

[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) Destiny Bangladesh PLC ('Destiny' or the Company) is a fully owned subsidiary of Destiny Global S.A. of Germany and has been operating in Bangladesh since 1999. Destiny, a non-listed public limited company engaged in the FMCG sector, is considering increasing its authorized share capital in order to pursue significant investments in groundbreaking new ventures. Therefore, the company plans to increase its authorized share capital from Tk. 1,00,00,000 (Taka One crore) divided into 1,00,000 (One Lac) equity shares of Tk. 100 each to Tk. 100,00,00,000 (Taka One hundred crores) divided into 1,00,00,000 (One crore) equity shares of Tk. 100 each, by creating an additional 99,00,00,000 (Ninety nine crores) equity shares of Tk. 100 each, which will rank Pari Passu in all respects with the existing equity shares of the Company.

Requirement:

As a qualified Chartered Accountant and Company Secretary of the Company, you have been advised to prepare draft resolutions for the Board and Shareholders meeting to consider the 'Increase in Authorized Share Capital' and 'Alteration in the Capital Clause of the Memorandum of Association of the company', assuming that all other formalities have been duly fulfilled.

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- b) Mr. X recently learned that Bangladesh has introduced the One Person Company (OPC) structure, offering limited liability benefits, as per the Companies Act (Second Amendment) 2020. Mr. and Mrs. X currently own River Hardware Ltd., a private limited company successfully operating in Bangladesh since 2017. Inspired by the OPC framework, they now plan to incorporate a new OPC for a software business, with River Hardware Ltd. holding 100% shares. Under this structure:
- Mr. X will be the representative director of the new OPC.
 - Mrs. X will serve as the CEO of the new company.
 - They estimate an initial investment of BDT 15.00 crore in the first year.

The Plan for incorporation are as follows:

Sl. No.	Description	Plan
(i)	Name of the Company	River Software Ltd.
(ii)	Director of the Company	Mr. X (Representative Director of River Hardware Ltd.)
(iii)	Paid-up Capital	BDT 10 crore initially, with an additional BDT 5 crore in Yr. 1
(iv)	CEO	Mrs. X

Mr. X has invited you, the Company Secretary, for a meeting at Hotel Intercontinental next Friday evening to discuss the incorporation process and legal formalities for the OPC.

Requirement:

Comment on the above points as included in the plan of Mr. X towards establishing of an OPC under the Companies Act (Second Amendment) 2020

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- c) Resolution by Circulation refers to a decision-making process used by a company's board of directors without convening a formal meeting. Instead, a resolution (a formal decision) is circulated among the members, and once the required majority or unanimous consent is obtained, it is considered passed.

Key features of a resolution by circulations are:

- No Physical Meeting Required – The resolution is sent via email, courier, or digital platforms.
- Approval Threshold – Depending on the company's rules and applicable law, the resolution may require a simple majority, special majority, or unanimous consent.
- Legally Binding – Once passed, it holds the same legal weight as a resolution approved in a formal meeting.
- Efficiency – Saves time and resources, especially for routine matters.

Common use cases:

- Routine corporate approvals

In Bangladesh, Resolution by Circulation is primarily governed by the Companies Act, 1994 and is commonly used by private and public limited companies for decision-making without convening a physical board meeting.

Key Legal Provisions in Bangladesh:

The Board of Directors can pass a resolution by circulation if provided in the Articles of Association by following procedures:

- The proposed resolution is circulated in writing (via email, courier, or digital platforms);
- Directors must indicate their approval or disapproval in writing;
- If the required majority of directors approve it, the resolution is deemed passed

The Chairman of STR Company Plc.- a publicly traded company listed with DSE and CSE, urgently requires approval from the Board of Directors on critical matters concerning a major loan application with the bank, which necessitates a board resolution. Typically, such issues are deliberated and approved in a formal Board of Directors meeting. However, due to the upcoming extended Eid holidays and time constraints, convening a board meeting is not feasible. Given the urgency, the Chairman has no alternative but to seek board approval through a resolution by circulation. In addition to the bank's required board resolution, the Chairman also seeks approval for several other matters to ensure the company completes essential formalities before the office closure. The issues requiring approval on the following:

- Approval of the draft loan sanction letter from the bank, along with its terms and conditions;
- Approval of the Q2 Financial Statements and their circulations;
- Appointment of a new director

Requirements:

As a Company Secretary, advise the Chairman

- i) Whether the company can resolve all the issues through resolution by circulation? Why or why not? 6
- ii) What are the legal procedures to be followed to make a resolution by circulation to a perfect board resolution? 4

2. a) ABC PLC, a publicly traded company in Bangladesh, declared a dividend of BDT 5 per share for its shareholders on January 1, 2020. The dividend was payable on February 1, 2020, to shareholders of record as of January 15, 2020. Ms. J, a shareholder owning 1,000 shares of ABC PLC, did not receive her dividend payment by the due date. While reviewing her financial records, she discovered that she had not received this dividend and therefore, on March 15, 2025 (more than 5 years after it was due), she made a claim to ABC Corporation.

Requirement:

Can Ms. J legally obtain this dividend under Bangladesh Law? 4

- b) Ornate Bangladesh PLC currently has a board of directors consisting of 9 members, including 6 executive directors and 3 independent non-executive directors. Ornate has made a conscious effort to improve gender diversity, with 2 female executive directors among the 6. However, none of the 3 independent non-executive directors are female.

During an informal discussion, one of the directors mentioned seeing news about the requirement for at least one female director on the board. There was uncertainty about whether this requirement applies to the entire board or specifically to the independent directors.

Requirement:

As an expert in Corporate Governance, advise the company on whether its current position is compliant. Assuming the company's maximum number of directors is nine, how would the company reconstruct the Board if one of the independent directors needs to be a female member? 4

- c) Sputnik PLC, a publicly listed company on the Dhaka Stock Exchange, has been a stalwart in compliance with BSEC regulations, prioritizing corporate governance, financial reporting, and investor protection. However, a recent compliance breach shook the company when a member of the management team illicitly shared price-sensitive information with close family members, resulting in substantial financial gains for them. This breach triggered a sharp 15% drop in Sputnik PLC's stock price, from BDT 100 to BDT 85 per share, within a week. The long-term consequences may include lingering investor skepticism, diminished market confidence, and potential challenges in capital raising.

Requirements:

- i) What are the potential consequences for the individuals involved if found guilty of the compliance breach? 4
- ii) How can Sputnik PLC proactively prevent such incidents in accordance with the provisions of Bangladesh Securities Exchange Commission Laws and directives? 7
- d) Mr. X, a highly experienced and well-paid Civil Engineer, recently returned from the USA with his family and plans to settle in Bangladesh. He was invited by his close friend, Mr. M, the Chairman of MNP Company Plc., a publicly listed construction company listed on both DSE and CSE. Mr. X currently holds 5% shares in the company and is expected to join the Board as a Director, after which he will assume the role of Technical Director with a monthly salary of BDT 10,00,000 along with two full-time company-provided cars. Additionally, he will receive festival bonuses and yearly incentives similar to other employees. However, the company's existing CEO earns BDT 5,00,000 per month with one full-time car, raising concerns about Mr. X's significantly higher compensation package. Despite this, Mr. M believes that Mr. X's expertise will generate substantial returns for the company.

The current Board composition and shareholding structure of MNP Plc. is as follows:

Serial	Name	Relationship Among Directors	Shareholding Position	Position
01	Mr. M	Mr. M and Mr. N are brothers	10%	Chairman
02	Mr. N		10%	Director
03	Mr. O	Mr. O, P, and Q are friends	10%	Director
04	Mr. P		10%	Director
05	Mr. Q		10%	Director
06	Mr. R	Independent but aligned with Mr. O, P & Q	10%	Director
07	Mr. S	Independent but aligned with Mr. O, P & Q	0%	Independent Director
08	Mr. T	Independent but aligned with Mr. P	0%	Independent Director

When the proposal for Mr. X's appointment was discussed informally among the Directors, four directors (Mr. Q, Mr. R, Mr. S, and Mr. T) opposed the decision. If the agenda is presented in the Board Meeting, these four directors plan to exercise their voting rights against it, blocking Mr. X's appointment as a Director. Furthermore, they have aligned politically to resist the proposal, making it difficult for Mr. X to join the company's management.

However, Mr. M is attempting to persuade Independent Director Mr. T to support the agenda in the next Board of Directors meeting to secure a majority vote.

Requirement:

As a Company Secretary, advise the Chairman (Mr. M) on:

- How to proceed with the agenda to ensure its approval.
- Whether he can legally appoint Mr. X as Technical Director with the proposed salary and benefits.
- Relevant sections of the Companies Act to support your recommendations.

3. a) You are an enlisted auditor in a Public Interest Entity, conducting an audit for ABC PLC. During the audit, you uncover significant irregularities. It becomes evident that the company's management has intentionally manipulated financial records and engaged in fraudulent activities to artificially inflate the share price of ABC PLC. You are concerned that reporting these irregularities may lead to the loss of your position as the company's auditor in the future.

Requirement:

Explain your responsibility, quoting the independence you have as an auditor based on the provisions of the Financial Reporting Act 2015. 5

- b) State the qualities of an applicant required for enlistment, or renewal of enlistment, of an auditor under the Financial Reporting Council (Enlistment of auditor or audit firm) Rules, 2022. 5

4. a) Hope Textiles Ltd., a medium-sized textile manufacturing company, took a loan of BDT 50 million from Rural Bank PLC in January 2023. The loan was secured against the company's machinery and inventory. The loan agreement stipulated monthly repayments over a period of 5 years.

By March 2024, Hope Textiles Ltd. started facing financial difficulties due to a significant drop in export orders and rising production costs. As a result, the company missed three consecutive monthly repayments (April, May, and June 2024). Rural Bank PLC classified the loan as non-performing in July 2024 after Hope Textiles Ltd. missed three consecutive payments. Rural Bank PLC issued a formal notice to Hope Textiles Ltd. demanding immediate repayment of the overdue amount within 30 days, as per the provisions of the Act. Hope Textiles Ltd. failed to respond to the notice and did not make any payments within the stipulated 30-day period.

Requirements:

- i) Distinguish between a non-performing loan and a loan default, quoting the example from the case mentioned above, in accordance with the provisions of Bank Company Laws. 5
 - ii) Describe the remedies that Rural Bank PLC has to recover the loan from Hope Textile Ltd. 5
- b) Mr. Y is the CEO of "Tech Bank Ltd." is also a major shareholder in "Tech Real Estate Ltd." The CEO uses his influence to approve a large loan of BDT 500 million to Tech Real Estate Ltd. despite the company's weak financial health. Tech Real Estate Ltd. has a debt-to-equity ratio of 3:1 and a current ratio of 0.8, indicating high leverage and liquidity issues. Additionally, the collateral value for the loan is overstated by 50%, making it appear more secure than it actually is. Eventually, Tech Real Estate Ltd. becomes a loan defaulter, unable to repay the BDT 500 million loan. The overstated collateral value means the bank cannot recover the full loan amount through asset liquidation.

Requirement:

Indicate the possible governance breach in this scenario under the applicable laws of Bangladesh. 5

5. Northern Finance Plc., a publicly traded Non-Banking Financial Institution (NBFI) with a paid-up capital and reserves of BDT 400 crore, recently underwent a board restructuring following regulatory intervention by the Bangladesh government. This restructuring was aimed at reforming the banking and financial sector and ensuring good corporate governance in response to financial sector scams.

As part of the reform, the new Board now includes eight directors, among whom two are independent directors. Additionally, the Board has inducted two prominent business figures, Mr. A and Mr. B, whose families have maintained a strong business reputation for over a century. The restructuring has been well received by civil society and economists, who anticipate that the new leadership will restore public confidence in the company.

To foster teamwork and discuss the company's future, one of the directors arranged an informal meeting at ABC Sky Roof Restaurant, followed by dinner. During this meeting, the Board members discussed various issues, which were later compiled into the following key points for further review:

Key Discussion Points Noted by the Board:

- (a) Whistleblowing Policy and detailed guidelines for Corporate Governance:
 - A proposal was made to introduce a standard and effective whistleblowing policy and a detailed guidelines for it to enhance corporate governance.
 - The guidelines should ensure protection for whistleblowers from any form of retaliation.
- (b) Client Selection and Loan Classification Risks:
 - The Board emphasized the need for careful selection of clients, with thorough analysis and adherence to standard lending procedures.
 - Loan officers should be shielded from internal and external pressures in the lending process.
 - To reduce classification risks, one director proposed offering loans to Mr. A and Mr. B's businesses, given their established track records as credible borrowers.
 - Both Mr. A and Mr. B agreed, provided there were no regulatory restrictions.
- (c) Liquidity and Liability Marketing Strategy:
 - A liability marketing team will be formed to attract large-scale deposits from high-net-worth individuals (HNIs) and corporate clients.
 - The Board proposed offering special interest rates for deposits of BDT 10 crore and above, irrespective of whether they come from individual or institutional investors.

(d) Investment in the Capital Market:

- One director noted that Northern Finance Plc. currently has no exposure to the capital market, based on an analysis of the company's balance sheet.
- Given that the capital market is currently at a low point but expected to recover due to financial sector reforms, he proposed allocating BDT 100 crore for investment.

Requirement:

As the Company Secretary of Northern Finance Plc., you have received this note from a director who is expected to be elected as Chairman of the Board. He has requested you to:

Examine each of the proposed issues in light of the Finance Company Act 2023 and prevailing rules and regulations in Bangladesh and brief him suitably before discussion with the senior management of the company for consideration.

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6. a) Future Life Insurance launched a promotional campaign, widely advertising their "Premium Saver Plan" with a bold claim of guaranteeing a 15% annual return on investment, irrespective of market conditions. This claim was prominently featured in advertisements across various media platforms, attracting potential customers with the promise of substantial returns on their investments.

Requirement:

Examine the above campaign from a compliance point of view, in accordance with the Insurance Act 2010.

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- b) Who is responsible for determining the premium rates in the non-life insurance business, and what are the prescribed procedures for premium determination under Section 17 of the Insurance Act, 2010?

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7. a) Company XYZ is a manufacturing establishment that employs both direct workers and workers employed by contractors. The operations of the company are governed by the provisions of the Bangladesh Labour Act 2006 ("Act"). Mr. J is a direct worker employed by Company XYZ, while Mr. S is a worker employed by a contractor hired by Company XYZ. Both individuals are entitled to receive their wages in accordance with the provisions of the Act.

For the month of July 2024, Mr. J is scheduled to receive a monthly wage of Taka 20,000, and Mr. S is scheduled to receive a monthly wage of Taka 15,000. However, while Company XYZ has paid Mr. J his wages, the contractor has failed to pay Mr. S his wages due to a financial crisis, even after one month has passed. Mr. S has claimed his wages from Company XYZ, but the company has disregarded his claim on the grounds that Mr. S is not an employee of Company XYZ, but rather an employee of the contractor hired by the company. Explain if there're remedies for Mr. S if any.

Requirement:

Examine whether there is any remedy for Mr. S in accordance with the provisions of Bangladesh Labour Act 2006.

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- b) Plant Manager, Mr. P, has recently joined the Factory Office of PQR Manufacturing Plc., a company engaged in the production and distribution of plastic bottles, where you serve as an Administrative Officer. To ensure a clear understanding of workers' entitlements, Mr. P has requested a report (as per below mentioned FORMAT) on holidays and leave provisions for workers in accordance with Sections 103 to 118 of the Bangladesh Labour Act, 2006 (Amended in 2018). This report will provide him with essential insights into workers' rights and enable him to plan effectively for workforce management.

Sl no	Leave Descriptions	Entitlements as per Bangladesh Labour Act, 2006 (Amended in 2018).
01	Weekly holidays (sec 103)	
02	Compensatory week holiday (sec 104)	
03	Casual Leave (sec 115)	
04	Sick Leave (sec 116)	
05	Annual Leave with wages (sec 117)	
06	Festival holidays (sec 118)	

Requirement:

Prepare the report, as requested by Mr. P.

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