

Time allowed- 3:30 hours

Total marks- 100

[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) As an entrepreneur, Rahman Shakil is planning to start a trading business in Bangladesh. He has a very good network with the conglomerates in Bangladesh. He is expert in supply chain function. Having such expertise and network, he is planning to start the business, but he has no knowledge about the form of business and how to complete legal formalities in this regard. Your Managing Partner has asked you to advise him the options of various forms of business and legal formalities in this regard. Accordingly, you had a preliminary meeting with him and gathered the following additional information-
1. First of all, he is planning to start the business of his own (singly);
 2. Initially he is planning to start with capital of BDT 90 lac and will inject more if required; and
 3. Forecasted turnover for the business is expected to be BDT 1.5 crore for the first 2 years.

Requirements:

Based on the available information, advise your partner on-

- i) Which form of business (such as proprietorship/partnership/ company) will be suitable for him? 2
 - ii) What is the legal requirement he meets for which you recommend? 2
 - iii) In which form of business, he could get best competitive advantages, assuming that he meets the requirement? 2
- b) Platinum Bangladesh Ltd “(the company)”, a subsidiary of Platinum S.A. Luxemburg, has been operating in Bangladesh since 2010. As envisaged, the company did not do well in the initial years and incurred huge losses, which resulted in its shareholders’ equity become negative, and the company was mainly operating through huge bank loans. To address the situation and assuring the stakeholders about any going concern risk, the parent company infused further equity in 2016. In the meantime, with focused leadership the company identified right profitable and sustainable product portfolio, which not only wiped out all the accumulated losses but also put the company into a cash rich position. All this resulted in a substantial amount of cash lying at the bank, which is earning bank interest only. Taking this into account, the company decided to pay back a certain portion of equity to its parent company.
- Requirements:**
- i) Advise whether the company can pay back certain portion of equity to its parent company mentioning the provisions thereon if any as per the Companies Act 1994 and consequences thereon. 6
 - ii) Who are other key regulatory authorities involved to effect this pay back of equity to parent company? 2
- c) Mr. Z is a huge celebrity, who has millions of fan followers in Bangladesh. Looking at this celebrity image of Mr. Z, Mr. Y proposed to form an ecommerce company in the name of YZ Ltd with a paid-up capital of Tk. 5 million, where 50% of shares will be allotted to Mr. Z and Mr. Z will not require to deposit any share money as it will be paid by Mr. Y. Subsequently, the company in the name of YZ Ltd was formed as proposed and commenced its ecommerce operation, which continued successfully for 3 years, before it becomes bankrupt in the 4th year. One creditor of YZ Ltd. sued Mr. Z personally for his claim of Tk. 10 million, stating that he supplied products to YZ Ltd considering Mr. Z being there as a shareholder of YZ Ltd. On the other hand, Mr. Z denied all the claims stating that he did not invest any money in YZ Ltd, hence he should not be liable for any amount.

Requirement:

Explain the situation based on the concept of ‘separate legal personality’ citing established case decision, if any.

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- d) ZED Tower is a modern office building and the name plates of the different offices of 5 companies are only being displayed chronologically in a big metal board hanging on the ground floor and the board is indicating that the registered Office of ZED Trading Ltd. is situated at the 27th floor. However, Office of the ZED Trading Ltd. was shifted to the 11th floor two months back. The group has a central dispatch system on the ground floor which is the most modern receiving and delivering system and is also efficient and fast. The front desk officials are very smart and attentive and they cordially respond to anyone visiting any office or any official in this Tower. Change of places of the companies inside the ZED Tower virtually has no impact on communication with the outside world and the company has neither circulated the changes nor replaced the metal board.

Requirement:

Comment on the above in accordance with reference to the Companies Act 1994.

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2. a) XYZ Ltd., one of the leading mobile telecom operators in Bangladesh, has been incorporated in Bangladesh in 2010. Following is the audited financial data for the last five years of XYZ Ltd. The management of the company intends to offload its shares in the secondary market to gain fund for its further expansion.

The company is following good governance practice since its inception and formulated two sub-committees of the Board: Executive Committee and Audit Committee. The committees will assist the Board, among others, to culture good governance practice within the company. The company is compliant with all other requirements of the Corporate Governance Code 2018 of Bangladesh Securities and Exchange Commission (BSEC).

The audit of the latest financial year ended 31 December 2022 has been completed and management is planning to hold a board meeting on 28 March 2023.

XYZ Ltd					
Figures in '000					
Particulars	2022	2021	2020	2019	2018
Revenue	74,811,748	67,982,295	68,255,508	51,131,424	51,627,724
Profit/(loss) from the operation	8,658,856	-616,061	-2,816,206	-8,555,358	4,823,616
Net Profit/(loss) before tax	3,789,007	2,679,662	-2,571,696	-9,432,666	4,754,060
Net Profit/(loss) after tax	169,089	2,147,341	-104,584	-6,931,073	2,402,226
Total assets	171,968,640	144,614,084	142,101,150	133,422,194	101,249,233
Shareholders' equity	59,588,895	60,591,633	58,670,822	58,677,206	47,160,532
Paid-up capital	47,141,400	47,141,400	47,141,400	47,141,400	35,356,050
EPS	0.04	0.46	-0.02	-1.88	0.68
Net asset value per share	12.64	12.85	12.45	12.45	13.34

Management has placed a proposal to the Board to get a portion of IPO shares through private placement. You have been appointed as the Company Secretary of the company and the management has advised you to make a road map for the Initial Public Offer (IPO) to be placed in the upcoming board meeting schedule to be held on 28 March 2023.

Requirements:

In compliance with the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015, you are required to advise the management-

- Under which method: Fixed price or Book Building the company should apply to the Bangladesh Securities and Exchange Commission (BSEC)? What are the financial covenant of each method?
- What will be the size of the current issues, considering minimum issue size as per the said rules? What will be the maximum size of the Private Placement as per the rule? What will be the maximum size of the Private Placement to get reduced corporate tax rate @40%?
- Prepare a distribution table base on which shares will be offered among the Eligible Investors and General Public as per the method you prescribed? Assume that there will be no Private Placement.

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- iv) What will be the issue price under Fixed Price method? How the price will be determined under Book Building method to general public? 2
- v) What will be the lock-in period of shares held by the sponsors and directors and shareholders holding 10% or more shares, employees' shares and share issued to general public as per the said rules? 3

b) ABC PLC is a listed company operating in Bangladesh. The financial year of the company is January to December. The financial year 2022 has just been completed. The audit of the annual financial statements is going on and still pending and planning to be completed by 15 May 2023. The company is also planning to hold authentication board meeting by 31 May 2023.

The management is planning to hold its annual general meeting by 15 June 2023.

Requirements:

- i) What is the deadline for completion of audit of annual financial statements of ABC PLC? What is the deadline for submission of audited financial statements to the Commission and exchanges? 2
- ii) What will be the minimum date of notification of holding authentication board meeting if the company wants to hold the meeting on 31 May 2023? What are the financial indicators that need to be declared by the board on the audited financials? 2
- iii) In which form: physical and/or digital platform the AGM shall be held? Under the platform how the voting on the agenda will be held? Briefly explain the process and regulatory requirement of reporting. 3

3. Planet Ltd (the company) is a Public Interest Entity as per the definition under Financial Reporting Act 2015. The company maintains a separate contributory provident fund (PF) trust for all confirmed permanent employees of the company, which has been recognized by the National Board of Revenue and aligned with the provisions of Bangladesh Labour Act 2006. In the said PF Trust, the company contributes 10% of the basic salary as PF contribution and employees also contribute the similar amount as their own subscription, which is deducted from their salary every month. For the year 2022, following information are available for the following two outgoing employees:

- a) Mr. Tratul, employed as machine technician, served the company for a period of 5 years 5 months from the date of joining, but as a member of Trust for 4 years 11 months from the date of confirmation. He left the company on 30th November 2022. At the time of leaving the company, the accumulated balance of PF was Tk. 360,000 out of which Tk. 180,000 was on account of own contribution and the balance was on account of company's contribution.
- b) Mr. Nihan, employed as a Sr. production worker, served the company for a period of 1 year 6 months from the date of joining, but as a member of Trust for 1 year from the date of confirmation. He left the company on 30th June 2022. At the time of leaving the company, the accumulated balance of PF was Tk. 60,000 out of which Tk. 30,000 was on account of own contribution and the balance was on account of company's contribution.

As per the PF Trust Rules, it is a policy of the Trust to forfeit the entire amount lying under company's contribution unless the person completes minimum 5 years from the date of confirmation and to allocate the same to the existing members upon taking a resolution in the Trustee Board meeting. Accordingly, the Trust forfeited company's contribution of both Tratul and Nihan and now proceeding for taking a resolution for allocating the same to the existing members of the trust.

Requirement:

Examine this based on the provision of Labour Laws and Financial Reporting Act 2015. 10

- 4. a) You are aware that recently the Companies Act, 1994 has been amended and as per the amended Act, section 11KA, the public limited company should add "PLC" at the end of its name. ABC Bank Limited is a listed company operating in Bangladesh since 2000. The management has required immediate compliance with the law.

Requirement:

Accordingly, you have been advised to inform the board the process of compliance with the law applicable for the bank and how to make the changes effective? 2

- b) As per Bangladesh Bank guidelines banks are required to form 3 sub-committees of the board: Executive Committee, Audit Committee and Risk Management Committee. Accordingly, your bank ABC PLC has already formed 3 sub-committees of the board to assist the board for good governance since 2017.

As listed bank with the stock exchanges, Bangladesh Securities and Exchange Commission (BSEC) has advised you to form at least two committees of the board: Audit committee and Remuneration Committee.

In these circumstances, what should you do to be compliant with the regulators? Recently, the Code of Corporate Governance certification auditor has asked for compliance with the checklist of CCG 2018. Moreover, your bank is planning for a Right Offer.

Requirement:

In these circumstances, what should you do to be compliant with the regulators?

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5. a) PQR Bank Limited – a scheduled commercial bank, has 10 shareholding directors and 2 independent directors where Mr. P is the Chairman of the board and Mr. Q, R & S are the Chairman of Executive Committee, Audit Committee and Risk Management Committee respectively.

PQR Bank Limited has two wholly owned subsidiary companies called (i) PQR Investment Limited- engaged in merchant banking activities and (ii) PQR Securities Limited- engaged in Shares & Securities trading in the Capital market having membership with Dhaka Stock Exchange & Chittagong Stock Exchange with TREC.

An informal meeting is going on in the Chairman's room with some influential directors and senior team members of the management of the Bank. Chairman desires to enrich his knowledge though latest rules and regulations on the following issues before bringing some agenda in the next board meeting:

- formation / rearrangement of Board of 'PQR Securities Limited' where Chairman of the Risk Management Committee of the Bank is to be appointed as the Chairman and EC Chairman of the Bank is to be appointed as Vice Chairman in the board (PQR Securities Ltd).
- to purchase two Vehicles for the use of Chairman and Managing Director by replacing old vehicles which were purchased 3 years back.
- latest instruction of Bangladesh Bank regarding preservation of Audited Financial Statements in the loan file.
- the bank has exceeded its Capital Market Exposer limit (27.45%) as per section 26 (KA) of Banking Company Act 1991. What is the remedy?

Requirement:

As a Company Secretary of PQR Bank Limited- Chairman is seeking your advice on the above issues with reference to rules and regulations as to how to address the same.

3x4=12

- b) XYZ Finance PLC is a financial institution (FI) operating in Bangladesh. As on 31 December 2022, the shareholders' equity of the FI are as follows:

Capital/Shareholders' equity		BDT
a	Paid-up capital	4,156,984,840
b	Share premium	1,260,585,930
c	Statutory reserves	3,266,109,507
d	General reserves	1,000,000,000
e	Dividend equalization reserves	46,500,000
f	Retained earnings	7,775,408,503
	Total Equity	17,505,588,780

The FI has the following investments		BDT
a	Investment in its subsidiaries	400,000,000
b	Investment in non-marketable ordinary shares	17,863,990
c	Investment in preference shares	111,958,000
d	Investment in debenture and bonds	176,932,569
e	Investment in venture capital	30,000,000
f	Investment in marketable securities	1,751,613,575
g	Investment in open end mutual fund	405,546,808
h	Loan to subsidiaries	17,583,692
	Total	2,911,498,634

Requirement:

How much is the exposure as per the latest clarification made by the Bangladesh Bank? Is it within the limit or had it exceeded the limit?

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6. a) Mr. A is an executive in a top FMCG industry. For securing risk against sudden demise of himself, Mr. A bought a '15-year Life Insurance Policy' 4 years back. Now, looking at the significant difference of comparable returns between insurance policy and fixed deposit at the end of insurance period (if no claim is made), Mr. A is contemplating to close the insurance policy.

Requirement:

Indicating the meaning of "Surrender value" describe whether Mr. A would be eligible for a surrender value.

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- b) Z Ltd is contemplating to take group life insurance scheme for its 300 employees. Accordingly, Z Ltd received quotations from two reputed insurance companies. Gross premium (Life, Accidental Death, Partial Disability) quoted by company A was Tk. 8.50 per thousand insurance value and company B was Tk. 9.00 per thousand insurance value. Obviously, the person quoted less should be selected. However, CFO wanted to review this based on all other criteria. The other criteria revealed were after the close of each year both the companies offered a profit bonus, which was 70% by Company A and 75% by company B after deduction of retention expenses and claims if any. The retention expenses quoted was 20% of gross premium by company A and 30% by company B.

Requirement:

Advise, which company Z Ltd. should go considering the lowest effective premium rate.

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7. a) White Ltd has been operating in Bangladesh for the last 5 years as a manufacturer in consumer goods sector. It has a state of art factory in Mirershorai, Chattogram, where around 500 male and female workers are employed. On 1st February 2023 one of the female workers went for maternity leave. As per the provisions of Bangladesh Labour Act 2006, she is eligible of maternity benefits, and the company policy is to pay maternity benefit for 24 weeks, which computation is to be made following the method prescribed in the law. Taking this into account, your line manager asked you to compute the maternity benefit for that female worker based on the information of her provided below:

Month	Basic salary (Tk.)	Other allowances (Tk.)	Gross salary (Tk.)	Total working days	Leave taken in the month	Effective working days
Nov'22	13,200	8,800	22,000	26	2	24
Decr'22	13,200	8,800	22,000	25	5	20
Jan'23	15,600	10,400	26,000	24	0	24

Requirements:

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- i) Compute the amount that the company must pay following the policy of the company.
- ii) Indicating the minimum amount to be paid as per the law, identifying whether the maternity benefit amount paid by the company is below or above the amount prescribed by the law.
- b) ABC PLC has a recognized Provident Fund in which members of the fund contributed @10% of their basic salary on monthly basis. The company has also made the same contribution to the fund. However, as per the rule 250, of Bangladesh Labor Rules, 2015 the rate of contributions should be at least 7% and at best 8% of members' basic salary.

Now, the official concerned of National Board of Revenue (NBR) has raised the concern.

Requirement:

You are advised to address the issue as per the Labor law.

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