

Paper 13 – Corporate Laws and Compliance

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Full Marks : 100

Time allowed: 3 hours

**Answer Question No. 1 which is compulsory carries 20 marks and
answer any 5 Question from Q. No 2 to Q. No. 8**

1. Answer any 4 from the below

[4x5=20]

- (a) The Board of Directors of Nirbhaya Limited proposes to transfer more than 10% of the profits of the company to the reserves for the current year. Advise the Board of Directors of the said company mentioning the relevant provisions of the Companies Act, 2013.
- (b) The Board of Directors of MNP Limited appointed Ms. Sheela as a Women Director in the Board Meeting held on 10th September, 2014. The said appointment was made to fill the vacancy of the Woman Director, which had occurred as a result of resignation of Ms. Neha on 30th June, 2014. Examine the validity of the following appointment with reference to the provisions of the Companies Act, 2013. Will your answer differ if the Board Meeting of the company was held on 8th November, 2014?
- (c) Orion Company Ltd. in its First General Meeting appointed six Directors whose period of office is liable to be determined by rotation. Briefly explain the procedure and rules regarding retirement of these directors. Will it make any difference, if Orion Company Ltd. does not carry on business for Profit?
- (d) Head Hunter Limited, a foreign company failed to deliver some desired documents to the Registrar of Companies as required under Section 380 of the Companies Act, 2013. State the provisions of penalty prescribed under the said Act, which can be levied on Head Hunter Limited for its failure.
- (e) Analyse “Corporate Social Responsibility” as a Corporate Brand.

Answer:

1. (a) The first Proviso to 123(1) of the Companies Act, 2013 provides that a company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company. Therefore, under the Companies Act, 2013 the amount transferred to reserves out of profits for a financial year has been left at the discretion of the company acting vide its Board of Directors. Therefore the company is free to transfer any part of its profits to reserves as it deems fit.
- (b) Woman Director: At least one woman director shall be on the Board of such class or classes of companies as may be prescribed (Second Proviso to Sec. 149(1) of the Companies Act, 2013). Further, any intermittent vacancy of a woman director shall be filled up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy, whichever is later.

As per the above provisions, the appointment of Ms. Sheela is valid. The vacancy of a woman director of MNP Limited which arose on 30th June 2014, due to the resignation of Ms. Neha, should be filled up latest by 29th September 2014 or the day of the next Board Meeting, whichever is later. Since Ms. Sheela was appointed in the

next Board Meeting after the vacancy arose, i.e. on 10th September 2014, her appointment is valid.

The answer will remain the same, even if MNP Ltd. appoints Ms. Sheela in the Board Meeting held on 8th November 2014, provided the said meeting is the first meeting of the Board after 30th June 2014 i.e. after the resignation of Ms. Neha.

- (c) Under section 152(6) (a) unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-thirds of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation. In the given case, it is assumed that the 6 directors appointed at the first general meeting of the company constitute at least two thirds of the total number of directors. Section 152(6)(c) further states that at every annual general meeting, one-third of such of the directors for the time being as are liable to retire by rotation, or if their number is neither three nor a multiple of three, then, the number nearest to one-third, shall retire from office. Therefore, in the given case 2 directors will be liable to retire by rotation at the next AGM of the Company.

Section 152(6)(d) further states that the directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment, but as between persons who became directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lot. In the given case, all the 6 directors were appointed on the same date. Hence, the choice of the 2 directors who would retire at the next AGM of the company will be made either mutually by these 6 directors failing which; it will be decided by lots. It will not make any difference under the Companies Act, 2013 if the company is a non-profit organization.

- (d) If a foreign company fails to deliver documents to the Registrar of Companies as required under Section 380 of the Companies Act, 2013, the foreign company shall be punishable with a fine which shall be not less than ₹1,00,000 but which may extend to ₹ 3,00,000 and in the case of a continuing offence, with an additional fine which may extend to ₹50,000 for every day after the first during which the contravention continues. Also, every officer of the foreign company who is in default shall be punishable with an imprisonment for a term which may extend to six months or with a fine which shall not be less than ₹ 25,000 but which may extend to ₹ 5,00,000 or with both. The penalty is provided in Section 392 and thus Head Hunter Ltd. is liable for the contravention of Section 380 of the Act.
- (e) In an economy where corporate strive for a unique selling proposition to differentiate themselves from their competitors, CSR initiatives enable corporate so build a stronger brand that resonates with key external stakeholders, customers, general public and the government. Business are recognising that adopting an effective approach to CSR can open up new opportunities, and increasingly contribute to the corporate ability to attract passionate and committed workforces. Corporate in India are also realising that their reputation is intrinsically connected with how well they consider the effects of their activities on those with whom they interact. Wherever the corporate fail to involve parties, affected by their activities it may put at risk their ability to create wealth for themselves and society. Therefore, in terms of business, CSR is essentially a strategic approach for firms to anticipate and address issues associated with their interactions with others and through those interactions, to succeed in their business endeavours. The idea that CSR is important to profitability and can prevent the loss of customers, shareholders and even employees is gaining increasing acceptance. Further, CSR can help to boost the employee morale in the organisation and create a positive brand centric corporate culture in the organisation. By developing and

implementing CSR initiatives, corporate feel contented and proud, and this pride trickles down to their employees. The sense of fulfilling the social responsibility leaves them with a feeling of elation. Moreover it serves as a soothing diversion from the mundane workplace routine and gives one a feeling of satisfaction and a meaning to their lives.

2. (a) **The Board of Directors of IPL Limited appointed Mr. Narainan as an alternate director for a period of two months against a director who has proceeded abroad on leave for period of six months. Articles of Association of the company are silent in this regard. Referring to the provisions of the Companies Act, 2013, examine the validity of the above.**

- (b) **The Board of Directors of Stepping Stones Publications Ltd. at a meeting held on 15-1-2014 resolved to borrow a sum of ₹ 15 crores from a nationalized bank.**

Subsequently the said amount was received by the company. One of the Directors, who opposed the said borrowing as not in the interest of the company has raised an issue that the said borrowing is outside the powers of the Board of Directors. The Company seeks your advice and the following data is given for your information:

- (i) **Share Capital ₹ 5 crores**
- (ii) **Reserves and Surplus ₹ 5 crores**
- (iii) **Secured Loans ₹ 15 crores**
- (iv) **Unsecured Loans ₹ 5 crores**

Advice the management of the company.

- (c) **Explain how the auditor will be appointed in case of A Government Company within the meaning of section 394 of the Companies Act, 2013.**

Answer:

2. (a) According to Sec. 161(2) of the Companies Act, 2013, the Board of Directors of a company may, if so authorized by its articles or by a resolution passed by the company in general meeting, appoint a person to act as an alternate director for a director (original director) during his absence for a period of not less than three months from India.

In the present case, the Board of Directors of IPL Limited appointed Mr. Narainan as an alternate director for a period of two months against a director who has proceeded abroad on leave for a period of six months and Articles of Association of the company are silent. The said appointment is not valid because the power to appoint alternate director is not authorized by its articles or by a resolution passed by the company in general meeting.

- (b) According to the provisions of Section 180(1)(c) of the Companies Act, 2013, there are restrictions on the borrowing powers to be exercised by the Board of Directors. According to the said section, the borrowings should not exceed the aggregate of the paid up capital and free reserves. While calculating the limit, the temporary loans obtained by the company from its bankers in the ordinary course of business will be excluded. However, from the figures available in the present case the proposed borrowing of ₹ 15 crores will exceed the limit mentioned. Thus, the borrowing will be beyond the powers of the Board of Directors. Thus, the management of Stepping Stone Publications Ltd., should take steps to convene the general meeting and pass a special resolution by the members in the meeting as stated in Section 180(1)(c) of the Companies Act, 2013. Then the borrowing will be valid and binding on the company and its members.

- (c) The appointment and re-appointment of auditor of a Government Company or a government controlled company is governed by the provisions of section 139 of the Companies Act, 2013 which are summarized as under:

The first auditor shall be appointed by the Comptroller and Auditor General of India within 60 days from the date of incorporation and in case of failure to do so, the Board shall appoint auditor within next 30 days and on failure to do so by Board of Directors, it shall inform the members, who shall appoint the auditor within 60 days at an extraordinary general meeting (EGM), such auditor shall hold office till conclusion of first Annual General Meeting.

In case of subsequent auditor for existing government companies, the Comptroller & Auditor General of India shall appoint the auditor within a period of 180 days from the commencement of the financial year and the auditor so appointed shall hold his position till the conclusion of the Annual General Meeting.

3. (a) What are the qualifications of an Internal Auditor? 5
- (b) What are the duties of the inspector as enumerated in section 223 of the Companies Act, 2013, in relation to his report? 6
- (c) Mr. Arjun, a director of Northern Highway Tolls Private Limited, authorized by board of directors to prepare and file return, report or other documents to registrar on the behalf of the company. He timely filed all the required documents to Registrar; however, subsequently it is found that the filed documents are false in respect to material particulars (knowing it to be false) submitted to registrar. Explain the penal provision under the Companies Act, 2013? 5

Answer:

3. (a) As per the Section 138(1), an internal auditor shall either be a Chartered Accountant (engaged in practice or not) or a Cost Accountant, or such other professional as may be decided by the Board. Even an employee of the company may also be appointed as an internal auditor of the company as per the Rule 13 of the Companies (Accounts) Rules, 2014.
- (b) Section 223 of the Companies Act, 2013 deals with Inspector's report. The following provisions are applicable in respect of the Inspector's report on investigation:
- (1) Submission of interim report and final report [Sub section (1)]:
An inspector appointed under this Chapter (Chapter XIV – Inspection, Inquiry and Investigation) may, and if so directed by the Central Government shall, submit interim reports to that Government, and on the conclusion of the investigation, shall submit a final report to the Central Government.
 - (2) Report to be writing or printed [Sub-section (2)]:
Every report made under sub section (1) above, shall be in writing or printed as the Central Government may direct.
 - (3) Obtaining copy or report [Sub section (3)]:
A copy of the above report may be obtained by making an application in this regard to the Central Government.
 - (4) Authentication of report [Sub section (4)]:
The report of any inspector under this Chapter shall be authenticated either –
 - (a) By the seal of the company whose affairs have been investigated; or
 - (b) By a certificate of a public officer having the custody of the report, as provided under section 76 of the Indian Evidence Act, 1872, and such report

shall be admissible in any legal proceeding as evidence in relation to any matter contained in the report.

Exceptions: Nothing in this section shall apply to the report referred to in section 212 of the Companies Act, 2013.

- (c) According to section 448 of the Companies Act, 2013, if any person makes a statement which is false in any material particulars, knowing it to be false or omits any material facts, knowing it to be material, such person shall be liable under section 447. As per Section 447, any person who is found to be guilty under this section shall be punishable with imprisonment for a term which shall not be less than 6 months but which may extend to 10 years and shall also be liable to fine which shall not be less than the amount involved in the fraud, but which may extend to 3 times the amount involved in the fraud. Provided that, where the fraud involves public interest, the term of imprisonment shall not be less than 3 years. Hence, Mr. Arjun, a director of Northern Highway Tolls Private Limited shall be punishable with imprisonment and fine prescribed as aforesaid.
4. (a) A group of 8 individuals together with a producer institution approached the Registrar for incorporation of a producer company under Section 581 of the Companies Act, 1956. Can the Registrar go ahead with the registration and incorporation? Discuss. 6
- (b) A meeting of members of ABC Limited was convened under the orders of the court to consider a scheme of compromise and arrangement. Notice of the meeting was sent in the prescribed manner to all the 700 members holding in the aggregate 20,00,000 shares. The meeting was attended by 400 members holding 13,00,000 shares. 160 members holding 10,00,000 shares voted in favour of the scheme. 150 members holding 2,40,000 shares voted against the scheme. The remaining members abstained from voting. Examine with reference to the relevant provisions of the Companies Act, 1956 whether the scheme is approved by the requisite majority. 5
- (c) Novartis Ltd. wants to maintain its books of account on cash basis. Is it permitted as per Companies Act, 2013. 5

Answer:

4. (a) According to Section 581C of the Companies Act, 1956, any ten or more individuals, each of them being a producer, or any two or more producer institutions, or a combination of ten or more individuals and producer institutions, desirous of forming a producer company having its objects specified in Section 581B and otherwise complying with the requirements and provisions of this Act in respect of registration, may form any incorporated company as a Producer Company under this Act. If the Registrar of Companies is satisfied that all the requirements of this Act have been complied with in respect of registration and matters precedent and incidental thereto, he shall, within thirty days of the receipt of the documents required for registration, register the memorandum, the articles and other documents, if any, and issue a certificate of incorporation under this Act.

In the problem given here, a group of 8 individuals together with a producer company approached the registrar for incorporation of a producer company. Since the requirements "combination of ten or more individuals and producer institutions" of this provision has not been complied with in respect of registration, so registrar cannot proceed with the registration and incorporation of the company.

- (b) The scheme must be approved by a resolution passed with the special majority stipulated in Section 391(2) of the Companies Act, 1956, namely a majority in number representing three fourths in value of the creditors, or members, or class of members,

as the case may be, present and voting either in person, or by proxy. The majority is dual, in number and in value. A simple majority of those voting is sufficient whereas, the three-fourths requirement relates to value. The three-fourths value is to be computed with reference to paid-up capital held by members present and voting at the meeting.

In this case out of 700 members, 400 members attended the meeting, but only 310 members voted at the meeting. As 160 members voted in favour of the scheme the requirement relating to majority in number (i.e., 156) is satisfied 310 members who participated in the meeting held 12,40,000, three-fourth of which works out to 9,30,000 while 160 members who voted for the scheme held 10,00,000 shares. As both the requirements are fulfilled, the scheme is approved by the requisite majority. (It is presumed that all the shares are fully paid-up).

(c) The Companies Act, 2013 vide section 128(1) now requires every company to prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, at the registered office and its branches and such books shall be kept on accrual basis and according to the double entry system of accounting. The second part of the section clearly states that the books of accounts must be maintained on accrual basis and according to the double entry system of accounting. No exception has been given by the Act to any class or classes of companies from the above requirement. Hence, it is clear that Novartis Ltd. cannot maintain its books of accounts on cash basis.

5. **(a)** The Board of Directors of RPS Limited decides to pass a resolution by circulation for allotment of 1,000 equity shares to Mr. A. Draft a specimen Board Resolution to be passed by circulation for this purpose. 6

(b) Brunei Limited had filed certain documents with the Registrar of Companies. The said documents were authenticated by the ROC and kept on record. In a suit against the company the ROC produced the said documents in the court of law. BUI Limited intends to raise objection on the said documents on the ground that the documents need to be authenticated with further proof or production of the original document as evidence. Advise Brunei Limited. 5

(c) Can a company pay compensation to its directors for loss of office? Explain briefly the relevant provisions of the Companies Act, 2013 in this regard. 5

Answer:

5. **(a)** Specimen Board Resolution – Passed by circulation Blue Star Limited, Kolkata.

To
Mr. Lloyd (Director)
67, N. S. Road
Kolkata-700 001.

Dear Sir,

The following resolution which is intended to be passed as a resolution by circulation as provided in Section 175 of the Companies Act, 2013 is circulated herewith as per the provisions of the said section.

If only you are not interested in the resolution, you may please indicate by appending your signature in the space provided beneath the resolution appearing herein below as a separate perforated slip, if you are in favour or against the said resolution. The

perforated slip may please be returned if and when signed within seven days of this letter.

However, it need not be returned if you are interested in the resolution.

Yours faithfully,

(Secretary)
RPS Limited

RESOLUTION:

Resolution by circulation passed by directors as per circulation effected 20Resolved that 1,000 equity shares in the company be and hereby allotted to Mr. Chawla, 202, Kher Gali, Sher Mark, Ludhiana, Punjab from whom full amount has been received.

It is further resolved that necessary return of allotment be filed in the office of the ROC under the signature of Mr. Yogi, a Director.

For/Against Signature

(b) Admissibility of certain documents as evidence: Section 397 of the Companies Act, 2013 provides for admissibility of certain documents as evidence. According to the provisions of that section, any document reproducing or derived from returns and documents filed by a company with the Registrar on paper or in electronic form or stored on any electronic data storage device or computer readable media by the Registrar, and authenticated by the Registrar or any other officer empowered by the Central Government in such manner as may be prescribed, shall be deemed to be a document for the purpose of this Act and the rules made there under and shall be admissible in any proceedings there under without further proof or production of the original as evidence of any contents of the original or of any fact stated therein of which direct evidence is admissible.

On the grounds stated above, Brunei Limited cannot validly raise any objection on the documents already filed by it with the Registrar.

(c) A company can pay compensation to its directors for loss of office as provided in sections 202 of the Companies Act, 2013. Under section 202, such compensation can be paid only to managing director, director holding the office of the manager and to a whole time director but not to others. The compensation payable shall be on the basis of average remuneration actually earned by such director for three years, or such shorter period as the case may be, immediately preceding the ceasing of holding of such office and shall be for the unexpired portion of his term or for three years whichever is shorter. No such payment can be made, if winding up of the company is commenced before or commences within 12 months after he ceases to hold office if the assets of the company on the winding up, after deducting expenses thereof, are not sufficient to repay to the shareholders the share capital (including the premium, if any) contributed by them. However, no payment of compensation can be made in the following cases:

- (1) where a director resigns on the ground of amalgamation or reconstruction and is appointed the office of managing director or manager or other officer of such reconstructed or amalgamated company.
- (2) where the director resigns his office otherwise than on the reconstruction of the company or its amalgamation as aforesaid,
- (3) where the director vacates office under section 167 of the Companies Act, 2013,

- (4) where the winding up of the Company is due to the negligence of the director concerned,
- (5) where the director has been guilty of any fraud or breach of trust,
- (6) where the director has instigated or has taken part directly or indirectly in bringing about, the termination of his office.
6. (a) **Mr. Paresh has won a big lottery and wants to remit US Dollar 20,000 out of his winnings to his son who is in USA. Advise whether such remittance is possible under the Foreign Exchange Management Act, 1999.** **5**
- (b) **What are the provisions in the Insurance Act, 1938 regarding nomination by of Life Insurance Policy holder? Whether a minor can be a nominee in a Life Insurance Policy?** **6**
- (c) **What are the qualifications required to be appointed members of state commission as per the Indian Electricity Act, 2003.** **5**

Answer:

6. (a) Remittance of Foreign Exchange (Section 5 of the Foreign Exchange Management Act, 1999): According to Section 5 of the FEMA, 1999 any person may sell or draw foreign exchange to or from an authorized person if such a sale or drawal is a current account transaction. Provided that Central Government may, in public interest and in consultation with the Reserve Bank, impose such reasonable restrictions for current account transactions as may be prescribed.
- As per the rules, drawal of foreign exchange for current account transactions are categorized under three headings:
1. Transactions for which drawal of foreign exchange is prohibited.
 2. Transactions which need prior approval of appropriate government of India for drawal of foreign exchange, and
 3. Transactions which require RBI's prior approval for drawal of foreign exchange.

Mr. Paresh wanted to remit US Dollar 20,000 out of his lottery winnings to his son residing in USA. Such remittance is prohibited and the same is included in the Foreign Exchange Management (Current Account Transactions) Rules, 2000.

Hence, Mr. Paresh cannot withdraw foreign exchange for this purpose.

- (b) As per section 39 of the Insurance Act, 1938, the holder of a policy of life insurance on his own life may nominate a person or person to whom the money secured by the life insurance policy shall be paid in the event of his death. Such nomination can be made either at the time of taking the policy or at any time before the maturity of the policy. Such nomination is either incorporated in the text of the policy or is stated as an endorsement on the policy document. The nomination can be cancelled or altered by the policyholder at any time before the maturity of the policy. The insurer is required to communicate to the policyholder that it has recorded the nomination, its cancellation or alteration as the case may be. In case the policyholder survives the full term of policy, the insurer shall pay the maturity amount to him only and the nomination becomes redundant. In a case where the nominee dies before the maturity of the policy and if no new nomination is made, the maturity proceeds of the policy shall be paid to the policy holder and if dies before the maturity, to the legal heirs of the policy holders.

Minor as a nominee:

A minor can be nominated as a nominee in life insurance policy by its holder. The only other requirement as per Proviso to Section 39 (1) of the said Act is that the

policyholder is to appoint, in the prescribed manner, an adult person to receive the money secured by the policy on behalf of the minor in the event of death of the policyholder during the minority of the nominee.

(c) Qualifications of appointment of Chairperson and Members of State Commission [Section 84 of the Indian Electricity Act, 2003]

(1) The Chairperson and the Members of the State Commission shall be persons of ability, integrity and standing who have adequate knowledge of, and have shown capacity in dealing with problems relating to engineering, finance, commerce, economics, law or management.

(2) Notwithstanding anything contained in sub-section (1), the State Government may appoint any person as the Chairperson from amongst persons who is or has been, a Judge of a High Court. Provided that no appointment under this sub-section shall be made except after consultation with the Chief Justice of that High Court. Provided that no appointment under this sub-section shall be made except after consultation with the Chief Justice of that High Court.

(3) The Chairperson or any other Member of the State Commission shall not hold any other office.

(4) The Chairperson shall be the Chief Executive of the State Commission.

7. (a) An understanding has been reached among the manufacturers of cement to control the price of cement, but the understanding is not in writing and it is also not intended to be enforced by legal proceedings. Examine whether the above understanding can be considered as an 'Agreement' with the meaning of Section 2(b) of the Competition Act, 2002? **5**

(b) Mr. Rajan, an investor is not satisfied with the dealings of his stock broker who is registered with Delhi Stock Exchange. Mr. Rajan approaches you to guide him regarding the avenues available to him for making a complaint against the stock broker under Securities and Exchange Board of India Act, 1992 and also the grounds on which such complaint can be made. You are required to briefly explain the answer to his queries. **5**

(c) How a trial under the Prevention of Money Laundering Act, 2002 is conducted in Special Courts? **6**

Answer:

7. (a) 'Agreement' includes any arrangement or understanding or action in concert:
(i) Whether or not, such arrangement, understanding or action is formal or in writing or
(ii) Whether or not such arrangement, understanding or action is intended to be enforceable by legal proceedings. [Section 2(b)].

In view of the above definition of 'agreement', an understanding reached by the cement manufacturers to control the price of cement will be an 'agreement' within the meaning of section 2(b) of the Competition Act, 2002 even though the understanding is not in writing and it is not intended to be enforceable by legal proceedings.

(b) Securities and Exchange Board of India (SEBI) was established for regulating the various aspects of stock market. One of its functions is to register and regulate the stock brokers. In the light of this, Mr. Raman is advised that the complaint against the erring stock broker may be submitted to SEBI. The grounds on which or the defaults for which complaints may be made to SEBI are as follows:

1. Any failure on the part of the stock broker to issue contract notes in the form and manner specified by the stock exchange of which the stock broker is a member.

2. Any failure to deliver any security or any failure to make payment of the amount due to the investor in the manner within the period specified in the regulations. Any collection of charges by way of brokerage which is in excess of the brokerage specified in the regulations.

(c) Sections 43 to 47 deal with provisions relating to Special Courts. Section 43 empowers the Central Government (in consultation with the Chief Justice of the High Court) for trial of offence of money laundering, to notify one or more Courts of Sessions as Special Court or Special Courts for such area or areas or for such cases or class or group of cases as may be specified in the notification to this effect. Section 44 clearly provides for the offences triable by Special Courts. It overrides the provisions of the Code of Criminal Procedure, 1973 and provides that –

- (i) The scheduled offence and the offence punishable under Section 4 shall be triable only by the Special Court constituted for the area in which the offence has been committed.
- (ii) A special court may, upon a complaint made by an authority authorized in this behalf under this Act take cognizance of the offence for which the accused is committed to it for trial. The requirement of police report of the facts which constitute an offence under this Act is no more applicable

8. (a) What are the difficulties encountered in Governance in the State Owned Business? 8

(b) What is the relationship between Corporate Social Responsibility and Sustainable Development? 8

Answer:

- 8. (a)** While routine governance regulations becomes applicable for public sector companies formed under the Companies Act, 2013 and come under the purview of SEBI regulations the moment they mobilize funds from the public, the typical organizational structure of PSUs makes it difficult for the implementation of corporate governance practices as applicable to other publicity-listed private enterprises. The typical difficulties faced are:
1. The board of directors will comprise essentially of bureaucrats drawn from various ministries which are interested in the PSU in addition, there may be nominee directors from banks or financial institutions who have loan or equity exposures to the unit. The effect will be to have a board much beyond the required size, rendering decision-making a difficult process.
 2. The Chief executive or managing director (or chairman and managing director) and other functional directors are likely to be bureaucrats and not necessarily professionals with the required expertise. This can affect the efficient running of the enterprise.
 3. Difficult to attract expert professionals as independent directors. The laws and regulations may necessitate a percentage of independent component on the board; but many professionals may not be enthused as there are serious limitations on the impact they can make.
 4. Due to their very nature, there are difficulties in implementing better governance practices. Many public sector corporations are managed and governed according to the whims and fancies of politicians and bureaucrats. Many of them view PSUs as a means to their ends. A lot of them have turned sick due to overdoses of political interference, even when their areas of operations offered enormous opportunities for advancement and growth. And when the economy was opened up, many of them lacked the competitiveness to fight it out of their counterparts from the private sector.

- (b)** CSR is an integral part of sustainable development. Exactly where it fits in is vigorously debated, mainly because the concept of sustainable development also has many different interpretations.

The basic idea to incorporate the sustainability aspect into business management should be grounded in the ethical belief of give and take to maintain a successful company in the long term. As the company is embedded in a complex system of interdependences in- and outside the firm, this maintaining character should be fulfilled due to the company's commitment in protecting the environment or reducing its ecological footprint and due to the general acceptance of its corporate behaviour by society in- and outside of the firm. It is recommended that CSR is to be used as social strand of the SD-concept which is mainly built on a sound stakeholder approach. CSR focus especially on the corporate engagement realizing its responsibilities as a member of society and meeting the expectations of all stakeholders. The concept of SD on a corporate level is stated as Corporate Sustainability which is based on the three pillars economic, ecological and social issues, therefore, the social dimension is named CSR. The corporate orientation on sustainability is specially affected by external influences due to the specific sustainability orientation on a macro-level:

- Legal/Institutional: laws, human rights, etc.
- Technological: new technologies
- Market: suppliers, competitors, customers, trends
- Societal: NGO's, society
- Cultural: attitudes, behaviour

Environmental: nature, availability of resources.