

*Roll No.* .....

**OPEN BOOK EXAMINATION**

*Time allowed : 3 hours*

*Maximum marks : 100*

*Total number of questions : 6*

*Total number of printed pages : 15*

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

## **PART-I**

1. Veda Gyan Global Ltd. (VGGL), a listed entity in India with a vast portfolio in biotechnology and medical research, has recently come under intense regulatory scrutiny following a series of controversial board-level decisions. For years, the Board of Directors and the senior management operated under a misguided sense of complacency, assuming that their massive annual investments in research and development (R&D) and high-profile global sponsorships automatically fulfilled their ethical and social obligations. However, a recent internal audit and a subsequent whistle-blower report have exposed a profound lack of ‘front-end intelligence’. It was revealed that the leadership had no accurate snapshot of the Company’s actual progress on the Corporate Social Responsibility (CSR), leading to business decisions that were neither sustainable nor legally aligned with regulatory requirements.

The management had consistently ignored the necessity of a formal assessment, a tool that serves as a vital reminder of existing legal mandates and provides a deep understanding of the internal and external drivers motivating a firm toward a systematic approach. Without this roadmap, the Board was unable to identify significant gaps in their values and ethics, leading to the launch of several ineffective and potentially non-compliant initiatives. The crisis began when the Board launched a massive ‘Health for All’ initiative, which was essentially a rebranding of its routine R&D activities for new medical devices. The Company claimed these were valid social expenditures because they related to the global pandemic, despite these projects being part of the Company’s ‘normal course of business’, the usual routine sale, purchase and core operations. While the Company did collaborate with an external institute, it failed to provide any separate disclosure of these activities in its reporting to the shareholders.

Company' international division directed substantial funds towards an expansive welfare program in Europe, asserting that any activity outside the domestic territory was valid if it targeted 'humanitarian aid.' In doing so, they ignored the strict legal limitations as per the Indian laws and regulations. The governance failure deepened when it was discovered that VGGL had been using these funds on a 'sponsorship basis' to gain direct marketing benefits for its latest wellness products. The Company's payroll department revealed that a significant portion of the social budget was diverted to activities specifically benefitting the Company's own staff, as defined under the current labour laws.

Complicating the matter further, the Chairman authorized a direct financial contribution to a local political party, mistakenly categorizing it as 'Social Governance Expenditure' rather than a restricted political donation. Board also neglected to evaluate its current decision-making structure, failing to recognize the human resource and budgetary implications of an integrated strategy. This lack of oversight meant that the Company was essentially heading in a direction that was not sustainable in business terms, resulting in failure to engage with key stakeholders and address their underlying concerns.

The Board's most controversial move involved its subsidiary, Veda-Retail Pvt. Ltd., and a foreign branch office located in India. The Board directed the subsidiary to fulfil the parent Company's financial targets for CSR, despite the subsidiary not meeting the specific criteria required by law. The management argued that compliance is a consolidated group requirement rather than a company-specific one, a theory that has been met with significant scepticism by legal experts. The Company's statutory auditor is now facing questions for failing to verify if the spending was in accordance with accounting and reporting requirements.

With the account for unspent funds showing major discrepancies, the Company's legal standing is now being challenged. In instances where the Company utilized a third-party registered Trust for implementation, it failed to obtain an independent report on the utilization of those funds. This was a critical lapse in verifying that the third party actually spend the money on the intended CSR activities rather than administrative overhead. The auditor's failure to comply with the reporting requirements has left the Company's financial transparency in tatters.

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Based on the above facts, answer the following :

- (a) (i) According to Michel Hopkins “Corporate Social Responsibility is concerned with treating the stakeholders of a company or institution ethically or in a responsible manner.” Elucidate the statement in reference to the ideology/belief that Corporate Social Responsibility is an important business strategy.

(2 marks)

- (ii) How did the lack of a CSR assessment and “front-end intelligence” prevent VGGL from identifying ethical gaps and making sustainable, data-driven Board decisions ?

(3 marks)

(2+3=5 marks)

- (b) Assess how responsibility of auditors could be ensured to avoid breach of professional standards to apply statutory requirements. How can he verify third-party fund utilization reports ?

(5 marks)

- (c) (i) Do you agree with the statement as opined by Milton Friedman, that companies have no responsibility towards the society and that their objective was primarily the enhancement of shareholders’ wealth ? Discuss.

(3 marks)

- (ii) Is it true that CSR programs have generally been most common among large corporations only ?

(2 marks)

(3+2=5 marks)

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(d) Define the following :

- (i) Tools to find out if the company is CSR-proof.
- (ii) Guidelines for CSR by Central Public Sector Enterprises in Aspirational districts.
- (iii) Goals of Integrated Reporting.

(2+2+1=5 marks)

2. (a) EcoVision Industries Ltd. is a manufacturing company covered under CSR provisions of the Companies Act, 2013. For the financial year 2024-25, the company had a CSR obligation of ₹ 2 crores. During the year, the company actively undertook CSR initiatives through its in-house foundation and in collaboration with a registered trust. It also encouraged employee volunteering in community engagement programs. These initiatives helped the company gain positive media attention, improve employee morale and attract investor interest. However, by the end of the financial year, the company could spend only ₹ 1.2 crores. The remaining ₹ 80 lakhs remained unspent. Out of this :

- ₹ 50 lakhs relate to an ongoing multi-year rural development project approved by the Board.
- ₹ 30 lakhs were not allocated to any project.

The company transferred the ₹ 50 lakhs relating to the ongoing project into a single “Unspent CSR Account” opened for the financial year. However, due to internal financial constraints, the company utilized a part of this amount temporarily for its routine business operations. Further, instead of transferring the ₹ 30 lakhs to a Schedule VII fund within the prescribed time, the company decided to utilize it for CSR activities in the next financial year.

Examine the compliance requirements relating to treatment of unspent CSR amount in the given case. Further, also analyse the validity of the company’s delivery mechanism for implementation of CSR activities.

(5 marks)

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- (b) Vardhano Infrastructure and Development Ltd. (VIDL) is a leading Indian company engaged in large-scale urban development projects. The Company, which is prominently held by promoters with a 55% stake, maintains an eleven-member Board of Directors and a dedicated CSR Committee. In its recent sustainability disclosures, the Company declared that its social spending commitments have reached a substantial scale, averaging an annual requirement of ₹ 12 Crore over the last three financial years. One of its flagship initiatives, a comprehensive rural housing colony completed in January 2026 with a total expenditure of ₹ 2.5 Crore, has been a cornerstone of its compliance claims.

The governance framework of VIDL recently faced scrutiny when the Internal Auditor flagged that the Company had utilized its own internal 'Strategy and Planning' division to evaluate the outcomes of the housing project just six months after the keys were handed over to beneficiaries. The Company justified this by stating that as per its internal policy, the Board has the absolute right to determine the evaluator for their social initiatives. However, the statutory authorities have questioned this approach, asserting that the current evaluation methodology lacks the necessary detachment and timing required for a company of VIDL's financial profile.

Is the Company's contention tenable ? Analyse the case by outlining the role of Indian Legislative framework for Social Impact Assessment. Also identify who is responsible for the conduct of Impact Assessment.

(5 marks)

: 6 :

- (c) Horizon Infra Ltd. is a company required to undertake CSR activities. The CSR Committee of the company meets only once a year and submits a broad proposal to the Board without specifying the list of projects, fund allocation, implementation schedules, or monitoring mechanisms. The Committee has also not recommended any annual action plan during the year. The Board independently finalizes and approves the CSR activities, including the amount of expenditure. Further, no periodic review or monitoring of CSR projects is carried out. A stakeholder has raised concerns that the CSR Committee is functioning merely as a formality and is not effectively discharging its responsibilities. ‘The CSR Committee is a key governance body and not merely a procedural requirement.’

In light of the above statement, discuss whether the annual action plan and functioning of the CSR Committee in the given case is in accordance with the Companies Act, 2013 and CSR Rules, 2014. Give reasons in support of your answer.

(5 marks)

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

3. (a) ‘A business entity incorporated with an objective to earn profits has certain responsibilities towards its stakeholders. In order to enable these stakeholders to make informed decisions certain Disclosures are required.’ Elucidate. What are the factors that determine whether information is material in its inclusion or not ?

(5 marks)

- (b) A Trust Bank Ltd. is a private sector bank incorporated under the Companies Act, 2013. For the financial year 2024-25, it reported substantial profits but did not allocate 2% of its net profits towards CSR activities, arguing that banks are primarily regulated by RBI norms.

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At the same time, State Bank of India, a public sector bank, made donations amounting to 1.5% of its net profits towards various charities and research institutions.

Analyze the applicability of CSR provisions to both banks. Distinguish between CSR obligations and RBI guidelines on donations. Do you agree that their actions are in compliance with the applicable legal framework ?

(5 marks)

- (c) ABC Ltd., a manufacturing company, reports high profits and has undertaken environmental sustainability initiatives such as carbon reduction and waste management. However, it faces criticism for poor labour conditions, low employee welfare, and weak community engagement. Examine whether the company can be considered socially responsible pertaining to 'the three pillars' of the business entity ? Identify the neglected pillar and suggest measures to strengthen the third pillar.

(5 marks)

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

- 3A.** (i) The Ministry of Corporate Affairs (MCA), Government of India, released a set of guidelines in 2011, expected to provide guidance to businesses on what constitutes responsible business conduct. Identify what they were called after revision and state the principles relating to human rights and goods and services in a manner that is sustainable and safe.
- (ii) What is meant by Social Impact Assessment and Social Impact Indicators ? Provide supportive examples to explain.
- (iii) Mention any ten Guidelines applicable to all CPSEs which are generally in the nature of guiding principles.

(5 marks each)

**PART-II**

4. (a) Samarth Infra-ventures Ltd. (SIL) is a Jaipur-based infrastructure development company engaged in the construction of urban housing projects, rural connectivity roads and community utility installations across five states in India. Incorporated in 2009, the Company has a diversified promoter group holding 52% of the paid-up equity capital, with the remaining stake distributed among domestic institutional investors, foreign portfolio investors and retail shareholders. SIL has been listed on both the BSE and NSE and has consistently positioned itself as a socially responsible enterprise committed to sustainable development and inclusive growth. The Company's Board of Directors comprises eleven members, including four independent directors and one-woman independent director. SIL has constituted all mandatory statutory committees including Audit Committee, Nomination and Remuneration Committee, Stakeholder Relationship Committee, and a dedicated Corporate Social Responsibility and Sustainability Committee. The Company publishes an annual Sustainability Report aligned with global reporting standards and has, over successive annual reports, made strong representations to its investors and regulators regarding its robust social governance framework. In 2022, SIL successfully bid for a large state government contract to develop integrated township infrastructure in a tribal belt district of Rajasthan. As part of its project approval process, SIL submitted a social governance compliance declaration to the relevant statutory authority, claiming that its internal systems were fully equipped to identify, assess and manage all social risks associated with the project. The Company further represented that it had established comprehensive policies for community engagement, supply chain conduct and employment equality and that these were actively monitored and reported upon.

However, during the third quarter of project execution, a Civil Society Organisation filed a complaint with the state government alleging that SIL had commenced construction activities without adequately assessing the project's impact on the local indigenous community, which depended on shared water body situated within the construction zone. The complaint further alleged that the Company had made no arrangements to address the displacement of seasonal agricultural workers in the affected villages, many of whom belonged to a marginalised demographic group. It was also alleged that SIL's workforce practices at the project site reflected significant wage disparity between male and female contract workers performing identical roles, and that no formal non-discrimination or equal opportunity framework had been communicated to site-level supervisors or labour contractors.

The matter attracted regulatory attention when SEBI initiated a preliminary inquiry into SIL's representations made in its public disclosures and sustainability filings. SIL's subsidiary, Samarth Social Foundation (SSF), a non-profit entity registered under the Companies Act, 2013, which had been separately seeking registration on the Social Stock Exchange to raise funds for its rural skilling programmes, came under scrutiny. It emerged during the SEBI inquiry that one of the trustees of SSF had previously been identified as a wilful defaulter by a scheduled commercial bank and that a promoter-director of SIL was simultaneously a director of another company, that had been debarred from accessing the securities market by SEBI, though the debarment period for that enterprise had since concluded.

The Audit Committee of SIL convened an emergency meeting and commissioned an independent review. The review revealed that while SIL had adopted several social governance policies on paper, none had been operationalised through measurable performance indicators or integrated into project-level decision-making. The Company's Social Auditor, appointed for the township project, had submitted a limited-scope report that failed to examine several critical community-level concerns, raising questions about the minimum scope of inquiry expected of a Social Auditor in infrastructure projects of this nature.

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The Board, now facing reputational damage and regulatory exposure, sought urgent advice from its Practising Company Secretary on multiple governance dimensions.

Based on the above facts, answer the following questions :

(i) What systematic steps should the Company follow to set up a social governance framework before commencing a high-impact infrastructure project ?

*(5 marks)*

(ii) Is Social Audit necessary ? Do you agree that the Social Auditor must examine social issues to ensure that the impacts on local communities and natural resources are adequately mitigated ?

*(5 marks)*

(b) State True or False with brief justifications :

(1) Vocational training, tailoring, motor repairs, computers etc. are considered to be educational activities permitted to be carried out by Associations having different nature.

(2) Any foreign contribution or any income arising out of utilization of Foreign Contribution shall be used for “speculative business”.

(3) All organizations that receive funding from a foreign source must act in accordance with the Foreign Contribution (Regulations) Act (FCRA) 2010.

(4) Minutes once entered in the Minutes Book, shall be altered.

(5) Quorum shall be present throughout the Meeting.

*(1×5=5 marks)*

- (c) Rajesh Sharma, an entrepreneur based in Jaipur, started a boutique and retail clothing business with a small initial investment. He operates the business independently and has complete control over all its activities, including procurement, pricing, marketing and customer dealings. To assist in daily operations, he has employed a few workers; however all decisions are taken solely by him. The business is not registered as a Company or a Limited Liability Partnership and is run in his individual capacity. Over time, the business has grown significantly, and its turnover has increased beyond the threshold limits prescribed under tax laws. Despite this growth, Sharma has not obtained any formal business registration except opening a bank account in his own name. He is also unaware of the need for registration under the GST law and the Shops and Establishments Act. Recently, he suffered financial losses due to market fluctuations and had to use his personal savings to meet business liabilities. Further, Sharma is planning to expand his business by opening additional outlets and is exploring the possibility of raising funds from external sources. However, financial institutions are hesitant to provide loans due to the absence of a formal business structure and lack of separate legal identity. Additionally, concerns have been raised about the continuity of the business in case of any unforeseen circumstances affecting Sharma. In this context, Sharma seeks clarity regarding the nature of his business form, its legal implications, compliance requirements and the taxation framework applicable to him.

Identify the form of business organization in the above case and explain its key characteristics. How can Sharma complete the registration procedure which may be applicable to such business under the prevailing legal framework ?

(5 marks)

5. (a) (i) Who plays the role in convening meeting of Non-Corporate Entities and state the role.

(2 marks)

- (ii) To ensure effectiveness and efficiency of any meeting what is necessary to be drafted and by whom it is to be drafted ?

(3 marks)

(2+3=5 marks)

- (b) 'Nandlal Traders' is a large, family-run partnership firm in India with a turnover exceeding ₹ 50 crores. Firm is engaged in Sweets and Namkeen business and having 10 company owned stores in India. For decades, it followed a simple, cash-based accounting system to meet tax compliance requirements. The firm was seeking a bank loan for expansion and potential lenders required a transparent and comparable financial position. Younger, modern-minded family partners demanded greater transparency and accountability in financial and non-financial performance to build global presence and brand image in purview to the recent government guidelines particularly on standardized reporting and disclosure frameworks for non-corporate entities.

Nandlal traders hired you as an Advisor to discuss the merits on standardized reporting and disclosure on financial and non-financial reporting. Also identify some key takeaways on this.

(5 marks)

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- (c) Gyandeeep Shiksha Samiti (GSS) is a registered society based in Lucknow, engaged in promoting elementary and adult education in underserved districts of Uttar Pradesh. The Samiti recently received an offer of financial assistance from an overseas philanthropic foundation wishing to support its educational outreach work. Encouraged by the offer, the Samiti's executive committee immediately began utilising the incoming remittance to procure study materials and initiated construction of a residential facility for economically weaker students, without completing any prior statutory formality. A whistle-blower complaint filed by a former member of the Samiti's governing council brought this to the attention of the Ministry of Home Affairs, which initiated an inquiry.

Based on the case answer the following :

- (i) Define Foreign Contribution and advise GSS regarding different modes of obtaining permission to accept foreign contribution.
- (ii) Examine the permissible educational activities which can be carried out.

(2+3=5 marks)

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

6. (a) Answer the following :

- (i) In 1872, Lord Mayo introduced elected representatives for the municipalities and this was further developed by his successor in 1882. Name the successor.
- (ii) Identify the Reforms which widened the participation of people in governing process.
- (iii) With the Dissolution of the Government which Bill was lapsed ?

(1+2+2=5 marks)

- (b) A partnership firm consisting of A, B and C was dissolved. The firm had outside creditors, and there were also certain advances made by partners apart from their capital contribution. After dissolution, it was found that the firm had suffered losses and there was deficiency in capital. The firm's assets were realized and additional contributions were required from partners to settle accounts. A dispute arose regarding the order in which losses should be borne and how the assets should be applied among creditors and partners.

Explain the effects of dissolution as mentioned in Section-48 under Indian Partnership Act, 1932 and right to return of premium.

(5 marks)

- (c) Rameshwar Charitable Trust was established in Chennai in 1978 through a deed executed by a retired industrialist, with the stated objective of providing financial assistance to members of a specific community residing in Tamil Nadu who were engaged in traditional weaving occupations. The trust deed further directed that any surplus funds, after meeting the primary objective, be applied towards establishing a weaving training institute exclusively for the male members of the settler's family. Over decades, the weaving community in the region has undergone significant socio-economic transformation, rendering the original mode of assistance largely impractical. The trustees contended to modify the Trust's framework and approached the Court seeking modification of the Trust's operational framework to extend benefits to a broader section of artisan communities across the state. A dispute arose as to whether the Trust constituted a valid public charitable trust and whether the court could permit any departure from the founder's original directions, prompting a detailed legal examination of the Trust's character and the applicable doctrines governing administration of charitable trusts.

Is the contention of trustees justified ? Give reasons. What is the basis for classification of Trusts ?

(5 marks)

: 15 :

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

- 6A.** (i) Answer the following :
- (a) Name of the Greek Ambassador who visited the court of Chandragupta Maurya in 303 B.C ? What did he do ?
  - (b) Describe the Amendments that constitute a new chapter in the process of democratic decentralization in the country.
  - (c) Who should be reported about any illegal act/misconduct/misuse/abuse of powers by the Sarpanch or Up-Sarpanch ?
- (1+2+2=5 marks)*
- (ii) A & Co. is registered as a partnership firm in 2015 with A, B and C partners. In 2016, A dies. In 2017, B and C sue X in the name and on behalf of A & Co., without fresh registration.
- (a) Decide whether the suit is maintainable.
  - (b) Whether your answer would be same if in 2017, B and C had taken a new partner D and then filed a suit against X without fresh registration ?
- (5 marks)*
- (iii) Ram, representing the 'Greenwood Apartment Owners Association', has approached you to facilitate the formal registration of the Association under the Societies Registration Act. He seeks clarity on the essential documentation, including the bye-laws, the necessity of witnessed signatures and other documents.
- As a Company Secretary, advise Ram on the documents required to be filed with the Registrar of Societies. He also wants to have information pertaining to alteration, extension or abridgment of the objects of a society.

*(5 marks)*

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