

[N.B. - The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

Marks

1. a) ABC Ltd. is a private limited company. Recently, the company has conducted an internal review and discovered that it has 56 members, 5 of whom are employees who have been given shares as part of an employee stock ownership plan (ESOP). PQR & Co., a chartered accountant firm is the retained consultant for legal and secretarial services to the company. You are a Director of PQR & Co.

Requirements:

The board of directors of the company has inquired you in a formal letter as follows:

- i) Can the company be operated as a private limited company with 56 members where 5 members are its employees in the light of the Companies Act, 1994? 3
- ii) What would be the next steps for the board of directors? 2
- b) Current no. of shares of the company against paid up capital of XYZ Ltd is 500,000. In 2019, directors deposited of BDT 65,085,400 against the proposed rights offer. But the Rights offer could not be executed yet and return of allotment has not been filed with RJSC.

Since the Rights could not be executed, the amount is being shown as loan from directors in note under current liabilities.

However, while declaring and paying dividend in 2022, the company paid dividend on the money deposited by the directors for unexecuted Rights offer as follows-

Sl No.	Name	Total no. of shares	Total Amount @ Tk. 100	Revised Holding %	Dividend	Dividend Amount
01	Mr. A	13,667	1,366,700	2.10%	30.00%	410,010
02	Mr. B	89,833	8,983,300	13.80%	30.00%	2,694,990
03	Mr. C	144,375	14,437,500	22.18%	30.00%	4,331,250
04	Mr. D	105,875	10,587,500	16.27%	30.00%	3,176,250
05	Mr. E	86,625	8,662,500	13.31%	30.00%	2,598,750
06	Mr. F	52,937	5,293,700	8.13%	30.00%	1,588,110
07	Mr. G	89,167	8,916,700	13.70%	30.00%	2,675,010
08	Mr. H	41,250	4,125,000	6.34%	30.00%	1,237,500
09	Mr. I	27,125	2,712,500	4.17%	30.00%	813,750
Total		650,854	65,085,400	100.00%	30.00%	19,525,620

The audit of the financials for 2022 has not yet been completed and the auditor has addressed the issue.

Requirement:

You are as the Company Secretary of the company is advised to respond to the queries of the auditors and find the way-out if it is noncompliant. 5

- c) Aspiration PLC, a 100% subsidiary of Moonlight PLC, was newly incorporated under the Companies Act 1994. The first Annual General Meeting (AGM) of Aspiration PLC was scheduled for September 30th, 2023. However, without providing any reason, Aspiration PLC held its first AGM on October 1st, 2023, one day after the statutory period.

Moonlight PLC, a well-established company operating in Bangladesh for over 10 years, was unable to hold its 12th AGM on time due to the unavailability of the Balance Sheet and Profit & Loss Account. The company applied to the Registrar of RJSC for an extension of 90 days, which was granted. However, by the time the financial statements were ready, the 90-day extension had also expired.

Requirements:

Upon citing the relevant provisions of Companies Act 1994:

- i) Mention the fate of the meeting held by Aspiration PLC. 4
- ii) Any remedy for Moonlight PLC? 4

- d) ABC PLC. is a public limited company listed on both Dhaka and Chittagong stock exchanges. The board of directors has decided to convert the company into a private limited company due to strategic business considerations, including the desire for greater control, reduced regulatory compliance burdens and streamline decision making process. You are a professional chartered accountant and a Partner of XYZ & Co., a renowned chartered accountant firm in Bangladesh. The company's Chief Financial Officer has come to you to aid him on the conversion process.

Requirement:

Enumerate him the conversion of a public limited company into private limited company with regard to the provisions of the Companies Act, 1994.

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2. a) DEF Limited, a private company in Bangladesh, is preparing for its Initial Public Offering (IPO). According to its financial statements, the company has the following shareholders before the IPO:

- Promoters: 70% of the shares
- Institutional investors: 20% of the shares
- Employees (via ESOPs): 5% of the shares
- Individual investors: 5% of the shares (from a previous private placement)

The company plans to issue new shares equivalent to 30% of its post-IPO share capital to raise funds from the public. After the IPO, the ownership structure would be:

- Promoters: 49%
- Institutional investors: 14%
- Employees (via ESOPs): 3.5%
- Individual investors (pre-IPO): 3.5%
- New public investors (post-IPO): 30%

Requirements:

- i) What is Lock-in? 1
- ii) Determine the lock-in period for each category of shareholders before and after the IPO. 3
- iii) Discuss the potential implications of these lock-in periods on the liquidity and stock price stability of DEF Limited in the initial months following the IPO. 2
- b) Bangladesh Securities and Exchange Commission (BSEC) has advised all listed entities including the banks and financial institutions to form at least 2 (two) sub-committees of the board: Audit Committee and Nomination and Remuneration Committee (NRC).

On the other hand, Bangladesh Bank has advised all banks & financial institution (FI)s to form only three sub-committees of the board: Executive Committee, Audit Committee and Risk Management Committee.

Recently, Bangladesh Bank has advised the Audit Committee of the banks and FIs to perform the functions of NRC to comply with the BSEC directives.

Both the regulators have advised to take prior consent for appointment of independent directors in bank and FI.

Requirements:

- i) You are required to describe briefly the directives of Bangladesh Bank and BSEC for appointment of independent directors in bank and FI. 4
- ii) Do you think there will be any conflict in complying the both directives by the banks and FIs? 4
- c) ABC Plc is a company incorporated and registered under Companies Act, 1994 on 1 July 2010. The company is planning to get listed with both Dhaka and Chittagong Stock Exchanges on 1 July 2024. The company is maintaining its accounting year from July to June.

You have been appointed as the Company Secretary and have been assigned as the in-charge of the project to get the company listed.

The company has completed its financials for the year ended 30 June 2023. Audit of the financials has not been completed.

Note that the company held its last AGM on 31 December 2022 based on the audited financials for the year ended 30 June 2022.

Requirements:

- i) What is deadline for completion of audit of the financials for the year ended 30 June 2023? Would deadline be changed if the company got listed in 2023? 4

- ii) By when the annual return with RJSC need to be filed? Can the financials be filed with RJSC even if the AGM could not be held based on the said financials or the financials has not been adopted or AGM has been halted? Is there any provision of penalty for such non-compliance? 5
- iii) Management is exploring to change financial year ended 30 June to 31 December or 31 March. In that case after the company gets listed, what will be filing requirement as per the BSEC directives for quarterly financials and annual financials after due audit? 4
3. a) JKL Limited is a company in Bangladesh with the following characteristics:
- Type of business: A large manufacturing company.
 - Revenue: Tk. 2,000 million.
 - Net profit: Tk. 250 million.
 - Total assets: Tk. 5,000 million.
 - Number of employees: 800.
 - Ownership structure: Listed on the Dhaka Stock Exchange (DSE).
 - Public debt: Has issued corporate bonds worth Tk. 500 million to the public.
- Requirements:**
- According to the Financial Reporting Act, 2015:
- i) What is the definition of public interest entity (PIE)? 2
- ii) Determine whether JKL Limited qualifies as a public interest entity (PIE) and provide the rationale for your determination. 3
- b) MNO PLC is a publicly listed company in Bangladesh. The company has engaged XYZ & Co., a registered audit firm, to audit its financial statements for the year ended 30 June 2024. During the audit, the following issues arise:
- **Significant errors:** The audit firm identifies significant errors in the recognition of revenue, which were not corrected by MNO PLC in previous financial statements.
 - **Internal control deficiencies:** The audit reveals major deficiencies in the company's internal controls over financial reporting.
 - **Non-compliance:** There is evidence of non-compliance with International Financial Reporting Standards (IFRSs) in several areas of the financial statements.
 - **Auditor independence:** Concerns are raised about the independence of the auditors due to the provision of non-audit services to MNO PLC.
- Requirements:**
- i) Explain the steps that the Audit Practice Review Division (APRD) would take to address the issues identified in the audit of MNO PLC. 2
- ii) Discuss the potential outcomes for both MNO PLC and XYZ & Co. if the APRD finds significant non-compliances with audit standards and financial reporting requirements. 3
4. a) ABC Bank Ltd. has extended a term loan of BDT 20 lac to one of its SME customers, M/s International Trading Ltd. in 2015 for a period of 5 years. The client was regular in payments up to 2019. Due to pandemic, the client's business has been suffering a huge loss and the client has become unable to repay its debts. As on 31 December 2019, outstanding balance of the loan was BDT 350,000. As on 31 December 2022, the outstanding balance stood at BDT 465,000 and the loan was classified as 'Bad' for the last 3 years.
- Considering the financial condition of the client, the bank has decided to place a proposal to the Board to write-off the loan.
- Requirement:**
- As the Company Secretary of the bank, you have been asked to guide as per as Bangladesh Bank guideline in this regard. 4
- b) XYZ Bank PLC has a loan portfolio with the following details:
- Loan A: Tk. 10 million, overdue by 45 days.
 - Loan B: Tk. 20 million, overdue by 150 days.
 - Loan C: Tk. 30 million, overdue by 200 days.
 - Loan D: Tk. 40 million, overdue by 400 days.
- Requirements:**
- i) Explain the classification of loan and maintenance of provision in the light of recent changes in the banking sector of Bangladesh. 3
- ii) Make proper classification of loans and provision for XYZ Bank PLC. 3

5. AFL Finance PLC is a non-listed finance company operating in Bangladesh since 2001. The snapshot of directors and their holding of shares of the company are as follows-

SL	Name of Shareholder	Designation	Relation	Shareholding (in %)	Group Holding
1	Mr. AM Bhuiyan	Chairman	-	2.75%	
2	Mrs. Khousan Jahan	Director	Wife of Mr. AM Bhuiyan	2.70%	
3	Mr. MA Mannaf	Director	Son of Mr. AM Bhuiyan	2.80%	
4	Ms. Farima Mannaf	Director	Daughter of Md. AM Bhuiyan	2.61%	
5	Mr. Bizwan Mannaf	Director	Son of Mr. AM Bhuiyan	2.60%	
6	M/s. Puma Marketing International		Business Entity of Mr. AM Bhuiyan	12.25%	
	Group Holdings				25.72%

Mr. AM Bhuiyan was first appointed on 30 July 2001 and his last appoint was on 05 September 2021. Throughout the years from 2001 to 2021, he has been retired and re-elected as director.

Mr. Bizwan Mannaf is the director nominated by Puma Marketing International. All of his family members are also the directors of Puma Marketing International, a family business.

Apart from the directors above, the company has 3 more directors including 01(one) independent director and excluding the Managing Director.

Recently, the Finance Company Act, 2023 has been enacted and the act has imposed some regulations for holding the shares of finance company along with the directorship in the company.

Requirements:

- a) In light of the Finance Company Act, 2023, you are required to advise the Board on- 4
 - Holding of shares by the group;
 - No. of directors nominated by the group;
 - Tenure of directorship in the company; and
 - Requirement of independent director in the company.
 - b) If you observe any non-compliance with the Act, how would you suggest to be compliant? 4
 - c) What are the consequences of such non-compliances? 2
6. a) Welfare PLC is considering covering its employees under a group life insurance scheme and has received quotations from two reputable insurance companies. Company P quoted a gross premium of Tk. 9.50 per thousand insurance value, while Company Q quoted Tk. 8.75 per thousand insurance value. The CFO wants to review the selection based on all other criteria.
- Upon further examination, it was found that both companies offer a profit bonus after the close of each year. Company P offers a bonus of 80% after deducting retention expenses and claims, while Company Q offers a bonus of 65% after deducting retention expenses and claims. The retention expenses quoted by both companies are 35% of the gross premium.
- Requirements:**
- i) Advise which company Welfare PLC should choose considering the effective premium rate. 4
 - ii) Additionally, under what circumstances is group life insurance mandatory under the Bangladesh Labour Act 2006? 2
 - b) The board of Directors of YKZ Life Insurance Limited has decided to convert the company into a 100% non-life insurance company. Currently the company has Tk. 35 crore as paid-up capital and Tk. 2 crore as minimum deposit. You are the financial consultant of the company.
- Requirement:**
- Advise the Board about the conversion of a life insurance company into a non-life insurance company while stating the legal requirements of paid-up capital and minimum deposit in the light of the Insurance Act, 2010. 4
7. a) Mr. X, an employee of Armada Bangladesh PLC (Armada), died in a tragic road accident on 30th April 2024. At the time of death, Mr. X's monthly Gross Salary was Tk. 60,000 (Basic salary was Tk. 36,000). As per existing company policy, all employees of Armada were covered under a Group Life Insurance Scheme, where the claim in the case of natural death would be 24 times gross salary and in the case of accidental death 48 times of gross salary. The company has a gratuity

scheme for its employees, which provides gratuity benefit as latest one month basic multiplied by length of services in year. Mr. X Joined Armada on 1st May 2014.

Requirement:

Compute the total amount payable to the nominees or dependents of Mr. X in addition to other retiral benefits considering the provisions of Bangladesh Labour Act 2006 and Rules thereon.

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- b) Company XYZ, a public limited company incorporated under the laws of Bangladesh in 1995, has been operating in the consumer goods manufacturing sector in Bangladesh. The company employs over 1,000 employees and provides a funded gratuity scheme as a condition of employment since 1995. The gratuity scheme is classified as a defined benefit obligation according to International Accounting Standard 19.

However, in recent times, XYZ has faced financial difficulties due to high inflation and volatile interest rates. Consequently, the gratuity fund has experienced a funding shortfall, meaning that the assets in the fund are insufficient to cover the projected gratuity obligations to all employees. This shortfall raises concerns among employees regarding the security of their retirement benefits. Considering the aforementioned circumstances, starting from January 1, 2025, XYZ is contemplating discontinuing the gratuity scheme for all employees going forward, despite employees may not agree.

Requirements:

- i) Examine the position as per labour law to determine whether XYZ can discontinue the gratuity scheme for all employees, effective from January 1, 2025.
- ii) What would be your answer in the case of employees joining from January 1, 2025?

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