

FINAL EXAMINATION
GROUP - III
(SYLLABUS 2012)

SUGGESTED ANSWERS TO QUESTIONS
JUNE - 2017

Paper-13 : CORPORATE LAWS & COMPLIANCE

Time Allowed : 3 Hours

Full Marks : 100

The figures in the margin on the right side indicate full marks.

Write answers to all parts of a question together,
open a new page for answer to a new question.

Where necessary, suitable assumptions may be made and disclosed by way of a Note.

Answer Question No. 1 (carrying 20 marks) which is compulsory and also answer any (five)
(carrying 16 marks each) from Question No. 2 to Question No. 8.

1. Answer any four from the following:

(a) Some changes in the particulars of a Director, who has already obtained a Director Identification Number have taken place. Now the Director wants to incorporate the changes in his DIN in the database maintained by the Central Government in this regard. Describe the procedures to be followed by the Director. 5

(b) Fill in the blanks: 1×5=5

(i) Where a member wishes to transfer only a part of his shareholding or wishes to sell them to two or more persons, he is required to submit the share certificate with the company. This certificate is known as _____.

(ii) _____ means a person liable to contribute towards the assets of the company in the event of its wound up.

(iii) An arrangement provided by the issuer under which a person offers to purchase specified securities from the original resident retail individual allottees at the issue price is known as _____.

(iv) Gold includes gold in the form of _____ whether legal tender or not, or in the form of bullion or ingot, whether refined or not.

(v) The development of corporate governance in the UK was initially the findings of trilogy of codes: The Cadbury Report, the Greenbury Report and the _____ Report.

(c) State whether the following statements are True or False: 1×5=5

(i) When only a part of the shares is transferred, the company issues a ticket for the balance of shares not transferred. Such a ticket is known as balance ticket.

(ii) Green shoe option means an option of allotting equity shares in excess of the equity shares offered in the public issue as a post listing price stabilizing mechanism.

(iii) Attachment means prohibition of transfer, conversion, disposition or movement of property by an order issued under PMLA 2002.

(iv) An insurer shall invest more than 10% of his assets in the shares of any one banking company or investment company.

(v) Manufacture's data can be obtained from a variety of sources such as BMCIS, clients and building and in some cases the design team themselves.

(d) Match the following: 1×5=5

i. Open Access	(A) Securities Contracts (Regulation Act)
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SUGGESTED ANSWER TO QUESTION_SYL2012_JUNE2017_PAPER-13

ii.	Lodging Certificate	(B)	SARFAESI Act
iii.	Spot delivery Contract	(C)	Corporate Governance
iv.	Central Registry	(D)	Company Law
v.	Smaller quoted Companies	(E)	Electricity Act

(e) State the Common Corporate Social Responsibility (CSR) policies for business organisation. 5

Answer:

1. (a) **Intimation of changes in particulars specified in DIN application:** The Companies (Appointment and Qualification of Directors) Rules, 2014 provides for the procedure for intimation of changes in particulars specified in the DIN application. According to which every individual who has been allotted a DIN under these rules shall, in the event of any change in his particulars as stated in Form DIR-3, intimate such change(s) to the Central Government within a period of thirty days of such change(s) in Form DIR-6 in the following manner, namely :-
- (A) the applicant shall download Form DIR-6 from the portal and fill in the relevant changes, attach copy of the proof of the changed particulars and verification in the Form DIR-7 all of which shall be scanned and submitted electronically;
 - (B) the form shall be digitally signed by a chartered accountant in practice or a company secretary in practice or a cost accountant in practice;
 - (C) the applicant shall submit the Form DIR-6.
- (b) (i) Lodging Certificate
(ii) Contributory
(iii) Safety Net arrangements
(iv) Coin
(v) Hamphel
- (c) (i) True
(ii) True
(iii) True
(iv) False
(v) False
- (d) (i) (e)
(ii) (d)
(iii) (a)
(iv) (b)
(v) (c)
- (e) Common Policies under Corporate Social Responsibilities are as under:
- Commitment to diversity in hiring employees and barring discrimination;
 - Adoption of internal controls reform;
 - Management teams that view employees as assets rather than costs;
 - High performance workplaces that integrate the views of line employees into decision-making processes;
 - Adoption of operating policies that exceed compliance with social and environmental laws;
 - Advanced resource productivity, focused on the use of natural resources in a more productive, efficient and profitable fashion (such as recycled content and product recycling); and
 - Taking responsibility for conditions under which goods are produced directly or by contract employees domestically or abroad.

SUGGESTED ANSWR TO QUESTION_SYL2012_JUNE2017_PAPER-13

2. (a) Soma Real Estate Limited, a listed company has made the following profits, the profits reflect eligible profits under the relevant section of the Companies Act, 2013.

Financial year	Amount (` in crores)
2011-12	20
2012-13	40
2013-14	30
2014-15	70
2015-16	50

- (i) Calculate the amount that the company has to spend towards CSR.
(ii) Give the composition of the CSR committee of a listed and unlisted company.
(iii) Will the company suffer penalties if they fail to provide for or incur expenditure for CSR? 8

- (b) WL Limited is facing loss in business during the current Financial Year 2015-16. In the immediate preceding three financial years, the company had declared dividend at the rate of 8%, 10% and 12% respectively. To maintain the goodwill of the company, the Board of Directors has decided to declare 12% interim dividend for the current financial year. Examine the applicable provisions of the Companies Act, 2013 and state whether the Board of Directors can do so? 4

- (c) Mr. X is an unsecured creditor and has to recover a sum of ` 7 lakhs from Global Footwear Company Limited. The said company has become financially insolvent and hence unable to pay its debts. With the object of recovery of the said amount Mr. X is willing to proceed for compulsory winding up of the company. Advise the steps and procedures in this relation under the provisions of the Companies Act, 1956. 4

Answer:

2. (a) Section 135 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 of the Companies Act, 2013 deals with the provisions, related to the Corporate Social Responsibility.

As per the given facts, following are the answers in the given situations-

- (i) Amount that Company has to spend towards CSR:
According to section 135 of the Companies Act, 2013, the Board of every company shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR Policy.

Accordingly, net profits of Soma Real Estate Ltd. for three immediately preceding financial years is 150 crores (30+70+50) and 2% of the average net profits of the company made during these three immediately preceding financial years will constitute 1 crore,- can be spent towards CSR in financial year 2016-2017.

- (ii) Composition of CSR Committee:
(a) In the case of listed company, the CSR Committee shall consist of three or more directors, out of which at least one director shall be an independent director.
(b) Whereas in case of an unlisted public company or a private company, is not required to appoint an independent director and shall have its CSR Committee without such director. A private company having only two directors on its Board shall constitute its CSR Committee with two such directors.
- (iii) In case of failure to incur expenditure for CSR: If the company fails to provide such amount or incur expenditure for CSR, the Board shall, in its report, under section 134 of the Companies Act, 2013 specify the reasons for not spending the amount.

SUGGESTED ANSWR TO QUESTION_SYL2012_JUNE2017_PAPER-13

As no quantum of punishment is given under section 135, section 450 of the Companies Act, 2013 says that, the company and every officer of the company or any other person who is in default or contravenes in compliances with section 135 shall be punishable with fine which may extend to ` 10,000. In case of continuation of contravention with further fine extending to ` 1,000 for every day after the first during which the contravention continues.

- (b) Declaration of Interim Dividend; According to section 123(3) of the Companies Act, 2013, the Board of Directors of a company may declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared.

However, in case the company has incurred loss during the current financial year up to the end of quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years.

In the given case the company is facing loss during the current financial year 2015-16. In the immediate preceding three financial years, the company declared dividend at the rate of 8%, 10% and 12%. As per the above mentioned provision, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years [i.e. $8+10+12=30/3=10\%$]. Therefore, decision of Board of Directors to declare 12% of the interim dividend for the current financial year is not tenable.

- (c) Procedure in case of Compulsory Winding-Up: Mr. X has to take the following steps to put the company into compulsory winding up:
1. A petitions for winding up of the company is to be filed in the high court, where the registered office of the company is located under section 439(l)(b) read with section 433(e) and (f) of the Companies Act, 1956. A copy of the petition should be served on the company.
 2. The petition should be filled along with an affidavit showing sufficient ground for the appointment of a provisional liquidator till an order is passed by the High Court appointing an official liquidator.
 3. After obtaining the winding up order from the High Court the same should be advertised within 14 days in a newspaper in English language and in the regional language of the state where the company is registered.
 4. A certified copy of the winding up order passed by the court should be filed with the concerned Registrar of Companies along with the prescribed fees within 30 days from the date of the winding up order [Section 445(i)].
 5. The winding up proceedings will be carried out by the official liquidator till dissolution of the company.

3. (a) A producer company was incorporated on 1st September, 2009. At present the paid-up Share Capital of the company is ` 10 lakhs consisting of 1,00,000 Equity Shares of ` 10 each fully paid-up held by 200 individuals and 20 producers institutions. You are required to answer the following with reference to the provisions of the Companies Act, 1956:
- (i) What is the time limit for holding the First Annual General Meeting and the subsequent Annual General Meetings?
 - (ii) What is the Quorum for the Annual General Meeting?
 - (iii) State the manner in which the voting rights of the members are determined.
 - (iv) Is it possible to remove a member?

8

SUGGESTED ANSWER TO QUESTION SYL2012_JUNE2017_PAPER-13

(b) Mr. DRT is a director of PCS Ltd. The said company is having sufficient liquid funds and Mr. DRT is in dire need of funds. In order to mitigate the hardship of Mr. DRT the board of directors of PCS Ltd. wants to lend ` 5 lakhs to him and ` 2 lakhs to his wife. State whether such loans can be given and if so under what conditions. What would be your answer if the company PCS Ltd. would have been PCS Private Ltd.? 4

(c) A scheme provides for Amalgamation of PQL International Limited, a foreign company, with DHP Limited, an Indian company registered under the Companies Act, 1956. Referring to the provisions of the above Act, decide whether the scheme providing amalgamation of a foreign company as a transferor company can be sanctioned by the Court (NCLT). 4

Answer:

3. (a) (i) Annual General Meeting - The first annual general meeting of a producer company shall be held within 90 days of incorporation i.e. on or before 29th November, 2009 in this case [Sec. 581 ZA(2)]. In the case of subsequent AGMs gap between two AGMs must not be more than 15 months. Registrar of Companies may extend the time for holding any AGM other than the first AGM by a period not exceeding 3 months for any special reason [581 ZA(i)]
- (ii) Quorum Unless the articles of association of the producer company provide for a larger number, 1/4th of the total number of members of the producer company shall be the quorum for its annual general meeting. In this case the company has got 220 members. Hence the quorum is 55 [Sec. 581ZA(8)].
- (iii) Voting rights of members: It depends on the type of membership. Where the membership consists of individuals and producer institutions, (as in this case) voting rights should be computed on the basis of a single vote for every member [Section 581 D(c)]
- (iv) Removal of member: No person, who has any business interest which is in conflict with business of the producer company, shall become a member of that company (Section 581 D(4)). A person who has become a member of the producer company acquires any business interest which is on conflict with the business of the producer company, shall cease to be a member of that company and be removed as a member in accordance with the articles (Sec. 581 D(5)).
- (b) Loan to Director and his relative: According to section 185 of the Companies Act, 2013, no company shall, directly or indirectly, advance any loan, including any loan represented by a book debt, to any of its directors or to any other person in whom the director is interested or give any guarantee or provide any security in connection with any loan taken by him or such other person.

Thus, in the instant case, if PCS Ltd. wants to lend ` 5 Lakhs to Mr. DRT who is a director in PCS Ltd. and ` 2 Lakhs to his wife, then it is in violation of section 185 of the Companies Act, 2013.

If PCS Ltd would have been PCS Private Ltd. than vide Notification No. G.S.R. 464 (E) dated 5th June 2015, Section 185 of the Companies Act, 2013 shall not apply to a Private companies in certain conditions.

(c) A scheme of compromise or arrangement may provide for amalgamation of companies under section 394 of the Companies Act, 1956. Section 394(4)(b) defines the "transferee" and "transferor" companies. While the 'transferee company' does not include any company other than a company within the meaning of the Companies Act, 1956, the 'transferor company' includes anybody corporate whether a company within the meaning of the Companies Act or not. Hence, the scheme of amalgamation may provide for transfer of foreign companies (as transferor) to Indian

SUGGESTED ANSWER TO QUESTION SYL2012_JUNE2017_PAPER-13

companies.

Hence, the Court (NCLT) can sanction the scheme providing for amalgamation of PQL International Limited with DHP Limited.

4. (a) **As per the provisions of the Banking Regulation Act, 1949, a Banking Company in addition to the business of Banking, may carry on some general utility services as listed in Section 6. List out any five of the general utility services, that a bank may carry on.** 5

- (b) **The Board of directors of Very Well Ltd., are contributing every year to a charitable organization a sum of ₹ 60,000. In a particular year, the company suffered losses and the directors are contemplating to contribute the said amount in spite of the losses. In this connection, state whether the directors can do so?** 5

- (c) **Under Section 31 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, certain situations have been specified in which the provisions of this Act are not applicable. You are required to mention any six of such situations.** 6

Answer:

4. (a) Section 6 of the Banking Regulation Act, 1949 provides a list of activities which a banking company may engage in addition to the business of banking.

From among them, General Utility Services, which can be provided by a bank are as follows:

- (1) Providing safe-custody facility to its customers for keeping their valuables;
 - (2) Providing the facility of Safe Deposit Vault (Locker) under lease agreement to its customers for keeping their valuables;
 - (3) Technology based general utility services like Tele-banking, Phone-banking, On-line banking, Home banking, Single window banking, Demat services for security trading, ATM services, Credit Card services etc.,
 - (4) Consultancy services;
 - (5) ECS services for payment of different dues of the people;
 - (6) Payment of pension;
 - (7) Payment of salaries of employees of schools etc.;
- (b) Under section 181 of the Companies Act, 2013 the Board of Directors of a company is authorized to contribute to bonafide charitable and other funds. However, in case the aggregate amount of such contribution in any financial year exceeds five per cent, of its average net profits for the three immediately preceding financial years, prior permission of the company in general meeting shall be required.

The section does not make it mandatory for the company to have a profit for making a charitable contribution in a financial year. As the amount of donation is restricted to the average of previous 3 years' profits, it is possible for a company suffering a loss to make a contribution provided it is to a bonafide charitable fund.

In the present case, even though the company has incurred a loss it can contribute to the charitable fund only if it is a bonafied charitable fund and the amount is upto 5% of the average of the preceeding three years' profits. In case the contribution exceeds the limit, the prior approval of the members must be taken at a general meeting of the company.

- (c) Under Section 31 of the SARFAESI Act, 2002, the situations in which the provisions of this Act do not apply are as follows:
- (i) a lien on, any goods, money or security given by or under the Indian Contract Act, 1872 or the Sale of Goods Act, 1930 or any other law for the time being in

SUGGESTED ANSWR TO QUESTION_SYL2012_JUNE2017_PAPER-13

- force ;
- (ii) a pledge of movables within the meaning of section 172 of the Indian Contract Act, 1872;
 - (iii) Creation of any security in any aircraft as defined in clause (1) of section 2 of the Aircraft Act, 1934;
 - (iv) Creation of security interest in any vessel as defined in clause (55) of section 3 of the Merchant Shipping Act, 1958;
 - (v) Omitted
 - (vi) any rights of unpaid seller under section 47 of the Sale of Goods Act, 1930
 - (vii) any properties not liable to attachment (excluding the properties specifically charged with the debt recoverable under this Act or sale under the first proviso to sub section (1) section 60 of the Code of Civil Procedure, 1908;
 - (viii) any security interest for securing repayment of any financial asset not exceeding one lakh rupees;
 - (ix) any security interest created in agricultural land;
 - (x) any case in which the amount due is less than twenty percent of the principal amount and interest thereon.

5. (a) Discuss the procedure under which the Appropriate government may grant the license under the Indian Electricity Act, 2003 ? **8**

(b) Mr. KAK is a member of ABC Ltd. He obtains an order against the company for redressal of his grievances against the company. But the company fails to redress the grievances of Mr. KAK within the time fixed by the SEBI. The Board thereafter imposed penalty upon the company under section 15C of the SEBI Act. ABC Ltd. seeks your advice whether it has any remedy against the order of SEBI, Advise. **8**

Answer:

5. (a) Procedure for Grant of Licence (Section 15)
- (i) Every application under section 14 shall be made in such form and in such manner as may be specified by the Appropriate Commission and shall be accompanied by such fee as may be prescribed.
 - (ii) Any person who has made an application for grant of licence shall, within seven days after making such application, publish a notice of his application with such particulars and in such manner as may be specified and a licence shall not be granted-
 - (i) until the objections, if any, received by the Appropriate Commission in response to publication of the application have been considered by it: Provided that no objection shall be so considered unless it is received before the expiration of thirty days from the date of the publication of such notice as aforesaid;
 - (ii) until, in the case of an application for a licence for an area including the whole or any part of any cantonment, aerodrome, fortress, arsenal, dockyard or camp or of any building or place in the occupation of the Government for defence purposes, the Appropriate Commission has ascertained that there is no objection to the grant of the licence on the part of the Central Government.
 - (iii) A person intending to act as a transmission licensee shall, immediately on making the application, forward a copy of such application to the Central Transmission Utility or the State Transmission Utility, as the case may be.
 - (iv) The Central Transmission Utility or the State Transmission Utility, as the case may be, shall, within thirty days after the receipt of the copy of the application referred to in sub section (3), send its recommendations, if any, to the Appropriate Commission; provided that such recommendations shall not be binding on the Commission.
 - (v) Before granting a licence under section 14, the Appropriate Commission shall

SUGGESTED ANSWR TO QUESTION_SYL2012_JUNE2017_PAPER-13

- (a) publish a notice in two such daily newspapers, as that Commission may consider necessary, stating the name of the person to whom it proposes to issue the licence;
 - (b) consider all suggestions or objections and the recommendations, if any, of the Central Transmission Utility or State Transmission Utility, as the case may be.
- (vi) Where a person makes an application under sub-section (1) of section 14 to act as a licensee, the Appropriate Commission shall, as far as practicable, within ninety days after receipt of such application, -
- (a) issue a licence subject to the provisions of this Act and the rules and regulations made thereunder; or
 - (b) reject the application for reasons to be recorded in writing if such application does not conform to the provisions of this Act or the rules and regulations made thereunder or the provisions of any other law for the time being in force: Provided that no application shall be rejected unless the applicant has been given an opportunity of being heard.
- (vii) The Appropriate Commission shall, immediately after issue of licence, forward a copy of the licence to the Appropriate Government, Authority, local authority, and to such other person as the Appropriate Commission considers necessary.
- (viii) A licence shall continue to be in force for a period of twenty five years unless such licence is revoked.
- (b) (i) Appeal to the Securities Appellate Tribunal:
Section 15T of the SEBI Act, 1992 provides that any person aggrieved by an order of the Board made, on and after the commencement of the Security Laws (second amendment) Act, 1999, under this Act or the rules or regulations made there under may prefer an appeal to a Securities Appellate Tribunal having jurisdiction in the matter.
Such appeal shall be filed within a period of 45 days from the date on which a copy of the order made by the Board is received and it shall be in such form and be accompanied by such fee as may be prescribed. However, the Tribunal may entertain an appeal after the expiry of the said period of forty five days if it is satisfied that there was sufficient cause for not filing it within the said period. The Tribunal may, after giving the parties an opportunity of being heard, pass such orders as it thinks fit, confirming, modifying or setting aside the order appealed against.
- (ii) Appeal to the Supreme Court:
Section 15Z of the SEBI Act, 1992 provides that any person aggrieved by any decision or an order of the Securities Appellate Tribunal may file an appeal to the Supreme Court within 60 days from the date of communication of the decision or an order to him on any question of law arising out of such order. The Supreme Court may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding 60 days.
6. (a) **Mr. Kamal, a Chartered Accountant, was appointed by the Board of Directors of Reliable Limited as the First Auditor. The company in General Meeting removed Mr. Kamal without seeking the approval of the Central Government and appointed Mr. Naresh as Auditor in his place. Examine the validity of the appointment with reference to the provisions of Companies Act, 2013.** 5
- (b) **A Ltd. and B Ltd. both dealing in chemicals and fertilizers have entered into an agreement to jointly promote the sale of their products. A complaint has been received by the Competition Commission of India (CCI) stating that the agreement between the two is anti-competitive and against the interests of others in the trade. Examine with reference to the provisions of the Competition Act, 2002, what are factors of CCI will take into**

SUGGESTED ANSWR TO QUESTION_SYL2012_JUNE2017_PAPER-13

account to determine whether the agreement in question will have any appreciable adverse effect on competition in the market. 5

(c) Lucknow Stock Exchange wants to get itself recognize. Explain:

(i) Who enjoys the power to recognize stock exchange?

(ii) What information will have to be provided with the application for recognition? 6

Answer:

6. (a) Removal of first auditor: Section 140(1) stipulates that any auditor appointed under section 139 may be removed from office before the expiry of his term by passing special resolution in general meeting, after obtaining the previous approval of the Central Government in that behalf.

Provided that before taking any action under subsection (i) of Section 140, the auditor concerned shall be given a reasonable opportunity of being heard. The first auditors appointed by Board of Directors can be removed in accordance with the provision of Section 140(1) of the Companies act, 2013. Hence the removal of the first auditor appointed by the Board without seeking the approval of the Central Government is invalid. The company contravened the provision of the Act.

(b) Factors determining appreciable adverse effect on competition: The Competition Commission of India (CCI), while determining whether an agreement is anti-competitive under section 3 of the competition Act, 2002, will take into account the following factors:

(a) Creation of barriers to new entrants in the market.

(b) Driving existing competitions out of the market.

(c) Foreclosure of competition by hindering entry into the market.

(d) Accrual of benefits to consumers.

(e) Improvements in production or distribution of goods or provision of services and

(f) Promotion of technical, scientific and economic development by means of production or distribution of goods or provision of services.

(c) (i) Power to recognize Stock Exchange vests with Central Government. However, Central Government has delegated the power to SEBI vide its notification No.F.No.1/57/SE/93 dated 13.9.94. (Section 3 of Securities Contracts (Regulation) Act, 1956).

(ii) Application for recognition must be accompanied with Bye-Laws, Rules, Regulations which must contain specific details on:

1. Constitution, powers of management and manner of transacting business by the Governing Body of the Stock Exchange

2. Powers and duties of the office bearers of Stock Exchange.

3. Various classes of Members, qualification of membership and the exclusion, suspension, expulsion and re-admission of members.

4. The procedure for registration of Partnership as members to stock exchange and rules of nomination of authorized representatives.

Membership provisions, composition of Board Powers of Governing Board are defined in the Articles of the Exchange. Rules governing Listing Trading and Settlement, Penalties and Prohibitions, Disciplinary Actions and Defaults are defined in Bye-Laws of the Exchange.

7. (a) 'Family ownership of firms is the prevalent form of ownership in many countries around the globe.' In view of the above statement, explain the concept and need of ownership structures. 8

(b) What is meant by whole life risk analysis? 4

(c) Explain whole life risk management plan?

4

Answer:

7. (a) In many countries family owned firms are prevalent. Corporate Governance is of relevance to family owned firms, which can encompass a number of business forms including private and publicly quoted companies, for a number of reasons. Family owned firms may face difficulties in initially finding appropriate independent non executive directors but the benefits that such directors can bring is worth the time and financial investment that the family owned firm will need to make.

One advantage of a family owned firm is that there should be less chance of the type of agency problems. This is because ownership and control rather than being split are still one and the same, and so the problems of information asymmetry opportunistic behavior should be lessened. As a result of this overlap of ownership and control, one would hope for higher levels of trust and hence less monitoring of management activity should be necessary. However problems may still occur and especially in terms of potential for minority shareholder oppression, which may be more acute in family owned firms. In family business group firms, the concern is that managers may act for the controlling family but not for shareholders in general. These agency issues are the use of pyramidal groups to separate ownership from control, the entrenchment of controlling families, and non arm's length transactions between related companies that are detrimental to public investors.

The advantages of a formal governance structure are several. First of all, there is defined structure with defined channels for decision making and clear lines of responsibility. Secondly, the board can tackle areas that may be sensitive from a family viewpoint but which nonetheless need to be dealt with succession planning is a case in point (deciding who would be best to fill key roles in the business should the existing incumbents move on, retire, or die). Succession planning is important too in the context of raising external equity because, once a family business starts to seek external equity investment, then shareholders will usually want to know that succession planning is in place. The third advantage of a formal governance structure is also one in which external shareholders would take a keen interest: the appointment of non executive directors. It may be that the family firm, depending on its size, appoints just one, or maybe two, non executive directors. The key point about the non executive director appointments is that the persons appointed should be independent; it is this trait that will make their contribution to the family firm a significant one. Of course, the independent non-executive directors should be appointed on the basis of the knowledge and experience that they can bring to the family firm. Another advantage of family owned firms, may be their ability to be less driven by the short term demands of the market. Of course they still ultimately need to be able to make a profit but they may have more flexibility as to when and how they do so.

Cadbury (2000) sums up the three requisites for family firms to manage successfully the impacts of growth. They need to be able to recruit and retain the very best people for the business, they need to be able to develop a culture of trust and transparency, and they need to define logical and efficient organizational structures. A good governance system will help family firms to achieve these requisites.

- (b) Several methodologies are available to deal with WLCC risk analysis. The techniques that can be used in WLCC risk assessment decision making might be summarized as deterministic, probabilistic and AI. Deterministic methods measure the impact on project outcomes of changing one uncertain key value or a combination of values at a time. In contrast, probabilistic methods are based on the assumption that no

single figure can adequately represent the full range of possible outcomes of a risky-investment (Fuller & Peterson 1996). Rather, a large number of alternative outcomes must be considered and each possibility must be accompanied by an associated probability from a probability distribution, followed by a statistical analysis to measure the degree of risk. Using a deterministic approach, the analyst determines the degree of risk on a subjective basis. AI methods differ from the above approaches and use historical data to model cost and uncertainty in WLCC analysis. None of these techniques can be applied to every situation. The best method depends on the relative size of the project, availability of data and resources, computational aids and skills, and user understanding of the technique being applied.

- (c) Following the identification, quantification and development of risk responses, the related vulnerabilities of building assets need to be determined and planned for. This provides the basis on which risk management plans and decisions are made. The risk management planning process is concerned with putting in place the procedure for:
- What response actions are needed
 - When these response actions are needed
 - How these actions are implemented
 - Who is responsible for the implementation, control and monitoring of the actual progress of risk responses and management strategies that have been developed to deal with the identified risk.

8. (a) Corporate Social Responsibility (CSR) is also called Corporate Citizenship or Corporate Responsibility? — Discuss 8

(b) 'The typical organizational structure of PSUs makes it difficult for the implementation of Corporate Governance practices as applicable to other publicly- listed private enterprise.' In the above context, list the difficulties encountered in Governance. 8

Answer:

8. (a) Corporate Social Responsibility is a concept where by companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. The main function of an enterprise is to create value through producing goods and services that society demands, thereby generating profit for its owners and shareholders as well as welfare for society, particularly through an ongoing process of job creation.

Corporate Social Responsibility can be explained as.

Corporate - means organized business

Social - means everything dealing with the people

Responsibility - means accountability between the two.

The term corporate citizenship implies the behaviour which would maximize company's positive impact and minimize the negative impact on its' social and physical environment.

CSR means open and transparent business practices that are based on ethical values and respect for employees, communities and the environment.

(b) While routine governance regulations become 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 publicly-listed private enterprises. The typical difficulties faced are:

- 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

SUGGESTED_ANSWR TO QUESTION_SYL2012_JUNE2017_PAPER-13

the unit. The effect will be to have a board much beyond the required size, rendering decision-making a difficult process.

- 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.
- Difficult to attract expert professionals as independent directors. The laws and regulations may necessitate a percentage of independent components on the board; but many professionals may not be enthused as there are serious limitations on the impact they can make.
- 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 with their counterparts from the private sector.