

Roll No.

OPEN BOOK EXAMINATION

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 16

NOTE : Answer **ALL** questions.

PART-I

1. YUVA Ltd. is a textile manufacturing company based in Gujarat, with an annual turnover of ₹ 250 crore and net profit of ₹ 15 crore. Though the company was promoter owned, compliance with laws and regulations were given prime importance and the promoters themselves in their personal capacity supported various charitable causes. The Board of Directors also had independent directors and industry experts to guide the management. Meenu, a Company Secretary was recently appointed as compliance officer of the company and was asked to ensure compliance with the applicable laws and regulations in true letter and spirit.

As a part of transitioning and succession, Grega, son of the Promoter director was appointed as Director of the Company. He bought a new perspective to the Board and emphasized that the company needs to adopt a structured approach to create genuine value for society and the communities surrounding its operations. In this context, Meenu mentioned that, Corporate Social Responsibility (CSR) has emerged as a vital aspect of modern corporate governance

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and ethical business conduct. It reflects the responsibility of organizations not just to generate profits, but also to contribute to the welfare of society and the protection of the environment. In India, CSR received a statutory framework through the Companies Act, 2013, which mandates that companies meeting specified financial thresholds to spend at least 2% of their average net profits of the last three years on CSR activities.

The Board of Directors constituted a CSR committee, which after due consideration of the CSR activities allowed under the Act, identified three major focus areas : education, health and sanitation and environmental protection. These areas were selected because they were socially relevant, legally permissible and closely connected to the needs of the local community, where most of the Company's workforce resided. The Company allocated an annual CSR budget of ₹ 24 lakh, with ₹ 10 lakh earmarked for education initiatives, ₹ 8 lakh for health and sanitation and ₹ 6 lakh for environmental projects. This strategic allocation ensured both diversity and depth in CSR activities, allowing the Company to make a measurable difference across multiple sectors. By integrating CSR into its business philosophy, YUVA Ltd. showcased that social responsibility and profitability can go hand in hand.

To achieve its CSR goals, YUVA Ltd. was evaluating to appoint an agency to support them in execution of CSR activities and collaborate with local authorities. The Board had a broad plan for each of the activities - in the education sector, the Company would distribute free books, uniforms, and learning materials to government school students, set up digital

classrooms by donating computers and introduce scholarships for talented but financially weak students. In the health and sanitation sector, the Company would conduct quarterly health camps, distribute free medicines and build toilet facilities in five nearby villages under the Swachh Bharat Mission, thereby addressing both preventive healthcare and sanitation needs. In the environmental domain, a tree plantation drive would be launched, planting over 10,000 saplings.

The Board viewed that these CSR initiatives will create significant social and economic impact. Incidentally, with these activities, employees and their extended families will also benefit. Environmental projects will not only promote ecological balance, but also demonstrate the Company's commitment to sustainability and clean energy. Internally, CSR will enhance employee morale, as workers will feel proud of their Company's contribution to their own communities.

Externally, YUVA Ltd. will gain a positive reputation among investors, customers, and regulators. However, the management was of the view that, there will be certain challenges as well, like selecting reliable NGOs and ensuring effective utilization of funds. There could also be resistance from some villagers, who may be skeptical of the Company's intentions. Furthermore, measuring the long-term sustainability of projects such as health camps and scholarships required continuous monitoring and follow-up. However, these challenges would encourage the Company to adopt stronger monitoring mechanisms, build deeper partnerships with stakeholders and design CSR projects that had both immediate impact and long-term benefits.

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In the background of above facts, answer the following :

- (i) 'Expenditure on activities which predominantly benefit persons associated with Company cannot be treated as CSR.' Can employees of YUVA Ltd. be beneficiaries ? Explain.
- (ii) Prepare a brief note on the points to be considered while finalizing an implementation agency.
- (iii) As a Consultant of the Company, outline the general recognition and measurement criteria for CSR.
- (iv) 'CSR is a key to brand building and value creation'. Elucidate with an example.

(5 marks each)

2. Glipco Manufacturing Ltd., a large multinational company, which is well known for the charitable activities it takes up as part of its CSR programme, has experienced increasing pressure from stakeholders to formalize its commitment to sustainability as more than a regulatory obligation. The Company annually spends around ₹ 18 crores towards CSR activities. As the world moves towards focus on the United Nations Sustainable Development Goals (SDGs), the Company's top management understood the need to connect operational functions and reporting to a framework of the SDGs. In the second quarter of the fiscal year, Alisha, Company Secretary, was given the responsibility of starting and leading the conversation about integrating the SDGs at the board level. She was also entrusted with the responsibility of supporting the CSR committee and liaising with NGOs, which the company engaged to execute its CSR projects.

She began with a concise overview of the global relevance of the SDGs and emphasized the role of corporate governance in promoting sustainable practices. The Sustainable Development Goals (SDGs) are the world's best plan to build a better world for people and our planet by 2030. She also addressed ISO 26000 in her discussion. In the modern business landscape, organisations are increasingly expected to take responsibility for their social, environmental and economic impacts. Alisha further informed the Board that the Company is in the process of aligning with the United Nations Sustainable Development Goals and relevant CSR projects have been taken up by the Company to achieve a few SDG goals like distribution of sanitation kits and installation of toilets in identified villages, installation of a system that clean and reuse water to save freshwater, etc. In its meeting, the Board appreciated Alisha's inputs, but wanted to understand the impact of the CSR activities of the Company and improvements in the process, if any. Alisha informed the Board that the CSR impact assessment is not mandatory, considering the amount they spend.

- (a) Explain the inter-linkage between Corporate Social Responsibility and Sustainable Development Goals.
- (b) Is CSR impact assessment mandatory for Glipco Manufacturing Ltd. ? Comment.
- (c) As a consultant, outline the principles of impact assessment and the main questions which it addresses.

(5 marks each)

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

3. (a) Alpha Ltd., a company manufacturing turbines, had a net profit of ₹ 6 crores in the second year of its business. Aruno, the Company Secretary of the company informed the Board, that the company has to spend 2% of its average net profits on CSR activities. The Board constituted a CSR committee and Aruno, was tasked to find a credible and suitable agency to implement CSR projects. While Aruno was trying to find such agencies, he spoke to one of his friends, who suggested him to check the National CSR Exchange portal.

Discuss the way in which the National CSR Exchange Portal can help Alpha Ltd. in CSR implementation.

(5 marks)

(b) 'Enlightened shareholders approach is different from shareholder inclusive approach.' Elucidate.

(5 marks)

(c) 'Donations are different from Corporate Social Responsibility'. Comment in the background of guiding principles issued by Reserve Bank of India (RBI) in 2005, for donations by banks in India.

(5 marks)

OR (Alternative Question to Q. No. 3)

3A. (i) Manimekhala Industries Ltd. is company based in Kochi, manufacturing rubber and allied products. It has a flourishing business with an increasing growth trajectory and is covered under the ambit of CSR requirements as per the Companies Act, 2013. As a part of CSR activities, the Company spends towards providing medical and educational facilities in rural areas. As advised by its tax consultants, the Company claimed input credit of GST on the amount spent towards CSR activities. Subsequently, the GST Officer raised an objection saying the Company cannot claim the GST input on CSR activities, as it does not directly relate to its business. With reference to a case-law, comment whether the contention of the GST Officer is justified.

(5 marks)

(ii) “Life cycle assessment is often called a ‘cradle-to-grave’ approach to sustainability.” Elucidate in the background of life cycle assessment framework.

(5 marks)

(iii) Fursch Ltd., a pipes manufacturing company is based in Pune. The Company has been regularly contributing to CSR activities over and above the statutory requirements. During one of the meetings, Shyla, the Managing Director of the Company suggested that the Company should get the CSR audit done to understand, if there are any issues which need to be addressed. One of the Director asked, what is the CSR audit about, as he had heard only of statutory audit and internal audit. The Managing Director asked the Company Secretary to provide a brief note to the Board members about the CSR audit for their information and understanding.

Draft a brief note about the various elements which a CRS audit examines.

(5 marks)

PART-II

4. (a) Vrina, a Senior Company Secretary, is a seasoned professional and is part of Board of Directors of many listed companies. Vrina has philanthropic interests and is part of CSR activities of few such companies. She was invited to be a Panel member for ‘CSR & Social Impact – Conclave’, wherein she was addressing a gathering of professionals across industry on the emerging concepts like social governance, social stock exchanges, its framework, etc. Excerpts from her address – “The idea of a Social Stock Exchange (SSE) in India was first proposed by the finance minister in the Union Budget 2019-20. The objective was to create a dedicated platform under SEBI where non-profit organizations (NPOs) and for-profit social enterprises (FPEs) could raise funds transparently and efficiently. Unlike traditional stock exchanges that cater to wealth maximization, SSEs focus on social impact, accountability, and sustainability, enabling investors to support initiatives aligned with societal development. To implement this vision, SEBI introduced a framework under two major regulatory guidelines : ICDR Regulations (Issue of Capital and Disclosure Requirements, 2018) and LODR Regulations (Listing Obligations and Disclosure Requirements, 2015). Together, these provide a structured pathway for social enterprises to list, disclose and report their activities.

The ICDR framework was amended to include specific norms for social enterprises intending to raise funds through SSE. These enterprises must establish a clear social intent and impact, with focus areas such as eradicating hunger, promoting education, healthcare, environment sustainability, gender equality and rural development.

For non-profits, the ICDR regulations allow them to raise securities, which are unique and represent social investments. The regulations also require annual impact reports, certified by social auditors, which document the outcomes of funds raised. This ensures that every rupee mobilized translates into visible progress toward Sustainable Development Goals (SDGs).

The LODR framework was extended to SSE listings to strengthen transparency and trust. Under these rules, listed social enterprises must comply with periodic disclosures, including governance practices, financial statements, utilization of funds and social impact reports and are different from commercial entities. One unique feature is the requirement of a Social Impact Scorecard, a reporting mechanism that ensures stakeholders can measure how effectively the enterprise achieves its stated objectives. Additionally, SSE listed entities must appoint a Social Auditor from SEBI registered institutions.

The establishment of a Social Stock Exchange under ICDR and LODR regulations marks a milestone in institutionalizing social finance in India. By bringing transparency, accountability and innovation into social funding, SSE can help achieve India's

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developmental priorities and SDGs. However, its success will depend on effective implementation, investor participation and building the capacities of smaller social enterprises to comply with regulations.”

Based on the above, answer the following questions :

- (i) Explain the approach for implementation of social governance within a Company.
- (ii) ‘Social enterprise may raise funds through various means.’ Explain with reference to SEBI (ICDR) Regulations.
- (iii) Outline the issues which must be addressed by a social auditor.

(5 marks each)

- (b) Ruchir, a retired teacher in Bhimwadi village wanted to create a trust which would financially support the poor students in his village. He informed his nephew Suchir about his wish to create a trust with the house and 10 acres of agricultural land he owned. He wrote a hand written note to Suchir stating ‘it is my wish that you support the object of needy students with my house, and I hope it continues after my lifetime’. Suchir suggested that it would be appropriate to create a valid trust for this purpose. Ruchir said, the hand written note will be sufficient.

With reference to Indian Trusts Act, 1882, comment whether Ruchir created a valid trust.

(5 marks)

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5. (a) Dhani was one of five partners in the M/s Bright Light House, a partnership firm. In 1995, the partners signed a partnership deed outlining their responsibilities and rights. Each partner received 20% of the firm's assets and earnings. According to clause 18 of the deed, any partner who retired would be eligible to receive the amount standing to his credit in the capital account, his share of goodwill and profits up to the date of retirement, all of which were to be paid within six months of retirement. He later decided to leave the firm, giving the required notice in accordance with the deed's provisions. The remaining partners continued the business without him. However, they did not pay Dhani, his share of goodwill, arguing that since the business was not dissolved and the firm continued, goodwill was not payable.

Dhani filed a suit claiming his right to goodwill, as per the partnership deed. Can a retiring partner claim goodwill if the firm continues with other partners ? Explain the rights and obligations of the buyer and seller in the sale of goodwill.

(5 marks)

(b) Methani, a village in Karnataka was known for the hand-woven cotton garments and unity amongst the villagers. It was all due to the efforts of Sarpanch and his emphasis on governance at grass root level, taking care of infrastructural requirements, etc. A Gram Panchayat meeting was regularly held by the elected representatives and residents of a village to discuss and make decisions on local issues. In these meetings, mainly local governance and issues related to local development were discussed and decided

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upon. Hence, for planning and the social inclusion, all villagers were asked to equally take part in these gram parchayat meetings. A Gram Panchayat meeting is an ideal place for pursuing the implementation of government schemes. The presence of members of the Gram Panchayat also serves as effective real-time communication. The Sarpanch said that it is crucial to prepare the attendance register for these meetings in order to ensure efficient recording of member's presence. However, one of the persons present, mentioned that it is not needed as it is a meeting between villagers. The Sarpanch explained him the importance of having an attendance register.

Outline the key points that should be considered while preparing the attendance registers for Gram Panchayat meetings.

(5 marks)

(c) Mitra for Aged, an NGO based in Nagpur, was set up by Miraj, to take care of aged and elderly destitute. Though Miraj had been funding the NGO with his sources, he was now exploring if he could get some funds, given the medical and other expenditure for aged and elderly. He tried reaching out to various sources including his friends and acquaintances. One such contact, assured him that he can speak and can arrange some donations from Netherlands where his employer is based. When Miraj told this to his friend Varuna, a Company Secretary, he advised him to be cautious about few aspects before accepting foreign contribution. Advise Miraj.

(5 marks)

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

6. (a) Vindha was partner in VRV & Associates, partnership firm, which was into logistics business. The revenue of the firm had crossed ₹ 40 crores, but no proper accounting and reporting was done. Records were maintained only for the purposes of tax filings. The consultant advised Vindha, to appoint an accountant, who would maintain the books of accounts and prepare financial statements as per the applicable standards. Vindha told the consultant, that accounting standards would not apply to them as they are a non-corporate entity.

In this background, comment about the applicability of accounting standards.

(5 marks)

(b) Neel and Sheel, both practicing Company Secretaries were close friends. One of their friends, Heel was a Chartered Accountant, handling small and medium size businesses, especially non-corporate entities. During one of the conversations between the three friends, Heel shared that there has been a dispute in one of his clients between the partners. The matter is likely to reach Court and there is no documentary evidence of meetings being held. He further added, as this was a non-corporate entity, he

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did not insist on notice and meetings in such entities. He further asked Neel and Sheel to guide him about the notice and other requirements relating to meetings for non-corporate entities.

Briefly explain the requirements of Notice of the meeting for non-corporate entities.

(5 marks)

(c) Prapti and Param, both close friends, constituted a partnership firm for construction of a shopping complex on Prapti's land and executed a deed of partnership. Clause 5.2 of the partnership deed envisaged that the Prapti's share in the profits would be 40% and she would receive a monthly amount. Prapti was receiving ₹ 2 lakhs per month as per the deed. However, Param did not disclose to her, the amount which was due on settling the annual accounts of the firm. He neither furnished the statement of accounts to Prapti, nor disclosed the profitability of the firm. Meanwhile, there was a dispute with a tenant and the matter went to Court. While all this was not informed to Prapti, Param wanted to resolve the dispute through arbitration.

Can the matter be resolved through arbitration ? Comment in the background of the Indian Partnership Act, 1932.

(5 marks)

OR (Alternative Question to Q. No. 6)

6A. (i) Aranya and her family owned a temple in the Mantravanam, a village in interiors of Andhra Pradesh. The temple was family owned and was an ancestral property. Aranya wanted to renovate the temple and also allow other villagers to visit the temple. In one of the family gatherings there was a discussion between the family members and they all agreed to contribute for renovation of the temple. Aranya suggested to register a Trust to take care of the temple related activities. One of her cousins asked if they can avail any tax benefits for the Trust. In this background, explain the regulatory framework for registration of Trust and its taxation.

(5 marks)

(ii) Perar IT Solutions Ltd. is a fast-growing IT solutions company in Kochi. The Company's head count has been on an increasing trend and is expected to cross 2,500 by the end of next year. As a part of its strategy, the company appointed, Varada, a seasoned Human Resources (HR) professional, to head its payroll and talent team. Varada was asked to make a presentation to the Board about the action plan to demonstrate the company's commitment to employment equality.

Outline the actions through which the company can demonstrate its commitment to employment equality.

(5 marks)

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(iii) Krupalu Heights, a gated community had more than 200 flats, with necessary amenities. However, the builder had moved out of the country without setting up any association or society to take care of the maintenance and amenities. To address this situation, the residents convened a meeting and decided to register a society or an Association, for managing the maintenance and amenities of the community. Mural, one of residents reached out to Kural, a Company Secretary and close friend, to help them understand the registration and reporting obligations of a society.

With reference to Societies Registration Act, 1860, explain the reporting obligations of society.

(5 marks)

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