy Sentences	Clarity
348.	<del>commence</del> → start, begin	Word Choice	Engagement

349.	<del>depreciation</del> → devaluation, reduction, repayment, amortization	Word Choice	Engagement
350.	the deliberate	Determiner Use (a/an/the/this, etc.)	Correctness
351.	a principles-based, or the principles-based	Determiner Use (a/an/the/this, etc.)	Correctness
352.	the rules-based	Determiner Use (a/an/the/this, etc.)	Correctness
353.	environment,	Punctuation in Compound/Complex Sentences	Correctness
354.	<del>greater</del> → higher	Word Choice	Engagement
355.	<del>greatly</del> → significantly	Word Choice	Engagement
356.	<del>jurisdiction</del> → domain, court	Word Choice	Engagement
357.	<i>Though it may not practical for the IASB to suggest any specific useful life or depreciation method for a particular class of asset as it can greatly vary based on geographical location and economic condition of a jurisdiction, the national accounting standard setters or the regulators can assume t...</i>	Hard-to-read text	Clarity
358.	<del>alternative</del> → option, choice, replacement	Word Choice	Engagement
359.	The banking	Determiner Use (a/an/the/this, etc.)	Correctness
360.	be considered	Passive Voice Misuse	Clarity
361.	<del>as lot</del> → a lot	Confused Words	Correctness
362.	This	Intricate Text	Clarity

363.	the accounting	Determiner Use (a/an/the/this, etc.)	Correctness
364.	be shaped	Passive Voice Misuse	Clarity
365.	be made	Passive Voice Misuse	Clarity
366.	banks,	Comma Misuse within Clauses	Correctness
367.	similar → same	Word Choice	Engagement
368.	, as	Punctuation in Compound/Complex Sentences	Correctness
369.	banks,	Punctuation in Compound/Complex Sentences	Correctness
370.	, and	Comma Misuse within Clauses	Correctness
371.	, and	Punctuation in Compound/Complex Sentences	Correctness
372.	financial statement	Misspelled Words	Correctness
373.	Financialand → Financial and, Financial	Misspelled Words	Correctness