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Returns, Risks and Capital Markets Development in Bangladesh*

John Varley

* John Varley's presentation is based on a larger report with the same title. The attached package contains the summary, set of recommendations and selected tables and figures from that report.

RETURNS, RISKS AND CAPITAL MARKETS DEVELOPMENT IN BANGLADESH

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Macro-Financial Group
Financial Sector Reform Project
Bangladesh Bank

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CAPITAL MARKET DEVELOPMENT IN BANGLADESH

Alternatives, Returns and Risks Affecting Suppliers and Users of Long Term Capital

ABSTRACT

This report was prepared for Bangladesh Bank and the Ministry of Finance as part of the Financial Sector Reform Project underway in Bangladesh.

Bangladesh's plans for accelerating economic development while reducing dependency on aid, as well as its immediate plans for privatization hinge on a greatly improved performance from its Capital Markets -- both in mobilizing and allocating resources. Existing institutions and markets are not functioning satisfactorily. Recent studies and discussions of "Capital Markets" in Bangladesh have focused on the depressed condition of the equity market and the Dhaka Stock Exchange. Recommendations have been made to strengthen the institutions and systems directly involved with primary and secondary markets for shares. Notwithstanding pressing needs for institutional strengthening, this study identifies several more fundamental problems constricting the development of a strong capital market. Beginning with a broader definition of "Capital market" encompassing more than just the stock exchange, this report finds one segment, government-issued savings certificates, that is enjoying considerable success recently in attracting term savings. The proceeds from fourteen months sales of NSD certificates in 1991 exceeded the combined paid up capital of 131 companies listed on the DSE. In 1991 NSD certificates attracted term savings at the rate of Tk. 15 million ($385,000) per day, thirty times the average daily turnover on the DSE in 1991. To some degree, therefore, stagnation in the private sector portions of the capital market is due to competition from government instruments that offer both higher returns and low risk, a combination that investors find more attractive.

On the investment side, the report finds evidence that a number of firms prefer to finance capital projects with a minimum of equity. In the eyes of some firms, equity financing carries with it certain disadvantages that are not outweighed by the benefits. It was customary and is still possible in Bangladesh to undertake large projects with very little equity. Enforcement of debt repayment is lax; rescheduling is frequent and restructuring likely. Legal actions involve long delays, and enforcement of collection orders or foreclosures is rare. Insisting on additional equity from sponsors is not a technique used by banks to ration credit. Debt financing is scarce in relation to demand in Bangladesh, however debt is available under relatively liberal financial terms (rationed politically or otherwise). The low equity requirements by banks and the liberal terms under which debt is available and the lax enforcement of debt contracts all combine to make equity less necessary and debt more attractive as a financing alternative. In effect companies can arrange financing without approaching capital markets for long term risk capital.

Regarding the depressed condition of securities trading in 1990-92, it appears that the upward price spiral underway in 1986 outraced companies's earnings and their ability to pay dividends, particularly as economic conditions worsened in 1986-87. In terms of real after-tax returns, most equities were overpriced by late 1987. Economic conditions forced a correction toward lower prices. Other factors, however, have contributed to making the downward price correction deeper and longer than might have been necessary otherwise.

Tax policy, high interest rates on government-guaranteed savings certificates, have contributed toward making returns from dividends less attractive than returns from other investment alternatives, especially for wealthy investors.

One of the principal conclusions of this report is that institutional reforms focused solely on improving the mechanics of trading or in strengthening institutions in the securities trading arena alone will be probably not achieve the goal of developing a healthy securities market. Although such reforms are a necessary condition to development of capital markets, they will not be sufficient in themselves to correct more fundamental problems in the financial sector that have diminished the attractions of equity both as an investment and as a means of financing. More work is necessary to create the foundations that will reward and motivate the private sector for initiating ventures aimed at mobilizing and properly allocating risk capital. For this to occur, the Government of Bangladesh must continue to pursue far reaching and fundamental reforms in the financial sector and the legal system underpinning the financial sector.

Unless and until 1) Banks insist on equity as a pre-requisite for lending, 2) debt contracts are seen to be strictly enforced and 3) average yields on risky investments are well above those on safer investments, further development of the capital markets in Bangladesh will be difficult to achieve -- especially in segments related to equities and long term risk capital.

RECOMMENDATIONS

RECOMMENDATIONS REGARDING MEASURES THAT AFFECT INVESTORS -- SUPPLIERS OF FUNDS TO THE CAPITAL MARKETS

<u>The NSD</u>

101 The preferred solution is to abolish the NSD program. The Government can issue bonds or medium term securities at competitive rates on a tax-paid basis; even such medium and long term securities should be kept to a minimum. We have shown that the NSD program distorts the markets and undermines development of the equity markets as well as other segments of capital marekts.

102. A less drastic solution, but also less useful, calls for the Government to take special care in "pricing" any government-guaranteed savings instruments. If private sector capital markets are to develop, Government instruments that compete for savings have to be structured to compete fairly. The interest rates offered by these instruments should be set so that, in combination with all tax policies :

- they offer a real positive return, i.e. greater than inflation
- the net after tax return on these low risk instruments is less than that available from bank deposits.

One useful way to "price" government guaranteed certificates is to issue them in "bearer" form at stated yields (calculated) and let the market (underwriters, banks and others) bid on the certificates offering either a premium (more than par), or a discount if the underwriters estimate that the certificates will be hard to sell. The government-offered yield should be the lowest the Government needs to offer and should be constructed with an effort not to "overcall" or "crowd out" the yields arrived at by the private sector. Even at low yields, the low risk of a government guarantee can frequently attract enough savings into the government sector to "starve" the private sector of funds.

- An auction system and a secondary market will add to the volume of trading on exchanges and will give the government a financial "thermometer" to watch, an indicator of public demand for savings opportunities and liquidity preference.
- Banks that become successful underwriters will find a new source income from sale of government bonds.

- A secondary market will increase the collateral value of government guaranteed bonds, a feature that will offset the fact that savings have been diverted into the public sector.

Tax Policy

103. Taxation policy has to be carefully reviewed. The net impact of overlapping policies of taxation, exemptions and incentives is not obvious at first glance. It appears that additional reforms are needed to encourage larger investment by investors in higher income tax brackets.

104. Bangladesh tax policy should not discriminate against equity formation, as it currently does. Tax policy should either be neutral, or probably pro-equity for the near future, on the grounds that : 1) additional equity formation needs a boost to recover from earlier treatment; 2) Bangladesh must compete for foreign equity with other countries that exempt dividends from taxation; and 3) equity formation generates economic benefits over and above the benefits that will be captured by the financial actors directly involved.

105. One particular area that needs refinement is the Investment Allowance Program. Without a clear statement regarding "holding period" the use of this benefit is vulnerable to abuse and its impact as an incentive is difficult to estimate.

106. Bangladesh should consider dropping taxation of dividends at the corporate level for public companies. This would permit companies to pay larger dividends, which would stimulate the stock market and eliminate one inducement to finance ventures with debt, i.e. the deductibility of interest payments. We take up this point in Chapter 3 since the tax policies have a strong influence on the willingness of businessmen to raise equity in the market.

Mutual Funds

107. The ICB Unit Fund should be reviewed and its valuation procedures cleaned up. As currently operated the Unit Fund routinely avoids the process of trading on the DSE; this practice allows it to book "sales" proceeds and unrealistic returns that are never confirmed by "Market" valuations.

108. Anyone should be allowed to establish a mutual fund subject to appropriate regulation.

Other

109. Recommendations made in the other studies of the DSE, regarding opening the exchange to new members and increasing the capital requirements of all members should be implemented.

RECOMMENDATIONS
AFFECTING COMPANIES SEEKING AND
INSTITUTIONS ARRANGING EQUITY AND LONG TERM FINANCING

Most of the recommendations that follow are fundamental to the financial system and require reform of many basic systems and practices that have long existed in Bangladesh. The basic objectives must be to cease absolutely and without exception the continued use of pseudo-equity and to make it financially more attractive to use real equity.

Group 1 : <u>End the availability of pseudo-equity</u>

201. End or constrain the ability of banks to lend at debt-equity ratios greater than 50/50. Making evidence of 50% equity a condition for receiving a loan is perhaps too strong. We prefer the central bank issuing a letter to the banks indicating preference for debt/equity ratios at 50/50, indicating areas of exception, and requiring reports to the central bank of exceptions.

202. Improve the court system to support creditor claims without extensive delays. Work on this is on-going but our informants suggest that progress to date is not great.

203. Train bankers to account for risk in lending and to adjust loan agreement interest rates to compensate the bank for the level of risk.

204. Allow banks to operate through leasing companies to permit equipment to be repossessed easily when the borrowing firm defaults.

205. Banks should raise the disclosure requirements for private companies and insist upon improvements in the standard of accountancy.

These five steps would reduce the availability of pseudo-equity and direct the banks towards making true term loans. We recognize that in the present economic environment a harder approach to industrial lending is not very appealing. Nevertheless, if the objective is to improve equity markets then it is essential to stop the availability of pseudo-equity.

Group 2 : <u>Raise the profitability of "going public"</u>

206. End the deductibility of interest that has not actually been paid. Allow deduction of interest on medium and long term borrowing only up to 100% of the equity of the firm. Interest during construction should be taken as part of the loan principal not as deductible interest.

207. End or reduce sharply taxation of public companies. Alternatively allow paid-out cash dividends to be expensed.

208. Extend equal or better tax holidays to companies that use less than 50% debt (or more than 50% equity) in their financing; or better, end tax holidays completely.

These steps will create a clean environment for reporting public company operations which ideally would now be free of company tax. The debt-equity bias would vanish and the attraction of public equity to entrepreneurs.

The management of the corporate tax rates is a complex issue. One cannot determine appropriate rates solely on the grounds of capital market development. In a larger context the publically owned company with acceptable levels of financial disclosure, raising funds by selling shares and having these shares widely traded and held is the critical step needed for development of the private sector. The equity capital markets are a critical element of this goal. To develop industry through organization of public companies, one must provide powerful incentives.

The most powerful step would be to abolish the corporate tax for public corporations. This would, at a stroke, clear up all the issues :

(a) Debt-equity biases arising from the tax treatment.

(b) Decreased interest deductibility for tax purposes.

(c) All issues of tax holidays, differential tax rates become irrelevant.

Such a step would greatly increase the desire to use public companies as the form for corporate organization and we would observe a gradual shift of entrepreneurial interest towards publically owned companies.

We recognize that this would have profound effects on the structure of production. However, we see no significant possibility of rapid development of industry using capital markets unless this bold step is taken. The revenue losses will be overcome if there is a major increase in investment. Furthermore, a generous corporate tax environment will attract foreign private investment. Otherwise, the attractions of equity are limited and few new companies can be expected to enter the market.

Group 3 : <u>Steps to bridge entry to capital market</u>

209. Develop instruments wherein venture capitalists can take positions as private investors in smaller "transition-stage" establishments and bundle these into stock market instruments. The removal of pseudo-equity as a source of financing and tax free treatment of public companies will encourage many private companies to want to go public including many small companies that would not consider issuing shares under present conditions.

210. Remove the remaining barriers to foreign equity and encourage foreign equity investors to establish new ventures.

Figure 1.

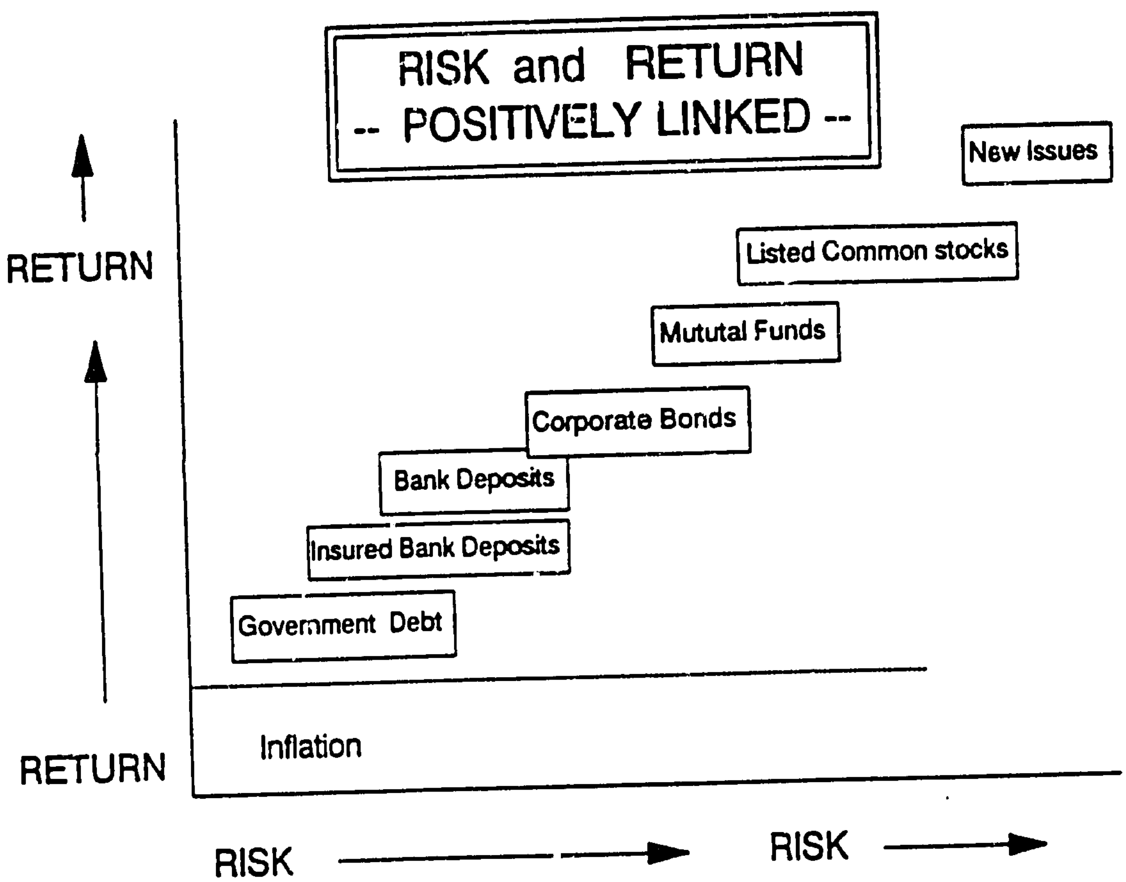

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Figure 2.

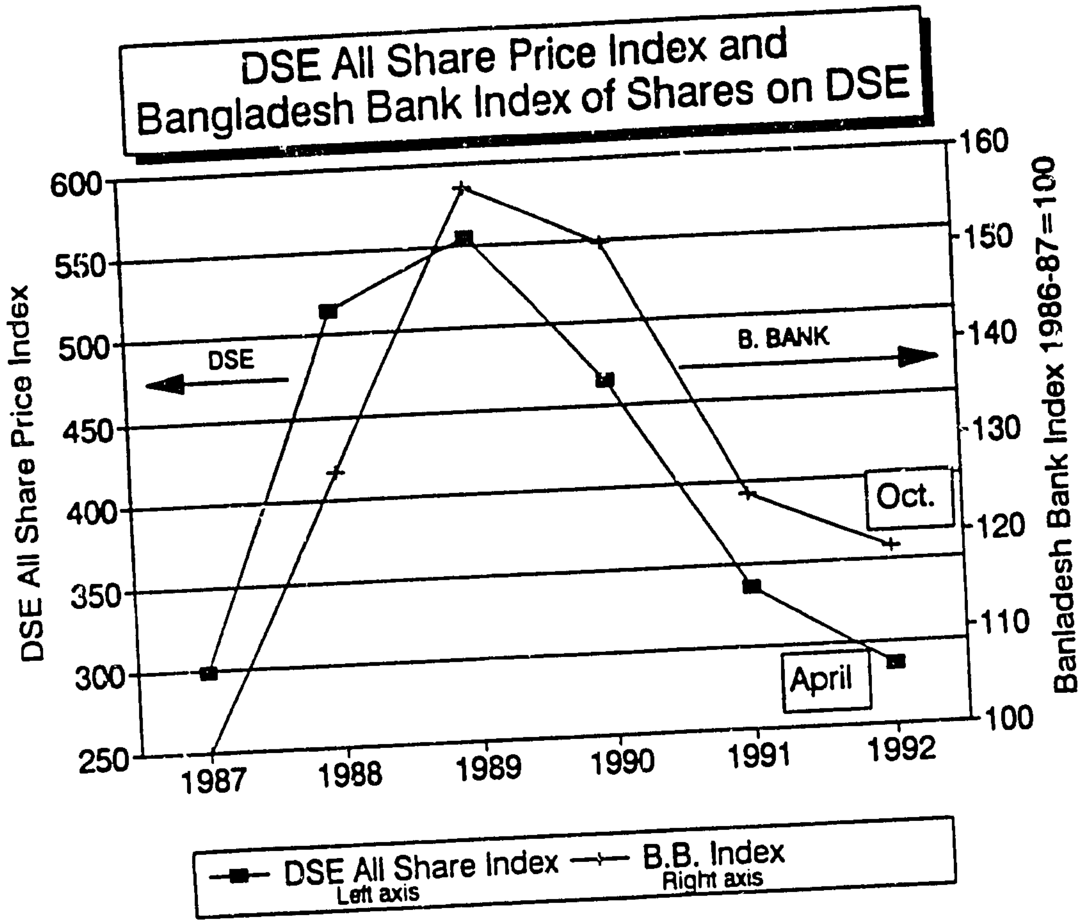

Table 8.
Indices for Listed Shares on the Dhaka Stock Exchange

Year	DSE All Share Index a./	BB Index of DSE Shares b./
1986	228	
1987	299	100
1988	515	129
1989	555	158
1990	465	151
1991	336	125
1992	287 c./	118 d./

a./ DSE All Share Price Index, as Quoted in DSE Press Publications

b./ Index of Ordinary Shares of Companies Listed on DSE; Base 1986-87 = 100

Index Value is for Fiscal Year ending June

c./ April 8, 1992 d./ October, 1991 Average

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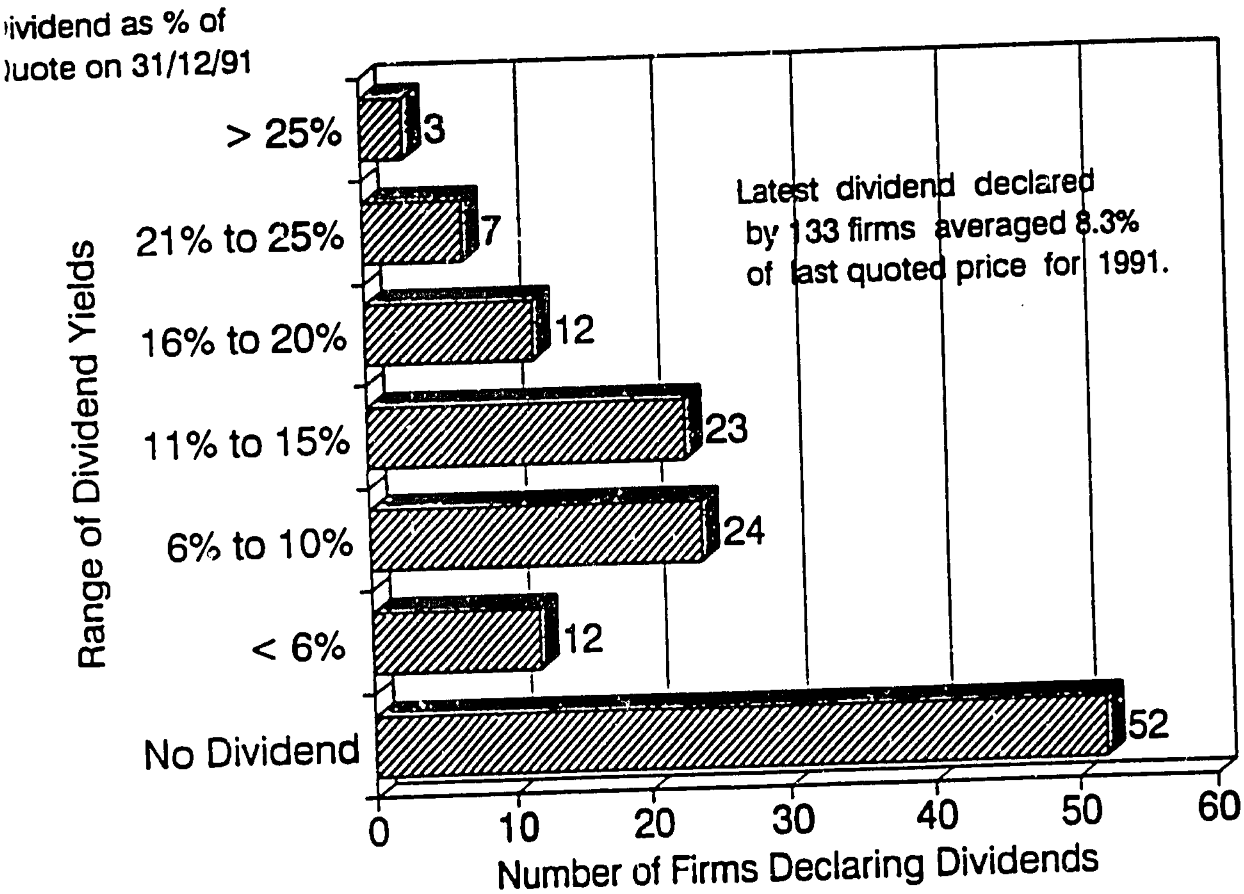
Figure 3.
Latest Dividends Declared
for 133 Firms Listed on the DSE in 1990



Most recent cash or bonus shares dividend only, declared in 1991 or 1990

Table 9.

Pre-Tax Internal Rates of Return (IRR) on Investments in Portfolios of All Listed DSE Shares Constructed for Selected Time Periods Between 1986 and 1991

Portfolios of All Listed Shares -- Equally Weighted --

If Shares Are Bought in Year	And Sold in Year					
	1986	1987	1988	1989	1990	1991
1986	12%	38%	30%	24%	19%	17%
1987		8%	11%	8%	5%	3%
1988			8%	6%	1%	-0%
1989				7%	-1%	-2%
1990					5%	1%
1991						5%
Example of How To Read the Table of IRRs	An investment made in a portfolio of all DSE listed shares purchased in 1988 and sold in 1990 resulted in internal rate of return that approximated 1%; assuming that all purchases and sales were made at the average of the high and low prices quoted for that that year, and that the portfolio was constructed of an with equal amounts invested in each listed security.					

Figure 5.
Rate of Return – All DSE Shares
Equally Weighted Portfolio

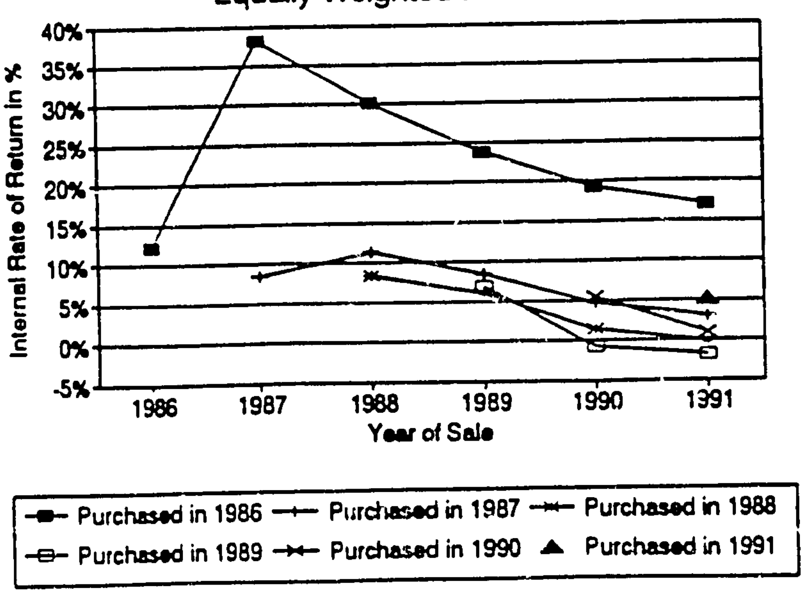


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Table 11.

Probability of Realizing Various Rates of
Return on Individual Securities
Listed on the Dhaka Stock Exchange

Range of IRR in %	Year of Purchase					
	1986	1987	1988	1989	1990	1991
< 0 %	20%	36%	42%	47%	39%	29%
0 - 4+ %	16%	17%	17%	21%	29%	43%
5 - 14+ %	17%	24%	27%	23%	20%	20%
15 - 24+ %	17%	10%	7%	4%	6%	3%
25 % & >	30%	12%	7%	5%	5%	5%
Total a./	100%	100%	100%	100%	100%	100%

a./ May not add exactly due to rounding.

Figure 7.

Probability of Realizing A Given IRR
From Purchase of A Listed DSE Security

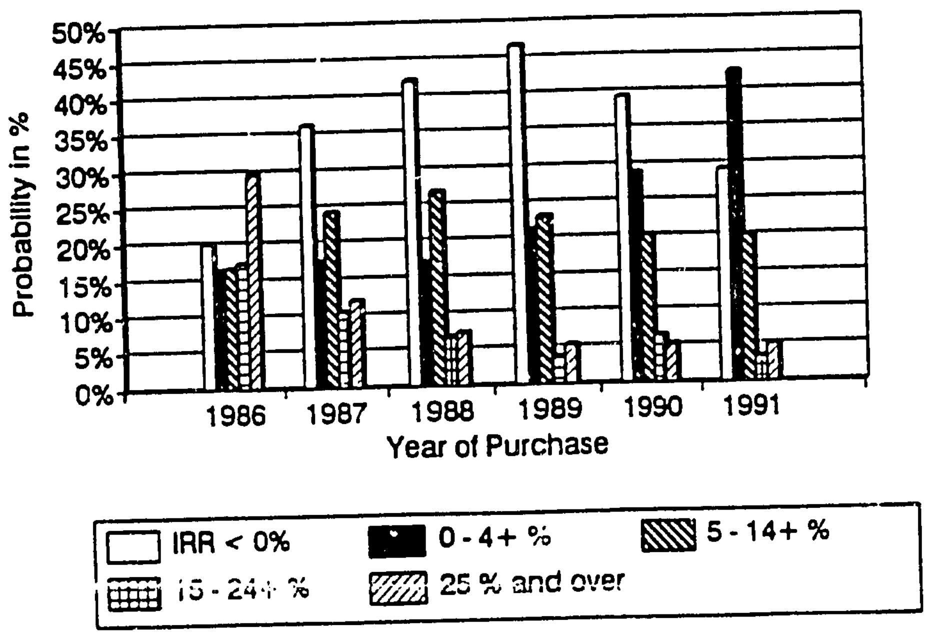

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Table 12

Rates of Return to Individual Investors --- Selected Investments in Bangladesh, 1992

ITEM	Unit	NSD Certificates 3 yr San. Patra	NSD Certificates 5 yr San Patra	NSD Certificates Defense San. Patra	Postal Savings Banks Fixed Deposits	Postal Savings Banks Fixed Deposits	Scheduled Bank Fixed Deposits	Scheduled Bank Fixed Deposits	Common Stock Pvt. 16% Div.	Common Stock Public Co. Listed on DSE 16% Div.	Common Stock Public Co. Listed on DSE 8.3% Div	Common Stock Public Co. Listed on DSE 4.9% Div.	ICB Unit 15.7 % Div	DSE Listed Debenture
Years to maturity	# yrs.	3	5	8	1	3	1	3	5	5	5	5	5	5
Advertized Nominal Rate	%	19.55%	16.00%	21.00%	15.00%	16.00%	12.25%	12.75%	16.00%	16.00%	8.30%	4.90%	15.70%	17.00%
Type of Interest Rate		Simple	Simple	Simple	Cmp.6m	Cmp 6m	Cmp	Cmp.	Simple	Simple	Simple	Simple	Simple	Simple
APR before Levy & Tax	%	16.6%	13.7%	13.1%	15.6%	16.6%	12.25%	12.75%	16.00%	16.00%	8.30%	4.90%	15.70%	17.00%
Jamuna Surcharge	%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	0.0%
Relief & Rehab. Surcharge	%				6.0%	6.0%			6.0%	6.0%	6.0%	6.0%	6.0%	0.0%
APR After Levy	%	16.1%	13.3%	12.8%	14.0%	15.2%	11.8%	12.3%	14.4%	14.4%	7.5%	4.4%	14.1%	17.0%
Income Tax Exempt		yes	yes	yes	yes	yes	no	no	no	b./	b./	b./	?? h./	c/
Tax @ Withholding rate	%	0	0	0	0	0	10.0%	10.0%	10.0%	0.0%	0.0%	0.0%	10.0%	10.0%
APR After Income Tax	%	16.1%	13.3%	12.8%	14.0%	15.2%	10.6%	11.2%	13.0%	14.4%	7.5%	4.4%	12.7%	15.3%
Eligible for Inv. Allowance	%	no	yes	yes	no	no	no	no	no	yes	yes	yes	yes	yes
APR w/ Inv. Allow														
- 10% tax bracket	%	16.1%	14.5%	13.3%	14.0%	15.2%	10.6%	11.2%	13.0%	15.9%	9.1%	6.2%	14.2%	17.0%
- 33% tax bracket	%	16.1%	17.0%	14.4%	14.0%	15.2%	10.6%	11.2%	13.0%	18.9%	12.6%	9.8%	17.0%	20.0%
Eligible for Security		no	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
Investment Maximum	1000 taka	400	200	None	200	400	None	None	None	None	None	None	None	None
Investment Minimum	taka	50	5	5	50	50	1000	1000	Large	500	500	500	500	> 500
Other Notes		a./							d.	e.	f.	g.	h.	c./

a./ Reinvestments allowed without reapplication.

b./ First Tk. 30,000 of dividend income from companies listed on the DSE is exempt from income tax.

c./ First Tk. 15,000 of interest income from "certain" debenture issues approved by CCI is exempt from income tax. A tax of 10% is shown here.

d./ Private company, not listed on DSE, paying 16% cash dividend to shareholders/bc

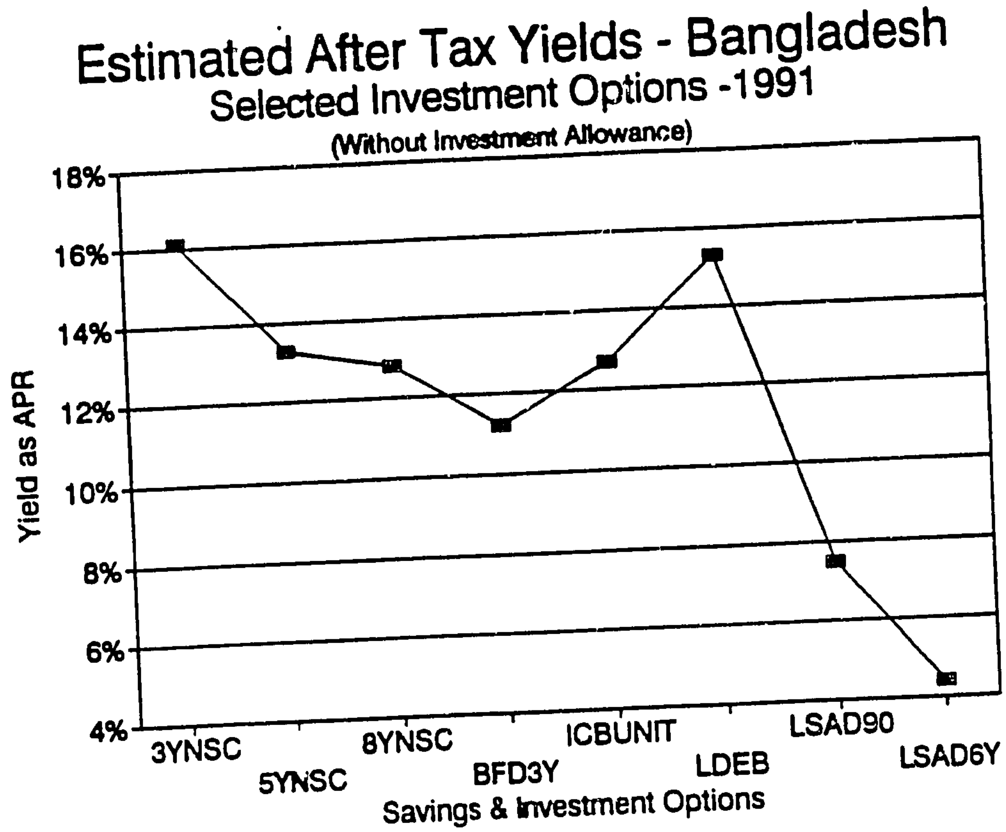
e./ Public company, listed on the DSE, paying 16% cash dividend.

f./ Public company, listed on the DSE, paying 8.3% cash dividend, average dividend yield (incl. bonus shares) all 133 firms listed on DSE in 1990.

g./ Public company, listed on the DSE, paying 4.9% cash dividend, average annual cash dividend declared for all companies listed on DSE from 1986-91.

h./ Income tax liability of Unit Fund is disputed. A 10% tax payment is shown here.

Figure 8.



3YNSC	3-year National Savings Certificate
5YNSC	5-year National Savings Certificate
8YNSC	8-year National Savings Certificate
BFD3Y	Scheduled Bank (NCB) Fixed Deposit 3 year
ICBUNIT	ICB Unit Fund FY ending 1991
LDEB	CCI approved debenture listed on DSE
LSAD90	Yields on listed shares -- from average cash & bonus share dividend declared by 133 firms listed on DSE
LSAD6Y	Yields on listed shares -- average cash dividends delared by 133 firms from 1986 to 1991.

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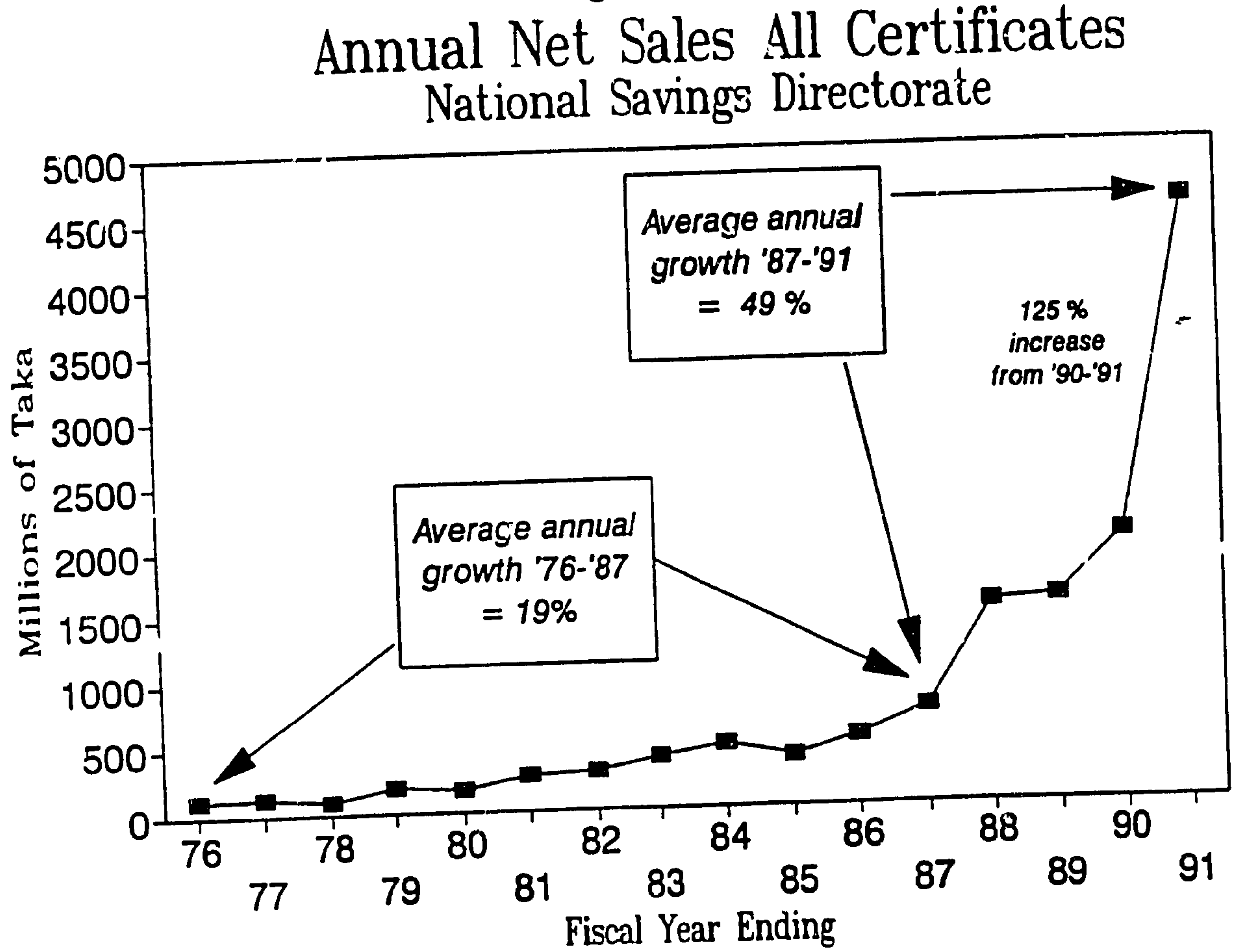
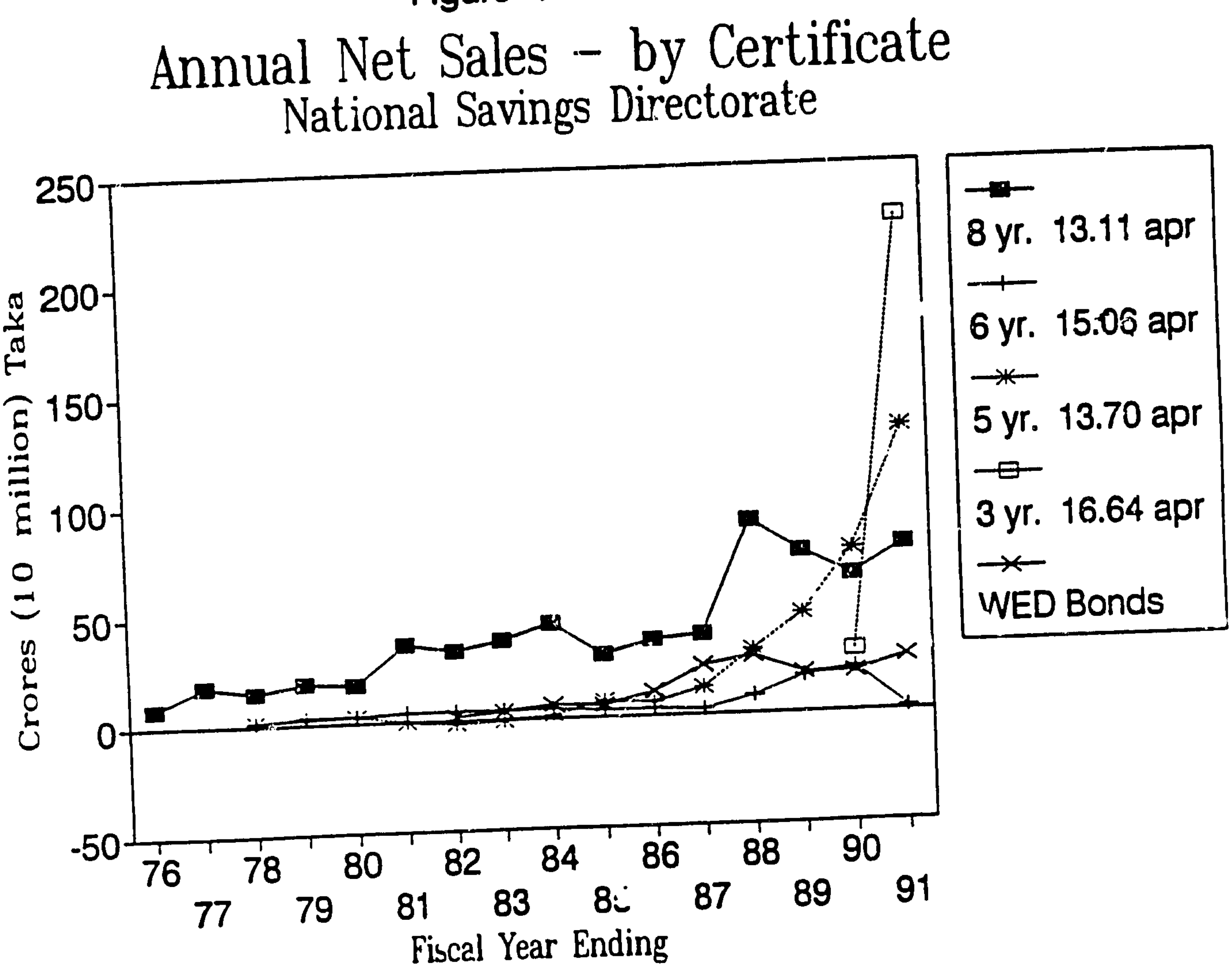
Figure 10.


Annual Net Sales All Certificates
National Savings Directorate
Average annual growth '87-'91 = 49 %
125 % increase from '90-'91
Average annual growth '76-'87 = 19%
Millions of Taka
5000
4500
4000
3500
3000
2500
2000
1500
1000
500
0
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
Fiscal Year Ending

8

Figure 11.


Annual Net Sales – by Certificate
National Savings Directorate
250
200
150
100
50
0
-50
Crores (10 million) Taka
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
Fiscal Year Ending
8 yr. 13.11 apr
6 yr. 15.06 apr
5 yr. 13.70 apr
3 yr. 16.64 apr
WED Bonds

9

Table 14

Pre-tax Dividends and Yields as a % of Market Price ICB Mutual Funds and ICB Unit Fund, 1986-1991

DSE Code No	Mutual Fund	1986 Mid Quote in Taka	1987 Mid Quote in Taka	1988 Mid Quote in Taka	1989 Mid Quote in Taka	1990 Mid Quote in Taka	1991 Mid Quote in Taka
152	1st ICB M.F. a./	237.5	950.0	535.0	575.0	522.5	397.5
153	2nd ICB M.F.	139.0	339.5	302.5	266.0	211.5	175.0
154	3rd ICB M.F.	129.0	366.0	266.0	256.5	161.5	147.0
155	4th ICB M.F.		365.0	277.0	204.0	154.5	139.5
156	5th ICB M.F.		258.5	245.0	175.0	132.5	114.5
157	6th ICB M.F.			0.0	125.5	101.9	79.8
	ICB Unit Fund b./		113.5	114	117	120	124
		Dividends Declared (In Taka)					
152	1st ICB M.F.	38.00	41.00	48.00	49.00	49.00	35.00
153	2nd ICB M.F.	23.00	25.50	28.00	29.00	29.00	22.00
154	3rd ICB M.F.	21.00	22.50	25.50	26.00	26.00	19.00
155	4th ICB M.F.		21.50	23.00	23.50	23.50	17.00
156	5th ICB M.F.			20.00	20.50	20.50	10.00
157	6th ICB M.F.				15.50	13.25	6.00
	ICB Unit Fund	21	23	24	25	25	18
		Dividends Declared as % of Mid Quote Price (In %)					
152	1st ICB M.F.	16.0%	4.3%	9.0%	8.5%	9.4%	8.8%
153	2nd ICB M.F.	16.5%	7.5%	9.3%	10.9%	13.7%	12.6%
154	3rd ICB M.F.	16.3%	6.1%	9.6%	10.1%	16.1%	12.9%
155	4th ICB M.F.		5.9%	8.3%	11.5%	15.2%	12.2%
156	5th ICB M.F.		0.0%	8.2%	11.7%	15.5%	8.7%
157	6th ICB M.F.				12.4%	13.0%	7.5%
	ICB Unit Fund		20.3%	21.1%	21.4%	20.8%	14.5%

a./ Mid quotes for all mutual funds are the average of high and low price quotations taken from calendar year figures published by DSE in "Investment Scoreboard".

b./ Mid-quote figures for ICB Unit Fund are average of annual opening and closing sales prices for units, Figure 1-7, p. 8, Annual Report 1990-91.

c./ Before levies or income taxes

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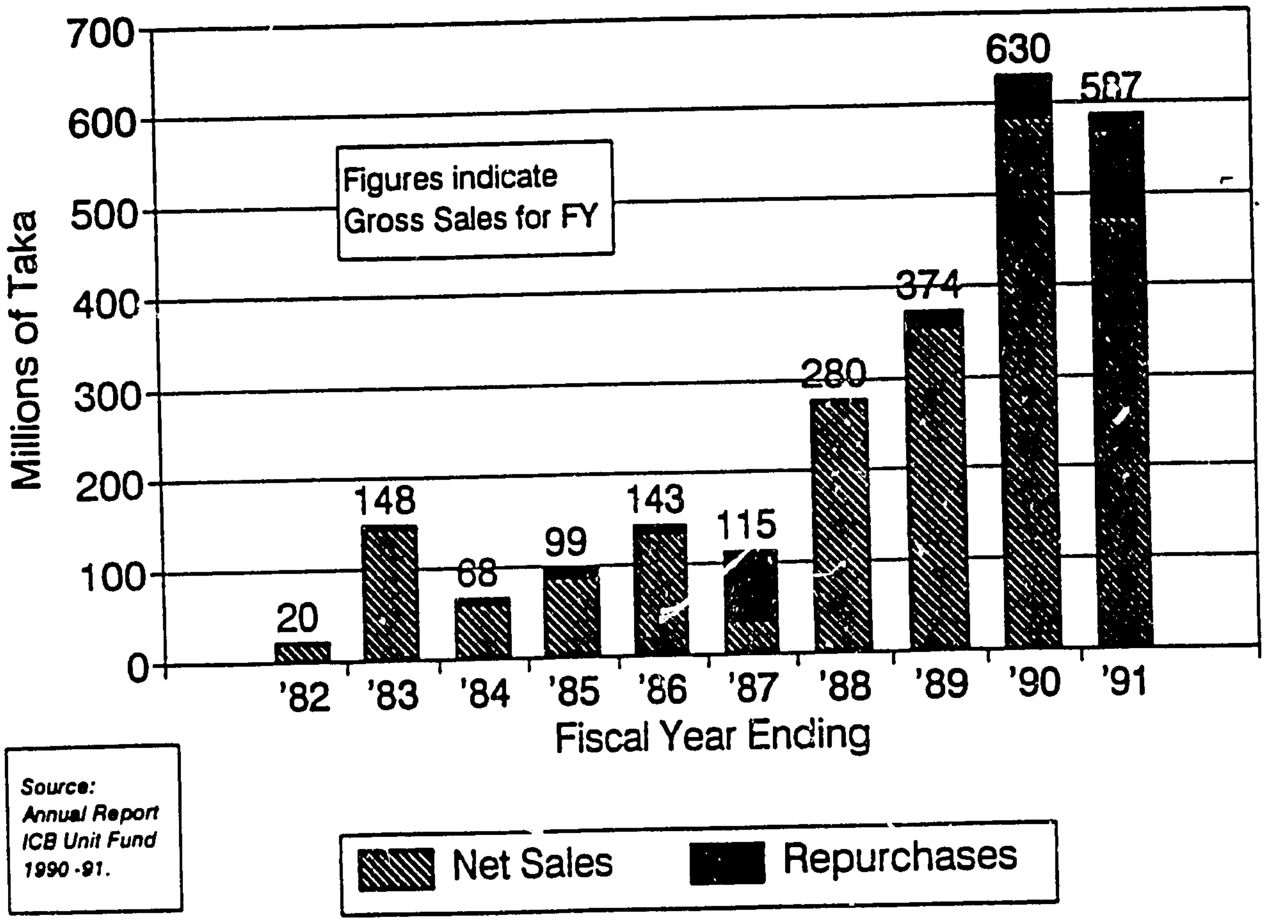
Figure 12.
Sales of ICB Unit Fund, 1982-1991
Gross Sales, Repurchases, and Net Sales



Source: Annual Report ICB Unit Fund 1990-91.

Figure 13.

Impact of Taxation on Investment Yields For Selected Securities in Bangladesh

– Zero % Tax Bracket ; excluding Investment Allowance Benefit

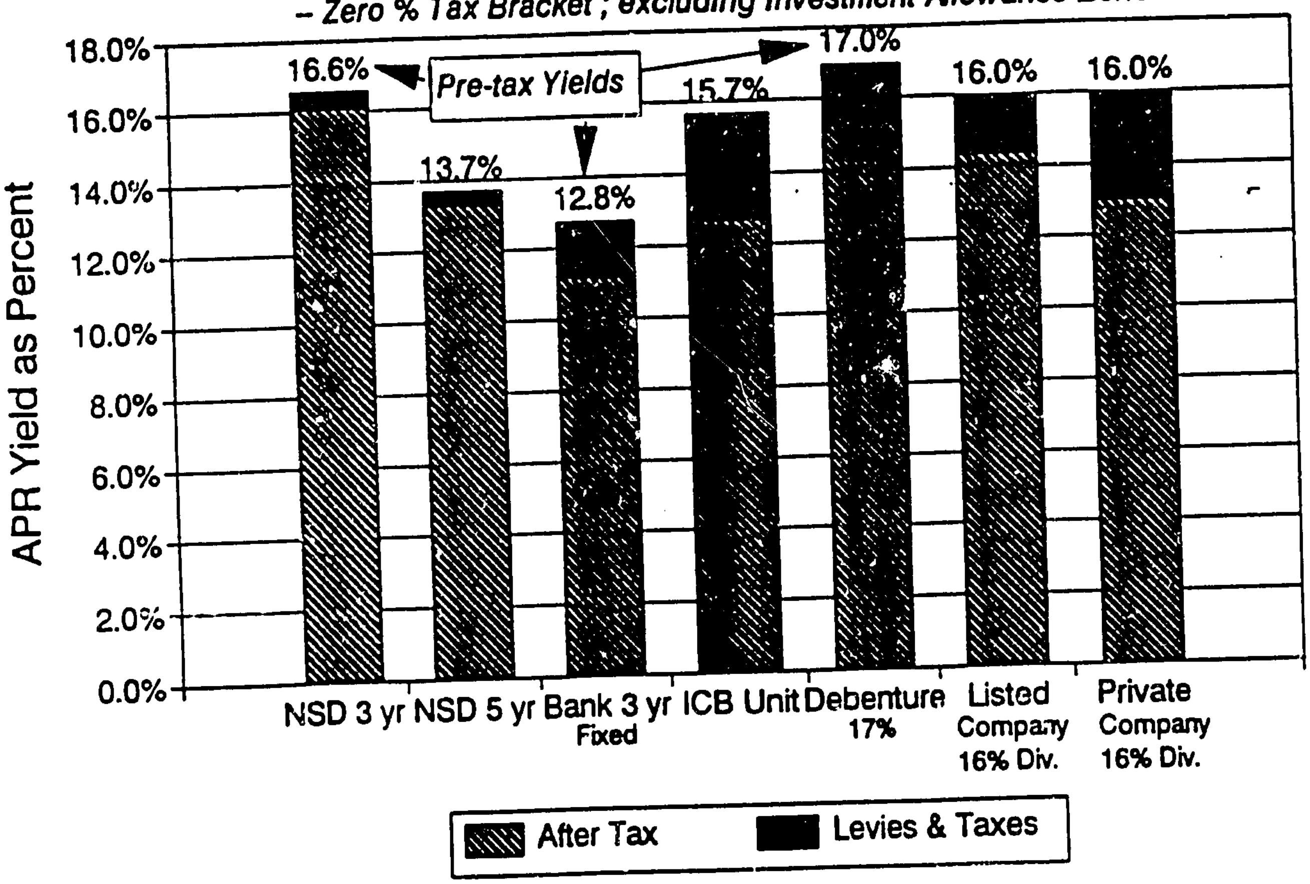


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Table 17.

Estimated After Tax Return on Investment For Individual Investors in Three Tax Brackets

Bangladesh, May, 1992

(APR in %) a./

Instrument	Pre-tax Return b/	Total Taxable Amount Invested in Taka		
		1,000,000	300,000	100,000
NSD 3-Yr.16.6%	16.6%	15.9%	15.9%	15.9%
NSD 5-Yr.13.7%	13.7%	13.7%	15.4%	14.2%
Bank FD 3-Yr. 12.75%	12.75%	8.2%	8.6%	10.5%
Good Stock 16% c./	16.0%	11.1%	15.6%	15.4%
Debenture 17%	17.0%	12.4%	16.5%	17.7%
Avg. Income Tax Rate on Amount Invested:				
– Tax rate if amount not invested		33.3%	30.0%	14.0%
– Tax rate on amnt. > 100k d./		33.3%	22.5%	11.0%
– Taxes due/ total amount invested		30.0%	15.0%	7.3%

a./ APR = Annual Percentage Rate from IRR on annual cash flow.

b./ Total return excluding capital gains or losses

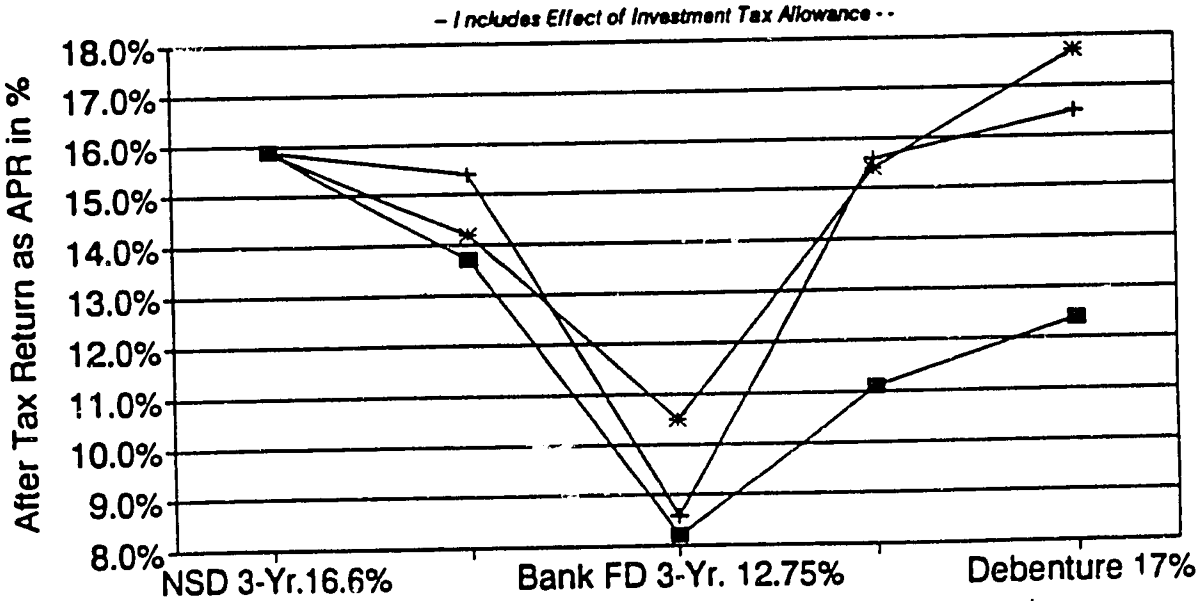
c./ Held for 5 years.

d./ 100,000 Taka = Investment Allowance Ceiling

Source: Appendix A.

Figure 15
After Tax Return on Investment For Investors in Three Tax Brackets

– Includes Effect of Investment Tax Allowance – –



Results for Investors in 3 Tax Brackets

Tk 1 million — Tk. 300,000 — Tk. 100,000

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Table 18.

Volume of New Public Share Issues Offered Through Dhaka Stock Exchange

Year	No. of Issues	Amount Issued Tk. Million	Amount Subcribed Tk. Million	Over Subscription %
1984	12	309	412	33%
1985	19	194	332	71%
1986	9	81	123	51%
1987	9	265	458	73%
1988	21	303	722	138%
1989	12	239	466	95%
1990	11	158	195	23%
1991	9	167	146	-13%

Source: Report on Dhaka Stock Exchange, January 1992
Sponsored by Asia Foundation,Myong-Cheol Seok
and Inseok Park, Table 3, p. 48.
Data for 1990 and 1991 from Stock Exchange Review
November-December 1991, Dhaka Stock Exchange Limited.

Figure 16.

New Shares Offered and Subscribed
Dhaka Stock Exchange

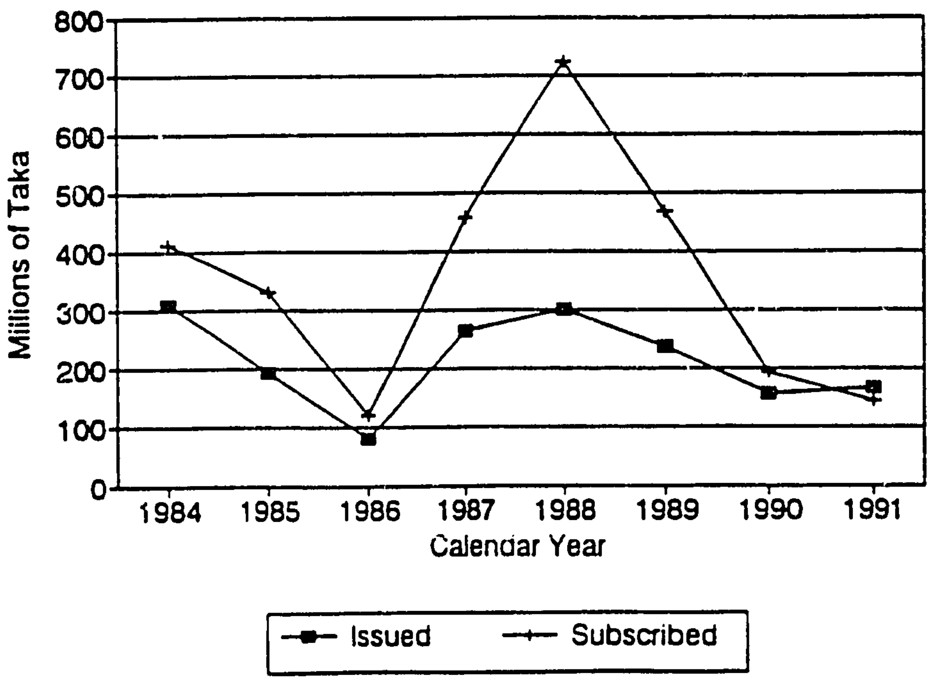

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Table 19.

Impact of Leverage and on After Tax Earnings Per Share

Total Investment = Taka 10,000,000
Number of Shares = 20,000

Case	Type of Company	Debt / Equity in %	Par Value Taka/ Share	After Tax Earnings Per Share - in Ta			Earnings Per Shar (% of par)		
				Plan a./	Worse b./	Better c./	Plan a./	Worse b./	Better c./
A	Unlisted	50/50	250	28.8	3.6	46.8	12%	1%	19%
B	Listed d.	50/50	250	31.7	4.0	51.5	13%	2%	21%
C	Unlisted	80/20	100	19.0	(8.0) e.	37.0	19%	-8%	37%
D	Unlisted	90/10	50	16.0	(11.5) f.	34.0	32%	-23%	68%

a./ Sales income Tk. 6,400,000 taka; costs before depreciation interest and taxes equal 49% of sales.
b./ Sales income 25% less than planned; costs 59% of sales.
c./ Sales income 25% greater than planned, costs 48% of sales.
d./ Earnings taxed at 45% rate; unlisted companies at 50% rate.
e./ With possible loss of full 100 taka original investment unless shareholders contribute an additional 5 taka per share to make up for missed debt service payment.
f./ With possible loss of full 50 taka original investment unless shareholders contribute an additional 18 taka per share to make up for missed debt service payment.

SOURCE: See Worksheets in Appendix D.

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