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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

December 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 : 12

NOTE : *Answer* ***ALL*** *questions.*

PART–I

1. Corporate Social Responsibility (CSR) is a proactive and synergistic business philosophy, while attention is paid to broader economic, environmental, and social issues in a balanced way. Augmenting profits is no longer the sole business performance indicator for the corporates and they have to play the role of responsible corporate citizens by undertaking activities for betterment of the society and the environment under the umbrella of Corporate Social Responsibility (CSR). Organizations use resources that belongs to the society and it is expected that they should operate in a sustainable manner and spend some amounts for preservation and sustainability of resources which belong to the society.

Over the last two decades, significant economic growth and integration has taken place in the global economy, resulting in several changes in the way businesses operate. Governments across the world have been using different forms of regulations to improve corporate behavior so as to promote increased accountability, disclosures and transparency from them. Gone are the days when Milton Friedman, the reputed Economics Nobel laureate, opined in 1960s that companies have no responsibility towards the society and that their objective was primarily the enhancement of shareholders' wealth.

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With the enactment of the Companies Act, 2013, CSR became a norm in India. India is perhaps one of the few countries in the world where CSR is mandated under the Statute. Companies Act, 2013 ["Act"] is a legislation which officially embarked on one of the world's largest experiments of introducing the concept of CSR as a mandatory provision. With the introduction of Act, there is a statutory obligation for the corporates to take initiatives towards Social, Environmental and Economic Responsibilities. The initiatives taken have to be reported to the company and other stakeholders appropriately. Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 ["CSR Rules"] framed thereunder govern CSR in India.

In view of above background and CSR related provisions in India, analyze the following questions and provide the answers :

(*i*) ABC Corporation, a publicly listed manufacturing company in India, is committed to enhancing its Corporate Social Responsibility (CSR) initiatives to contribute positively to society, the environment, and the economy. The company is in the process of establishing a CSR Committee in compliance with the Companies Act, 2013. The goal is to adopt a "Triple Bottom Line" (TBL) approach, focusing not only on financial performance but also on social and environmental impact. How can ABC Corporation effectively implement the Triple Bottom Line approach within its CSR framework to balance social, environmental, and economic responsibilities ?

(*5 marks*)

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(*ii*) W Ltd. is a big listed company and it has huge profits. The company management is very keen in establishing the company as a socially responsible organization and it has involved most of its employees in its CSR related activities. During financial year 2023-24, the company has CSR obligations of ₹ 48 Crore. The company has spent 46 Crore in various eligible CSR activities. Beside it, the company has monetized ₹ 2 Crore towards cost of the service employed by its various employees in different CSR activities and shown this amount of ₹ 2 Crore as expenditure towards CSR obligations. The secretarial auditor of the company has questioned this treatment of monetarizing the cost of services of the employees. You are required to analyze this case and comment whether the secretarial auditor's observation is correct and what actions need to be taken up by the company ?

(*5 marks*)

(*iii*) In line with Section 135(3) (a), how can a company ensure strategic and sustainability in CSR policy contributing to long-term social and environmental benefits ?

(*5 marks*)

(*iv*) Compare and contrast the principles of King Report 2009 with International Standards such as ISO 26000 of Corporate Governance.

(*5 marks*)

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2. XYZ Corporation is a leading conglomerate with an average CSR obligation of ₹ 12 Cr. over the past three financial years. It has recently decided to get carried out a comprehensive Social Impact Assessment (SIA) for its recent CSR project in a rural community which aimed to provide clean drinking water by installing community water filtration systems. The SIA, conducted by an independent agency, assessed both positive and negative impacts of this project on stakeholders. Positive impacts as observed by the agency included improved health due to access to clean water, economic benefits from reduced healthcare costs, and increased school attendance for children with improved health. However, negative impacts such as initial disruption during construction and potential changes in local water usage practices were also identified. Ongoing monitoring and evaluation revealed that the project had significantly improved water quality, leading to a 30% decrease in waterborne diseases in the community within the first year of implementation.

Study the above case and answer the following questions :

(*a*) While carrying out the SIA in above case, design the questionnaire which could be helpful in getting the correct impact assessment ?

(*5 marks*)

(*b*) How does the Income Tax Act, 1961, allow CSR spenders to claim certain expenses ? Also, indicate as a prominent entity, how does businesses ensure that its CSR initiatives complement the government's GST policies, fostering an ecosystem of social responsibility while adhering to tax compliance requirements ?

(*3+2=5 marks*)

(*c*) Identify the process which is used for stakeholders' analysis on a concept, system, strategy, product, service, etc. of an organization in a qualitative or quantitative manner. Discuss.

(*5 marks*)

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

3. (*a*) With the changing times, the ideology and concept of CSR is paving way for the new generation of corporate leaders who idealise that profit optimization is more important than only profit maximization. Further, there is a shift in accountability from shareholders to stakeholders (including employees, consumers, and affected communities). Outline the challenges which pose hindrance to the CSR implementation and execution in developing economies.

(*5 marks*)

(*b*) Define the following terms :

(*i*) Zero Hunger

(*ii*) CSR Impact Assessment Report

(*iii*) TISHD

(*iv*) IAIA

(*v*) Green Washing.

(*5 marks*)

(*c*) Define 'Social Impact Assessment Framework'. What is SROI ? Also mention the steps in calculation of SROI.

(*1+2+2=5 marks*)

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OR (Alternate Question to Q. No. 3)

3A. (*i*) PQR Corporation, a leading Indian enterprise, is looking to align its CSR initiatives with the SDGs. As per Schedule VII of the Companies Act, 2013, the company has identified areas such as education, healthcare, and environmental sustainability for its CSR activities. The Board is now assessing how these CSR efforts can contribute to specific SDGs while ensuring compliance with the statutory requirements under the Companies Act. How can PQR Corporation align its CSR activities under Schedule VII of the Companies Act, 2013, with relevant SDGs to maximize its social impact ?

(*ii*) Define the following terms :

(*a*) Carbon Credit

(*b*) Carbon Foot Print

(*c*) Business Sustainability

(*d*) Corporate Governance

(*e*) FDP.

(*iii*) An organization is involved in various CSR Activities. It wants to assess whether its CSR activities have realised its objectives as intended and want to engage you in Environmental Impact Assessment (EIA) of its CSR activities. Explain the principles which would be considered by you in EIA for assessing the impact of CSR.

(*5 marks each*)

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PART–II

4. Corporations after registration becomes legal entity. Both the partnerships or sole proprietorship are not legally distinct from the owners. Being a legal entity a non-corporate entity do not have to follow the incorporation process. The income received by sole proprietor is considered as income from personal source and taxes are applicable on the basis of slab rates as per the existing Income Tax Act.

A firm which is not registered will not be considered as an illegal association. As per the Partnership Act, 1932 there are some disabilities/limitations attached in case a firm is not registered. Section 69 of Indian Partnership Act, 1932 puts a bar on institution of a suit by an unregistered firm or partners of the firm.

In view of the above, answer the following :

(*a*) Point out the difference between the legal and economic status of non-corporate entities with that of corporate entities.

(*5 marks*)

(*b*) MSR Trust is a not-for-profit entity and it has involved into various charitable and philanthropic activities. Its activities include :

(*i*) Eradicating hunger, poverty, malnutrition and inequality

(*ii*) Promoting education, employability and livelihoods

(*iii*) Supporting social enterprises incubators

(*iv*) Promotion of financial inclusion

MSR Trust want to assess whether it would be treated as a Social Enterprise for the purpose of Chapter (IX-A) of SEBI (LODR) Regulations, 2015. Examine the statement.

(*5 marks*)

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(*c*) Starlight has established a comprehensive framework for product safety and regulatory compliance that is integral to its global operations. The company prioritizes consumer safety by adhering to stringent global standards that often exceed local regulatory requirements. This proactive approach ensures that Starlight products are safe for consumers and environmentally friendly. The company invests significantly in research and development to innovate and improve product formulations, ensuring they meet safety standards while addressing consumer needs.

Starlight collaborates closely with regulatory bodies worldwide to stay updated on changes in regulations and to contribute to the development of safety standards. This collaboration facilitates smoother market access and helps mitigate risks associated with product recalls and legal liabilities. However, Starlight faces challenges in maintaining consistency across diverse regulatory environments. Different countries have varying regulations regarding product safety, labeling, and marketing, which can complicate compliance efforts. Additionally, cultural differences in consumer perceptions of safety necessitate tailored messaging and product adaptations.

To enhance consumer trust and brand loyalty, Starlight leverages its safety and compliance practices through transparent communication about its safety standards and testing

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processes. The company invests in consumer education campaigns that highlight the importance of product safety, fostering a deeper connection with consumers. Furthermore, Starlight integrates sustainability initiatives with its safety practices, appealing to environmentally conscious consumers. By establishing robust feedback mechanisms, Starlight can proactively address safety concerns, further enhancing trust. Overall, Starlight's commitment to product safety and compliance not only safeguards consumers but also strengthens its position as a trusted leader in the consumer goods industry.

In view of the above information, answer the below questions :

(*i*) How does Starlight ensure that its products meet both global and local safety standards ?

(*ii*) Identify any two strategies which Starlight use to enhance consumer trust and brand loyalty through its safety and compliance practices ?

(*3+2=5 marks*)

(*d*) Define the following terms :

(*i*) Trust and Bailment

(*ii*) Charitable purpose as per Societies Registration Act, 1860

(*iii*) Doctrine of Cypres.

(*2+1+2=5 marks*)

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5. Likewise, companies which are regulated by Companies Act, 2013, the other form of business is partnership, which is regulated by Indian Partnership Act, 1932. The partnership is considered as the convenient way to start a business. The law relating to partnership firm in India is prescribed in the Indian Partnership Act of 1932. It lays down the important provisions relating to partnership contracts. However, the general principles of the Indian Contracts Act, 1872 which formally contained the provisions of the law of partnership shall apply so far as they are not inconsistent with this Act. In view of various provisions of this Act, answer the following :

(*a*) (*i*) Ten major persons form an association to which each member contribute ₹ 10,000. The purpose of the association is to produce medicines for free distribution to the poor parents. Analyze with reasons whether this association can be termed as partnership.

(*ii*) Who is Partner by Estoppel ?

(*3+2=5 marks*)

(*b*) During a management review meeting, the CEO announces a major restructuring plan that will impact the organization's workforce. Several employees express concerns and seek clarification on the implications of the restructuring. How would you perceive the sentiments and concerns raised by employees in the minutes while maintaining confidentiality and professionalism ? Also, analyse the role of Chairman in the meeting of Non-corporate Entities.

(*3+2=5 marks*)

(*c*) Enumerate the Accounting Standard applicable to non-corporate entities. Also mention the exemption from complying Accounting Standards.

(*4+1=5 marks*)

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

6. (*a*) How does the Sarpanch's leadership influence the effectiveness of decision-making processes in Gram Panchayat meetings and what strategies can be implemented to enhance this influence ?

(*3+2=5 marks*)

(*b*) Identify and list the required documents mentioned under Section 12 of Foreign Contributions Regulations Act (FCRA) 2010.

(*2+3=5 marks*)

(*c*) Outline the conditions to be met for the Grant of Registration and Prior Permission in terms of Section 12(4) of FCRA, 2010.

(*5 marks*)

OR (Alternate Question to Q. No. 6)

6A. (*i*) Discuss the procedure followed in case of Non-Corporate Entity and Gram Panchayat with regard to maintenance of Meeting attendance register.

(*5 marks*)

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(*ii*) (*a*) State the procedure of approving an urgent item in the Non-Corporate Entities meeting itself by the majority of members, as marked in the guidelines.

(*b*) Explain the Article of the Constitution under which powers of municipalities are mentioned.

(*2+3=5 marks*)

(*iii*) Philosophically, identify what is considered to be akin to gratifying intoxicant replete with medicinal properties and may work like a nectar ? Analyse the do's and dont's for the NGO's accepting foreign contributions.

(*2+3=5 marks*)

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