

STRATEGIC BUSINESS MANAGEMENT AND LEADERSHIP

Time allowed- 3:30 hours
Total marks- 100

November-December 2025

[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. Liza Pharma Limited is a Bangladesh-based pharmacy, health, and personal care chain, established in 2002 by Rafiq Ahmed and Jamil Khan. At the time, Rafiq was the marketing manager for a large retail chain in Dhaka, a position he held for five years. Prior to that, he worked at a marketing consultancy firm, gaining wide experience and extensive business contacts. Jamil worked for a financial institution in Chittagong, specializing in evaluating business expansion proposals and connecting promising ventures with investors. His role allowed him to develop strong negotiation skills and a wide network of investors.

Rafiq and Jamil first met at a business development seminar in Dhaka and decided to collaborate. After detailed market research, they identified the pharmacy sector in Bangladesh as a promising opportunity. From the beginning, they pursued a low-cost, high-volume strategy, offering competitive pricing while accepting lower profit margins. Their mission statement was:

“To be the pharmacy of choice for the value-conscious customer in Bangladesh.”

Mr. Rafiq became CEO and Mr. Jamil became CFO, though key decisions were made jointly. Liza Pharma started with five outlets in Dhaka in 2002, rapidly expanding to Chittagong, Sylhet, Khulna, and Rajshahi within ten years.

In 2015, Liza Pharma launched its own brand products, now accounting for 80% of sales. The company offers two product lines: Everyday: Basic, low-cost products. And Premium: High-quality own-brand products at around 25% less than equivalent branded items.

The company selectively stocks national brands, particularly for items like perfumes, which customers often buy as gifts. Liza Pharma sources its own products from trusted suppliers in Bangladesh and abroad, many of whom suggest new products based on insights from the company.

Liza Pharma emphasizes efficient operations and cost management. Stores are simply designed but always clean and bright. Employees are multi-skilled; even pharmacists assist with store maintenance after hours. Staff are trained to act as salespeople and are paid above industry averages. Advanced logistics and stock management systems are used to maintain low costs.

Marketing includes national and local media, social media campaigns, an in-store magazine, and a loyalty program called “Liza Card”.

In 2020, Liza Pharma decided to expand into Sylhet and Chattogram metropolitan areas. Initial pilot stores in Sylhet and Chattogram performed well, exceeding sales and profit targets. The company now plans a larger rollout in these regions. Following recent changes in ownership, with a Bangladeshi conglomerate taking over, the senior management team has been replaced, though the overall competitive approach remains. The CEO for the new regions, Nusrat Jahan, is keen to explore the strategic position and future direction of Liza Pharma in Sylhet and Chattogram. She recognizes opportunities arising from urban population growth, rising middle-class spending, increasing use of generic drugs, and government health sector initiatives, but also acknowledges competitive pressures and operational challenges.

Requirements:

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| a) Make a ‘PESTEL’ and Porter’s ‘Five Forces’ analysis of the strategic position of Liza Pharma, drawing on your assessment of the key drivers of change. | 10 |
| b) Assess the key issues facing by the company and evaluate the options for dealing with such issues. | 5 |
| c) Recommend and justify a strategy to ensure the best way forward for the company. | 5 |

2. BGM Engineering Ltd (BGME) is a Bangladeshi engineering firm established in 1984, specialising in project management, electrical, and fire protection services for large construction projects, including factories, data centres, and hospitals. The firm operates primarily in Bangladesh, but also undertakes projects in neighboring countries. The engineering sector is highly dynamic, and innovation is critical for competitiveness.

Mr. Gazi Hasan was the Head of the Engineering Solutions Department for seven years before taking early retirement in March this year. He was widely respected for his technical expertise and drive. However, during his tenure, the department lost market share and missed several large potential contracts. The Managing Director, Mr. Tanvir Rahman, believes this is due to the department's lack of innovation and engagement rather than chance.

Mr. Arif Chowdhury has been appointed as the new Head of Engineering Solutions. He was recruited from a leading Bangladeshi competitor because Mr. Rahman wanted the department to adopt a new direction. Although Mr. Chowdhury has extensive experience in large engineering firms, this is his first senior management role.

Since joining, Mr. Chowdhury has conducted formal meetings and informal discussions with the 23 members of his department. He has been surprised by the negative culture, low collaboration, and reluctance among staff to share ideas or provide feedback. A senior management colleague mentioned, "Gazi was brilliant, but arrogant. He often did not listen to others as he didn't trust them."

Mr. Chowdhury has sought the assistance of a business consultant to advise him on how to lead the department effectively, improve staff engagement, and get the best performance from his team.

Requirements:

- a) Critically assess relevant leadership theories and their application to Mr. Chowdhury's situation. 6
 - b) Recommend how Mr. Chowdhury should address staff engagement, motivation, and attitude to enhance departmental performance. 4
3. a) In 2023, Rangs Renewables (RR) signed an agreement to partner with another clean energy powerhouse, Rahim Afrooz Wind Power (RAWP), to carry out its Cox's bazar and Mangla offshore wind development projects (referred hereafter as CM Projects). Both energy companies will continue to drive the delivery of these flagship projects. CM Projects are expected to be capable of producing wind turbines that can power up to 500,000 coastal homes with green electricity. The contractual arrangement between the two parties specifies the following aspects of the arrangement:
- RAWP is to acquire a 30% stake in the landmark renewable energy projects while RR, with a 70% share, will oversee development, construction and operation throughout the life cycle of the projects. Each party will appoint three directors, and unanimous consent is required for all resolutions to be passed.
 - Under the terms of the arrangement, RR and RAWP have agreed to purchase all the output (i.e. the total power the wind turbines can generate) produced by CM Projects in a ratio of 7:3 for onward transmission over their own electric grids.
 - Output from the CM Projects is not permitted to be sold to any third parties, unless this is approved by the two parties. But in any case, such external sales are expected to be very rare and cannot exceed six percent in volume and value. The price of the output sold to the parties to be set by both parties at a level that is designed to ensure that CM Projects operate at a break-even level.

Requirement:

In line with IFRS 11: Joint Arrangements, advise the directors of RR on how to account for CM Projects. 10

- b) Bengal Wares (BW) has identified seven (7) divisions as operating segments. The following information is available in relation to the revenue, profit/loss and assets of these segments and other businesses for the year 31 December 2024:

Operating Segment	External Sales BDT 000	Inter-Segment Sales BDT 000	Profit/(Loss) BDT 000	Assets BDT 000
Metals	3,500	6,200	1,560	6,350
Farming equipment	2,990	0	(390)	3,300
Home appliances	2,450	0	(110)	2,960
Furniture	3,560	950	250	4,330
Plumbing materials	1,600	1,100	310	3,240
Glassware	4,880	3,970	1,080	7,600
Sporting goods	3,940	0	(130)	4,980
Sub-total:	22,920	12,220	2,570	32,760
Other businesses	5,600	0	940	6,100
Total:	28,520	12,220	3,510	38,860

Management has determined that the operating segments do not have similar economic characteristics and share most of the aggregation criteria of IFRS 8. Both ‘Metals’ and ‘Plumbing materials’ segments did not meet the quantitative thresholds in the previous year 2023.

Requirement:

In accordance with IFRS 8: Operating Segments, identify and justify suitable computations which of the segments should be deemed as reportable segments of BW for the current period.

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4. a) Thematic bonds are a category of debt instruments where the funds are specifically allocated to projects that address environmental and social issues. They are often linked to sustainability performance and can be classified into several types, including:

Green bonds: These are used exclusively to finance projects with positive environmental impacts, such as renewable energy and biodiversity conservation.

Social bonds: These focus on projects that aim to improve social wellbeing, particularly for vulnerable populations.

Sustainability bonds: These combine both social and environmental objectives, funding projects that deliver benefits in both areas.

The government of the Islands, a small coastal nation, is planning major reforms to restore marine biodiversity and strengthen coastal resilience by issuing some relevant bonds as suggested by a reputed investment bank. At the same time, EqualFin Bank, a regional financial institution, is launching a financing facility for women-owned SMEs affected by the recent economic downturn.

Requirements:

- i) Which bond is the most suitable for financing and promoting women’s empowerment, and what key impacts can it deliver? 3
- ii) Highlight some key comparison between orange bond and blue bond. 3

- b) NovaAgro Foods Ltd. (the Company) is a newly formed agro-processing company in Bangladesh. The founders aim to build a BDT 3,500 million processing plant to produce high-value organic food products for domestic and export markets.

The business is new, the product is promising, and investors are interested in — but the founders must determine an appropriate financing mix that balances:

- cost of capital
- cash flow capacity
- risk level and ownership control
- long-term strategic growth

The Board has asked the Chief Financial Officer (CFO) to prepare financing recommendations before approaching the market.

Requirement:

Prepare a memorandum for the Board detailing the appropriate mix of financing – equity and debt for the project? 4

5. a) SHB Airlines is a popular airline especially on the Dhaka to Jeddah route. Recently the Company has sold out 1,000 non-refundable, flexible tickets for a flight from Dhaka to Jeddah at a price of BDT 66,000 each per ticket.

If a customer does not fly on the scheduled flight date, then he can reschedule the flight within 12 months at no additional charge. The Company can reasonably estimate the amount of breakage expected without a significant revenue reversal and historical data indicates that:

- 10% of total customers purchasing tickets do not fly on the scheduled flight date;
- 40% of these customers (i.e. 4% of total sales) book an alternative flight within the 12-month period; and
- 60% of these customers (i.e. 6% of total sales) never fly.

Requirement:

Calculate the breakage amount and describe the recognition criteria/timing of the amount with comments as per IFRS 15.

5

- b) GreenZuba PLC is an IPP (Independent Power Producer) constructed on turnkey basis and capitalized as a single asset at BDT 20,000 million. As per agreement with the Govt., the Company requires major maintenance and overhauling work periodically approximately after 50,000 machine running hours which is equivalent to 5/6 years.

The relevant asset's initial cost is capitalized with a useful life of 20 years. Recently upon reaching required hours, the Company has undergone with major overhauling with new PPE addition of BDT 100 million and disposal of some key heavy parts, all of which are reusable upon some further maintenance. The Company hires a contractor for the maintenance work for the detached parts with an agreed value of BDT 5 million.

Upon discussion, Head of accounts conveyed they are not going to dispose any parts (as not separately quantifiable) from the reporting / accounting system and the items are assumed to re-use in next maintenance. As a result, the parts will remain idle for now (not currently in use) but will continue to be depreciated.

Requirement:

Do you support the opinion of Head of Accounts treating the disposed parts as PPE? Outline the appropriate reporting procedures for the disposed items.

5

- c) Rahman Chemicals Ltd. is a private limited company, has been operating as a chemical manufacturing entity with three factory sites throughout Bangladesh. The directors of Rahman Chemicals Ltd are preparing financial statements for the reporting year ended 31 December 2024 and must determine the accounting treatment of the following transactions.

(i) Rahman Chemicals Ltd has a widely publicised environmental policy requiring it to restore any environmental damage caused by its operations. Operation of the factory will cause chemical discharge that damages surrounding land. Although there is no statutory requirement to restore the land, past practice and the explicit policy create a constructive obligation. The estimated cost of environmental restoration at the end of the factory's useful life is BDT 10.375 million. The estimated undiscounted cost to dismantle the factory at the end of its life is BDT 31.125 million.

(ii) At 31 December 2024 a decline in demand for certain chemical products led management to test the new Gazipur factory for impairment. The factory is treated as a single cash-generating unit. The carrying amount at 31 December 2024 is BDT 38.61 million, value in use based on discounted cash flows is BDT 34.5 million and fair value less costs of disposal is BDT 32.8 million.

For tax purposes the National Board of Revenue does not allow deductions for capitalised borrowing costs or for provisions for dismantling and environmental restoration; those items are deductible only when paid. The corporate tax rate is 30 per cent.

Requirement:

Advise the directors of Rahman Chemicals Ltd on the impact of the above transactions on the financial statements for the year ended 31 December 2024, applying the relevant IFRS standards. Use discount rate 10% whenever necessary.

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6. a) 33-Textiles Ltd. is a mid-sized manufacturer specializing in woven and knitted fabrics for both domestic and international apparel brands. The Company operates multiple production units and maintains relationships with relevant stakeholders. Despite being a new audit client, overall understanding and the results of key audit procedures have been satisfactory so far.

During the audit, the audit team has identified that the Company has a significant related-party loan outstanding with its majority shareholder, amount of which is 15% of total assets of the Company. Although the transaction is properly recorded in the financial statements, management refuses to disclose the nature, terms, and outstanding balance of the related-party loan in the notes, despite acknowledging the requirements by standards.

Requirement:

How should the auditor respond when management finally refuses to provide required related-party disclosures, and is it material affecting the audit opinion / report?

5

- b) Auditors must be aware of improper revenue recognition, because revenue is a key performance metric and entities may have incentives or pressure to manipulate it. This presumption can be rebutted only after careful evaluation of facts and circumstances—for example, when incentives and opportunities for manipulation are minimal or revenue transactions are simple.

When identifying fraud risks, auditors must define them specifically, not as broad or vague concerns, by assessing which types of revenue or specific transactions could be intentionally misstated. Fraud may involve both overstatement and understatement, so auditors consider all relevant fraud risk factors in evaluating how revenue could be improperly recognized.

Requirement:

What are some possible scenarios of common fraud techniques regarding improper revenue recognition? 2

- c) The audit of the financial statements of Night Insurance Company Limited for the year ended 31 December 2024 has not been completed due to significant issues relating to going concern and liquidity challenges. A review of the draft financial statements revealed a negative shareholders' equity of BDT 18.7 billion, compared to negative BDT 14.5 billion in 2023. A recent inspection by the Insurance Development and Regulatory Authority (IDRA) indicated that the company's solvency margin and shareholders' fund were far below the minimum regulatory capital required under the Insurance Act 2010, highlighting long-standing regulatory non-compliance.

In an effort to restore solvency, the Board of Directors has proposed several action plans. The first plan involves a rights issue expected to raise BDT 2 billion, with certain shareholders verbally committing to subscribe before the audit concludes. The second plan involves the transfer of properties from closed branches to investment properties to generate rental income and improve liquidity; however, implementation has been delayed due to economic recession, high inflation, and low rental demand. The third plan is the disposal of subsidiaries in aviation and restaurant businesses to generate immediate cash inflows.

During the audit, it was discovered that the company engaged in unethical and fraudulent activities. Three years ago, the company purchased a property from a relative of the Chairman for BDT 100 million, while its actual market value is only BDT 10 million. The company also engaged in paper-based manipulation of assets, recording fictitious investments and receivables to artificially inflate total assets and solvency margins. Unrealistic rental income projections were recorded for investment properties that were not generating actual cash inflows. Documentation was manipulated to create the appearance of compliance and authorization, including fake board resolutions to approve investments and rights issues, fabricated agreements for subsidiary sales, and false bank deposit entries to improve the liquidity position on paper.

Additional audit findings revealed that historical cash-flow projections were unreliable. Despite persistent operational losses and negative operating cash flows, the financial statements were prepared using the going concern basis. Unpaid insurance claims amounting to BDT 3.2 billion were identified, which were material but not pervasive. The company had significant outstanding statutory and financial obligations, including withholding tax deducted but not remitted to the National Board of Revenue, unpaid pension contributions, supplier dues of BDT 500 million outstanding for over nine months, and unpaid staff salaries for three months. Several bank accounts remained unreconciled at the audit date, further complicating the assessment of liquidity and financial position.

In light of these findings, the Engagement Partner indicated that the firm is likely to issue a modified audit opinion. A meeting has been scheduled with management and those charged with governance to discuss the audit findings, the impact of fraudulent transactions, paper-based asset manipulations, regulatory non-compliance, and going concern uncertainties.

Requirement:

Discuss the factors that will determine the type of modified audit opinion the firm is likely to express in this case, considering both financial misstatements and fraudulent activities. 5

7. a) Aurelia pharma Ltd., (the Client) a mid-sized pharmaceutical manufacturer, has been audited by Stratus & Co. (Auditor) for the past five years. Due to ongoing cash-flow difficulties, the Company has accumulated overdue audit and tax-service fees equivalent to nearly 12 months of billing, amounting to 7% of the audit firm's total annual revenue from its healthcare portfolio.

Management has repeatedly promised repayment once "new investor funding arrives," but the funding has been delayed three times. In parallel, the audit team discovers indications of aggressive capitalization of R&D costs, unresolved disputes with drug-approval regulators, and significant reliance on management's unverifiable forecasts.

Despite the outstanding fees, the Client urgently requests auditor to begin planning the upcoming year's audit, citing regulatory filing deadlines and lender covenant requirements.

Requirement:

Recommend appropriate actions the audit firm should take in accordance with professional and ethical standards for the above scenarios. 4

- b) Four Friends LLP, an audit firm, requires all audit staffs - associates to partners - to complete mandatory annual several online trainings. The regulator, the Financial Reporting Council (FRC), relies on these training records as evidence that the firm maintains a strong quality-management system.

During a surprise inspection, FRC discovers that several audit teams within the firm had been sharing login credentials, allowing trainees to fast-track modules or complete assessments on behalf of colleagues under time pressure during busy season. An internal probe later reveals that:

- Over 180 staff, including seniors and managers, were involved in improper completion of mandatory trainings.
- Some partners were aware of the practice and implicitly encouraged “efficiency shortcuts.”
- Automated time-stamps indicated that training meant to take 8 hours was “completed” in less than 25 minutes by several individuals.
- Staff used messaging groups to share answer keys to independence and ethical-judgment questions.

Requirements:

- i) Identify and discuss the key ethical and professional issues raised by this scenario? 3
- ii) Recommend practical measures the firm should implement to prevent recurrence of the practice. 3

---The End---