

**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**

**Question 1: Answer any 4 from the below**

**[4×5 = 20]**

**(a) Referring to the provisions of the Companies Act, 2013 examine the validity of the following:**

**The Board of Directors of ABC Limited proposes to declare dividend at the rate of 20% to the equity shareholders, despite the fact that the company has defaulted in repayment of public deposits accepted before the commencement of this Act..**

**Answer:**

**Prohibition on declaration of dividend:**

Section 123(6) of the Companies Act, 2013, specifically provides that a company which fails to comply with the provisions of Section 73 (Prohibition of acceptance of deposits from public) and Section 74 (Repayment of deposits, etc., accepted before the commencement of this Act) shall not, so long as such failure continues, declare any dividend on its equity shares.

In the given instance, the Board of Directors of ABC Limited proposes to declare dividend at the rate of 20% to the equity share holders, inspite of the fact that the company has defaulted in repayment of public deposits accepted before the commencement of the Companies Act, 2013. So according to the above provisions, declaration of dividend by the ABC Limited is not valid.

**(b) What are the qualifications of the Internal Auditor?**

**Answer:**

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.

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- (c) **LKG Limited was incorporated on 5th May, 2014 under the Companies Act, 2013. Mr. Ramanujam was appointed as the first Resident Director of the Company in the Board Meeting held on 30th September, 2014.**

**Examine the validity of the following appointment with reference to the provisions of the Companies Act, 2013.**

**Answer:**

**Resident Director:**

As per Section 149(3) of the Companies Act, 2013, every company shall have at least one director who has stayed in India for a total period of not less than one hundred and eighty two days in the previous calendar year.

The MCA vide General Circular No. 25/2014 dated 26th June, 2014 has given a clarification on applicability of requirement for resident director in the current calendar / financial year. Regarding newly incorporated companies, it is clarified that companies incorporated between 1st April, 2014 to 30th September, 2014 should have a resident director either at the incorporation stage itself or within six months of their incorporation.

Since, LKG Ltd, was incorporated on 5th May 2014, it should have a resident director either at the incorporation stage itself or within six months of their incorporation. Thus accordingly, the appointment of Mr. Ramanujam as a first Resident Director of the company in the Board Meeting held on 30th September 2014 is valid..

- (d) **ABC 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 ABC Limited for its failure?**

**Answer:**

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 ABC Ltd. is liable for the contravention of Section 380 of the Act.

- (e) **What are the difficulties encountered in Governance in the State Owned Business?**

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### Answer:

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:-

- ❖ 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.
- ❖ 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 component 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 of their counterparts from the private sector

### Question 2:

**(a) 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.**

**5**

**Answer:**

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.

**(b) A Managing Director was removed during the tenure of office and certain compensation was paid to him. It was later on found that during the tenure of his office that he was guilty of corrupt practices and the company felt that no compensation should have paid to him and therefore wants to recover the compensation so paid to him. Can the company succeed?**

**6**

**Answer:**

The Companies Act, 2013 does not provide for the refund of any compensation paid by the company to its Managing Director, whole time director or manager. It only lays down the situations under which no compensation is payable for loss of office and one such situation is the commitment of fraud or breach of trust by the director.

Moreover, in Bell Vs. Lever Brothers (1932), Lever Brothers removed their managing director of a subsidiary by paying him compensation. It was afterwards discovered that during his tenure of office he had been guilty of so many breaches of duty and corrupt practices that he could have been removed without compensation. An action was then commenced to recover back the compensation money. It was held that Bell was not bound to refund the compensation money and to disclose any breach of his fiduciary obligation so as to give the company an opportunity to dismiss him. Thus, the Managing Director is not bound to refund the compensation. Hence, the company cannot succeed

**(c) Mr. Raj, a director of POL Ltd., submitted his resignation from the post of director to the Board of Directors on 30th June, 2014 and obtained a receipt therefore on the same day. The Board of Directors of POL Ltd. neither accepted the resignation nor did it file the**

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**required form with the Registrar of Companies. You are required to state whether Mr. Raj ceases to be the Director of POL Ltd. and if yes, since when? 5**

**Answer:**

Section 168(2) of the Companies Act, 2013 states that the resignation of a director shall take effect from the date on which the notice is received by the company or the date, if any, specified by the director in the notice, whichever is later. The effectiveness of the resignation of the director is not in any way connected to its acceptance by the Company or the Board nor is it linked to the filing of required form with the Registrar.

However, under the Proviso to Section 168(1), the resigning director is also required to file with the Registrar a copy of his resignation and the reasons of his resignation in form DIR 11 within 30 days of the date of his resignation.

Hence, if the company has failed to file the form DIR 12 as required by the Companies (Appointment & Qualifications of Directors) Rules, 2014, the effectiveness of his resignation will not be impacted.

Therefore, in the given case, the resignation of Mr. Raj is valid and he will cease to be a director of POL Ltd with effect from the date of notice i.e. 30th June 2014 as he has obtained the receipt of the notice on the same day.

**Question 3:**

**(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**

**Answer:**

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.

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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) By an order of the Court M/s ABC Limited was wound up with effect from 15-3-2002. Mr. Gupta, who ceased to be a member of the Company from 1-6-2001 received a notice from the liquidator to deposit a sum of ₹ 15,000 as his contribution towards the liability on the shares previously held by him. Mr. Gupta seeks your opinion about his liability under the Companies Act, 1956. 5**

**Answer:**

'Contributory' is a term used in the case of winding up of a company. A Contributory can be past or present member and is liable to contribute to the assets of the company in the event of winding up.

In the instant case, Mr. Gupta ceased to be a member of the company when it went into liquidation from 15-3-2002. Thus, Mr. Gupta will be treated as a past member. He will not be required to contribute to the assets of the company if the following conditions are fulfilled:

- (a) If Mr. Gupta had ceased to be a member of the company for a period of one year or upwards before the commencement of the winding up. In this case, since one year has not elapsed, Mr. Gupta will be liable to contribute to the assets of the company.
- (b) If the debt or liability of the company was contracted or incurred after he ceased to be a member.
- (c) If the present members are able to satisfy the contributions required to be made by them under the Act.

In any case, the liability of the past or present member cannot exceed the unpaid amount on the shares and if the shares are fully paid up, no contribution is required to be made by the members past or present.

- (c) 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**

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### Answer:

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 (ie. 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).

### Question 4:

- (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.** **5**

### Answer:

#### **Specimen Board Resolution – Passed by circulation**

RPS Limited  
\_\_\_\_ (Place)

To  
Mr. X (Director)  
(Address in India only)

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.



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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 ..... 20 .....

Resolved that 1,000 equity shares in the company be and hereby allotted to Mr. A, 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. Y, a Director.

For/Against  
Signature

- (b) BUI 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 BUI Limited.** **5**

**Answer:**

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 thereunder and shall be admissible in any proceedings thereunder 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, BUI Limited cannot validly raise any objection on the documents already filed by it with the Registrar

- (c) ABC 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 ABC Limited for its failure.** **6**

**Answer:**

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 ABC Ltd. is liable for the contravention of Section 380 of the Act.

**Question 5:**

- (a) Mr. Chetan retired as a member of the Competition Commission of India (CCI) on 31st October, 2014. He was offered the post of Chief Executive Officer in LCD Limited, which was earlier a party in a proceeding before the CCI. Can Mr. Chetan join the company with effect from 1st November, 2015?**

**What will be the position if Mr. Chetan joins MONA Limited, a Government company with effect from 1st April, 2015, if MONA Limited was also a party in a proceeding before the CCI?**

**6**

**Answer:**

As per the provisions of Section 12 of the Competition Act, 2002, the Chairman and other Member of CCI shall not, for a period of two years from the date on which he ceased to hold office, accept any employment in or connected with the management or administration of any enterprise, which has been a party to a proceeding before the Commission. However, these provisions will not apply to any appointment in a Government Company or the Central Government or any State Government or Local Authority or any Corporation established by or under any Central or State or Provincial Act.

In view of the aforesaid, Mr. Chetan cannot join M/s. LCD Ltd. On 1st November, 2015 as only one year has expired from the date of his retirement. However, there is no bar for him to join MONA Limited, on 1st April 2015 even earlier than two years of his retirement, since it is a Government Company.

- (b) Mr. P 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**

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### Answer:

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. P 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. P cannot withdraw foreign exchange for this purpose.

- (c) Mr. Raman, an investor is not satisfied with the dealings of his stock broker who is registered with Delhi Stock Exchange. Mr. Raman 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

### Answer:

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.

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### Question 6:

- (a) **How a trial under the Prevention of Money Laundering Act, 2002 is conducted in Special Courts?** 8

**Answer:**

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.

- (b) **X, a newly established Insurance Company started the business of health insurance. It decided to get itself registered with the paid up equity capital of ₹ 99 crore excluding the preliminary expenses incurred during formation and registration. Examine in the light of the Insurance Act, 1938, whether X can be registered and conduct the Insurance business.** 8

**Answer:**

As per the Insurance Laws (Amendment) Act, 2015, Section 6 of the Insurance Act, 1938 has been amended. According to which the requirements as to capital for registration of the insurer has been modified. No insurer (not being an insurer as defined in sub-clause (d) of clause (9) of Section 2 carrying on the business of life insurance, general insurance, health insurance or re-insurance in India or after the commencement of the Insurance Regulatory and Development Authority Act, 1999, shall be registered unless he has minimum paid up equity capital as prescribed below:

Type of Insurance Business	Minimum Paid-up equity capital required (with a provision for further enhancement & Paid-up equity excludes preliminary expenses incurred during formation and registration)
Life Insurance or General Insurance	₹ 100 crore

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Health Insurance (exclusively)	₹ 100 crore
Re-insurer (exclusively)	₹ 200 crore (besides re-insurer shall not be registered unless he has net owned funds of not less than ₹ 5,000 crore)

In the given case, X an Insurance Company is an insurer carrying business of health insurance. For registration as per the above provision, minimum paid-up equity capital required for conduct of business of health insurance is ₹ 100 crore. Since paid up equity capital of X Insurance Company is less than ₹ 100 crore, so it cannot be registered for carrying of the insurance business.

### **Question 7:**

**(a) Explain the introduction of Memorandum of Understanding (MOU) system in India** **8**

**Answer:**

The Memorandum of Understanding (MoU) system in India was introduced in the year 1986, after the recommendations of the Arjun Sengupta Committee Report (1984). Twenty six years after its inception, the MoU system has evolved and is being and is being strengthened, through regular reviews, to become a management tool that helps in performance evaluation as well as performance enhancement of CPSEs in the country.

In the backdrop of the dynamic external environment, "world-wide competition" and globalization, it is critical that the MoU system is strengthened such that it facilitates the CPSEs in becoming economically viable through efficient management and control. Hence, the MoU system aims at offering autonomy to CPSEs and is designed such that it can aid in the assessment of the extent to which mutually agreed objectives (Mandal, 2012) are achieved. This section of the report traces the evolution of the MoU system through various committee reports and highlights the major observations, along with the actions taken thereafter. This would act as an indicator of the developments that have happened in the MoU system in India and, through the study of extant literature, would also highlight the areas of concern raised after each study.

The various committees formed over the years are though

- (i) Arjun Sengupta Committee Report (1984)
- (ii) National Council of Applied Economic Research (2004)
- (iii) Report of the Working Group (2008)
- (iv) S.K. Roongta Committee Report (2011)
- (v) Mankad Committee and Task Force (2012)

**(b) What are the implementation guidance of the Corporate Social Responsibility (CSR) policy as per the CSR voluntary Guidelines 2009.** **8**

**Answer:**

### **Implementation Guidance**

- (i) The CSR policy of the business entity should provide for an implementation strategy which should include identification of projects/ activities, setting measurable physical targets with timeframe, organizational mechanism and responsibilities, time schedules and monitoring. Companies may partner with local authorities, business associations and civil society/non government organizations. They may influence the supply chain for CSR initiative and motivate employees for voluntary effort for social development. They may evolve a system of need assessment and impact assessment while undertaking CSR activities in a particular area. Independent evaluation may also be undertaken for selected projects/activities from time to time.
- (ii) Companies should allocate specific amount in their budgets for CSR activities. This amount may be related to profits after tax, cost of planned CSR activities or any other suitable parameter.
- (iii) To share experiences and network with other organizations the company should engage with well established and recognized programmes/platforms which encourage responsible business practices and CSR activities. This would help companies to improve on their CSR strategies and effectively project the image of being socially responsible.
- (iv) The companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports, and other communication media.

### **Question 8:**

- (a) "Corporate Social Responsibility is to be considered as an investment and not as a charity"— Elaborate the statement. 10**

**Answer:**

The originally defined concept of Corporate Social Responsibility (CSR) needs to be interpreted and dimensionalised in the broader conceptual framework of how the corporate embed their corporate values as a new strategic asset, to built a basis for trust and cooperation within the wide stakeholder community.

Though there have been evidences that record a paradigm shift from charity to a long-term strategy, yet the concept still is believed to be strongly linked to philanthropy. There is a need to bring about an attitudinal change in people about the concept.

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By having more coherent and ethically driven discourses on CSR, it has to be understood that CSR is about how corporates place their business ethics and behaviours to balance business growth and commercial success with a positive change in the stakeholder community.

Several corporate today have specific department to operationalise CSR. There are either foundations or trust or a separate department within an organization that looks into implementation of practices. Being treated as a separate entity, there is always a flexibility and independence to carry out the tasks.

But often these entities work in isolation without creating a synergy with the other departments of the corporate. There is a need to understand that CSR is not only a pure management directive but it is something that is central to the company and has to be embedded in the core values and principles of the corporate.

Whatever corporate do within the purview of CSR has to be related to core business. It has to utilize things at which corporate are good. It has to be something that takes advantage of the core skills and competencies of the companies. It has to be a mandate of the entire organization and its scope does not simply begin and end with one department in the organization.

Charity means the act of donating money, goods, time or effort to support a charitable cause in regard to a defined objective. Charity can be equated with benevolence and charity for the poor and needy. It can be any selfless giving towards any kind of social need that is not served, underserved or perceived as unserved or undeserved. Charity can be by any individual or by a corporate.

Corporate Social Responsibility is about how a company aligns their values to social causes by including and collaborating with their investors, suppliers, employees, regulators and the socially as a whole. The investment in CSR may be on people centric issues and/or planet issues. A CSR initiative of a corporate is not a selfless act of giving; companies derive long-term benefits from the CSR initiatives and it is this enlightened self interest which is driving the CSR initiatives in companies.

**(b) "Corporate Governance is about promoting fairness". Is it truly beneficial?- Discuss. 6**

**Answer:**

Corporate Governance deals with promoting corporate fairness, transparency and accountability. It is concerned with structures and processes for decision-making, accountability, control and behavior at the top level of the organizations. It influences how the objectives of an organization are set and achieved, how risk is monitored and assessed and how performance is optimized. It is truly beneficial and it has the following benefits.

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- 1. Improve Financial Performance:** Socially responsible business practices are linked to positive financial performance.
- 2. Operating Cost Reduction:** CSR initiative can help to reduce operating costs.
- 3. Brand Image and Reputation:** CSR helps a company to increase its brand image and reputation among the public, which in turn increase its ability to attract investors and trading partners. Proactive CSR Practices would lead to a favourable public image resulting in various positive outcomes like consumer and retailer loyalty, easier acceptance of new products and services, market access and preferential allocation of investment funds.
- 4. Increased sales and customer loyalty:** Business must first satisfy customer's key buying criteria i.e. price, quality, safety and convenience.
- 5. Productivity and Quality:** Improved working conditions, reduced environmental impacts or increased employee involvement in decision-making, leads to (a) increased productivity and (b) reduced errors.
- 6. Ability to attract and retain employees:** Companies perceived to have strong CSR commitments find it easier to recruit and retain employees, resulting in reduction in turnover and associated recruitment and training costs.