

CSR & Social Governance

(Chapter 14)

(Total= 20 marks)

Time - 1 Hr

Answer the following question.

Case Study 1

A statement for the registration of a firm shall be sent or delivered to the Registrar within a period of one year from the date of constitution of the firm, effected by sending by post or delivering to the Registrar of the area in which any place of business of the firm is situated or proposed to be situated. When the Registrar is satisfied that the provisions of section 58 have been duly complied with, he shall record an entry of the statement in a register called the Register of Firms, and shall file the statement. On the date such entry is recorded and such statement is filed, the firm shall be deemed to be registered.

The firm, which is registered, shall use the brackets and word (Registered) immediately after its name.

If the statement in respect of any firm is not sent or delivered to the Registrar within the time of one year as stated above, then the firm may be registered on payment, to the Registrar, of a penalty of one hundred rupees per year of delay or a part thereof.

Questions:

(5 marks each)

1. What are the procedures for recording changes in the constitution of a partnership firm?

Answer

A notice shall be given to the Registrar within a period of 90 days from the date of change in the constitution of a registered firm or dissolution of a registered firm by

(i) every incoming, continuing or outgoing partner in case where change occurs in the constitution of a registered firm, and

(ii) every person who was a partner immediately before the dissolution, or the agent of every such partner or person specially authorised in this behalf, when a registered firm is dissolved,

Notice shall specify date of such change or dissolution. Notice shall be filed long with statement relating to the firm filed under section 59.

The Registrar shall keep record of the notice by way of entry relating to the firm in the Register of Firms.

Intimation by partners of firm constituted after change: Where a change occurs in the constitution of a registered firm, all persons, who after such change are partners of the firm, shall jointly send an intimation of such change duly signed by them, to the Registrar, within a period of 90 days from the date of occurrence of such change and the Registrar shall deal with it in the manner provided by section 61.

Recording of withdrawal of a minor: When a minor who has been admitted to the benefits of partnership in a firm attains majority and elects to become or not to become a partner, and the firm is then a registered firm, he, or his agent specially authorised in this behalf, shall within a period of 90 days from the date of his election, give notice to the Registrar that he has or has not become a partner, and the Registrar shall record it in the Register of Firms.

2. What is a Public Charitable Trust, and how does it differ from a private trust? Discuss the legal registration procedures involved in the formation and registration of a Public Charitable Trust in India.

Answer

Three or more trustees may form and govern a public charitable trust. Such a trust may be established for a number of purposes, including poverty relief, education, medical relief, the

provision of facilities for recreation, or any other objective of general public utility. Indian public trusts are generally irrevocable.

The laws governing charitable trusts vary from state to state. Most states have their own Public Trusts Act. Maharashtra State, for example, governs trusts under the Bombay Public Trusts Act 1950. The same Act is applicable in neighboring Gujarat State, with some variations. In states that do not have a Trusts Act, the federal Indian Trusts Act of 1882 applies.

The registration process for trusts varies from state to state. In states that have their own Trusts Act, a trust can register with the State Charity Commissioner. In states where there is no state Trusts Act or Charity Commissioner, the trustees may register the Deed of Trust with the office of the Registrar of Deeds or Assurances in accordance with the Indian Registration Act. The key registration document is the Deed of Trust. The Deed must specify the name of the trust, the names of its founders and trustees, the purposes of the trust, and how the trust should be governed.

Case Study 2

When an alteration is made in the firm name or in the nature of business of a firm or in the location of the principal place of business of a registered firm, a statement shall be sent to the Registrar, within a period of 90 days from the date of making such alteration, accompanied by the prescribed fee, specifying the alteration and signed and verified in the manner required under section 58.

When a registered firm discontinues business at any place or begins to carry on business at any place, such place not being its principal place of business, any partner or agent of the firm shall send intimation thereof to the Registrar, within a period of 90 days from the date of such discontinuance or, as the case may be, from the date on which the firm begins to carry on business at such place. The Registrar shall then make a note of such intimation in the entry relating to the firm in the Register of Firms, and shall file the intimation along with the statement relating to the firm filed under section 59.

Questions:

(3 marks each)

1. Explain the applicability of accounting standards.

Answer

Applicability of Accounting Standards.

Accounting Standards apply in respect of any entity engaged in commercial, industrial or business activities.

Exemption from complying Accounting Standards.

Exclusion of an entity from the applicability of the Accounting Standards is permissible only if no part of the activity of such entity is commercial, industrial or business in nature.

Applicability of AS if only small portion of business is commercial, industrial or business in nature.

Even if where a very small proportion of the activities of an entity were considered to be commercial, industrial or business in nature, the Accounting Standards would apply to all its activities including those, which are not commercial, industrial or business in nature.

2. What is Cross-Border Funding, and why is it important in the context of global business and investment? How do foreign exchange laws, tax treaties, and international banking regulations impact such transactions?

Answer

Cross-Border Funding

Under the Foreign Contributions Regulations Act (FCRA) 2010, all Non-Profit Organisations in India that wish to accept multiple foreign contributions must:

- Register with the Central Government;
- Agree to accept contributions through designated banks; and
- Maintain separate books of accounts with regard to all receipts and disbursements of funds

Beyond the constraints on Indian Non-Profit Organisation acceptance of foreign funds, Non-Profit Organisations are generally not subject to limitations with regard to contact or affiliation with foreign organizations or persons. Indian NPOs are not permitted to operate internationally, however. The Income Tax Law requires that the funds of an Indian NPO be used exclusively in India. If an NPO seeks to apply funds towards activities outside of India, it must first obtain approval from the Central Board of Direct Taxes.

Q3. (4 marks)

Financial Reporting, non-company entities are also required to submit non- financial reporting in accordance with the law under which they are constituted/registered along with other laws applicable to their business or charitable activities carried by them. What is the purpose of the ICAI's Technical Guide on Financial Statements of Non-Corporate Entities? Discuss the key principles and disclosure requirements outlined in the guide.

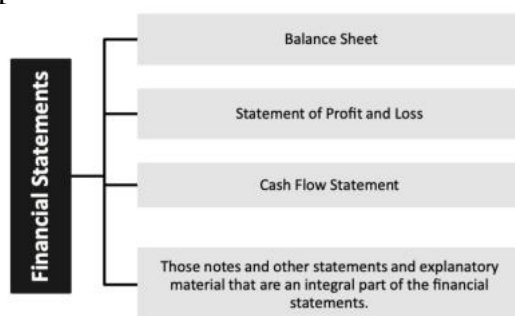
Answer

The Institute of Chartered Accountants of India (ICAI), issued Technical Guide on Financial Statements of Non- Corporate Entities

The objective of this Technical Guide is

- (i) to deal with applicability of Accounting Standards to the non-corporate entities and
- (ii) to prescribe format of the financial statements for the non-corporate entities.

The objective of financial statements is to provide information about the financial position, performance and cash flows of an entity. A complete set of financial statements normally includes:



Technical guidance note aims to provide a standard format of Balance sheet and P& L Account for non- company entities which constitutes major part of the business world of India and are actually presenting financial statements in a format what is comfortable or what they feel is required by a particular statute or by a bank requirement, whatever is the requirement they are try to comply that alone. There is no standard format by which there is comparability of statements. Technical Guide Note provides for four fundamentals i.e. comparability, transparency, completeness and unbiasedness while preparing financial statements of Non- Corporate Entities.

Financial Statements form the backbone for financial planning, analysis, benchmarking and decision making. If Non-Corporate entities follow high quality reporting framework, its financial statements faithfully represent its transactions and are more reliable, complete and comparable. Technical guide note is only recommendatory.

BEST OF LUCK

