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FOR CS PROFESSIONAL EXAM PREPARATION

CS Professional 2024 Question Paper · CSR and Social Governance

EXAM	YEAR	TYPE	SUBJECT
CS Professional	2024	Question Paper	CSR and Social Governance

DATE

June 2024

NEW SYLLABUS

541

Roll No. .....

OPEN BOOK EXAMINATION

Time allowed : 3 hours ***Maximum marks : 100***

Total number of questions : 6 ***Total number of printed pages : 9***

NOTE : *Answer* ***ALL*** *Questions.*

PART–I

1. ABC Limited is one of the largest engineering, procurement and construction (EPC) company. It is a New Delhi headquartered company with over ten thousand employees and has site offices in all major cities in North India. Company has a highly motivated management team and professionally qualified board. Philosophy and vision of the company is :

- To promote and expand new functional areas in infrastructure sector;
- To adopt sustainable manufacturing practices in all its operations;
- To engage with all stakeholders including society at large; and
- To operate in an economically, socially and environmentally sustainable manner, while recognizing the interest all of its stakeholders.

ABC Limited imbibes on the philosophy of ***'Sarva loka hitam'***-meaning working for the well-being of all its stakeholders. The company also follows the principle of Utilitarianism : i.e., '*greatest good for the greatest number of people*'. Through its operations, it is also striving for adoption of the green sustainability principles, so as to protect the environment. According to Section 135 of the Companies Act, 2013, it is mandatory for prescribed class of companies to contribute at least two percent of the average net profits of the company during the three immediately preceding financial years. To pursue its Corporate Social Responsibility Policy, Corporate Social Responsibility Committee has been constituted by the Board of Directors of the Company.

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The Company has decided to carry out the following CSR activities, namely :

(*i*) Construction of old age homes for senior citizens;

(*ii*) Setting up homes and hostels for women employees;

(*iii*) Running Guashala in its factory premises/project sites;

(*iv*) Running full day kitchens (Bhandara) for food to poor people residing near the factory premises;

(*v*) Organizing free sugar and eye check-up camps;

(*vi*) Contribution to the Swach Bharat Kosh setup by the Central Government for the promotion of sanitation and making available safe drinking water;

(*vii*) Sponsoring the investor education programmes for the employees of its clients;

(*viii*) Sponsoring the training programmes to promote rural sports;

(*ix*) Contribution to the Prime Minister's National Relief Fund;

(*x*) Contributing for construction of roads particularly in rural area;

(*xi*) Construction of toilets in schools; and

(*xii*) Construction of Yoga centres for local community.

Company is incurring more than ₹ 10 crore since last few years on such social welfare and philanthropic programmes. However, company's statutory auditors have raised issues of non-compliance pertaining to CSR policy, CSR Committee composition and CSR expenditure. You, as a practicing Company Secretary, have been invited as an Advisor and have been asked to answer the following questions :

(*i*) Which of the above activities are not eligible for CSR expenditures ? Apart from the above activities, mention any three more activities which are not eligible for CSR expenditures.

(*5 marks*)

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(*ii*) What is the minimum amount of CSR expenditure required to constitute a CSR committee mandatorily ? What are the CSR committee constitution provisions enunciated in the Company Act, 2013 ?

(*5 marks*)

(*iii*) Can the CSR amount be utilized by a company for creation or acquisition of a capital asset ? Advise along with regulatory provisions.

(*5 marks*)

(*iv*) Advise how to deal with Excess Spending so as to comply with the provisions of Companies Act, 2013 ?

(5 *marks*)

2. (*a*) *In reference to Impact Assessment of CSR Activities, answer the following* :

(*i*) Who can conduct the impact assessment ?

(*ii*) Can a company prescribe the frequency at which impact assessment is to be carried out for the project(s) ?

(*iii*) If impact assessment is done voluntarily, whether cost incurred on the same will qualify as CSR expenditure.

(*iv*) If a company has obligation of spending ₹ 10 crore or more in three immediately preceding financial years, but company has spent partial amount only (whose average is less than ₹ 10 crore) or if company has not spent at all, whether impact assessment still needs to be done ?

(*v*) Whether the impact assessment needs to be done for an ongoing project in respect of which an outlay of ₹ 1 crore or more has been made in the financial year but the project is not yet completed ?

(*1×5=5 marks*)

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(*b*) As CEO of a CSR consulting firm, you are assigned the task of assessing the impact of an organisation's CSR activities on People's way of life, their culture, their community, their political and their health and well-being. You are required to explain the process for executing this task.

(*5 marks*)

(*c*) Analyze whether the under given expenditure qualifies for CSR expenses :

(*i*) Payment of salary/wages to employees/workers, including contract labour, during the lockdown period.

(*ii*) Payment of ex-gratia to temporary/casual/daily wage workers

(*iii*) Spending of CSR funds for COVID19 related activities

(*iv*) Contribution made to 'PM CARES Fund'

(*v*) Donations to IIM [A] for conservation of buildings and renovation of classrooms.

(*1*×*5*=*5 marks*)

Attempt all parts of either Q. No. 3 or Q. No. 3A

3. (*a*) The National Guidelines on Responsible Business Conduct states in its core principle that the businesses should conduct and govern themselves with integrity, and in manner that is Ethical, Transparent and Accountable. CSR is an initiative with the basic aim to include responsibility for the Company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and society at large. India is at the forefront mandatory CSR prescription and has stipulated a 2% minimum spending on CSR activities by business above a certain

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threshold. This prescription made in the Companies Act, 2013 is equally appliable to Insurance companies. Further, the Insurance Act, 1938 stipulates Rural and Social Sector Obligations to be fulfilled by the insurers in the form of sale of certain number of policies as well as certain amount of premium to some identified sections of the society.

Keeping in perspective of the above, outline the need of CSR in the Insurance Sector. Also draw out the criteria to be kept in mind that need to be followed by insurance companies so as to assure their sustainability in the competitive framework.

(*5 marks*)

(*b*) Mention any 5 indicative alignement SDG's along with relevant principles in the NGRBC.

(*5 marks*)

(*c*) Identify the forms of Corporate Social Responsibility Initiatives along with the examples.

(*5 marks*)

OR (Alternate Question to Q. No. 3)

3A. (*i*) ABC Gramin Bank is a regional rural bank (RRB) sponsored by XYZ Bank, a public sector bank with the stake of Central Government and State Government of Uttar Pradesh. It has carried out several CSR activities. However, the board of the ABC Gramin Bank is not sure whether CSR provisions as enunciated under Companies Act, 2013 are applicable to the bank or not. You, as a practicing company secretary, have been invited to advise the bank and answer the following questions :

Whether CSR provisions are applicable to ABC Gramin Bank ? What are the legal requirements as per RBI regulations relating to donations by public sector banks ?

(*5 marks*)

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(*ii*) What are Inbound and Outbound activities ? Give three examples of Inbound and two Outbound CSR activities by banks.

(*5 marks*)

(*iii*) Following CSR activities/initiatives have been undertaken by which CPSE, Identify :

(*a*) Unnati

(*b*) Pahal

(*c*) Unique Home for Girls

(*d*) Say No to Plastic

(*e*) Read to Lead.

(*1*×*5*=*5 marks*)

Part–II

4. Foreign Contribution (Regulation) Act, 2010 (FCRA) is the law that governs foreign funding in India. FCRA has the primary objective of regulating the acceptance and utilisation of foreign contribution or foreign hospitality by certain persons or associations, with a view to ensuring that parliamentary and political associations, academic and other institutions as well as individuals working in important areas of national life may function in a manner consistent with the values of a sovereign democractic republic. In view of applicable provisions of FCRA, answer the following questions :

(*a*) Can capital assets purchased with the help of foreign contributions be acquired in the name of the office bearers of the association ? Can an association invest the foreign contribution received by it in profitable ventures and proceeds can be utilized for welfare activities ?

(*5 marks*)

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(*b*) Whether interest earned out of foreign contributions be shown as fresh foreign contribution receipt during that year or not ? Can the fee paid by the foreign delegates/participants attending/participating in a conference/seminar etc. be termed as foreign contribution and thus require permission from FCRA ?

(*5 marks*)

(*c*) Identify the key reporting obligations of society under the Societies Registration Act, 1860.

(*5 marks*)

(*d*) M, N and P were partners in a firm. The firm ordered JR Limited to supply the furniture. P dies, and M and N continues the business in the firm's name. The firm did not give any notice about P's death to the public or the persons dealing with the firm. The furniture was delivered to the firm after P's death, fact about his death was known to them at the time of delivery. Afterwards the firm became insolvent and failed to pay the price of furniture to JR Limited. Explain with reasons, whether P's private estate is liable for the price of furniture purchased by the firm ? Does it make any difference, if JR Limited supplied the furniture to the firm believing that all the three partners are alive ?

(*5 marks*)

5. (*a*) Non-Corporate Entities (NCEs), i.e. proprietorship, partnerships, plays crucial role in economic growth. NCEs play crucial role in some sectors and one of which is retail.

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About more than half of the industrial units are NCEs particularly in rural and semi-urban areas, these are prominently contributing in retail, manufacturing, trade and service industries. Most micro and small enterprises are NCEs and act as growth engines of economy and supports the society. Based upon the above, who are Sole Proprietors? Give examples. What are the benefits of establishing a Sole Proprietorship as compared to the Partnership Firm and what are its Limitations ?

(*5 marks*)

(*b*) What is the ICSI Model Code for meetings of NCEs with regard to Notice of an Adjourned Meeting and Modifications/Cancellation of Resolutions ?

(*5 marks*)

(*c*) What is Trust and how it is created ? Is Trust Deed a mandatory pre-requisite for creation of a Trust ? Elucidate.

(*5 marks*)

Attempt all parts of either Q. No. 6 or Q. No. 6A

6. (*a*) According to Regulation 292G of the SEBI (ICDR) Regulations, a Social Enterprise may raise funds through several means; including (i) issurance of Zero Coupon Zero Principal Instruments (ii) donations through Mutual Fund; (iii) issurance of equity shares on the main board (iv) issurance of debt securities; but certain social enterprises are not eligible for raising funds. Explain.

(*5 marks*)

(*b*) Social sustainability involves the creation of policies that mitigate social inequality and promote equal opportunities for all humans to live a high quality of life, regardless of their socio-economic or cultural backgrounds. Building socially sustainable communities and institutions requires the executive bodies to factor equity, diversity, human rights,

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social cohesion, and labour rights into all decision-making processes and value chains. In reference to above, explain 5 different examples of social governance in an organisation.

(*5 marks*)

(*c*) The 73rd amendment brought the establishment of Panchayati Raj Institutions (PRI) laying down three tier system, i.e. Gram Sabha, Block Level and Zila Panchayat with certain provisons for reservations for SC/ST and others. Further, 74th amendment to constitution improved the municiplaity system by trifurcating the municipalities, i.e. Nagar Panchayat, Municipal Council and Municipal Corporation. The secretary on the direction of Pradhan/Sarpanch summons the meeting.

Based upon the above, answer the following questions :

(*i*) What are the functions of Gram Panchayat Secretary ?

(*ii*) What are the legal provisions relating to Governance of Municipalities with reference to the Matters listed in the Twelfth Schedule ?

(*2+3=5 marks*)

OR (Alternate to Q. No. 6)

6A. (*i*) You are a practising Company Secretary. One of your NPO client enquired with you for registration with Social Stock Exchange (SSE). Explain the mnimum requirements to be met by this NPO for registration with SSE.

(*5 marks*)

(*ii*) Social Governance has evolved over time in response to changing societal and business needs. Explain. How can human rights be enforced by the companies ?

(*5 marks*)

(*iii*) Write short notes on :

(*a*) Provisions relating to serving of Notice of Meeting of Gram Panchayat.

(*b*) Provisions relating to Attendance of Meeting.

(*3+2=5 marks each*)

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