

**Indicative Model Question Paper**  
**Professional Programme**  
**New Syllabus 2022**  
**CSR & Social Governance**

**Time allowed: 3 hours**

**Maximum marks: 100**

**NOTE: Answer ALL Questions**

**PART I**

**Question No. 1**

While there may be no single universally accepted definition of CSR, each definition that currently exists underpins the impact that businesses have on society at large and the societal expectations of them. Although the roots of CSR lie in philanthropic activities (such as donations, charity, relief work, etc.) of corporations, globally, the concept of CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, philanthropy, strategic philanthropy, shared value, corporate sustainability and business responsibility. It all started when Howard R. Bowen, who is renowned as the Father of CSR published the first work on the concept of CSR in 1953 through his book *Social Responsibilities of the Businessman*. As seen from the title, previously CSR was only known as the social responsibility of a business. This is because, the role of the businessmen was not widely acknowledged during that era.

CSR emerges from different sociological settings of each era to influence the way businesses adopt a more considerate and responsible behavior. Earlier businesses used to conduct these activities through especially dedicated charities. Later on the concept developed to welfare programs and activities in the nature of social responsibility. The concept of CSR has evolved during the last few decades from simple philanthropic activities to integrating the interest of the business with that of the community which is being served by such business. By exhibiting socially, environmentally and ethically responsible behaviour in governance of its operations, business can generate value and long term sustainability for itself while making positive contribution towards the betterment of the society. CSR is a concept whereby companies not only to consider their profitability and growth, but also interests of society and the environment by taking responsibility for the impact of

their activities on the society, environment and communities in which they operate. CSR aims to fulfill expectations that society has from business and it is viewed as a comprehensive set of social policies, practices and programs that are integrated throughout the business operations. The concept of CSR has evolved over the years and it is now used as a strategy and a business opportunity to earn stakeholders' goodwill.

In order to integrate CSR into the core business philosophy, the Government of India has mandated companies, those meeting certain thresholds in terms of turnover, net worth or net profit to set apart at least 2% of their average previous three years net profit for CSR activities. Having said this, the need for setting up the CSR Committee is triggered off if any of the three criteria is achieved by the company in the preceding financial year. Broadly, this mandate has been aligned with national priorities such as public health, education, food, water conservation, natural resource management, etc.

*In view of the above, answer the following:*

- (a)** Whether a holding or subsidiary of a company fulfilling the criteria under section 135(1) as well as Section 8 Company has to comply with the provisions of section 135, even if the holding or subsidiary itself does not fulfil the criteria?
- (b)** Discuss the composition and Functions of the CSR Committee in a Listed Company?
- (c)** Discuss the actions need to be taken if a company spends less than the amount required to be spent under CSR obligation in a particular year? Should a company open a separate 'Unspent CSR Account' for each ongoing project?
- (d)** Whether all implementing agencies are required to be registered with the Central Government? Whether international organisations may be engaged in CSR implementation?

***(5 marks each)***

## **Question No. 2**

ABC Limited incorporated in 2013 and having net worth of five hundred crores and recorded a turnover of rupees one thousand crores also recorded a net profit of five crores or more. The Company and its Directors filed a petition under Section 441 of the Companies Act, 2013 before NCLT praying for compounding of offence under Section 134(3)(o) read with Section 135(2) of the Companies Act, 2013.

As per the statutory requirement, ABC Limited was required to disclose its Director's Report, the details of the CSR Policy developed and implemented during the year. A CSR Committee was also required to be constituted for the said purpose. ABC Limited and its Directors defaulted in adhering to this statutory requirement for the Financial Year 2020-21, 2021-22 and 2022-23. Finally, the Board of Directors of the Company in its meeting held on 16th February, 2024 cured the defects and thereby all the defects stood cured with effect from the year ending 31st March, 2023.

*In view of the above, answer the following:*

- (a)** Enumerate the Contents of Compounding Application under the Companies Act. Whether Compounding Application can be filed either before or after the initiation of prosecution?
- (b)** Discuss in details the Procedure for Compounding of Offence under the Companies Act.
- (c)** Adjudication & Compounding are same under the Companies Act. Comment.

***(5 marks each)***

***Attempt all part of either Q. No. 3 or Q. No. 3A***

## **Question No. 3**

With the passage of the Companies Act, 2013 the mandate for corporate social responsibility (CSR) has been formally introduced to the dashboard of the Boards of Indian companies. The industry has responded positively to the reform measure undertaken by the government with a wide interest across the public and private sector, Indian and multinational companies. With such large expenditures being

made towards CSR, it becomes imperative that the projects are monitored and the outcomes are evaluated to ascertain whether the objective with which it was made mandatory, is achieved. “How do we make sure that the money we are spending on CSR is being well spent and that people for whom it is intended are benefitting from it” is a sentiment echoed by many companies. With such large expenditures being made towards CSR, it becomes imperative that the projects are monitored and the outcomes are evaluated to ascertain whether the objective with which it was made mandatory, is achieved. “How do we make sure that the money we are spending on CSR is being well spent and that people for whom it is intended are benefitting from it” is a sentiment echoed by many companies. There is likelihood of greater accountability that Companies will bring into the implementation of activities related to social development.

Organisations in all sectors face an increasing need to demonstrate the impact they're having, whether it's the social value delivered by public sector projects or the impact of a business' corporate social responsibility (CSR) programme. For the successful implementation of any CSR project, it is desirable that the said project achieves the required objective. It is also equally important to ensure that the project makes the desired impact which was visualized at the time of selection and planning. The focus for corporates who see the law more as “compliance” has been on project “deliverables” than measuring social impact. Thus, it's important to have strict and accurate monitoring and evaluation plan as part of any successful project implementation and CSR projects are no exception. It not only helps to be assured of implementation of policies as planned but also helps address intense public scrutiny and legal compliance. Designing Monitoring and Evaluation (M&E) system is crucial for improving performance and ensuring success of the Sustainability and CSR project. M&E can help track progress and outputs systematically, measure outcomes and help you steer your social program in the right direction.

Reporting, monitoring and evaluation of companies' CSR activities is key to setting strategic direction and delivering measurable and tangible results on the ground. A continuous monitoring framework and iterative & reflective mechanisms are essential to support successful program delivery. Such a monitoring framework must inform action at multiple levels, ranging from the local to national and international levels to track and harmonize multiple accountabilities.

*In view of the above, answer the following:*

**(a)** Monitoring acts in CSR activities as an alert that warns companies about problem to be remedied. Comment.

(b) Evaluation of a CSR project revolves around how well or how badly has the project been implemented,

(c) What are the mechanisms for monitoring the CSR process? Discuss the role of the Government in monitoring compliance of CSR provisions by companies?

*(5 marks each)*

**OR (Alternate question to Q. No. 3)**

### **Question No. 3A**

The objective of Social Impact Assessment (SIA) is to ensure that development maximises its benefits and minimises its costs, especially those costs borne by people (including those in other places and in the future). Costs and benefits may not be measurable or quantifiable and are often not adequately taken into account by decision-makers, regulatory authorities and developers. By identifying impacts in advance: (1) better decisions can be made about which interventions should proceed and how they should proceed; and (2) mitigation measures can be implemented to minimise the harm and maximise the benefits from a specific planned intervention or related activity.

An important feature of SIA is the professional value system held by its practitioners. In addition to a commitment to sustainability and to scientific integrity, such a value system includes an ethic that advocates openness and accountability, fairness and equity, and defends human rights. The role of SIA goes far beyond the ex-ante (in advance) prediction of adverse impacts and the determination of who wins and who loses. SIA also encompasses: empowerment of local people; enhancement of the position of women, minority groups and other disadvantaged or marginalised members of society; development of capacity building; alleviation of all forms of dependency; increase in equity; and a focus on poverty reduction.

SIA complements the economic and technical models that characterise the thinking of many development professionals and agencies. SIA can be undertaken in different contexts and for different purposes.

In the context of Corporate Social Responsibility (CSR) impact assessment is to assess the social impact of a particular CSR project. The intent is to encourage companies to take considered decisions before deploying CSR amounts and assess the impact of their CSR spending. This not only serves as feedback for companies to plan and allocate resources better but shall also deepen the impact of CSR.

*In view of the above, answer the following:*

- (a) State the objective of providing impact assessment of CSR activities? Which companies are required to undertake impact assessment?
- (b) Whether impact assessment reports of all the CSR projects shall be annexed to the annual report on CSR? When two or more companies collaborate for implementation of a CSR project, should the impact assessment carried out by one company be shared with other companies?
- (c) How is average net profit calculated for the purpose of CSR Expenditure under section 135 of the Companies Act? Whether 'profit before tax' or 'profit after tax' is used for such computation?

*(5 marks each)*

## **PART II**

### **Question No. 4**

Social Stock Exchange (SSE) is a digital platform that enables alternate fundraising methods to SE. It will permit a Social Enterprises (SEs) listing; SEs would register themselves on the SSE platform and then raise money from there. Any social enterprise, including both For-Profit Enterprises (FPE) and Non Profit Organisations (NPO), that demonstrates the importance of its social mission is eligible to register with and list on the social stock exchange. According to the working definition of a social enterprise established by the International Labour Organization (ILO), "The fundamental objective of a social enterprise is to address social issues through a financially viable business model in which surpluses (if any) are primarily reinvested for that purpose." (ILO 2009). For the purpose of the SEs establishing the predominance of social intent, SEBI has specified specific eligibility requirements. It has outlined a list of 17 tasks in which an SE can engage in with the goal of focusing on underprivileged or undeserving population segments. Furthermore, 67% of the activities should be performed towards the target group, according to the statement. This can be established further by demonstrating that at least 67% of the average revenue or average expenditure over the previous three years came from or went towards qualified activities, respectively. Apart for affordable housing, business foundations, political or religious organisations, professional or trade groups, and infrastructure corporations are not eligible to be designated as SE.

India has changed the conventional wisdom that social and economic development is solely the government's responsibility into a framework where individuals, corporations, and other social organisations also share the responsibility for bringing India to its pinnacle potential for social and economic development. The Social Stock Exchange segment (SSE) on NSE & BSE provides Social Enterprises (Non-profit organizations (NPOs) and For-profit enterprises (FPEs)) engaged in eligible activities

a unique opportunity to register itself and raise funds on a recognized exchange platform.

*In view of the above, answer the following:*

- (a) Social Stock Exchange (SSE) is a separate segment of the existing Stock Exchange, that can help Social Enterprise(s) to raise funds from public. Comment.
- (b) Which Social Enterprises are not eligible to get registered or raise funds through Social Stock Exchange/Stock Exchange?
- (c) Discuss the entity that can be identified as a not-for-profit & for-profit organization in the context of Social Stock Exchange?
- (d) State the structured finance product is available for Not-for-Profit Organizations through social stock exchange mechanism.
- (e) Discuss the Not-for-Profit Organizations that are not eligible to issue Zero Coupon Zero Principal Instruments? Can Not-for-Profit Organizations make private issuance of Zero Coupon Zero Principal Instruments?

***(5 marks each)***

### **Question No. 5**

The Care and Share Charitable Trust registered under the Indian Trust Act in the year 2000. The Trust is also registered with the Income Tax authorities and Ministry of Home Affairs, Government of India including under the Foreign Contribution (Regulation) Act, 2010(FCRA) for receipt of foreign funds (FCRA No. 0112 dated 8.12.2011). Mr “X” is serving as one of the trustees of the said Trust and is a social worker. The Trust is engaged in the social upliftment activity such as helping children below the poverty line in New Delhi, street children, children of sex workers, physically challenged kids, shelter orphans, abandoned babies and assisting juveniles detained in the observation home (local reformatory). The Trust has built and is running nine schools in different slums. It has rescued over 1000 street children, 165 infants, HIV positive and AIDS orphans. The Trust also engages in daily milk program for 500 kindergarten children since year 2000. The Trust has been awarded National Award for Child Welfare by the Government of India, Ministry of Women and Child Development in the year 2021, for its exceptional work and contribution in the field of child welfare.

Trusts, it is urged, are dependent upon foreign contributions to meet their day-to-day expenses. It was alleged that the Trust contravened the provisions of FCRA and misutilised the foreign contribution received from a foreign company situated in

United States of America. For, which it entails in cancellation of certificate of the trust permitting receipt of foreign contributions for being utilised towards the activities of the concerned trust. Similarly, the operational “FCRA account” was barred from receiving foreign contribution.

Mr “X” approached you as a Company Secretary in Practice with certain queries listed below in the form of query. Advise Mr. “X”.

- (a) State the eligibility criteria for grant of registration and eligibility criteria for grant of prior permission for receiving foreign contribution from a foreign company situated in United States of America.
- (b) Discuss Foreign source and foreign contribution as defined under FCRA, 2010.
- (c) Whether foreigners can be appointed as trustee in a trust receiving foreign contribution seeking registration or prior permission?

***(5 marks each)***

***Attempt all part of either Q. No. 6 or Q. No. 6A***

### **Question No. 6**

Mr. “X” & Mr. “Y” made a proposal to constitute a partnership firm for construction of a cinema theatre on the land of the Mr. “X” and on acceptance of the said proposal by Mr. “X”, they executed a deed of partnership dated 26th of June, 2017. Clause 4 of the partnership deed envisaged that the Mr. “X” share in the profits would be Rs. 2 crores. Mr. “X” was receiving Rs. 2,00, 0000/- per month from the Mr. “Y” in pursuance of Clause 13, which guaranteed that the minimum profit of Rs. 2,00,0000/- per month would be paid to Mr. “X”.

Mr. “Y” never disclosed to Mr. “X” as to what amount was due to her on settling the annual accounts of the firm. Mr. “Y” never furnished the statement of accounts to the Mr. “X” . He never disclosed the amount of profit payable to Mr. “X” towards her Rs. 2,00,0000/- share in the business. Mr. “Y” mismanaged the business of the firm and manipulated the account books. There was mutual irretrievable distrust between the Mr. “Y” and Mr. “X” and hence it was impossible to get along with the Mr. “Y” in the business of the firm. The Mr. “Y” stopped payment of the minimum guarantee profit to Mr. “X” with a motive to strain her financial resources. The gravity of distrust assumed such proportions that the Mr. “X” could not continue as a partner in the

firm. The Mr. “Y” is also guilty of non-furnishing of annual accounts to the plaintiff and hence the suit.

The Partnership firm stood dissolved by the death of the Mr. “X” on 17th of May, 2023. Since there was no mutual confidence between the parties and as there had been severe disputes since 2018, carrying on the business of the firm became practically impossible. It was ultimately held that there was deemed dissolution of the partnership firm with effect from 17th of May, 2023 due to the death of Mr. “X” (since deceased).

*In view of the above, answer the following:*

- (a)** Discuss the essentials of a Partnership and True Test of Partnership and Relation of Partners to one another.
- (b)** How Mr. “X” & Mr. “Y” distributed the partnership property after the dissolution of partnership firm?
- (c)** In the absence of any usage or custom or trade to the contrary, the implied authority of a partner does not empower him to submit a dispute relating to the business of the firm to arbitration. Comment.

***(5 marks each)***

**OR (Alternate question to Q. No. 6)**

**Question No. 6A**

The Seventy-Third Constitutional Amendment Act, 1992, gave constitutional status to the Panchayati Raj Institutions (PRIs) and established a system of uniform structure (three tiers of PRIs); elections; reservation of seats for Scheduled Caste, Scheduled Tribes and women; and devolution of funds, functions, and functionaries to PRIs. PRIs aim to promote the participation of people and effective implementation of rural development schemes for economic development and social justice in various areas, including those concerning the functions (29 subjects) referred to in the Eleventh Schedule of the Constitution.

Consequently, many Governments established a system of three-tiers of PRIs viz., Gram Panchayat (GP) at the village level, Panchayat Samiti (PS) at the Block level and Zila Parishad (ZP) at the district level to enable them to function as institutions of self-government. For decentralization at the grassroots level, GPs were divided into

Wards and provisions of Gram Sabha at the GP level and Ward Sabha at the Ward level had been made. The Ward Sabha, through the Ward Implementation and Management Committee, implements several schemes of public importance, assigned to the Ward, by the GP.

At the State level, the Panchayati Raj Department (PRD) coordinates and monitors the functioning of the PRIs. The ZP is headed by the Adhyaksha, while the PS and the GP are headed by the Pramukh and the Mukhiya, respectively, who are elected representatives of the respective PRIs. Mukhiya is responsible for the financial and executive administration of GP. The Chief Executive Officer (at the rank of District Magistrate or Additional District Magistrate) and the Block Development Officer-cum-Executive Officer are the executive heads of the ZP and the PS, respectively. The Panchayat Secretary is incharge of the office of the GP and is also responsible for the maintenance of books of account and records at the GP level.

*In view of the above, answer the following:*

- (a)** Constitution of India stipulate that the Legislature of a State may by enacting legislation delegate power to Panchayati Raj Institution. Discuss the power and Function of the Panchayat.
- (b)** Financial funding is a very big hurdle in the path of Panchayati Raj Institutions. State the challenges faced by Local Self-Government.
- (c)** Discuss the importance of Zilla Parishad in the developmental journey of the districts.

***(5 marks each)***

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