

[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) Presently, Alfa Company Limited ("ACL") has three directors namely A, B and C. Previously, ACL had five directors out of whom two directors namely D & E (close friends of C) died in an accident. No other directors were appointed. According to Articles of Association of the Company quorum for directors' meeting is three. C resigned from the board due to the fact that his views and recommendations are not considered by A & B. A & B intends to appoint M who is a shareholder of the Company in the place of C. But C does not want to appoint M as a director of the Company.

Requirements:

- i) When the resignation of C will be complete? 2
ii) What procedures should A & B follow to appoint M as a director of the Company? 3

- b) Sunrise Textiles PLC scheduled its Annual General Meeting (AGM) on June 15, 2025. Out of 120 shareholders, only 4 were present at the meeting on time— holding about 35% of the total voting rights. Despite the low attendance, the Chairman declared that the quorum was sufficient, and the meeting proceeded.

Resolutions, among others, adoption of financial statements and the re-appointment of directors were passed. Later, some shareholders challenged the validity of the meeting and the resolutions, claiming that the quorum was not properly constituted.

Requirements:

- i) What is the minimum quorum requirement for a general meeting under the Companies Act, 1994? 2
ii) Was the AGM of Sunrise Textiles PLC valid? 2
iii) Can the resolutions passed in such a meeting be challenged? 2
iv) What happens if a quorum is not present within 30 minutes of the scheduled time? 2
v) Can the Articles of Association alter the statutory quorum requirements? 2

- c) ApexTech Ltd. is a technology company founded on January 1, 2020, with a focus on delivering innovative solutions. Below are the share capital and other details for the fiscal period 2023-24:

Share Capital:

Ordinary Shares: 1,000,000 shares at Tk. 10 each.

Preference Shares: 100,000 shares at Tk. 100 each, with an 8% cumulative dividend.

Financial Summary (FY 2023-24)

	Amount (Tk.)
Net Profit for FY 2023-24	2,000,000
Profit Carried Forward from FY 2022-23	1,000,000
Revaluation Reserve	2,300,000
Share Premium Account	2,000,000
Capital Reserve (from pre-incorporation profit)	1,500,000

To strengthen the dividend payout, ApexTech conducted a revaluation of its land property, where its factory is located, which is intended to be included in the dividend payout along with Share Premium Account and Capital Reserve if needed. Based on this, the dividend payout is as follows (in order of payment):

- Interim Dividend:
An interim dividend of Tk. 1.50 per ordinary share was declared in January 2024 based on unaudited half-yearly financials.
- Final Dividend:
Proposed Final Dividend to Ordinary Shareholders: Tk. 3.00 per share
- Preference Dividend (8% cumulative): Tk. 800,000

Requirement:

As Company Secretary, prepare a report for the Board of Directors evaluating the sources and appropriateness of funds used by ApexTech Ltd. for dividend distribution in fiscal year 2023-24, while assessing compliance with statutory provisions regarding eligible profits and the rights of ordinary and preference shareholders.

2. a) Delta AgroTech PLC, a publicly listed company on the Dhaka Stock Exchange (DSE) in the agro-processing sector, has a market capitalization of Tk. 1,200 crores. However, recent audits by M/s XYZ & Co., Chartered Accountants, have uncovered several compliance breaches that raise significant concerns about the company's governance and operational practices. These breaches include:
- Failure to publish audited financial statements within the required 120 days after the fiscal year-end, as mandated by the Bangladesh Securities and Exchange Commission (BSEC) under the Public Issue Rules of 2015.
 - Non-disclosure of Tk 50 crore in transactions with a sister concern owned by the CEO's spouse.
 - Engagement in circular trading through affiliated brokerage accounts, which artificially inflated the share price by 35% over three weeks.

The findings from the audit underscore the urgent need for Delta AgroTech to address these issues to restore investor confidence and ensure compliance with BSEC regulations.

Requirements:

- What are the potential legal and financial consequences for Delta AgroTech PLC resulting from these compliance breaches? 4
 - How might these violations impact investor confidence and the company's reputation in the market? 3
 - What specific actions should Delta AgroTech PLC take to rectify these compliance issues and prevent future violations? 3
 - Discuss the role of the Board of Directors and the audit committee in ensuring compliance with BSEC regulations in light of these breaches. 3
- b) ABC PLC is renowned conglomerate, has been operating in FMCG sector for several years. As a standard policy, ABC capitalized certain operating expenses, like marketing and administrative costs, as assets instead of recognizing them as expenses in the current period. For the year 2023-24, ABC PLC capitalized BDT 1 billion of marketing expenses as an intangible asset, spreading the amortization over five years. This practice reduces immediate expenses, inflates net income and EPS, and creates a misleading impression of improved financial statements in the short term. For the year 2023-24 relevant Financial Data are as follows:

Particulars	Amount
Revenue	BDT 40 billion
Cost of Goods Sold (COGS)	BDT 25 billion
Operating Expenses	BDT 8 billion
Net Income	BDT 7 billion
Shares Outstanding	35 million
Earnings Per Share (EPS)	BDT 200

Requirement:

Identify the issue if any, in view of the compliance requirement under Bangladesh Securities & Exchange Commission's regulation and remedy if any. What would be the revised EPS? 5

- c) AetherTech Solutions Ltd. is a publicly listed technology infrastructure company in Bangladesh. The company has been in confidential negotiations to acquire a smaller but highly innovative AI startup, NeuroGrid AI, which holds several patents in edge computing and neural network optimization.

The acquisition, once finalized, is expected to significantly enhance AetherTech's market position and revenue projections. The Board of Directors, aware of the material impact this deal would have on the company's valuation, decides to delay public disclosure under the pretext of "ongoing due diligence," even though the deal has already been contractually agreed upon.

During this period of non-disclosure, several board members and their family members purchase large quantities of AetherTech shares at market price. Two weeks later, the acquisition is publicly announced, resulting in a 48% surge in the company's stock price.

Requirements:

- Analyze how AetherTech Solutions Ltd.'s board and senior management's failure to timely disclose the acquisition of NeuroGrid AI indicates a breakdown in corporate governance, referencing relevant legal provisions on price-sensitive information and the fiduciary responsibilities of directors. 3
- Evaluate the Bangladesh Securities and Exchange Commission's (BSEC) role in maintaining market integrity, focusing on its investigative and enforcement powers to address insider trading and non-disclosure of material information by listed companies. 4

3. a) ABC Textiles Limited, a listed company, got its financial statements audited by a firm not registered with the Financial Reporting Council (FRC). The statements were then submitted to the Registrar of Joint Stock Companies (RJSC) and the Bangladesh Securities and Exchange Commission (BSEC).

Requirement:

Is this audit valid under the Financial Reporting Act, 2015? What actions can the FRC take? Give your answer with reference from the Act.

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- b) XYZ Bank Limited submitted its audited financial statements to the Financial Reporting Council. Later, the Council found material misstatements and concealment of liabilities, which significantly affected shareholders' decisions. The audit firm claimed the management was responsible for the misstatements.

Requirement:

Who is accountable under the Financial Reporting Act, 2015? What actions can the FRC take? Give your answer with reference from the Act.

5

4. a) GeoStar Bank Ltd., a scheduled bank in Bangladesh, has recently come under investigation by Bangladesh Bank following revelations that over Tk. 1,200 crore was illicitly siphoned out of the country over a three-year period. The scheme involved over-invoicing of imports, fictitious trade transactions, and collusive practices between senior bank officials and external parties. It was later discovered that the bank's Deputy Managing Director, Head of Trade Finance, and a member of the Board Audit Committee were aware of these activities and failed to act. Additionally, the bank's external auditor, XYZ & Co., issued unqualified audit reports during this period, despite clear red flags in trade finance documentation and L/C settlements.

Bangladesh Bank's investigation found that:

- The bank's internal audit and compliance mechanisms were ineffective.
- The Board failed to exercise proper oversight as required under the Bank Company Act, 1991 (as amended).
- The external auditors failed to report material irregularities, in breach of their statutory duties under the Bank Company Act and the Bank Company (External Auditor) Rules 2024.

Requirements:

Critically analyze the legal responsibilities and failures of both the bank authorities and the external auditors in the given scenario. Your response should address:

- i) The oversight and fiduciary duties of the bank's board and senior management.
 - ii) The role and obligations of external auditors in detecting and reporting financial irregularities. Whether the actions (or inactions) of the auditor could constitute professional negligence or regulatory breaches.
 - iii) The potential legal and regulatory consequences for both the bank and the audit firm.
 - iv) An overall recommendation so that such types of incidents are prevented.
- b) GlobalTech Ltd., a Dhaka-based electronics importer, entered into a contract with a South Korean supplier to import high-end microchips worth USD 2 million. Due to liquidity constraints, GlobalTech requested Gomati Bank Ltd., a local bank in Dhaka, to facilitate the transaction using a UPAS Letter of Credit (LC).

Gomati Bank, a local bank based in Dhaka, Bangladesh issued a UPAS LC, enabling the supplier to receive payment at sight while GlobalTech would repay the bank after 90 days. The transaction was executed successfully. However, a regulatory audit raised concerns regarding the treatment of UPAS LC under the Bank Company Act, 1991, particularly in relation to risk exposure, foreign exchange management, and compliance.

Requirement:

How does the Bank Company Act, 1991 (as amended) regulate instruments like UPAS LC in terms of risk management and foreign exchange exposure?

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5. ABC Financial Institution, a leading financial entity, intends to distribute its entire net profit after tax of BDT 100 million as dividends to its shareholders, subject to the Board of Directors' recommendation and approval at the Annual General Meeting (AGM). However, the internal audit team has flagged that the profit calculation did not account for certain capitalized expenditures namely, preliminary expenses (BDT 5 million), organizational expenses (BDT 3 million), share issuance commission and brokerage fees (BDT 2 million) as well as accumulated losses from prior years totalling BDT 10 million.

Requirement:

Evaluate whether the proposed dividend declaration complies with the Financial Institutions Act, 1993, and determine the correct distributable amount, if adjustments are necessary.

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6. a) EverTrust Insurance PLC, a registered life insurance company in Bangladesh, was found by auditors to have:
1. Used company funds for personal expenses of its directors.
 2. Failed to hold annual general meetings (AGMs) for three consecutive years.
 3. Not maintained a proper investment register or not disclosed statutory investments.
 4. Provided undisclosed loans to directors and related parties.

Several complaints were submitted to the Insurance Development and Regulatory Authority (IDRA) by policyholders, alleging mismanagement and non-payment of claims.

Requirement:

What are the legal consequences for EverTrust Insurance PLC and its directors under the Insurance Act, 2010? The answer must be with reference to the relevant sections of the Act.

6

- b) SecureLife Insurance Ltd. is a life insurance company operating under the regulations of the Insurance Act 2010. One of their popular policies is the SecureFuture Plan, which offers life coverage and investment benefits.

Mr. A is approached by an insurance agent from SecureLife Insurance Ltd. to purchase the SecureFuture Plan. The policy details include a sum assured of BDT 1,000,000, an annual premium of BDT 50,000, and a policy term of 20 years.

The agent's commission structure for this policy is as follows:

- a first-year commission rate of 35% of the first year's premium,
- renewal commission rates of 10% for the second year's premium, and
- 5% for subsequent years.
- Additionally, the agent has offered Mr. A, a discount of 10% on the first year's premium.

Requirement:

Examine the case and identify any potential exposure, if any, under the Insurance Act 2010.

4

7. a) Workers at Eastern Steel Limited formed a registered trade union and elected Mr. Farid as the President. Within a week, Mr. Farid was suspended by the management for “violating company’s discipline.” The suspension letter made no reference to any misconduct or charge sheet. The union alleged it was victimization for trade union activity.

Requirement:

Answer with reference of the Bangladesh Labour Act, 2006 whether the employer’s action is valid.

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- b) Babylon PLC, an industrial undertaking, commenced operations in Bangladesh on July 1, 2021, with a paid-up capital of BDT 1,000 million. As a newcomer in the industry, the company experienced losses in the first two fiscal periods. However, in the 2023-24 fiscal year, the company achieved a profit, although there are still accumulated losses. The summary of the Profit & Loss account is shared below:

Year	Profit/(Loss) (in Million Taka)	Accumulated Profit/(Loss) (in Million Taka)
2021-22	(200)	(200)
2022-23	(100)	(300)
2023-24	75	(225)

Upon reviewing the company's profit in the 2023-24 fiscal year, the management is considering whether it is necessary to establish a Participation Fund and Welfare Fund in accordance with the Bangladesh Labour Act 2006. Additionally, they are deliberating on whether contributions should be made to these funds based on the results of 2023-24. However, some directors hold the belief that no contribution is required, as the company has accumulated losses and contributions are typically made from profits only.

Requirements:

- i) Is it necessary for Babylon to establish a Participation Fund and Welfare Fund, and make contributions for the 2023-24 fiscal period, even with accumulated losses?
- ii) What would be the consequence, if the contribution is legally required for the 2023-24 fiscal year and Babylon, facing a liquidity crisis, decides to delay the payment to next year?

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