

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) XYZ Bangladesh PLC ('XYZ' or 'the Company') is an MNC, has been operating in Bangladesh since 1994. The Company follows calendar year for preparation and reporting of its financial results. Bangladesh as a country follows a taxation system whereby the tax rate of any assessment year is determined through Finance Act, which is passed during the budget process in next June each year. Accordingly, companies in Bangladesh those who follow calendar year, get to know its corporate income tax rate after almost six months of closing its financial period (i.e., in next June). For example, the financial statements of XYZ for the year ended 31st December 2023 will fall under the assessment year 2024-2025 and the tax rate shall be known only in June'24 when in the Finance Act 2024 will be passed. Consequently, the company who follows 100% available profit to be distributed as dividend faces a discrepancy in distribution of dividend each year, if tax rate in the Finance Act is increased or decreased compared to the last year. XYZ follows a dividend policy that ensures 100% of available profit distributed as dividend and generally it declares dividend in its shareholders meeting by end February each year, which is paid to the shareholders as per the timeline specified in the law.

Considering the above, the Audit Committee of XYZ, contemplating either of the following for the purpose of declaration of dividend for the year 2024:

- The Board will recommend distribution of dividend considering 100% of available profit based on the existing tax rate, with the understanding that in shareholders meeting, the shareholders may take a resolution to address the uncertainty of tax rate change in June'24 that it will subsequently:
 - a) Increase the dividend rate in case the tax rate is reduced; or
 - b) Adjust the shortfall from capital reserve (created based on share premium account) in case the tax rate is increased.
- Or if Board agrees, it will decide to make the actual payment of dividend in July'24 post the Finance Act'24 (when passed), in which case, it can address any change (increase/decrease) in the corporate income tax rate by revoking the dividend declared and pass a further resolution considering the correct corporate income tax rate.

Requirements:

- i) You are the consultant of XYZ who has asked for your opinion on each of the above, taking into account the provisions of law or general conventions therein. 6
 - ii) Describe the situation with possible exposure, if any, in case there is excess payment of dividend (i.e., more than the available profit) due to significant increase in corporate income tax rate subsequently. 2
- b) The Board of ABC PLC fixed a Board of Directors meeting on 30th September 2023 following due formalities as per the laws. On the day of the meeting to be held, while all the Board members were present, the Chairman was absent as he was hospitalized due to a massive heart attack in the early morning on the same day. The Board, while was sympathetic on the situation of the Chairman, decided to continue the meeting, and selected a meeting Chairman among the attendees. The meeting Chairman, so selected, was not ready for this and considering there were some significant decisions to make, he felt that he should not preside, and as such he wanted to adjourn the meeting under his sole Chairmanship authority and felt that an **Adjournment sine die** situation arose as the Chairman's return to office was uncertain.

Requirements:

- i) Explaining the circumstances, when a duly convened meeting can be adjourned, describe whether a Chairman can adjourn any duly convened meeting with his sole authority. 3
- ii) Explaining the term **Adjournment sine die** with example, clarify whether the meeting Chairman can adjourn sine die this meeting considering the situation of the original Chairman. 3

- c) ABC Trading Ltd. was incorporated in Bangladesh for procuring the raw materials of a global conglomerate pharmaceutical company operating in Bangladesh as their subsidiary. As part of the of the global strategy, pharmaceutical business in Bangladesh has been sold out to another local pharmaceutical company.

ABC Trading Ltd. was the sole supplier of the raw materials of the global conglomerate. Since, the Bangladesh operation was sold out and the purchasing pharmaceutical company has existing established supply chain department, business of ABC Trading Ltd. with the purchasing pharmaceuticals did not work.

Hence, the global conglomerate has decided to liquidate ABC Trading Ltd. and windup its operation.

Requirement:

You are the financial consultant; and the management has requested you to guide them the process of winding up ABC Trading Ltd.

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2. a) ABC Investments Ltd. is a private asset management company operating in Bangladesh. The company was established in 2010. The financials of the company have been prepared and being audited duly up to 2018. Accordingly, annual returns and income tax returns have been filed duly until 2018.

In the year there was a management conflict, hence the operation of the company was not taken care of properly. As a result, the preparation of annual financials and audit thereon have remained pending since 2019.

In 2023 BSEC has shortlisted the company as their process of regular investigation and asked for the updated documents of the company among others audited financials, acknowledgment copy of tax return submission and annual returns with RJSC.

Requirement:

You are the compliance officer of the company. The board has advised you to guide the process to regularize such non-compliances. You should design the process with reference to the relevant law.

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- b) To increase the share capital of ABC PLC, for the first time Rights offer 1R:3 at par was proposed to be placed before the board based on the financials for the year ended 30 June 2023.

The financial statements have been prepared and are in the process of being audited by the auditors. The financials show net profit of BDT 70 crore for the year but for unusual volatility in the market there was net loss of BDT 10 crore in 2022. The auditors in its opinion have given a matter of emphasis that the provision against receivable has not been maintained as per IFRS. The Issue Manager for the proposed Rights has been selected but the appointment of Underwriter has not yet been finalized.

The CFO has requested to initiate the process of Rights offer and advised the company secretary to assess whether the company is eligible for the Rights offer before placing the proposal to the board.

Assuming, the rights issue has been approved and after the subscription, the following is likely to be the status of subscription-

Sl No.	Name	Current Holding %	No. of Shares	Proposed Rights @ 1R:3	Rights Subscription	Total no. of shares	Revised Holding %
01	Moinul Islam	1.25%	12,500	4,125	1,167	13,667	1.05%
02	Javed Sarker	7.00%	70,000	23,100	19,833	89,833	6.91%
03	Laila Afroze	11.25%	112,500	37,125	31,875	144,375	11.10%
04	Hemel Talukder	8.25%	82,500	27,225	23,375	105,875	8.14%
05	Nusrat Farah	6.75%	67,500	22,275	19,125	86,625	6.66%
06	Akter Sheraj	5.00%	50,000	16,500	39,167	89,167	6.85%
07	Rokan Rahman	4.13%	41,250	13,613	11,687	52,937	4.07%
08	Noore Akhter	4.13%	41,250	13,613	-	41,250	3.17%
09	Soyeb Ahmed	2.25%	22,500	7,425	4,625	27,125	2.09%
10	General public	50.00%	500,000	165,000	150,000	650,000	49.97%
Total		100.00%	1,000,000	330,000	300,854	1,300,854	100.00%

Requirements:

- What are the preconditions for applying for the Rights offer as per the Securities and Exchange Commission (Rights Issue) Rules, 2006? Is the company eligible?
- What are the time bound steps to follow for the rights issue?
- Out of the 330,000 rights shares, assuming 330,854 shares have been subscribed. What will be the status of unsubscribed shares? What will be the lock-in period for the rights issues including the under subscribed shares?

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- c) As per Corporate Governance Code 2018 issued by the Bangladesh Securities and Exchange Commission (BSEC), for ensuring good governance every listed company should have at least two sub-committees of the board, Audit Committee and Nomination & Remuneration Committee (NRC).

Bangladesh Bank has advised the banks and FIs about the sub-committees of the board. As per their advice banks and FIs are not allowed to form NRC.

In this circumstances, XYZ Consulting firm has certified ABC Bank PLC's Corporate Governance Status Report 2022 as satisfactory. In their report they do not mention anything about NRC, but in the compliance checklist the bank has explained why they could not form NRC as Bangladesh Bank has not granted them the permission. However, the bank has NRC consisting of the members from the top management.

Requirement:

From the review of the Corporate Governance Code 2022 report of the bank, DSE has issued a letter to the bank as well as the auditors to explain their position in this regard. You, being the auditors, are required to reply to the queries.

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- d) The PQR plc., has recently been listed with the Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd (CSE). The Chairman and Managing Director of PQR plc. are Mr. P and Q respectively wherein Mr. X is the CFO and Company Secretary and also CFO & Company Secretary of another Private Limited Company called SRT Ltd. which is under common directorship of PQR plc. Virtually Managing Director Mr. Q is the most powerful man in this Company and hiring/firing of manpower and any decision directly comes from Mr. Q only. Following the listing of PQR plc. with the DSE & CSE, the provisions of the Corporate Governance Code 2018 have become applicable.

As per the requirement of Corporate Governance Code no: 3, the Company needs to appoint Managing Director (MD), Chief Financial Officer (CFO), Company Secretary (CS) and Head of Internal Audit and Compliance Officer (HIAC). Therefore, only for compliance purpose, Mr. Q is considering Mr. X to appoint as HIAC.

Requirement:

As an Audit senior, advise the Managing director regarding appointments of different high officials for a publicly traded company following the Corporate Governance Code 2018 and the position of Mr. X.

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3. a) Being a practicing Chartered Accountant, you have been appointed as an auditor of a Public Interest Entity ('PIE') after enlistment of as an auditor of PIE. During the course of audit, you have identified some significant irregularities, which have been done purposefully to achieve sales revenue so that the management employees get more incentive bonus. You are cautious about the situation that, if you report this, you may no longer be an auditor of this company in future.

Requirement:

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

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- b) ABC & Co. is a firm of Chartered Accountants. It's accounting year ends on December 31 as allowed by the Tax authority. The turnover of the firm was BDT 25 crore in the year 2022. The turnover of the company is already BDT 28 crore for ten months to 31 October 2023 and is expected to cross at least BDT 32 crore in the year 2023. It's liability (including equity of BDT 2 crore) was BDT 11 crore and net assets was BDT 29 crore as on 31 December 2022.

Requirements:

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- i) Should ABC & Co. be considered as Public Interest Entity in the year 2023?
- ii) Who should sign the statutory audit report to be issued on the financial statements of XYZ Ltd., a Public Interest Entity and a client of ABC & Co. the firm or any individual? Give an extract of the signature part of such audit report.

4. Following facts and figures have been depicted from the audited financial position of 'CD Bank plc' as on 30.09.2023:

	<u>BDT in crore</u>
Paid up capital	1000
Retained Earnings	450
General Reserve	50

Total Shareholders' Equity	1500

Sub-ordinated Bond	400
General Provisions on loans and advances	100

	500

Total Capital as per BASEL-III	2000

- a) The bank's Head of Treasury has presented a report on the bank's share trading as of 30.09.2023 to the Investment Committee. The report highlights the following points for discussion:
- The bank's total investment in the capital market stands at a cost value of BDT 400 crore, with a current market value of BDT 375 crore. The portfolio statement analysis reveals that all shares were chosen based on strong fundamentals, with due diligence undertaken during the investment process. The current valuation reflects the prevailing market conditions, with most shares trading at their floor price due to socio-political and international influences. It is expected that the market will soon regain its usual momentum. It's worth noting that the Head of Treasury possesses keen analytical skills and has been consistently generating profits in this segment for the past three years.
 - The Treasury Department is proposing an additional investment of BDT 200 crore in select shares trading at their floor price. Analytical insights indicate that this presents an opportunity for the bank to achieve significant profits
 - The portfolio statement indicates substantial investments in two particular stocks: BDT 75 crore in PQR Ltd. (which has a paid-up capital of BDT 1000 crore) and BDT 75 crore in MNP Ltd (with a paid-up capital of BDT 500 crore). The Credit Head believes that this represents a concentration of investments, introducing a heightened risk. It's advised that the bank immediately diversify these holdings to mitigate potential risks.

Requirement:

As the Chief Financial Officer of CD Bank plc., you are tasked with providing commentary on the aforementioned points, adhering to the guidelines set by the Bank Companies Act 1991.

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- b) The ABC Group, which is engaged in the textile business, is a prominent export client of CD Bank plc. and has four business ventures, namely: (i) ABC Textile Mills Ltd., (ii) ABC Spinning Mills Ltd., (iii) ABC Garments Ltd., and (iv) ABC Washing Plants Ltd. The ABC Group is owned by accomplished businessmen and has garnered a reputation for reliability. This group is trusted by various banks in Bangladesh, including CD Bank plc. Mr. A serves as the Group Chairman, while his two sons, Mr. B and Mr. C, are directors of all four companies within the group. As of 30.09.2023, the ABC Group has an outstanding loan balance of BDT 370 crore.

Mr. C, who holds a degree in Computer Science & Engineering, is keen on establishing an IT company called 'River IT Ltd.' personally and apart from the Group, for which he anticipates an investment requirement of BDT 125 crore. He is now approaching CD Bank plc. with a proposal for a loan of BDT 50 crore.

Upon analysis of the loan application by the bank's Credit Department, it was determined that the proposed IT business of 'River IT Ltd.' meets criteria related to Risk Management, the nature of the IT Business, Capacity, and the successful background of the promoter, Mr. C.

The proposal was finally placed before the Credit Committee Meeting of the Bank and was deferred on the ground of general limitation of credit limit as per Bank Companies Act 1991 which need to be cleared while placing the proposal again in the next Credit Committee Meeting.

Requirements:

As a Senior Credit Analyst, address the following points as per section 26B of Bank Companies Act 1991 for the re-submission of the credit proposal to the Credit Committee Meeting:

- i) The general limitation on the credit limit amount for a client of CD Bank plc. 3
- ii) Provide clarity on whether ABC Group and River IT Ltd. should be viewed as a singular client or distinct entities for CD Bank plc. 3
- iii) Evaluate if the bank possesses any scope to sanction a loan for River IT Ltd. If feasible, quantify the potential loan amount the Credit Committee might approve. 3

5. ABC Finance Ltd is a non-bank financial institution (FI) operating in Bangladesh. The FI is not listed with any exchanges of Bangladesh. Recently, companies Act, 1994 has been amended by the Companies (2nd Amendment) Act, 2020. As per the amended clause 11Ka, all public limited company shall use PLC at the end of their name.

Requirements:

- a) The CFO of the company wanted to know whether amended requirement of the Companies Act will be applicable on non-listed FI? 5
- b) If so, how this will be implemented in ABC Finance Ltd, whether the requirement of section 11- Name of company and change of name or section 12- Changes in memorandum will be applicable?
6. a) Name the accounting statements that need to be prepared at year end by an insurer. Who will sign the accounts in the case of a company incorporated under the Companies Act 1994? Who will sign in case such insurer is formed as a cooperative society under the Cooperative Societies Act? 5
- b) Mr. A takes out an insurance policy for 10 years for Tk. 20,000 and premium payable is Tk. 1,600 per annum. He pays premium for 4 years and then stops. The premium paid is Tk. $1,600 \times 4 = \text{Tk. } 6,400$. The premium payable is Tk. $1,600 \times 20 = \text{Tk. } 32,000$.

Requirement:

Calculate the surrender value of the above policy. 5

7. J PLC (“the Company”) is a manufacturer, and has been engaged in the business of Readymade Garment Sector since 2017. Being one of the green factories in Bangladesh, the Company ensures adherence to all the relevant labour law practices as per applicable laws of Bangladesh. At the end of October 2023, the Company received notices from three female workers, who want to go for maternity leaves from 1st November 2023 being eight weeks preceding the expected day of delivery of their babies. In relation to this, following information have been provided:

Female Worker	Joining date (dd/mm/yyyy)	Wages received for the last 3 months prior to the leave			Number of surviving children
		August’23	September’23	October’23	
A	01/12/2019	19,600	17,500	18,200	0
B	01/07/2022	12,000	13,500	14,000	2
C	01/09/2023	19,000	19,500	20,000	1

Requirements:

- a) What do you mean by maternity benefit? 2
- b) Describe the maternity leave entitlement under the law and the conditions to be fulfilled for availing maternity benefit. 2
- c) Compute the maternity benefit that the female workers A, B and C are entitled as per the law explaining the rationale. 4
- d) What is the leave entitlement in the case of miscarriage? 2

---The End---