

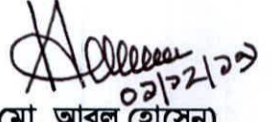


**ইনভেস্টমেন্ট কর্পোরেশন অব বাংলাদেশ**  
**প্রধান কার্যালয়, ঢাকা।**  
**হিউম্যান রিসোর্স ম্যানেজমেন্ট ডিপার্টমেন্ট**

তারিখঃ ১৬ অগ্রহায়ণ, ১৪২৬  
 ০১ ডিসেম্বর, ২০১৯

**প্রশাসনিক পরিপত্র নং-৫৯/২০১৯**

কর্পোরেশনের পরিচালনা বোর্ডের ২৬.০৯.২০১৯ তারিখের ৫৬৯তম সভায় “বাজেট প্রিপারেশন এন্ড কন্ট্রোল ম্যানুয়াল-২০১৯” অনুমোদিত হয়েছে। পরিচালনা বোর্ড কর্তৃক অনুমোদিত “বাজেট প্রিপারেশন এন্ড কন্ট্রোল ম্যানুয়াল-২০১৯” সকলের অবগতি এবং সংশ্লিষ্ট ডিভিশন/ডিপার্টমেন্ট/ইউনিট/সেল/সচিবালয়/শাখা কার্যালয় কর্তৃক যথাযথভাবে অনুসরণের জন্য এতৎসঙ্গে জারি করা হলো।

  
 (মো. আবুল হোসেন)  
 ব্যবস্থাপনা পরিচালক

**বিতরণ :**

১. সহকারী মহাব্যবস্থাপক/সিনিয়র সিস্টেম এনালিস্ট, আইসিবি।
২. উপ-মহাব্যবস্থাপক/সিস্টেম ম্যানেজার, আইসিবি।
৩. মহাব্যবস্থাপক-এর সচিবালয়, আইসিবি, প্রধান কার্যালয়, ঢাকা।
৪. উপ-ব্যবস্থাপনা পরিচালক-এর সচিবালয়, আইসিবি, প্রধান কার্যালয়, ঢাকা।
৫. ব্যবস্থাপনা পরিচালক-এর সচিবালয়, আইসিবি, প্রধান কার্যালয়, ঢাকা।
৬. চেয়ারম্যান-এর সচিবালয়, আইসিবি, প্রধান কার্যালয়, ঢাকা।
৭. প্রধান নির্বাহী কর্মকর্তা, আইসিবি সাবসিডিয়ারি কোম্পানিসমূহ।
৮. আইসিবি কর্মকর্তা সমিতি, আইসিবি, প্রধান কার্যালয়, ঢাকা।
৯. আইসিবি কর্মচারী ইউনিয়ন, আইসিবি, প্রধান কার্যালয়, ঢাকা।
১০. অফিস কপি।

**অনুলিপি (কর্পোরেশনের ওয়েবসাইটে প্রকাশের প্রয়োজনীয় ব্যবস্থা গ্রহণের জন্য):**

সিনিয়র সিস্টেম এনালিস্ট, প্রোগ্রামিং ডিপার্টমেন্ট, আইসিবি, প্রধান কার্যালয়, ঢাকা।

# BUDGET PREPARATION AND CONTROL MANUAL-2019



INVESTMENT CORPORATION OF BANGLADESH

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## Preface

In the backdrop of rapid structural change in economic policy, the Investment Corporation of Bangladesh (ICB) was established on 1 October 1976 under "The Investment Corporation of Bangladesh Ordinance, 1976" (No. XL of 1976). The establishment of ICB was a major step in a series of measures undertaken by the government to accelerate the pace of industrialization and to develop a well-organized and vibrant capital market, particularly the securities market in Bangladesh. In view of the national policy of accelerating the rate of savings and investment to foster self-reliant economy, ICB assumes an indispensable and trustworthy role. Through the enactment of the Investment Corporation of Bangladesh (Amendment) Act, 2000 (No. 24 of 2000), reforms in operational strategies and business policies have been implemented by establishing 3 subsidiaries and operating them under ICB. At present, the Corporation is being operated under the Investment Corporation of Bangladesh Act, 2014.

The Corporation has adopted a financial planning and control process through its budget preparation and control activities so that the objectives of the corporation are achieved. The Budget Preparation and Control Manual in its three chapters has elaborated the process of budget preparation and control of the Corporation.

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## CHAPTER – 1

### Idea about Budget and Budget Manual

#### 1.1. Idea about Budget

Budget is a business and operating plan of the organization expressed in financial terms to achieve certain key objectives or goals of the organization in a given period of time. Objectives can be financial such as revenue, expenses, profit, asset, liability and capital etc. It can also be non-financial such as improving brand and market image, identifying an organization to be different, better and exceptional from others to provide unique value to the customers, clients, counterparties, shareholders, depositors, regulators, government, tax authority and the wider society. Budget is prepared for short term (usually one year which is again divided into quarters or months). It can also be prepared for medium and long term.

Long term Budget reflects long term strategic plan reflecting the vision of the organization, long term market direction, expansion and diversification of business, product or services. It can follow the market direction to take advantages of the market. It can also create a market or customer segment of its own by providing unique products, services and value to customers as well as the society. Long term strategy, vision can sometimes change everything altogether making things possible that was unthinkable earlier. It can open window for enormous opportunities from which not only the organization or its stakeholders but also the society as a whole can be benefitted.

#### 1.2. Objectives and Importance of Budget

In the context of business management, the purpose of budgeting includes the following aspects:

- A forecast of revenue income and revenue expense;
- A forecast of capital receipt and capital expenditure;

- A tool for decision making;
- A means to monitor business performance.

Budget also important for:

- 1.2.1. Setting key targets for the Corporation for the given period like one year;
- 1.2.2. Communicating and motivating all the employees to do their best to achieve the targets of the Corporation;
- 1.2.3. Budget is expressed in financial terms so that the target, achievement, deviation and reasons for deviations can easily be identifiable;
- 1.2.4. The Budget and periodic achievements also help the top management and the Board to monitor and measure the progress made in separate and combined targets of the organization and of its units and branches.
- 1.2.5. The long term objectives of Budget or strategic plan is to achieve long term strategic vision of the Corporation.
- 1.2.6. Budget is helpful for management to enrich the value of the organization.

### 1.3. Definition of Budget Manual

Budget manual is a small booklet that contains the details relating to budgeting organization and procedure. While implementing budgeting, some forms are necessary. These specimen forms are given in the Budget manual.

Briefly, the Budget manual is prepared to give full information to every employee of an organization relating to Budgets and avoid misunderstanding also.

CIMA England, defines a budget manual as "A document, schedule or booklet which sets out inter alia, the responsibilities of the persons engaged in the routine of and the forms and records required for budgetary control".

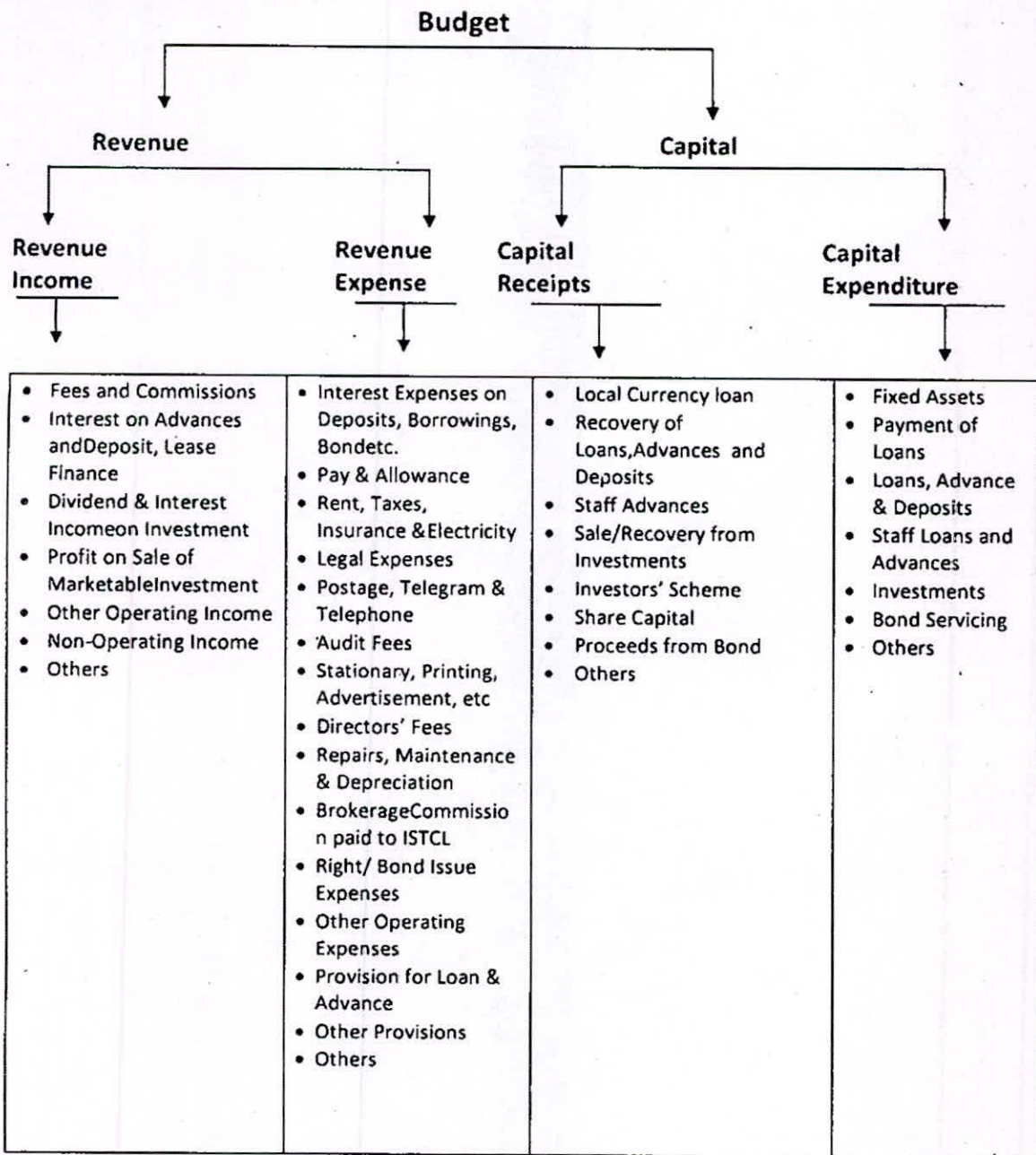
#### 1.4. Advantages of Budget Manual

- 1.4.1. It helps to achieve organizational objectives;
- 1.4.2. Each and every employee understands what is his/her role, what is to be done and how it is to be done under budgetary control system;
- 1.4.3. Proper allocation and utilization of available resources;
- 1.4.4. Employees can easily understand the procedures by themselves;
- 1.4.5. As everything is available in black and white form, there is no ambiguity;
- 1.4.6. It standardizes the methods and procedures involved in budgetary control;
- 1.4.7. There is no difficulty in obtaining co-ordination among line managers.

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### 1.05. Structure of Budget at ICB



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Particulars		Actual (Last year)	Approved Budget (Current year)	Actual for Six Months	Revised Budget	Estimated Budget
	1	2	3	4	5	6
4.	Profit on Sale of Marketable Investments					
5.	Other Operating Income:					
6.	Non-Operating Income:					
	a) Recovery From Written off Project					
	b) Profit on Sale of Other Assets					
	<b>Total: 6</b>					
	<b>Total Revenue Income: (1+..+6)</b>					
B.	<b>CAPITAL RECEIPTS:</b>					
1.	Local Currency Loan (Short Term Loan)					
2.	Recovery of Loans and Advances From:					
	a) Unit/Mutual Fund Advance Accounts					
	c) Consumer Credit Scheme					
	d) Lease Finance					
	e) Advance Against Equity					
	f) Sub Ordinate Bond					
	g) Debenture (Non-listed)					
	h) Bonds (Non-listed)					
	i) Subsidiary Companies:					
	Long Term Loan					
	Short Term Loan					
	<b>Total: 2</b>					
3.	Staff Advances:					
	a) House Building Advances					
	b) Car Loan					
	c) Motor Cycle Loan					
	<b>Total: 3</b>					
4.	Sale/Recovery From Investments:					
	a) Marketable Securities					
	b) Preference Share					
	<b>Total: 4</b>					
5.	Investors' Scheme:					
	Recovery of Loan From Inv. A/c					
6.	Term Deposit:					
7.	Fixed Deposit					
8.	Share Capital					



Particulars	Actual (Last year)	Approved Budget (Current year)	Actual for Six Months	Revised Budget	Estimated Budget
1	2	3	4	5	6
u) Lunch & Iftar Subsidy					
v) MiladMahfil					
w) Liveries and Uniforms					
x) Motor car Maintenance Allowance					
y) Recreation Allowance					
z) Staff Welfare & Recreation: Sports, Cultural Programme & Others					
<b>Total-2</b>					

**3. Rent, Tax, Insurance & Electricity**

- a) Rent, Rates and Taxes
- b) Rental for Hire Purchase
- c) Electricity & Water
- d) Insurance- Vehicles

**Total-3**


**4. Legal Expense**

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**5. Postage, Telegram & Telephone**

- a) Postage, Telegram & Telex
- b) Telephone & Internet - Office
- c) Stamps Expenses

**Total-5**


**6. Audit Fees**

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**7. Stationary, Printing, Advertisement, etc**

- a) Printing & Stationery-General  
-Computer
- b) Advertisement & Publicity
- c) Newspaper and Periodicals
- d) News Letter Printing

**Total-7**


**8. Directors' Fees**

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**9. Repairs, Maintenance & depreciation/Amortization**

- a) Building- Office
- b) Land/Flat/Building
- c) Vehicles
- d) Office Equipment & Appliances
- e) Depreciation on Fixed Assets

**Total-9**


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Particulars		Actual (Last year)	Approved Budget (Current year)	Actual for Six Months	Revised Budget	Estimated Budget
	1	2	3	4	5	6
10.	Brokerage Commission paid to ISTCL					
11.	Right/Bond Issue Expenses					
12.	Other Operating Expenses					
	a) Traveling Expenses					
	b) Conveyance Expenses					
	c) Staff Transport					
	d) Petrol, Oil, CNG & Lubricant					
	e) Entertainment					
	f) Donations					
	g) Subscriptions					
	h) CSR					
	i) Bank Charges					
	j) Crockeries					
	k) Listing Fees					
	l) Consultancy & Professional Fees					
	m) Retainers Fees					
	n) Annual General Meeting Expenses					
	o) Security Services					
	p) Municipal Tax (Office Building)					
	q) Fees Paid to -BSEC					
	-CDBL					
	r) Splitting Charges					
	s) Business Development Expenses					
	t) Washing Charges					
	u) Excise Duty/ Tax Token					
	v) Research Studies					
	w) Innovation					
	x) Honorarium					
	y) Internship Allowances					
	z) Recruitment Expenses					
	za) Seminar/Workshop on Ethics					
	zb) Year Closing Expenses					
	zc) National Day Celebration					
	zd) Miscellaneous					
	<b>Total: 12</b>					
13.	Provision					
	a) Provision against Loan & Advance					
	b) Provision against Other Assets					
	c) Provision against Investment					
	d) Provision against VAT					
	<b>Total: 13</b>					

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## 1.06. Budget Period

Before preparing a Budget, the organization should decide the Budget period. The budgeting must be related to a specific period of time. There is no clear-cut rule to select or decide a Budget period. But, there must be a specification with regard to a Budget period. Budget Period is the specified future period of time over which revenue and expenses are estimated. As a public listed institution, to comply with the regulatory disclosure, the Budget period is fixed in line with accounting year.

## 1.07. Factors Considered for Preparing Budget of ICB

- 1.7.1. Overall economic, business and market conditions prevailing and future outlook;
- 1.7.2. Financial market trends both short term and long term; particularly the changes in market and customer behavior and choice;
- 1.7.3. Market structure, market competition, main competitors and peer group, areas where we have edge over our competitors;
- 1.7.4. Target customers and market segment;
- 1.7.5. SWOT analysis, playing on strength and overcoming weaknesses, grabbing opportunities and bypassing threats;
- 1.7.6. Strategy for growth plan, expansion and diversification, introduction of new business, products or services and also up-gradation or discontinuation of any product or services;
- 1.7.7. Appetite for taking risk, ability to measure, manage and mitigate the risk keeping in mind the risk-return relationship;
- 1.7.8. Past and present businesses, financial and market position (Though past is not necessarily a benchmark for future but it is a useful guide);
- 1.7.9. Existing resources and plan, capability and availability of acquiring additional and necessary resources from market;
- 1.7.10. Long term business plan of the Corporation;

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- 1.7.11. Annual Performance Agreement (APA);
- 1.7.12. Previous year achievement;
- 1.7.13. BSEC rules and regulation;
- 1.7.14. Department, Division, Branch and Unit's proposal;
- 1.7.15. Seasonal variation;
- 1.7.16. Expansion of existing business line;
- 1.7.17. Going aggressive or slow growth in certain business line;
- 1.7.18. Stop growing or discontinuing an existing business line;
- 1.7.19. Introducing new business, product or service;
- 1.7.20. Resources necessary to support the business growth;
- 1.7.21. Deposits;
- 1.7.22. Technological resources;
- 1.7.23. Manpower;
- 1.7.24. Capital Budget for movable and immovable properties and infrastructure to maintain business;
- 1.7.25. Major heads of revenues;
- 1.7.26. Major heads of expenses;
- 1.7.27. Profit target;
- 1.7.28. Cost of fund, rate of return;
- 1.7.29. Ratio of classified loan;
- 1.7.30. Minimum capital adequacy ratio.

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## CHAPTER – 2

### Steps of Budget Preparation at ICB

#### 2.01. Information and Data Collection

Budgetary information call is a primary step of Budget preparation. Budget and Risk Management Department will issue letters in the 1<sup>st</sup> week of the January asking budgetary information from different Division/Department/Branch/Unit. On the basis of previous year's actual achievements, current year's half yearly achievements against the Budget, business plan and market outlook different Division/Department/Branch/Unit will provide revised and estimated Budget proposal to the Budget and Risk Management Department on or before 31<sup>st</sup> January including necessary documents and explanation.

#### 2.02. Analyzing the Information

Proper analysis, calculation and projection makes a Budget more productive and fruitful. At this level analysis of all the collected information, previous years achievement against Budget, causes of deviation against the Budget, assessment of performing investment and advances, calculation of interest and return, calculation of borrowings and liabilities for repayment preparation is required. Besides, these are also used for finding the procedural error for cost reduction and control, finding the sources for enhancing the income, projection of possible changes of manpower like recruitment, retirement and promotion etc. Noted that, whatever is quoted in other reports the information of accounts will get maximum priority.

#### 2.03. Budget discussion

Ownership of Budget should be taken by all concerned so that all the employees who will achieve the Budget can think that they have prepared the Budget and they have set targets. Therefore, it is essentially their responsibility to achieve the targets set for respective Division/Department/Branch/Unit. At ICB for Budget discussion a meeting is called by Budget Management Committee (BMC), where the Deputy Managing Director (DMD) is the

Chairman. In the Budget discussion, BRMD will present a draft Budget with detailed workings and supporting.

**The members of Budget Management Committee (BMC) :**

1 Deputy Managing Director (DMD)	Chairman
2 General Manager (Accounts & Finance)	Member
3 General Manager (Operations)	Member
4 General Manager (Administration)	Member
5 General Manager (Branch & Subsidiary )	Member
6 Deputy General Manager (Implementation & Recovery Division)	Member
7 Deputy General Manager (Finance Division)	Member
8 Deputy General Manager (Accounts Division)	Member
9 Deputy General Manager (Establishment Division)	Member
10 Deputy General Manager (Administration Division)	Member
11 Deputy General Manager (Planning & Research Division)	Member
12 Deputy General Manager (Branch Affairs Division)	Member
13 Assistant General Manager (Budget & Risk Mgt. Dept.)	Member Secretary

(administrative order no 45/2018, 29.08.2018)

The Managing Director of ICB may also preside over the Annual Budget discussion meeting. All related Division/Department/Unit head participates in the Budget discussion meeting and express their opinion and feedbacks so that the Budget can be realistic.

**2.04. Audit Committee Meeting**

Audit Committee plays an important role in the Budget approval process of ICB. Considering the recommendations of Budget discussion meeting BRMD

will revise the draft Budget and present it to the Audit Committee. Recommendation of the Audit Committee is mandatory before submitting the annual Budget to the Board.

#### **2.05. Board Approval**

Considering all recommendations of the Audit Committee BRMD revise (if required) the Budget and submit it to the management for presenting it to the Board. After approval of the Board the revenue income and expenditure portion of the annual Budget may be disclosed and distributed among the Division/Department/Unit/Branch by the BRMD with prior permission of the management.

#### **2.06. Approval from Ministry**

With the prior approval and recommendation of the Board the capital expenditure of the Budget is sent to the Financial Institutions Division (FID) of Ministry of Finance for approval.

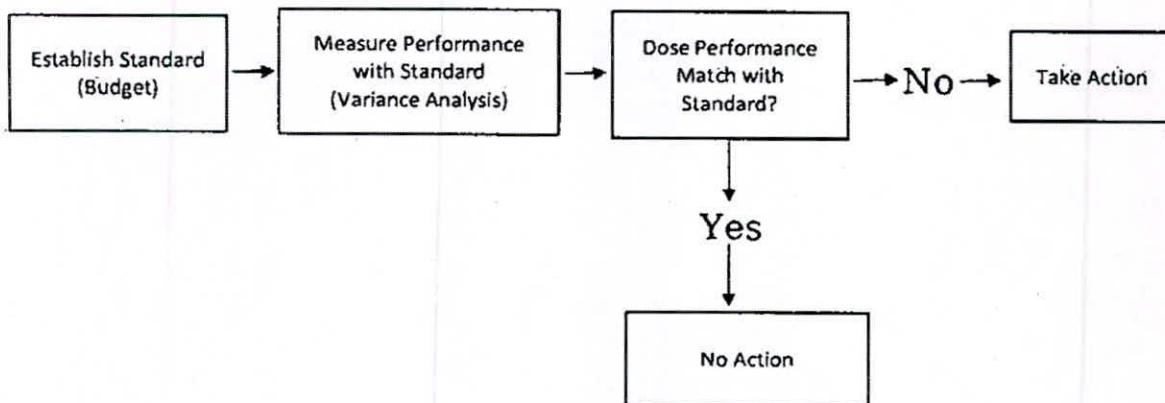
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## CHAPTER-3 Budget Monitoring and Control

Budget Control involves monitoring the implementation of the Budget and taking corrective action as needed. The Budget control process is continuous because the context, external and internal, is so dynamic that it brings variable impact on the performance of different functional units of the Corporation within the Budget period. The control process must have established standard, feedback mechanism and measurement tools that help monitor the performance and adopt the resultant corrective action, if required. The Budget control process of the Corporation is as follows:

### CONTROLLING PROCESS



#### 3.01. Establishing Standard: Budget Allocation

The approved yearly Budget is typically allocated into four quarters considering the regulator and national policy environment, seasonality and past experience. The quarterly Budget is shared with the concerned cost, profit and investment centers (Departments, Divisions, Units, Secretariats and Branches). Overtime, customer support services, local conveyance of all the Departments, Divisions, Units and Secretariats will be allocated by the Procurement and Common Service Department. Moreover, overtime, customer support services,

local conveyance of Branches will be allocated by Budget and Risk Management Department.

### **3.02. Measuring Performance with Standard: Budget Variance Analysis**

Budget variance is the difference between the budgeted or baseline amount of Budget heads and actual achievements. The Budget variance is favorable when the actual revenue is higher than the Budget or when the actual expense is less than the Budget. The Budget variance analysis allows the management to compare the performance of the functional units with the Budget as standard and explore the causes of fluctuations in performance and what it can do to change the situation. To measure the performance, all the concerned Departments, Units and Branches will report to the Budget and Risk Management Department in accordance with the standard reporting format provided by the said Department in the following four quarterly basis:

- 1st Quarter (July to September)
- 2nd Quarter (October to December)
- 3rd Quarter (January to March)
- 4th Quarter (April to June)

After completing the elementary variance analysis, Budget and Risk Management Department will present the consolidated Budget Variance Analysis Report to the Budget Management Committee (BMC) in quarterly basis. With the approval of the Managing Director, The recommendations of the committee is then sent to the concerned Department for meticulous compliance. Budget and Risk Management Department will be able to call for explanation from the concerned Division/Department/Unit/Branches for any deviation at any time from the allocated Budget with prior approval from the management.