

Fast Track Webinar Series

RACE *for* SACE

Day 3

SEBI - NiSM Social Auditor Certification Exam

**3rd
Batch**



The central graphic is a blue rectangular banner with a yellow border. In the top left corner, there is a logo for '3S PRO ACADEMY' featuring the number '38' and the words 'SIDDHA', 'SATVA', and 'SAMATVA'. In the top right corner, there is a logo for the 'VALUERS ASSOCIATION OF INDIA' featuring a scale of justice and the motto 'सत्यं धर्मं' (Satya Dharma). The main text on the banner reads: 'RACE for SACE - Batch III' in white, followed by 'FAST TRACK' in large yellow letters, 'Webinar Series for SEBI - NISM - SACE' in white, 'Social Auditor Certification Exam' in yellow, and 'Social Auditors' in large white letters. In the bottom right corner, there is a circular portrait of a man with a mustache, wearing a grey vest over a white shirt.



Wednesday ♦ 24th JAN 2024 ♦ 08:30 AM to 09:30 AM ♦ www.3spro.blogspot.com

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SACE - Assessment Structure

- The examination consists of 85 multiple choice questions and 3 case-based questions (each case having 5 sub-questions) adding upto 100 marks.
- The assessment structure is as follows:

Multiple Choice Questions	MCQ	85 questions x 1 mark each	85
Case Based Questions	CBQ	3 cases x 5 questions x 1 mark each	15
		Total Marks	100

To register and to take the examination

visit www.nism.ac.in

SACE - Assessment Structure

- The examination should be completed in 2 hours.
- The passing score for the examination is 60.
- *There shall be negative marking of 25% of the marks assigned to a question.
- **Name of Module:** NISM Series XXIII: Social Auditors Certification Examination

Fees (Rs.)	1770+
Test Duration (in minutes)	120
No. of Questions	100~
Maximum Marks	100
Pass Marks (%)	60*
Certificate Validity (in years)	3#

Passing Certificate will be issued only to those candidates who have furnished/ updated their Income Tax Permanent Account Number (PAN) in their registration details.

SACE - Syllabus

#	Chapter Description	Questions	Marks
1	Introduction to Social Sector and Indian Financial Markets	4 + 4	8
2	Introduction to Trading, Clearing Settlement and Risk Management	4	4
3	Introduction to Social Stock Exchange	10	10
4	Registration and Listing on Social Stock Exchanges	5	5
5	Social Audit and Social Auditors	12	12
6	Social Audit Techniques and Standards	13	13
7	Social Impact Assessment	15	15
8	Social Impact Assessment - Case Studies	3	15
9	Disclosure Norms, Reporting Requirements by Social Auditors and Penalties	10	10
10	Taxation	4	4
11	Key Regulations	4	4
		88	100

Chapter 4

Registration And Listing on Social Stock Exchange

Chapter 4: Registration and Listing on Social Stock Exchanges

4.1 Learn the Registration process on Social Stock Exchanges

4.1.1 Know the Eligibility Criteria for registration

4.1.2 Know the Initial Qualifying Criteria for Onboarding on Social Stock Exchanges

4.1.2.1 Know the on boarding process for NPOs

4.1.2.2 Know the Mandatory Qualification Criteria

4.2 Learn about the Rights, Obligations and Disclosures Document

4.3 Learn about the Key Guidelines for Listing

4.3.1 Know the Listing guidelines FPSEs and NPOs

1. The minimum application size of Zero Coupon Zero Principal (ZCZP) is:

- a) Rs 2 Lakhs
- b) Rs 5 Lakhs
- c) Rs 1 Crore
- d) Rs 5 Crore
- e) Rs 10,000

Latest News

- To make the SSE open to wider retail participation, Sebi recently reduced the minimum application size from Rs 2 lakh to **Rs 10,000**.
- Another major decision has been to reduce the minimum issue size to **Rs 50 lakh** from the previous Rs 1-crore threshold. This will enable NPOs to raise lower amounts through the SSE route. Notifications are still awaited for these changes.
- Acting on the feedback received from stakeholders, the market regulator had also eased compliance with the change in nomenclature of 'social auditor' to 'social impact assessor'.



It is not my interest to pay
the principal, nor my
principle to pay the interest.

Richard Brinsley Sheridan

quote fancy

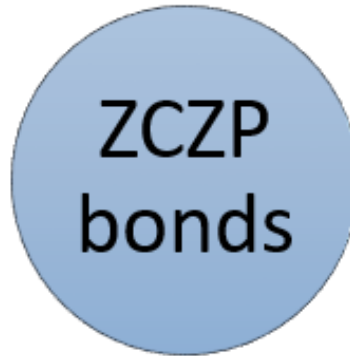
2. The minimum issue size of Zero Coupon Zero Principal (ZCZP) is:

- a) Rs 2 Lakhs
- b) Rs 5 Lakhs
- c) Rs 1 Crore
- d) Rs 5 Crore
- e) Rs 50 lakhs

Specific project



No coupon



*No principal
repayment*



Social returns

3. The **minimum subscription required to be achieved shall be proposed to be raised through issuance of Zero Coupon Zero Principal Instruments.**

- a) 90% of the funds
- b) 80% of the funds
- c) 75% of the funds
- d) 60% of the funds
- e) 51% of the funds

Participants of the Social Stock Exchange



4. A Not for Profit Organization may raise funds on a Social Stock Exchange (SSE) through the following; **except**

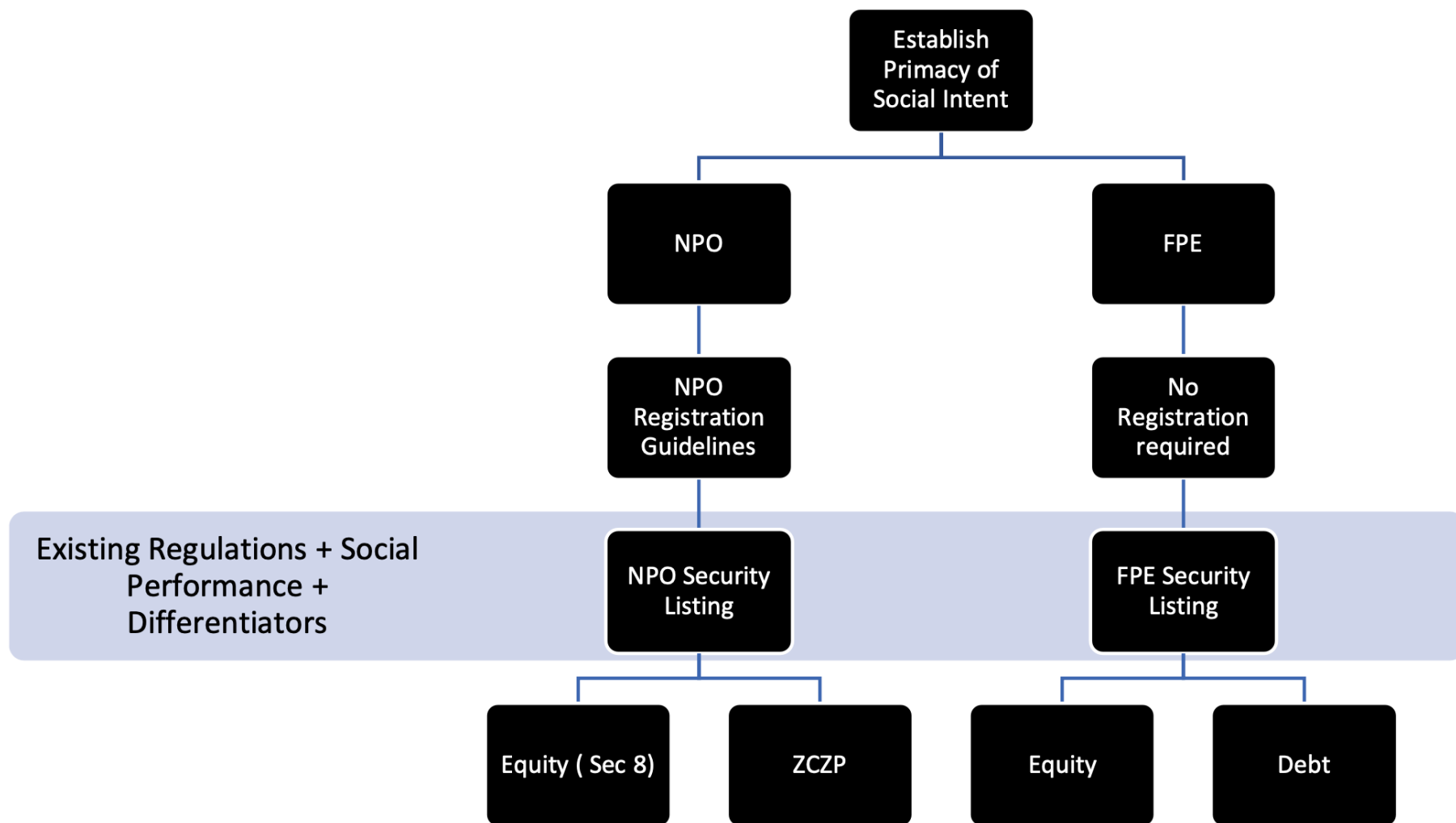
- a) issuance of ZCZP Instruments to institutional investors and/or non-institutional investors
- b) donations through Mutual Fund schemes
- c) issuance of equity shares
- d) any other means as specified by the Board from time to time.

5. A For Profit Social Enterprise may raise funds through the following; except

- a) issuance of ZCZP Instruments to institutional investors and/or non-institutional investors
- b) issuance of debt securities
- c) issuance of equity shares on the main board / SME platform or IGP
- d) equity shares issued to an AIF including a SIF

6. A shall mandatorily seek registration with a Social Stock Exchange before it raises funds through a Social Stock Exchange:

- a) NPO
- b) FPSE
- c) Both (a) and (b)
- d) Either (a) or (b)



Note: A **Not for Profit Organization** may choose to register on a Social Stock Exchange and not raise funds through it.

7. The offer documents of the social enterprises for various modes of fund raising shall require disclosure of aspects called

.....

- a) Prospectus
- b) Draft Red Herring Prospectus
- c) Risk Disclosure Document
- d) Differentiators

Listing Guidelines for NPOs

- As part of the pre-listing process, the NPO shall provide audited financial statements for the previous 3 years and social impact statements
- Additionally, the offer documents for SEs shall provide the details under the following heads, called “differentiators”.

✓ Vision	✓ Governance	✓ Finance	✓ Social Impact
✓ Target Segment	✓ Management	✓ Compliance	✓ Risks
✓ Strategy	✓ Operations	✓ Credibility	

8. Mandatory Qualification Criteria for NPO Registration Process - Annual Spending in the past financial year - Receipts / Payments from Audited accounts / Fund Flow Statement - Must be at least

.....

- a) Rs 25 Lakhs
- b) Rs 50 Lakhs
- c) Rs 100 Lakhs
- d) Rs 250 Lakhs

9. The document filed with the Social Stock Exchange pursuant to incorporation of observations issued in respect of the draft fund raising document by the Social Stock Exchange is

- a) Prospectus
- b) Risk Disclosure Document
- c) Draft Fund Raising Document
- d) Final Fund Raising Document

10. Mandatory Qualification Criteria for NPO Registration Process

– **Funding in the past financial year - Receipts from Audited accounts / Fund Flow Statement - Must be at least**

- a) Rs 10 Lakhs
- b) Rs 25 Lakhs
- c) Rs 50 Lakhs
- d) Rs 100 Lakhs
- e) Rs 250 Lakhs

11. For Profit Enterprises (FPEs) shall list their securities on their appropriate existing boards of stock exchanges. For example, equity securities shall be listed either on the main board (NSE/BSE), or on the SME platform (NSE-EMERGE/BSE SME) or Innovators Growth Platform (IGP); while debt securities shall be listed

- a) on the main board (NSE/BSE)
- b) on the SME platform (NSE-EMERGE/BSE SME)
- c) on the Innovators Growth Platform (IGP)
- d) on social stock exchange
- e) Any of the above

Chapter 5

Social Audit and Social Auditors

1. Every company having the average CSR obligation of Rs 10 Crore or more in the three immediately preceding financial years in pursuance of Section 135(5) of the Act, shall for their CSR projects or programmes, and shall disclose details of the same in its Annual Report on CSR

- a) Undertake Social Audit
- b) Undertake Impact Assessment
- c) Appoint social auditors
- d) Appoint third party evaluators and certifying agencies

Rule 8(3)(a) – The Companies (CSR Policy) Rules, 2014

Audit / Auditor / Audit Firm

- ✓ Social Audit – Not Defined
- ✓ Social Impact Assessor (Auditor) – **Reg 292A(f)**
- ✓ Social Impact Assessment (Audit) Firm – **Reg 292A(g)**
- ✓ Social Performance – Not Defined
- ✓ Social Mission

2. “Social Venture” means a trust, society or company or venture capital undertaking or limited liability partnership formed with the purpose of

- a) promoting social welfare
- b) solving social problems
- c) providing social benefits
- d) Any of the above

3. “Social Impact Fund” means an Alternative Investment Fund which invests primarily and which satisfies social performance norms laid down by the fund and whose investors may agree to receive restricted or muted returns;

- a) in securities
- b) units of social ventures
- c) Both (a) and (b)
- d) Either (a) or (b)

How/Why For Profit Social Enterprises were born?

- Alternative Investment Funds ('AIFs') are a popular source of SIs due to their lenient regulatory and tax regime.
- Until recently, the only form of impact investment funds categorically recognised by the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 were not-for-profit social venture funds. In order to qualify as a social venture fund, a fund had to meet the following three thresholds:
 - i. it had to primarily invest in securities/units of social ventures entities, which are trusts, charities, microfinance institutions, or section 8 companies;
 - ii. it had to satisfy the social performance norms laid down by the fund; and
 - iii. its investors must agree to restricted or muted returns.

How/Why For Profit Social Enterprises were born?....

- Consequently, social venture funds focused only on social benefits and not financial returns.
- Unsurprisingly, social venture funds were only seen as vehicles for providing grants to non-profits and not as profit-making investments.
- Funds looking to make impact investments had to classify themselves as regular AIFs to make profits.
- The lack of tangible advantages or labels associated with impact investments disincentivized several investors from investing in impact funds. It is due to this reason that as of June 30, 2022, social venture funds only attracted INR 585.39 crores. In comparison, all AIFs attracted a total of ₹ 3,11,343.35 crores.
- SEBI recognised this issue and released the SEBI (AIF) (Third Amendment) Regulations, 2022 to introduce the concept of for-profit impact investments in India

4. In which category of Alternate Investment Fund (AIF) Social Venture Fund (SIF) can seek registration as an AIF?

- a) Category I AIF
- b) Category II AIF
- c) Category III AIF
- d) Category IV AIF

5. Both quantitative and qualitative indicators are important in case of audit.

- a) Statutory
- b) Tax
- c) Cost
- d) Social



6. The 17th Goal of UN Sustainable Development Goals is:

- a) Life on Land
- b) Peace, Justice & Strong Institutions
- c) Partnerships for the Goals
- d) Life Below Water





**Strengthen the means of
implementation and
revitalize the global
partnership for
sustainable development**

7. Zero Coupon Zero Principal Instruments **shall** be issued

- a) without any coupon
- b) no principal amount shall be payable on its maturity
- c) Either (a) or (b)
- d) Both (a) and (b)

8. The Not for Profit Organization **may** issue Zero Coupon Zero Principal Instruments

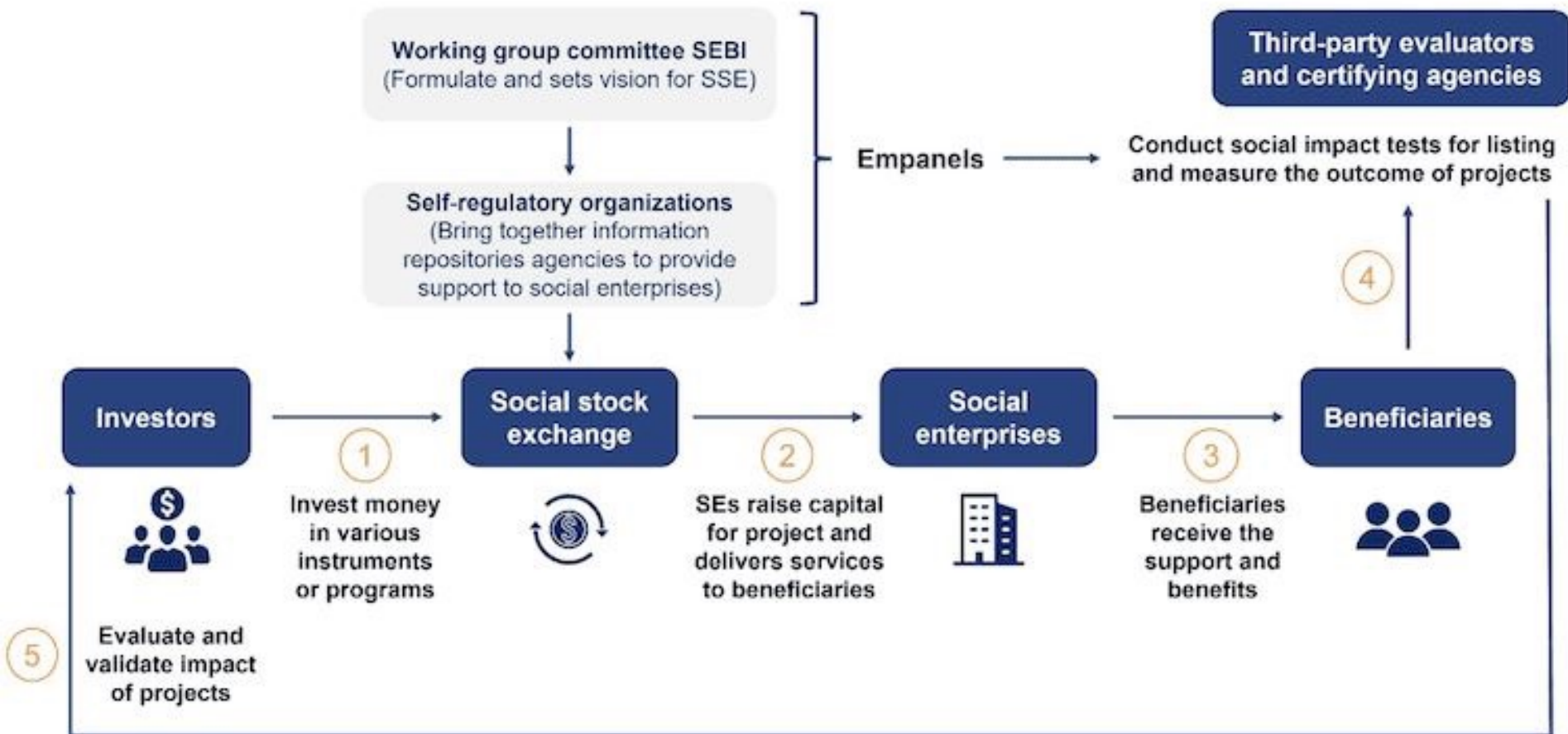
- a) For any social projects
- b) Only for a specific project or activity to be completed within a duration specified in the fund raising document
- c) Only for a specific project or activity to be completed within a duration specified in the fund raising document as mentioned in list of eligible activities under Reg 292E
- d) Only for profit projects

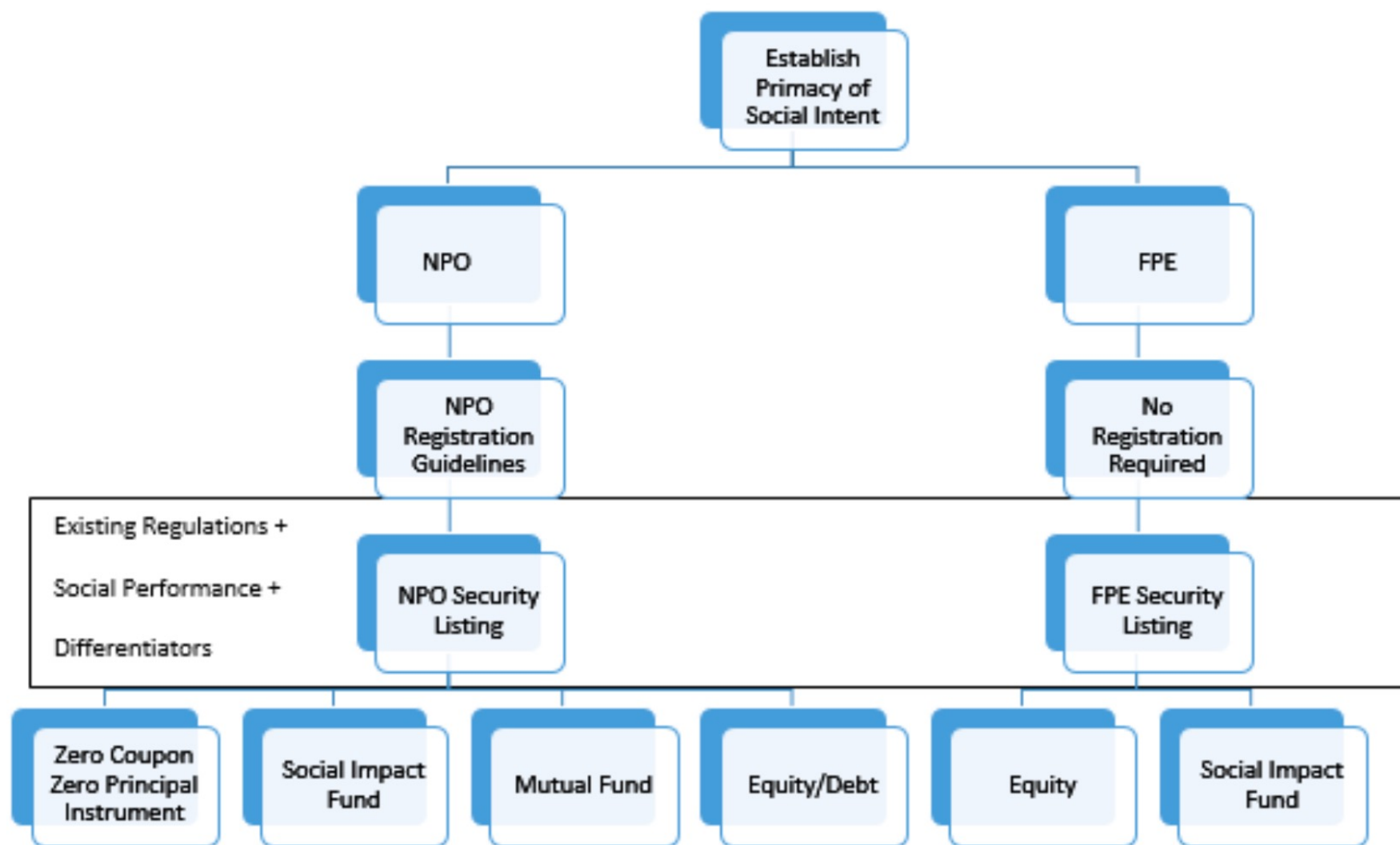
9. Regulation 292A of SEBI (ICDR) Regulations defines the following; except

- a) Social Audit
- b) Social Auditor
- c) Social Audit Firm
- d) Social Stock Exchange
- e) Social Enterprise

10. Self-Reporting by Social Enterprises (SE) interested in listing on the Social Stock Exchange directly or via SVF/AIF/MF/Other route is called as

- a) Social Impact Scorecard
- b) Annual Report
- c) Report on Social Impact
- d) Annual Impact Report



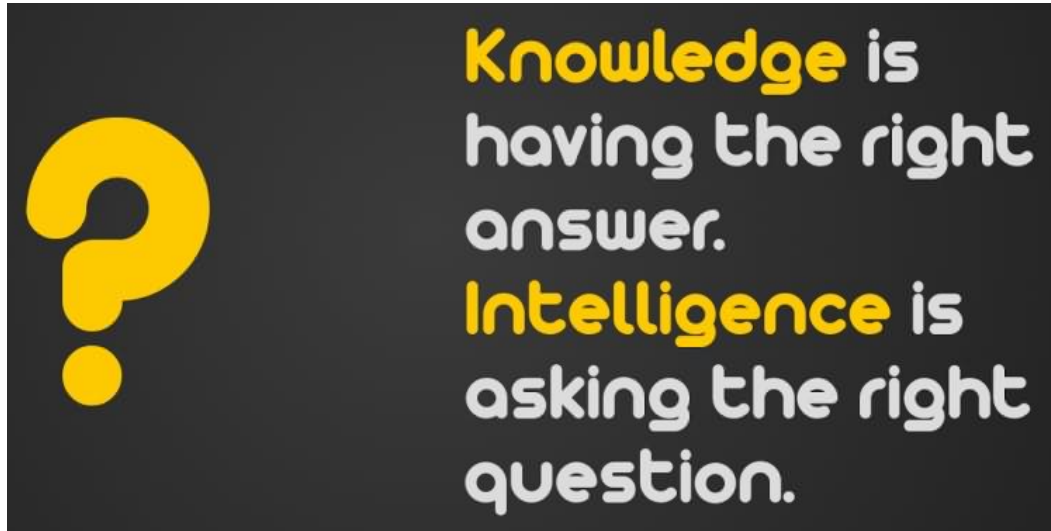


Note: A **Not for Profit Organization** may choose to register on a Social Stock Exchange and not raise funds through it.



The social sector is also called the third sector comprising myriad development organizations, voluntary organizations, NGOs, non-state, non-market organizations working on issues of development, Section 8 Companies, social enterprises and entrepreneurs, individuals working on fellowships, collaborative and collectives.

1	a	1	b	11					
2	c	2	d						
3	c	3	d						
4	c	4	a						
5	a	5	d						
6	a	6	d						
7	d	7	d						
8	b	8	c						
9	d	9							
10	a	10							



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