

Solved
Scanner

Appendix

CMA Final Gr. III (New Syllabus)

(Solution of December 2014)

Paper - 13: Corporate Laws and Compliance

Chapter - 5: Audits under Companies Act, 2013

2014 - Dec [4] (a)

Companies (Auditor's Report) Order, 2003 [CARO] is not applicable to a private limited company with a paid-up capital and reserves not more than rupees fifty lakh and does not have loan outstanding exceeding Rupees Twenty Five lakhs from any bank or financial institution and does not have a turnover exceeding rupees five crores at any point of time during the financial year.

Chapter - 6: Dividends

2014 - Dec [1] {C} (c)

PUNISHMENT FOR FAILURE TO DISTRIBUTE DIVIDENDS:

Section 127 of Companies Act, 2013 provides that when a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within thirty days from the date of declaration to any shareholder entitled to the payment of the dividend, every director of the company shall, if he is knowingly a party to the default, be punishable with imprisonment which may extend to two years and with fine which shall not be less than one thousand rupees for every day during which such default continues and the company shall be liable to pay simple interest at the rate of eighteen per cent per annum during the period for which such default continues.

Exceptions

Proviso to Section 127 has provided a list where no offence under this section shall be deemed to have been committed:

- (a) where the dividend could not be paid by reason of the operation of any law;
- (b) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with and the same has been communicated to him;
- (c) where there is a dispute regarding the right to receive the dividend;
- (d) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or
- (e) where, for any other reason, the failure to pay the dividend or to post the warrant within the period under this section was not due to any default on the part of the company.

Chapter - 7: Board of Directors and Meetings of Directors

2014 - Dec [1] {C} (a)

Section 181 of the Companies Act, 2013 authorises the Board of Directors to contribute to *bona fide* charitable and other funds. However, prior consent of the company in general meeting, has to be obtained in order to contribute for any *bona fide* charitable or other purpose any amount exceeding five per cent of the average net profits for the three immediately preceding financial years.

Average Net Profits of last 3 years = 86.67 lakh

5% of 86.67 = 4.33 lakh

Hence, donation of ₹ 25 lakh is not within the powers of BOD.

2014 - Dec [2] (a), (b)

(a) SPECIMEN RESOLUTION OF THE BOARD FOR APPOINTMENT OF ALTERNATE DIRECTOR

“RESOLVED THAT pursuant to the provisions of Section 161 of the Companies Act, 2013, read with Articleof the Articles of Association of the Companies, Shri Rahul be and is hereby appointed as alternate director to Shri.....during the latter’s absence for a period of not less than three months from the State of

.....(mention the State where the meetings are held) and that the alternate director shall vacate his office as and when Shri Abir returns to the said State”.

“RESOLVED FURTHER THAT Shri Secretary/ Director be and is hereby authorized to affix digital signature and submit Form MR-2 with the Registrar of Companies and to do all such acts and deeds as may be required to be done in this regard”.

(b) Section 182 of Companies Act, 2013: Prohibitions and Restrictions Regarding Political Contributions

The non-government company or the company which has been in existence less than three financial years may contribute any amount directly or indirectly to any political party.

Further, the limit of contribution to political parties is 7.5% of the average net profits during the three immediately preceding financial years.

The contribution must be authorised by board in its meeting by resolution and such resolution deemed to be the justification in law for such contribution.

The donation may be directly or indirectly. The contribution so made if or likely to affect the public support for a political party deemed to be the contribution for political purpose.

If the expenditure incurred on advertisement in any publication souvenir, brochure, tract, pamphlet or the like is deemed as political contribution if such publication is by or on behalf of political party or if not, then for the advantage to such political party for a political purpose.

The company is required to disclose in its profit and loss account any amount or amounts contributed by it to any political party during the financial year and the particular of total amount contributed and the name of political party to whom the contribution so made.

Penalty for Contravention

The contribution in contravention of the provisions of this section, the company shall be punishable for an amount of which may extend to five times of the amount so contributed and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months and with fine which may extend to five times of the amount so contributed.

2014 - Dec [3] (c)

In case of Board Meeting, quorum should be present not only at the commencement, but throughout the meeting for every item of business. Hence, the transactions will be invalid.

2014 - Dec [4] (b)

Compensation for Loss of Office of Managing or Whole-time Director or Manager (Section 202)

Section 202 provides that a company may make payment to a managing or whole-time director or manager, but not to any other director, by way of compensation for loss of office or as consideration for retirement from office or in connection with such loss or retirement.

However, No payment shall be made in the following cases:

- (a) where the director resigns from his office as a result of the reconstruction/amalgamation of the company and is appointed as the managing or whole-time director, manager or other officer of the reconstructed company/of resulting company from the amalgamation;
- (b) where the director resigns from his office otherwise than on the reconstruction/ amalgamation of the company;
- (c) where the office of the director is vacated due to disqualification;
- (d) where the company is being wound up due to the negligence or default of the director;
- (e) where the director has been guilty of fraud or breach of trust or gross negligence or mismanagement of the conduct of the affairs of the company or any subsidiary company or holding company; and
- (f) where the director has instigated or has taken part directly or indirectly in bringing about, the termination of his office.

2014 - Dec [5] (b)

Section 185: Loans to Directors, etc.

No company shall directly or indirectly advance any loan to any of its directors or to any person in whom director is interested or give any guarantee or provide any security in connection with any loan taken by him or such other person.

But a company may advance loan to managing or whole-time director as part of the conditions of service extended by the company to all its employees or pursuant to any scheme approved by the members by a special resolution or the company provides loans or gives guarantee or securities for the due repayment of any loan in due course of its business.

Rule 10 provides that any loan made by a holding company to its wholly owned subsidiary company or any guarantee given or security provided by a holding company in respect of any loan made to its wholly owned subsidiary company is exempted from the requirements under this section and any guarantee given or security provided by a holding company in respect of loan made by any bank or financial institution to its subsidiary company is exempted from the requirements under this section; provided that such loans are utilised by the subsidiary company for its principle business activities.

Penalty

The contravention of provisions of this section leads to punishment with fine which shall not be less than five lakh rupees but which may extend to twenty five lakh rupees. The director or to whom loan or advance is given or guarantee or security is given or provided shall be imprisonment which may extend to six months or with fine mentioned above or with both.

Chapter - 9: Prevention of Oppression and Mismanagement

2014 - Dec [1] {C} (b) (i), (ii)

(i) Persons Entitled to Apply

The number of members required to make application under sections 241 of Companies Act, 2013 (i.e., who must sign the application) is given in Section 399. It provides that where the company has a share capital, the application must be signed by at least 100 members of the company or by one-tenth of the total number of the members, whichever is less; or by any member or members holding not less than one-tenth of the issued share capital of the company. If the company has no share capital, the application has to be signed by at least one-fifth of the total number of its members. The Central Government may, however, allow any member or members to apply, if in its opinion, circumstances exist

which make it just and equitable to do so. The Central Government may demand security for costs as a safeguard against vexatious litigation. Hence, situation holds good.

- (ii) It was held in case of Indowind Energy Ltd. Vs ICICI Bank Ltd. [2010] that non-declaration of dividend would not amount to oppression and mismanagement.

Chapter - 10: Revival and Rehabilitation of Sick Industrial Companies 2014 - Dec [5] (a) Winding up of sick industrial company (Section 265 of Companies Act, 2013)

1. Conditions for order of winding up of the sick industrial company [Section 265(1)]

Where the Tribunal, after making inquiry under section 265(1) and after consideration of all the relevant facts and circumstances and after giving an opportunity of being heard to all concerned parties, is of the opinion that the sick industrial company is not likely to make its net worth exceed the accumulated losses within a reasonable time while meeting all its financial obligations and that the company as a result thereof is not likely to become viable in future and that it is just and equitable that the company should be wound up, it may record its findings and order winding up of the company.

2. Appointment of any officer of the operating agency as the liquidator [Section 265(2) of Companies Act, 2013]

For the purpose of winding up of the sick industrial company, the Tribunal may appoint any officer of the operating agency, if the operating agency gives its consent, as the liquidator of such industrial company and the officer so appointed shall for the purpose of the winding-up of such sick industrial company be deemed to be and have all the powers of, the official liquidator under this Act.

3. Sale of assets by the Tribunal and distribution of sale proceeds [Section 265(3)]

Notwithstanding anything contained in sub-section (2), the Tribunal may cause to be sold the assets of the sick industrial company in such manner as it may deem fit and pass orders for distribution in accordance with the provisions of Section 326 of Companies Act, 2013 and other provisions of this Act.

4. Time limit for conclusion of winding up [Section 265(4)]

Without prejudice to the other provisions contained in this Act, the winding up of a company shall, as far as may be concluded within 1 year from the date of the order made under sub-section (1).

Chapter - 11: Issues Related to Winding up and Dissolution

2014 - Dec [2] (d)

Meaning of onerous property:

The word 'onerous' means burdensome or something involving heavy obligations. In the real sense, onerous property means a property which has ceased to be an asset and has become a liability. Some examples of onerous property are as follows:

- (i) Land of any tenure, burdened with onerous covenants.
- (ii) Unprofitable contracts, properties which are not saleable because of obligations attached to it.
- (iii) Partly paid shares of an unsuccessful company, e.g., where the company may be liable as a contributory.

2014 - Dec [5] (e)

The shareholders and depositors can go to Court against the company as the company has conducted a business which was ultra vires its objects.

2014 - Dec [6] (a)

Where a company having many businesses, discontinues one of them, it cannot be said to have suspended its business. For invoking Section 271, it must be shown that the entire business of the company has been suspended [*Paramjit Lal Badhwar v Prem Spg. & Wvg. Mills Ltd. (1986) 60 Comp Cas420*].

Chapter - 12: Companies Incorporated outside India

2014 - Dec [6] (b)

Dating of prospectus and particulars to be contained therein:

- (1) No person shall issue, circulate or distribute in India any prospectus offering to subscribe for securities of a company incorporated or to be incorporated outside India, whether the company has or has not established, or when formed will or will not establish, a place of business in India, unless the prospectus is dated and signed, and

- (a) contains particulars with respect to the following matters, namely:
 - (i) the instrument constituting or defining the constitution of the company;
 - (ii) the enactments or provisions by or under which the incorporation of the company was effected;
 - (iii) address in India where the said instrument, enactments or provisions, or copies thereof and if the same are not in the English language, a certified translation thereof in the English language can be inspected;
 - (iv) the date on which and the country in which the company would be or was incorporated; and
 - (v) whether the company has established a place of business in India and, if so, the address of its principal office in India; and
 - (b) states the matters specified under section 26.
- (2) Any condition requiring or binding an applicant for securities to waive compliance with any requirement imposed by virtue of sub-section (1), or purporting to impute him with notice of any contract, documents or matter not specifically referred to in the prospectus, shall be void.
- (3) No person shall issue to any person in India a form of application for securities of such a company or intended company as is mentioned in sub-section (1), unless the form is issued with a prospectus which complies with the provisions of this Chapter and such issue does not contravene the provisions of Section 388.

Chapter - 13: Offences and Penalties

2014 - Dec [3] (b)

Punishment for wrongful withholding of property.

- (1) **If any officer or employee of a company:**
- (a) wrongfully obtains possession of any property, including cash of the company; or
 - (b) having any such property including cash in his possession, wrongfully withholds it or knowingly applies it for the purposes other than those expressed or directed in the articles and authorised by this Act.

He shall, on the complaint of the company or of any member or creditor or contributory thereof, be punishable with fine which shall not be less than one lakh rupee but which may extend to five lakh rupees.

- (2) The Court trying an offence under sub-section (1) may also order such officer or employee to deliver up or refund, within a time to be fixed by it, any such property or cash wrongfully obtained or wrongfully withheld or knowingly misapplied, the benefits that have been derived from such property or cash or in default, to undergo imprisonment for a term which may extend to two years.

Chapter - 14: E-Governance

2014 Dec [4] (c)

E-Governance-Meaning

Electronic Governance is the application of information technology to the Government functioning in order to bring about Simple, Moral, Accountable, Responsive and Transparent (SMART) Governance. E-Governance is a highly complex process requiring provision of hardware, software, networking and re-engineering of the procedures for better delivery of services.

Traditionally, the interaction between citizens or business and Government agency takes place in a Government office. In e-Governance, the interaction takes place virtually using Internet based technology, thus reducing time and cost involved. Even better, E-Governance enhances the citizens and business access to Government information and services and provides new ways to increase citizen participation in the democratic process.

Advantages of e-Filing

- **Business** shall be enabled to register a company and file statutory documents quickly and easily.
- **Public** to get easy access to relevant records and get their grievances re-dressed effectively.
- **Professionals** to be able to offer efficient services to their client companies.
- **Financial institutions** to find registration and verification of charges easy.

- **Government** to ensure proactive and effective compliance of relevant laws and corporate governance.
- **MCA employees** shall be enabled to deliver best of services.

Chapter - 15: Corporate Restructuring

2014 - Dec [4] (d)

Approval and sanction of the scheme

Section 230(6) states that when at a meeting held in pursuance of sub-section (1), majority of persons representing three-fourths in value of the creditors or class of creditors or members or class of members, as the case may be, voting in person or by proxy or by postal ballot, agree to any compromise or arrangement and if such compromise or arrangement is sanctioned by the Tribunal by an order, the same shall be binding on the company all the creditors or class of creditors or members or class of members, as the case may be, or, in case of a company being wound up, on the liquidator and the contributories of the company.

2014 - Dec [5] (c)

Tools of Corporate Restructuring:

1. **Merger:** Merger is the combination of two or more companies which can be merged together either by way of amalgamation or absorption.

Horizontal Merger: It is a merger of two or more companies that compete in the same industry.

Vertical Merger: It is a merger which takes place upon the combination of two companies which are operating in the same industry but at different stages of production or distribution system.

Co-generic Merger: In these mergers the acquirer and target companies are related through basic technologies, production processes or markets.

Conglomerate Merger: These mergers involve firms engaged in unrelated type of activities i.e. the business of two companies are not related to each other horizontally nor vertically.

2. **Demerger:** It is a form of corporate restructuring in which the entity's business operations are segregated into one or more components. It is the converse of a merger or acquisition. A demerger may possible through a Spin off, Split off, Split up and Sell off.
3. **Reverse Merger:** Reverse Merger is the opportunity for the private companies to become public company, without opting for Initial Public Offer (IPO). In this process the private company acquires the majority shares of public company, with its own name.
4. **Disinvestment:** Disinvestment means the action of an organization or government selling or liquidating an asset or subsidiary. It is also known as "divestiture".
5. **Take over/Acquisition:** Takeover means an acquirer takes over the control of the target company. It is also known as acquisition.
Friendly takeover: In this type, one company takeover the management of the target company with the permission of the board.
Hostile takeover: In this type, one company takeover the management of the target company without its knowledge and against the wish of their management .
6. **Joint Venture (JV):** A joint venture is an entity formed by two or more companies to undertake financial activity together.
7. **Strategic Alliance:** Any agreement between two or more parties to collaborate with each other, in order to achieve certain objectives and allows to remain independent organization is called strategic alliance.
8. **Slump sale:** Slump sale means the transfer of one or more undertaking as a result of the sale of lump sum consideration without values being assigned to the individual assets and liabilities in such sales.
9. **Buy Back:** Buy back means the repurchase of outstanding shares by a company in order to reduce the number of shares on the market.

Chapter - 16: SEBI Laws and Regulations

2014 - Dec [3] (d)

The audit committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee

whichever is greater, but there should be a minimum of two independent members present.

Hence, decision of Audit Committee is not in line with Clause 49 of the Listing Agreement.

Chapter - 17: The Securities Contracts (Regulation) Act, 1956

2014 - Dec [1] {C} (e)

A listed company or an aggrieved investor may file an appeal before the Securities Appellate Tribunal against the decision of the recognised stock exchange delisting the securities within fifteen days from the date of the decision of the recognised stock exchange delisting the securities and the provisions of Sections 22B to 22E of this Act, shall apply, as far as may be, to such appeals:

Provided that the Securities Appellate Tribunal may, if it is satisfied that the company was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding one month.

Chapter - 18: The Competition Act, 2002

2014 - Dec [5] (d)

Competition Advocacy [Section 49]

- (1) The Central Government may, in formulating a policy on competition (including review of laws related to competition), or any other matter and a State Government may, in formulating a policy on competition or on any other matter, as the case may be, make a reference to the Commission for its opinion on possible effect of such policy on competition and on receipt of such a reference, the Commission shall, within sixty days of making such reference, give its opinion to the Central Government or the State Government as the case may be, which may thereafter take further action as it deems fit.
- (2) The opinion given by the Commission under sub-section (1) shall not be binding upon the Central Government or the State Government as the case may be in formulating such policy.

- (3) The Commission shall take suitable measures for the promotion of competition advocacy, creating awareness and imparting training about competition issues.

Chapter - 19: Laws Related to Banking Sector

2014 - Dec [1] {C} (d)

Power of Reserve Bank to remove managerial and other persons from office [Section 36AA]

Where the Reserve Bank is satisfied that in the public interest or for preventing the affairs of a banking company being conducted in a manner detrimental to the interests of the depositors or for securing the proper management of any banking company it is necessary so to do, the Reserve Bank may, for reasons to be recorded in writing, by order, remove from office, with effect from such date as may be specified in the order, any chairman, director, chief executive officer (by whatever name called) or other officer or employee of the banking company.

Hence, RBI can do so under section 36AA of the Banking Regulation Act, 1949.

Chapter - 20: SARFAESI Act, 2002

2014 - Dec [6] (e)

Resolution of disputes [Section 11]

Where any dispute relating to securitisation or reconstruction or non-payment of any amount due including interest arises amongst any of the parties, namely, the bank or financial institution or securitisation company or reconstruction company or qualified institutional buyer, such dispute shall be settled by conciliation or arbitration as provided in the Arbitration and Conciliation Act, 1996, as if the parties to the dispute have consented in writing for determination of such dispute by conciliation or arbitration and the provisions of that Act shall apply accordingly.

Chapter - 21: The Prevention of Money Laundering Act, 2002

2014 - Dec [6] (d)

Money laundering poses a serious threat not only to the financial sector of country but also pose a serious threat to its integrity and sovereignty of the

country. It may be a proxy war of the anti-national elements including alien enemies to sabotage the financial sector of the country if not tackled properly. It is the process by which criminals conceal the origin and ownership of the proceeds of crime, by legitimizing illegally obtained money, by channeling surreptitiously through legitimate business channels and integrating those to financial system in a variety of ways like bank deposits, investments or through transfer from one place or person to another.

To achieve the objective of preventing laundering of money and other associate activities a comprehensive legislation was needed. Accordingly the Prevention Money Laundering Bill 1998 was introduced in the Parliament which was further referred to the Standing Committee on Finance which presented its report on 4th March, 1999 to the Lok Sabha. The Central Government broadly accepted the recommendations of the Standing Committee and incorporated them in the said bill along with other desired changes. The Bill was passed by both the Houses of Parliament and received the assent of the President on 17th January, 2003 and came to be known as **the Prevention of Money Laundering Act, 2002(15th of 2003)(PMLA)**.

Chapter - 22: Foreign Exchange Management Act, 1999

2014 - Dec [3] (a)

The following additional criteria are also considered by the Reserve Bank while sanctioning Liaison/Branch Offices of foreign entities:

1. Track Record
 - **For Branch Office:** A profit making track record during the immediately preceding five financial years in the home country.
 - **For Liaison Office:** A profit making track record during the immediately preceding three financial years in the home country.
2. **Net Worth** [total of paid-up capital and free reserves, less intangible assets as per the latest Audited Balance Sheet or Account Statement certified by a Certified Public Accountant or any Registered Accounts Practitioner by whatever name].
 - **For Branch Office:** Not less than USD 1,00,000 or its equivalent.
 - **For Liaison Office:** Not less than USD 50,000 or its equivalent.

Chapter - 23: Laws Related to Insurance Sector

2014 - Dec [2] (c)

No risk to be assumed unless premium is received in advance [Section 64VB]

- (1) No insurer shall assume any risk in India in respect of any insurance business on which premium is not ordinarily payable outside India unless and until the premium payable is received by him or is guaranteed to be paid by such person in such manner and within such time as may be prescribed or unless and until deposit of such amount as may be prescribed, is made in advance in the prescribed manner.
- (2) For the purposes of this section, in the case of risks for which premium can be ascertained in advance, the risk may be assumed not earlier than the date on which the premium has been paid in cash or by cheque to the insurer.

Chapter - 24: Laws Related to Power Sector

2014 - Dec [6] (c)

The Regional Load Despatch Centre shall be the apex body to ensure integrated operation of the power system in the concerned region.

The Regional Load Despatch Centre shall:

- (a) be responsible for optimum scheduling and despatch of electricity within the region, in accordance with the contracts entered into with the licensees or the generating companies operating in the region;
- (b) monitor grid operations;
- (c) keep accounts of the quantity of electricity transmitted through the regional grid;
- (d) exercise supervision and control over the inter-State transmission system; and
- (e) be responsible for carrying out real time operations for grid control and despatch of electricity within the region through secure and economic operation of the regional grid in accordance with the Grid Standards and the Grid Code.

Chapter - 25: Corporate Governance

2014 - Dec [1] {C} (f) (i)

The German Corporate Governance system is based around a dual board system and essentially, the dual board system comprises a management board (Vorstand) and a supervisory board (Aufsichtsrat). The management board is responsible for managing the enterprise. Its members are jointly accountable for the management of the enterprise and the chairman of the management board co-ordinates the work of the management board. On the other hand, the supervisory board appoints, supervises and advises the members of the management board and is directly involved in decisions of fundamental importance to the enterprise. The chairman of the supervisory board co-ordinates the work of the supervisory board. The members of the supervisory board are elected by the shareholders in general meetings.

2014 - Dec [7] (b) (i)

OECD Guidelines for Corporate Governance of State-owned Enterprises

Many of the developing countries still continue to have a dominant presence of state-owned enterprises. Hence, OECD thought it appropriate to evolve a set of governance guidelines for the state-owned enterprises as it did for the private enterprises in member countries. According to OECD, a major challenge is to find a balance between the state's responsibility for actively exercising its ownership functions, such as, the nomination and election of the board, while at the same time refraining from imposing undue political interference in the management of the company. Another important challenge is to ensure that there is a level playing field in markets where private sector companies can compete with the state-owned enterprises and that governments do not distort competition in the way they use their regulatory or supervisory powers.

According to OECD, the guidelines 'suggest that the state should exercise its ownership functions through a centralized ownership entity or effectively co-ordinated entities, which should act independently and in accordance with a publicly disclosed ownership policy. The guidelines also suggest the strict separation of the state's ownership and regulatory functions. If properly

implemented, these and other recommended reforms would go a long way to ensure that state ownership is exercised in a professional and accountable manner and that the state plays a positive role in improving corporate governance across all sectors of our economies. The result would be healthier, more competitive and transparent enterprises’.

Chapter - 26: Social, Environmental and Economics Responsibilities of Business

2014 - Dec [1] {C} (f) (ii)

Currently, the application of WLCC in the construction industry is still hindered significantly by the lack of standard method and the excuse of lack of sound data upon which to arrive at accurate decisions. As a result, the output from WLCC models is looked on as unreliable. Several factors that presently act as barriers to applying WLCC:

- The lack of universal methods and standard formats for calculating whole life costs.
- The difficulty in integration of operating and maintenance strategies at the design phase.
- The scale of the data collection exercise, data inconsistency.
- The requirement for an independently maintained database on performance and cost of building components.

2014 - Dec [7] (a) (i), (ii)

(i) Factors Influencing CSR

Many factors and influences, including the following, have led to increasing attention being devoted to CSR:

- Globalization – coupled with focus on cross-border trade, multinational enterprises and global supply chains — is increasingly raising CSR concerns related to human resource management practices, environmental protection and health and safety, among other things.
- Governments and intergovernmental bodies, such as the United Nations, the Organisation for Economic Co-operation and Development and the International Labour Organization have developed compacts, declarations, guidelines, principles and other instruments that outline social norms for acceptable conduct.

- Advances in communications technology, such as the Internet, cellular phones and personal digital assistants are making it easier to track corporate activities and disseminate information about them. Non-governmental organizations now regularly draw attention through their websites to business practices they view as problematic.
- Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues.
- Numerous serious and high-profile breaches of corporate ethics have contributed to elevated public mistrust of corporations and highlighted the need for improved corporate governance, transparency, accountability and ethical standards.
- Citizens in many countries are making it clear that corporations should meet standards of social and environmental care, no matter where they operate.
- There is increasing awareness of the limits of government legislative and regulatory initiatives to effectively capture all the issues that corporate social responsibility addresses.
- Businesses are recognizing that adopting an effective approach to CSR can reduce risk of business disruptions, open up new opportunities and enhance brand and company reputation.

(ii) Whole life risk monitoring and feedback

The issue of risk monitoring is essential for ensuring effective implementation of risk control measures. Active risk monitoring ensures that effective response measures to manage the risks are appropriately implemented. Since we are dealing with the life-cycle of projects, the initial decision conditions may change over time, which could lead to the change of risks. Hence, a feedback and continuous assessment of risk through the entire life span of the project is very important in the process of whole life-cycle costing. This process should include tracking the effectiveness of the planned risk responses, reviewing any changes in priority of response management, monitoring the state of the risks,

updating the whole life-cycle analysis accordingly and reviewing the economic performance indicators to check whether the investment decision is still valid or otherwise. In this way risk monitoring not only evaluates the performance of risk response strategies but also serves as a continuing feedback or audit mechanism.

2014 - Dec [7] (b) (ii)

Corporate Citizenship: A new way to market CSR?

A new terminology that has been gaining grounds in the business community today is Corporate Citizenship. So, what is Corporate Citizenship and is this fundamentally different from Corporate Social Responsibility? Corporate Citizenship is defined by the Boston College Centre for Corporate Citizenship, as the business strategy that shapes the values underpinning a company's mission and the choices made each day by its executives, managers and employees as they engage with society.

According to this definition, the four key principles that define the essence of Corporate Citizenship are: (i) Minimise harm (ii) Maximise benefit (iii) Be accountable and responsive to key stakeholders (iv) Support strong financial results.

Thus, Corporate Citizenship, similar to its CSR concept, is focusing on the membership of the corporation in the political, social and cultural community, with a focus on enhancing social capital. Notwithstanding the different terminologies and nomenclature used, the focus for companies today should be to focus on delivering to the basic essence and promise of the message that embodies these key concepts – CSR and Corporate Citizenship.

Conclusion

Corporate Social Responsibility is not a fad or a passing trend, it is a business imperative that many Indian companies are either beginning to think about or are engaging with in one way or another.

While some of these initiatives may be labeled as Corporate Citizenship by some organisations, their basic message and purpose is the same.

A successfully implemented CSR strategy calls for aligning these initiatives with business objectives and corporate values thereby integrating corporate responsibility across the business functions and enhancing business reputation.

2014 - Dec [7] (c) (i), (ii)

(i) Corporate Social Responsibility is not charity

The originally defined concept of 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 build a basis for trust and cooperation within the wider 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.

Several corporates today have specific departments to operationalise CSR. There are either foundations or trusts or a separate department within an organisation 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 corporates do within the purview of CSR has to be related to core business. It has to utilise things at which corporates 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 organisation and its scope does not simply begin and end with one department in the organisation.

While conceptualisation and implementation seem firmly underway, evaluation is still taking a back seat. There is a need to incorporate an evaluation plan, which along with presenting a scope of improvement in terms of fund utilisation and methodology adopted for the project, measures the short and long term impact of the practices.

(ii) Subjectivity in WLCC

The issue of subjectivity and vagueness is also a very important facet of WLCC. Subjectiveness, vagueness and ambiguity (used interchangeably in this book) are different from randomness. Randomness deals with uncertainty (in terms of probability) concerning the occurrence or non-occurrence of an event. Subjectivity, on the other hand, has to do with the imprecision and inexactness of events and judgements, including probability judgements. Many WLCC decision problems involve variables and relationships that are difficult, if not impossible, to measure precisely. For example, probability judgements about issues like inflation, operation costs, etc. are not always precise in WLCC and often cost analysts use subjective expressions to express their probability judgements. This applies to probability judgements as well as the costs and benefits in many WLCC decision problems. The requirement for high levels of precision may cause WLCC models to lose part of their relevance to the real world by ignoring some of the relevant decision attributes because these variables are incapable of precise measurement or because their inclusion may increase the complexity of the models. Hence, the key to successful WLCC and risk assessment is to build models that require little information – no more than the users can provide. This is a challenge, but it is a challenge that is addressed through the chapters of this book.

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