

CORPORATE LAWS & PRACTICES

Time allowed- 3:30 hours

November-December 2025

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) Mr. Ahsan Karim, a Bangladeshi entrepreneur, incorporated an OPC named Karim Tech OPC Ltd. in January 2022. The company operates in the software development sector and has shown rapid growth. In FY 2023-24, the company reported:
- Paid-up capital: BDT 4.8 crore
 - Annual turnover: BDT 52 crore
 - Net profit: BDT 6 crore
 - The company has not held any formal board meetings nor submitted its financial statements to RJSC within the stipulated 160-day period.
 - The nominee listed in the Memorandum has withdrawn consent, but no replacement has been registered with RJSC.

Requirements:

Critically analyze the compliance breaches committed by Karim Tech OPC Ltd. under the Companies Act 1994 (as amended), and address the following:

- i) Statutory thresholds for paid-up capital and turnover for OPCs and the implications of exceeding them. 3
- ii) Mandatory governance requirements including board meetings and nominee management. 2
- iii) Filing obligations with the Registrar of Joint Stock Companies and Firms (RJSC). 2
- iv) Potential penalties or regulatory actions for non-compliance. 3
- b) ABC Limited is a private company incorporated under the Companies Act, 1994 in Bangladesh. Due to financial crisis, the Board of Directors of the company issued 7,000 new shares, out of which 4,000 shares were allotted to public who were not its existing shareholders. A group of shareholders raised objections, claiming that the allotment is invalid and violates the regulations. Meanwhile, one of the new allottees, Mr. X, who received 500 shares, has already paid for the shares and attended a shareholders' meeting but his voting right was denied. Now, he wants to sue the company for denying his voting rights.
- Requirements:**
You are required to give your answer to the following with appropriate reference of the law:
- i) Did the action of the Board of Directors violate the provisions of the Companies Act, 1994 and/or provision of the Articles of Association of the company? 2
- ii) Is the allotment of shares to the outsiders legally valid? 2
- iii) Can Mr. X enforce his rights as a shareholder even though the allotment may have breached the Articles? 2
- iv) What remedies are available to the existing shareholders who objected to the allotment? 2
- v) What role, if any, does the doctrine of Indoor Management or Constructive Notice play in this scenario? 2
- c) Sunrise Manufacturing Limited is a private company with 3 directors. In 2024, two directors died in an accident. The only surviving director, Mr. X, refuses to:
- Appoint new directors
 - Call any Board Meeting
 - Call the AGM for FY 2023-2024

The heirs of the deceased directors demand appointment to the Board claiming inheritance rights. When ignored, they filed a case demanding that:

- (1) They should be recognized as directors in place of their deceased parents;
(2) The court should compel AGM/EGM to be held; and
(3) The Registrar of Joint Stock Companies (RJSC) should intervene on the matters.

Requirements:

You are required to answer the followings questions:

- i) Do legal heirs automatically become directors under the Companies Act? 2
- ii) What remedies can the court grant? 3

2. a) Innova Textiles PLC, one of Bangladesh’s leading RMG exporters, issued its IPO in 2025 to raise Tk. 1,200 million for an expansion project. The prospectus claimed a 40% export growth potential and disclosed three new contracts with international buyers worth USD 12 million. After listing, auditors discovered that two of the contracts were non-binding Memoranda of Understanding (MoUs), not firm purchase orders. The revenue projections were inflated by 35%, while a pending environmental lawsuit (Tk. 85 million liability) was omitted. Within three months of listing, the company’s share price fell by 48%, and investor groups filed formal complaints with the BSEC.

Requirements:

- i) Identify and explain the **disclosure violations** committed under the Securities and Exchange Ordinance 1969 and Public Issue Rules 2015. 2
 - ii) Distinguish between **civil misrepresentation and criminal fraud** in the context of securities disclosure. 2
 - iii) Recommend three **regulatory and professional measures** (by auditors, issue managers, and directors) to prevent recurrence of prospectus misstatements. 1
- b) SolarWave Energy PLC plans to issue **20 million ordinary shares** at Tk. 40 per share (face value Tk. 10). The latest audited EPS is Tk. 5.60. Comparable listed renewable energy firms have an average **P/E ratio of 6.5**, while SolarWave’s management claims their strong government subsidy support and patented solar cell technology justify a premium multiple of 7.2. Institutional investors, however, have expressed concern about post-listing volatility and valuation inflation.

Comparative Peer Data (Energy Sector)	EPS (Tk.)	Market Price (Tk.)	P/E Ratio
PowerGen Renewable Ltd.	4.80	32	6.7
GreenSolar Power Ltd.	6.10	38	6.2
BD Clean Energy PLC	5.50	35	6.4

Requirements:

- i) Calculate the **fair IPO price** for SolarWave using the industry average P/E. 2
 - ii) Evaluate whether the proposed Tk. 40 issue price adheres to BSEC’s fair value guidelines under the Public Issue Rules 2015. 1
 - iii) Provide a **professional justification** of the valuation — considering post-listing investor sentiment, liquidity impact, and pricing ethics. 2
- c) On 1 March 2025, the CEO of DeltaPower PLC purchased 100,000 shares at Tk. 60 each. On 18 March, the company publicly announced a government-approved joint venture with a multinational energy firm. Within a week, the share price surged to Tk. 95. Investigations revealed that the CEO’s brother had also purchased 50,000 shares through another brokerage account on 3 March, based on information shared privately before the announcement.

Trader	Purchase Date	No. of Shares	Purchase Price (Tk.)	Sale Price (Tk.)	Profit per Share (Tk.)	Total Profit (Tk.)
CEO	1 March	100,000	60	95	?	?
Brother	3 March	50,000	62	95	?	?

Requirements:

- i) Calculate the **unlawful profit per share and total insider profit** gained by both individuals. 2
 - ii) Discuss how this case breaches the Securities and Exchange Commission (Prohibition of Insider Trading) Rules, 1995, including “tipping” and “possession-based trading.” 2
 - iii) Recommend **three enforcement measures** that the BSEC should apply to deter insider abuse such as disengagement, fines, and disqualification from board service. 1
- d) Apex Renewable Energy Ltd. (AREL) is preparing to issue an IPO of Tk. 250 crore. During the IPO processing, the following events were unfolded:

(1) Financial Manipulation:

- The management, with the knowledge of the Board, inflates revenue by Tk. 180 crore using fake EPC contracts.
- The auditor signs off the audit opinion despite knowing the sales were unverified.

(2) Leakage of Price-Sensitive Information (PSI):

- Before the IPO prospectus is approved, the Issue Manager shared confidential PSI with a group of friendly investors:
 - Inflated EPS
 - Expected oversubscription
 - Disclosed a significant contract information (not yet officially awarded)

(3) Insider Trading:

- The Chairman, CFO, and two independent directors instruct family members to buy large quantities of shares in the secondary market months before the official PSI publication.
- Following the leaked information, the price rises from Tk. 42 to Tk. 97.
- After publication of the misleading prospectus, they sold shares and make unlawful profits.

(4) Auditor Collusion:

- The engagement partner received a “consulting fee” from the company’s subsidiary before signing the unqualified audit report.
- Internal audit observations identifying fraudulent EPC contracts were intentionally suppressed from the Audit Committee.

(5) Post-Listing Crash:

- After listing, some contracts were cancelled and true revenue was found overstated.
- Stock price collapses to Tk. 18, causing public investors’ massive financial loss.

Requirements:

You are required to answer the following questions:

- i) What offences have the Board and Management committed? 2
- ii) What violations were committed by the Issue Manager? 2
- iii) What offences were committed by the Auditor? 2
- iv) What penalties can BSEC impose on each party? 2
- v) What should BSEC do to prevent similar cases? 2

3. EverGreen Holdings PLC, a publicly listed conglomerate, appointed Ahmed & Rahman Associates, a chartered accountancy firm, as its statutory auditor for the financial year ended 30 June 2025. During the course of the engagement, several concerns were identified.

The audit firm was also engaged by management to provide tax planning and internal control advisory services worth Tk. 4 million. The company’s Chief Financial Officer, a former partner of the same audit firm, participated in audit committee meetings and reviewed draft audit papers before submission. The Financial Reporting Council (FRC) initiated an inspection under Section 34 of the Financial Reporting Act 2015 to review the firm’s compliance with the Code of Ethics and quality control requirements. The preliminary FRC report indicated weaknesses in audit documentation, insufficient evidence of professional skepticism, and incomplete disclosure in the auditor’s independence statement.

The company’s board has requested a professional analysis of the situation to understand the implications and prepare a compliance action plan.

Requirements:

- a) Explain the principles of auditor independence and professional ethics as required by the FRC Code of Ethics and the Financial Reporting Act 2015. Evaluate whether the simultaneous provision of non-audit services and the CFO’s prior affiliation with the audit firm compromise independence, objectivity, and credibility of the audit opinion. 3
- b) Analyze the statutory powers and functions of the Financial Reporting Council under the Financial Reporting Act 2015. Discuss the possible enforcement measures and disciplinary actions the FRC may exercise where an audit firm fails to comply with ethical and reporting standards, such as inspection, suspension, monetary penalty, or removal from the FRC-approved auditor list. 3
- c) Discuss the significance of reporting discipline in maintaining transparency, investor trust, and market credibility. Recommend a governance and compliance framework that EverGreen Holdings PLC should implement to ensure effective audit committee oversight, independence declarations, FRC-aligned disclosure practices, and accountability in statutory reporting. 4

4. a) Unity Bank Limited is a scheduled banking company operating in Bangladesh. In a bid to rapidly expansion, its board approved aggressive lending policies that resulted in a 200% increase in its loan portfolio over last 12 months. A significant portion of these loans were sanctioned to several newly incorporated companies — all of which are later discovered to be shell entities linked to two directors of the bank.

Furthermore:

- Unity Bank Limited had failed to maintain the required statutory liquidity ratio (SLR) for three consecutive quarters.
- The bank declared and paid dividends during the year, despite having net operating losses.

- Unity Bank Limited did not disclose the related-party nature of the loan transactions in its audited financial statements.
- An internal audit report revealing irregularities was deliberately hidden from Bangladesh Bank during a scheduled inspection.
- The Managing Director claims the board was solely responsible, while the board asserts that the MD and the CFO had full authority over credit risk management.

Requirements:

You are required give your answer to the followings with reference of the relevant law/regulations:

- What violations under the Banking Companies Act, 1991 are evident from the above scenario? 2
 - Can Bangladesh Bank dissolve the board or remove the Managing Director? 2
 - Is the payment of dividends under these circumstances legal? 2
 - What are the implications of hiding the internal audit reports from Bangladesh Bank? 2
 - Can the directors be held personally liable? 2
- b) Reliance Commercial Bank Ltd., a second-generation private bank, has reported declining capital adequacy due to aggressive loan expansion and high non-performing assets. The latest regulatory submission to Bangladesh Bank shows the following data:

Item	Amount (Tk. million)
Tier-1 Capital	8,000
Tier-2 Capital	2,000
Total Risk-Weighted Assets (RWA)	90,000

Bangladesh Bank requires a **minimum CAR of 12.5%** (including buffer) as per Basel III Guidelines 2023.

Requirements:

- Calculate the bank’s Capital Adequacy Ratio (CAR) and determine whether it complies with regulatory requirements. 2
 - Quantify any capital shortfall or surplus. 1
 - Critically discuss the implications of undercapitalization on the bank’s credit growth strategy, dividend policy, and regulatory credibility under the Bank Companies Act 1991. 2
5. Mr. Karim took a loan of BDT 500 million from XYZ Finance Limited, a non-banking financial institution (NBFI) licensed under the Financial Institutions Act, 2023. Despite repeated notices, Mr. Karim defaulted on his loan for over 12 months. XYZ Finance Limited now wants to publish his name as a willful defaulter and initiate legal action for recovery.

However, Mr. Karim files a writ petition claiming that the company has no right to label him publicly or take legal steps without first getting approval from Bangladesh Bank.

Requirements:

Discuss whether XYZ Finance Limited can:

- Declare Mr. Karim a willful defaulter and 2
 - Take legal steps for loan recovery under the Financial Institutions Act, 2023. 3
6. a) BrightLife Insurance Ltd., a life insurer, has issued 1,000 policies under its “SecurePlus Plan,” each with an annual premium of BDT 50,000. As of year-end, BDT 30 million in premiums remain unpaid for over 90 days, and agent receivables total BDT 20 million, overdue by 6 months. According to IDRA’s latest directive, premiums unpaid beyond 90 days and overdue agent balances cannot be considered admissible assets for solvency margin calculations. Insurers must maintain a minimum solvency ratio of 1.0 (Available Solvency Margin ÷ Net Liabilities).

BrightLife reports the following:

- Available Solvency Margin (before adjustments): BDT 250 million
- Net Liabilities: BDT 220 million
- Proposed Dividend: BDT 100 million

Requirement:

Evaluate BrightLife Insurance Ltd.'s adjusted solvency margin and ratio against the minimum requirement, assess the compliance of the proposed dividend with regulations, and identify potential regulatory consequences of proceeding without necessary adjustments. 4

- b) Oceanic Assurance Ltd., a licensed non-life insurer in Bangladesh, specializes in marine cargo insurance. In June 2025, the company entered into a contract with Bay Traders Consortium, a large export-oriented SME recognized under the revised SME definition in the Marine Tariff Regulations.

Bay Traders Consortium requested a 10% discount on their annual marine cargo insurance premium, citing their consistent claim-free history over the past five years and bulk volume of shipments exceeding BDT 200 crore annually. Oceanic Assurance Ltd. agreed to the discount, arguing that the SME status and risk profile justified a preferential rate.

Regulatory Conflict:

Upon audit, IDRA flagged the discount as a violation of the Marine Tariff Regulations, which prohibit insurers from offering any form of commission, rebate, or discount outside the approved tariff structure. Oceanic Assurance Ltd. responded by referencing provisions of the Insurance Act 2010, which allows IDRA to approve special rates in consultation with the Central Rating Committee.

Requirements:

- i) Was Oceanic Assurance Ltd. legally permitted to offer the discount under the SME clause or any other exception in the Marine Tariff Regulations? 3
- ii) What procedural steps should the insurer have followed to seek approval for a special rate or discount? 3

7. a) GreenLife Essentials Ltd., a newly established manufacturing company in Bangladesh, intends to operate its factory continuously, 24/7, to meet the high demand for essential commodities such as packaged food and hygiene products for babies. However, the Factory Manager has expressed concerns about the legal feasibility of such continuous operations, particularly regarding the Bangladesh Labour Act, 2006, which mandates weekly holidays for workers.

Requirement:

As a consultant, analyze the conditions under which continuous operations may be legally permissible. Outline the procedural steps the company must follow to obtain the necessary regulatory approvals while ensuring compliance with labor laws. 4

- b) Sunrise Manufacturing Ltd., a large textile and garments company employing over 1,200 workers, recently faced labour unrest after management unilaterally changed shift schedules and terminated several employees who refused to comply. The affected workers alleged that the new terms violated their existing employment contracts and that dismissals were carried out without due process or compensation. During inspection, the Department of Labour also observed several safety lapses including non-functional fire exits and insufficient welfare facilities despite the factory holding a compliance certificate under the Labour Rules 2015.

The company’s HR department claims that changes in production schedules were “managerial prerogatives” and that the terminations were “voluntary separations.”

Requirements:

- i) Analyze the legal principles governing **employment contract formation and modification** under the Bangladesh Labour Act 2006. Discuss to what extent an employer may unilaterally alter working conditions (e.g., shift timing, job responsibilities) and what procedural requirements must be followed to ensure legality and fairness. 2
- ii) Explain the **lawful grounds and procedures for termination** of employment distinguishing between misconduct dismissal, retrenchment, and termination simpliciter. Evaluate whether the actions of Sunrise Manufacturing Ltd. comply with statutory provisions concerning notice, compensation, and worker representation. 2
- iii) Examine the **statutory obligations of employers** concerning worker safety, welfare, and occupational health under the Labour Act 2006 and Labour Rules 2015. Critically discuss how regulatory authorities can enforce compliance and penalize violations that endanger workers, while balancing industrial productivity with social responsibility. 2

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