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Vellore Institute of Technology  
(Deemed to be University under section 3 of UGC Act, 1956)

# Legal Aspects of Business

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# Recapitulate

## Winding up

- Modes of Winding up
  - Compulsory winding up
  - Voluntary winding up
    - Members voluntary winding up
    - Creditors voluntary winding up
  - Winding up subject to supervision of court
- Who can file a petition



# The Companies Act, 2013

## CORPORATE SOCIAL RESPONSIBILITY

### Financial statement, Board's report, etc.

The details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year.

### CSR is compulsory for

(1) Every company having net worth of rupees **five hundred crore** or more, or **turnover** of rupees **one thousand crore** or more or a net profit of rupees **five crore** or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.



# The Companies Act, 2013

## Corporate Social Responsibility Committee:

- (2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.
- (3) The Corporate Social Responsibility Committee shall,—
  - (a) **formulate** and **recommend** to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
  - (b) recommend the **amount of expenditure** to be incurred on the activities referred to in clause (a); and
  - (c) **monitor** the Corporate Social Responsibility Policy of the company from time to time.



# The Companies Act, 2013

(4) The Board of every company referred to in sub-section (1) shall,—

(a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.



# The Companies Act, 2013

(5) The Board of every company referred to in sub-section (1), 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 Corporate Social Responsibility Policy:

- ✘ Provided that the company shall give preference to the **local area and areas** around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities
- ✘ Provided further that if the company **fails to spend such amount**, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.
- ✘ Explanation.—For the purposes of this section “average net profit” shall be calculated in accordance with the provisions of section 198.



# The Companies Act, 2013

## Consequences of default

If any default is made in complying with the provisions of this section, the company shall be liable to a penalty of **twenty-five thousand rupees** and **every officer** of the company who is in default shall be liable to a penalty of **five thousand rupees**.

# Review Questions

1. ROC recommend the amount of expenditure to be incurred on the CSR activities. **True or False**
2. Who will be the member of the CSR committee of a company?
  - a. The Directors
  - b. The Auditors
  - c. The Promoters
  - d. The Registrar
3. The company shall give preference to the **local area and areas** around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities. **True or False**



# Answer

1. ROC recommend the amount of expenditure to be incurred on the CSR activities.

**Answer:** False

2. Who will be the member of the CSR committee of a company?

**Answer:** a. The directors

3. The company shall give preference to the **local area and areas** around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.

**Answer:** True

# Thank You