Fast Track Webinar Series

RACE *for* SACE

Day 3

SEBI - NiSM Social Auditor Certification Exam

4th Batch

Wednesday ◊ 5th JUNE 2024 ◊ 08:30 AM to 09:30 AM ◊ www.3spro.blogspot.com

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SIDDHA
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SAMATVA
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CHARTERED VALUERS ASSOCIATION OF INDIA
मूल्यात् परम्
RACE for SACE - Batch IV
FAST TRACK
Webinar Series for SEBI - NISM - SACE
Social Auditor Certification Exam
Social Auditors
FREE COURSE TO CRACK THE EXAM
8.30am - 9.30am
June 3rd - 7th ,2024
NiSM
NATIONAL INSTITUTE OF SECURITIES MARKETS
An Educational Initiative of SEBI
ZOHO
RSVP | Venkatesh | Webinar Coordinator | 75502 25226

Fast Track

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

No of Questions = 5

Marks = 5

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

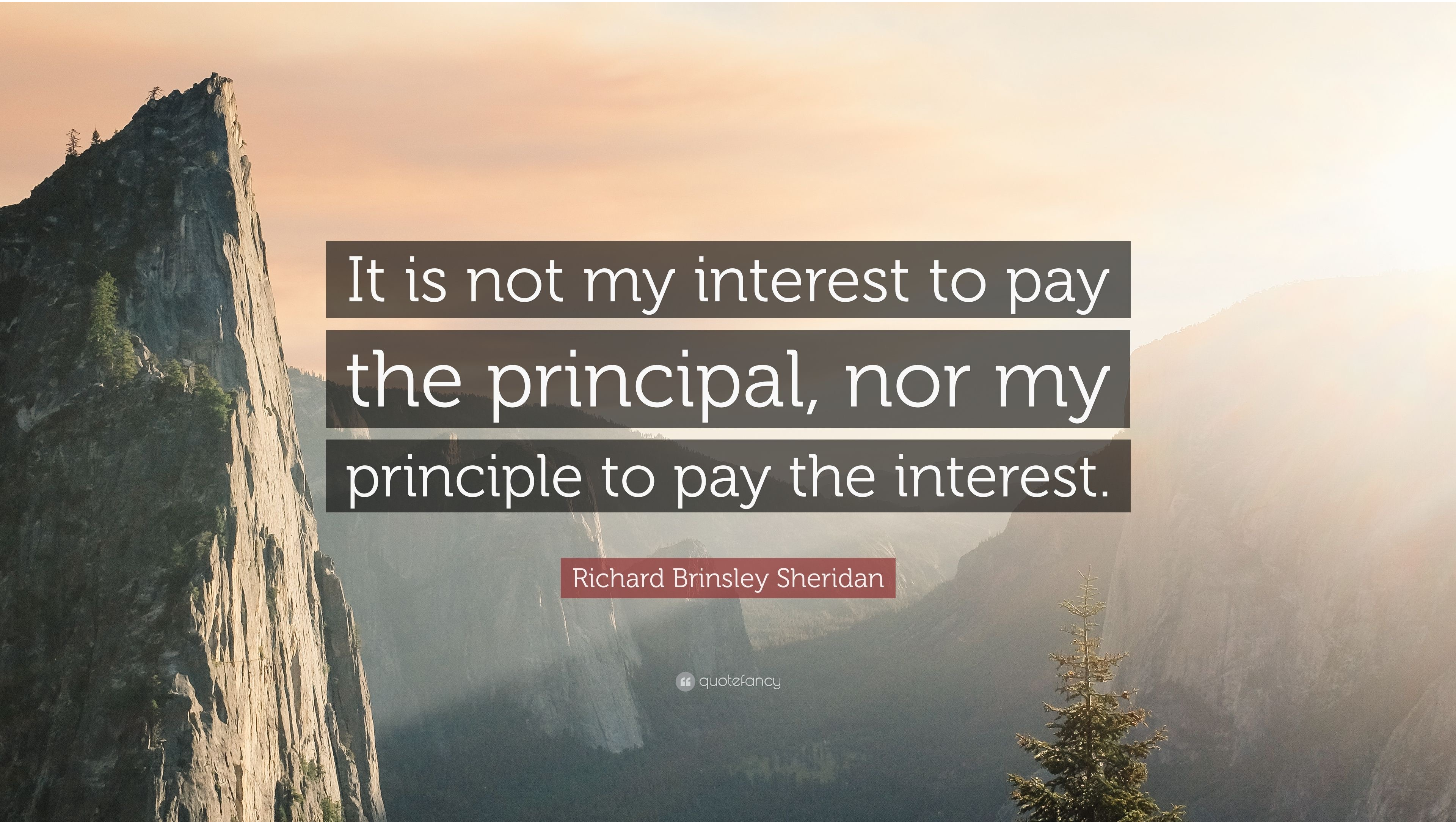
d) Rs 5 Crore

e) Rs 10,000

Reg 292N(3) – SEBI ICDR Regulations

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
quotefancy

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

a) Rs 2 Lakhs

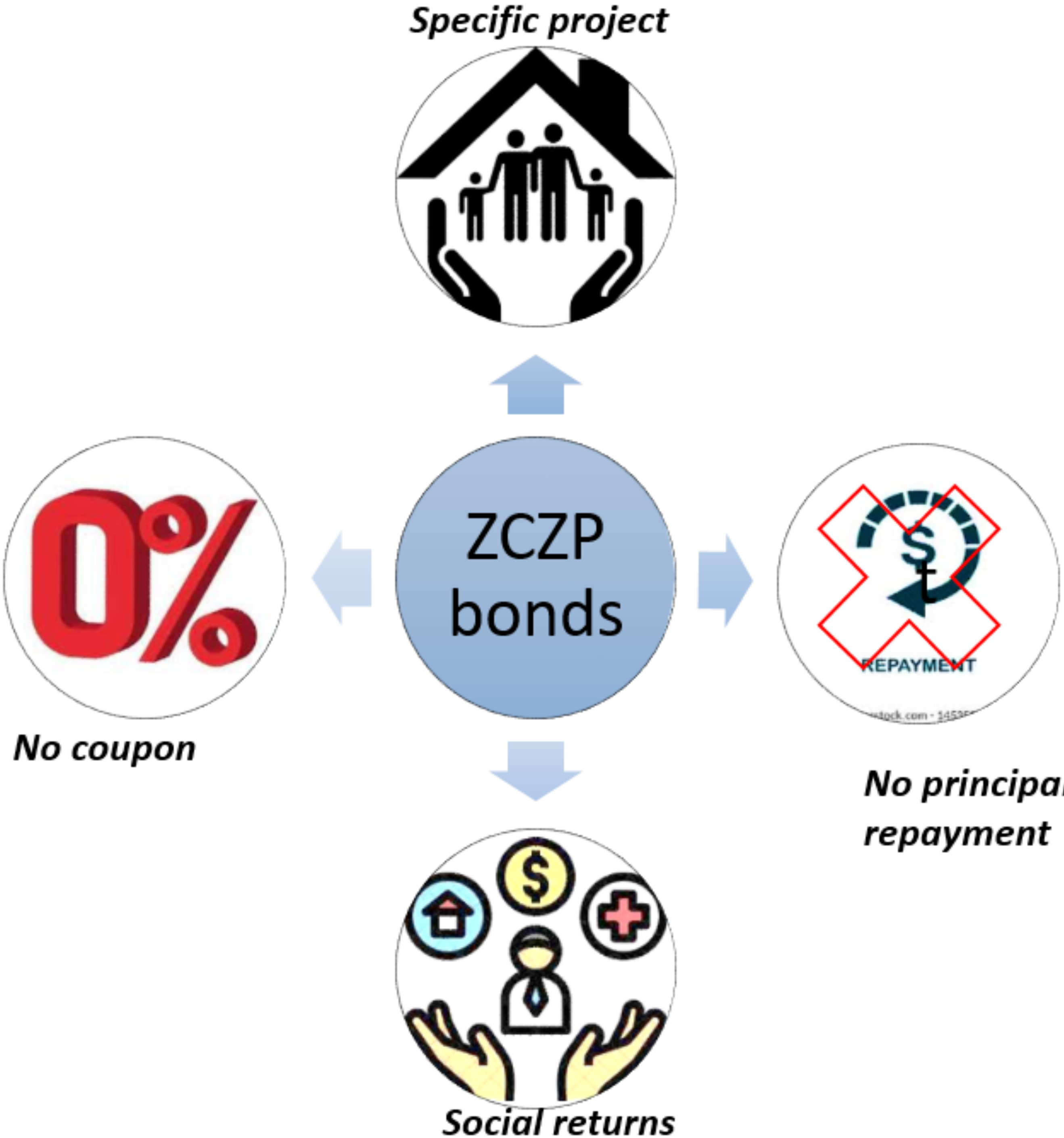
b) Rs 5 Lakhs

c) Rs 1 Crore

d) Rs 5 Crore

e) Rs 50 lakhs

Reg 292N(2) – SEBI ICDR Regulations


Specific project
0%
ZCZP
bonds
REPAYMENT
No coupon
No principal
repayment
Social returns

Fast Track

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

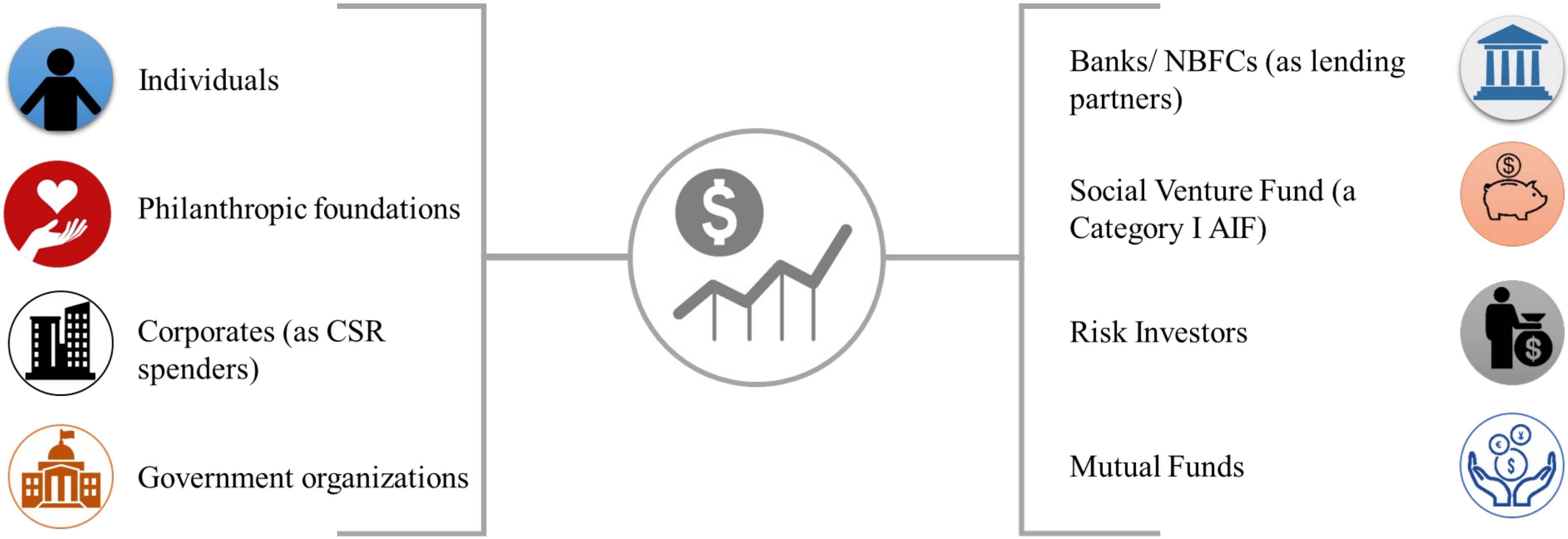
c) 75% of the funds

d) 60% of the funds

e) 51% of the funds

Reg 292N(4) – SEBI ICDR Regulations

Participants of the Social Stock Exchange



4. A Not for Profit Organization <u>may</u> 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.

Reg 292G(a) – SEBI ICDR Regulations

5. A For Profit Social Enterprise <u>may</u> 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

Reg 292G(b) – SEBI ICDR Regulations

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

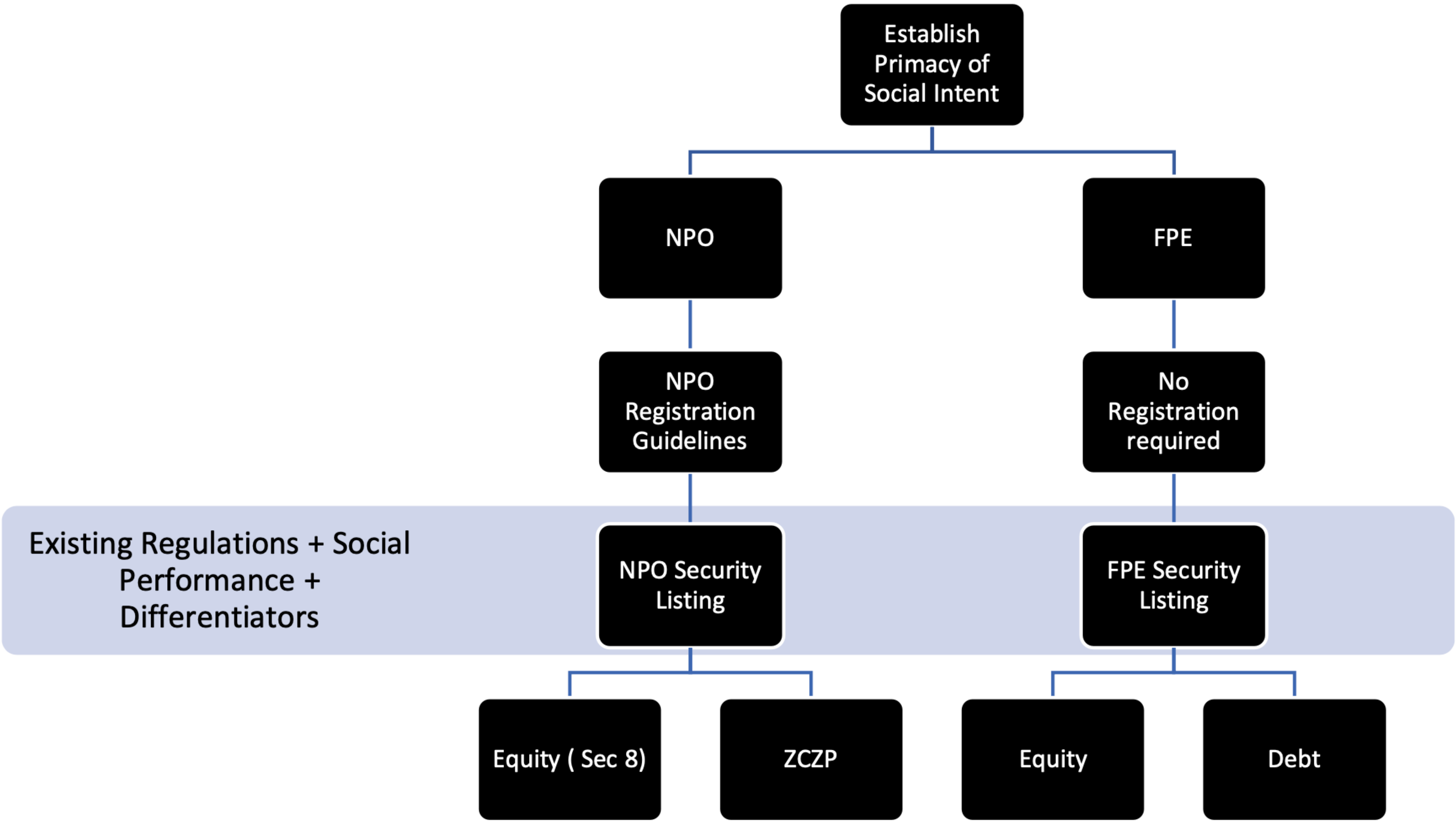
a) NPO

b) FPSE

c) Both (a) and (b)

d) Either (a) or (b)

Reg 292F(1) – SEBI ICDR Regulations



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

Para 2.3.2 – Page 20 – TGR on SSE; Page 82 – NiSM SM

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

Para 2.2.1 – Page 14 – TGR on SSE

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

a) Prospectus

b) Risk Disclosure Document

c) Draft Fund Raising Document

d) Final Fund Raising Document

Reg 292A(b) – SEBI ICDR Regulations

10. Mandatory Qualification Criteria for NPO Registration Process – <u>Funding</u> 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

Para 2.2.1 – Page 14 – TGR on SSE

11. For Profit Social Enterprises (FPSEs) 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

Page 82 – NiSM SM

12. Which of the following shall be eligible to be identified as a Social Enterprise?

a) Corporate foundations, that are primarily funded by a parent corporate entity or a group of corporate entities.

b) Political or religious organisations or activities

c) Professional or trade associations

d) Infrastructure companies and housing companies

e) Affordable housing companies

Page 12 – TGR; Reg 292E(3) – SEBI(ICDR)

13. In order to establish the primacy of its social intent, such Social Enterprise shall meet the following eligibility criteria; except?

a) shall target underserved or less privileged population segments or regions recording lower performance in the development priorities of central or state governments

b) shall have at least 67% of its activities, qualifying as eligible activities to the target population

c) shall be indulged in at least one of the 16 activities as specified in Reg 292E(2)(a)

d) All of the Above

e) Any one of (a) or (b) or (c)

Reg 292E(2)

Chapter 5

Social Audit and Social Auditors

No of Questions = 10

Marks = 10

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

Reg 2(1)(u) – SEBI AIF Regulations 2012

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)

Reg 2(1)(v) – SEBI AIF Regulations 2012

How/Why For Profit Social Enterprises were born?

- Alternative Investment Fuds ('AIFs') are a popular source of SIIs 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

Reg 3(4) – SEBI AIF Regulations 2012

5. Both <u>quantitative</u> and <u>qualitative</u> indicators are important in case of …… audit.

a) Statutory

b) Tax

c) Cost

d) Social

Page 91 – NiSM SACE WorkBook

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

SUSTAINABLE DEVELOPMENT GOALS

Page 91 – NiSM SACE WorkBook

17 PARTNERSHIPS FOR THE GOALS

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)

Reg 292I(2) – SEBI ICDR Regulations

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

Reg 292J(2) – SEBI ICDR Regulations

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

a) Social Audit

b) Social Impact Assessor

c) Social Impact Assessment 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

11. The offer documents for social enterprises shall provide the details under the following heads, called …………

a) Scorecard

b) Differentiators

c) Annual Report

d) Risk Disclosure Document

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12. The Impact Assessment Reports shall be placed before the Board and shall be annexed to the …….. on CSR.

a) Annual Report

b) Board Report

c) Auditors Report

d) Forensic Report

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

13. Every company having average CSR obligation of 10 crore rupees or more in pursuance of section 135(5) of the Act, in the 3 immediately preceding financial years, shall undertake impact assessment, through …….

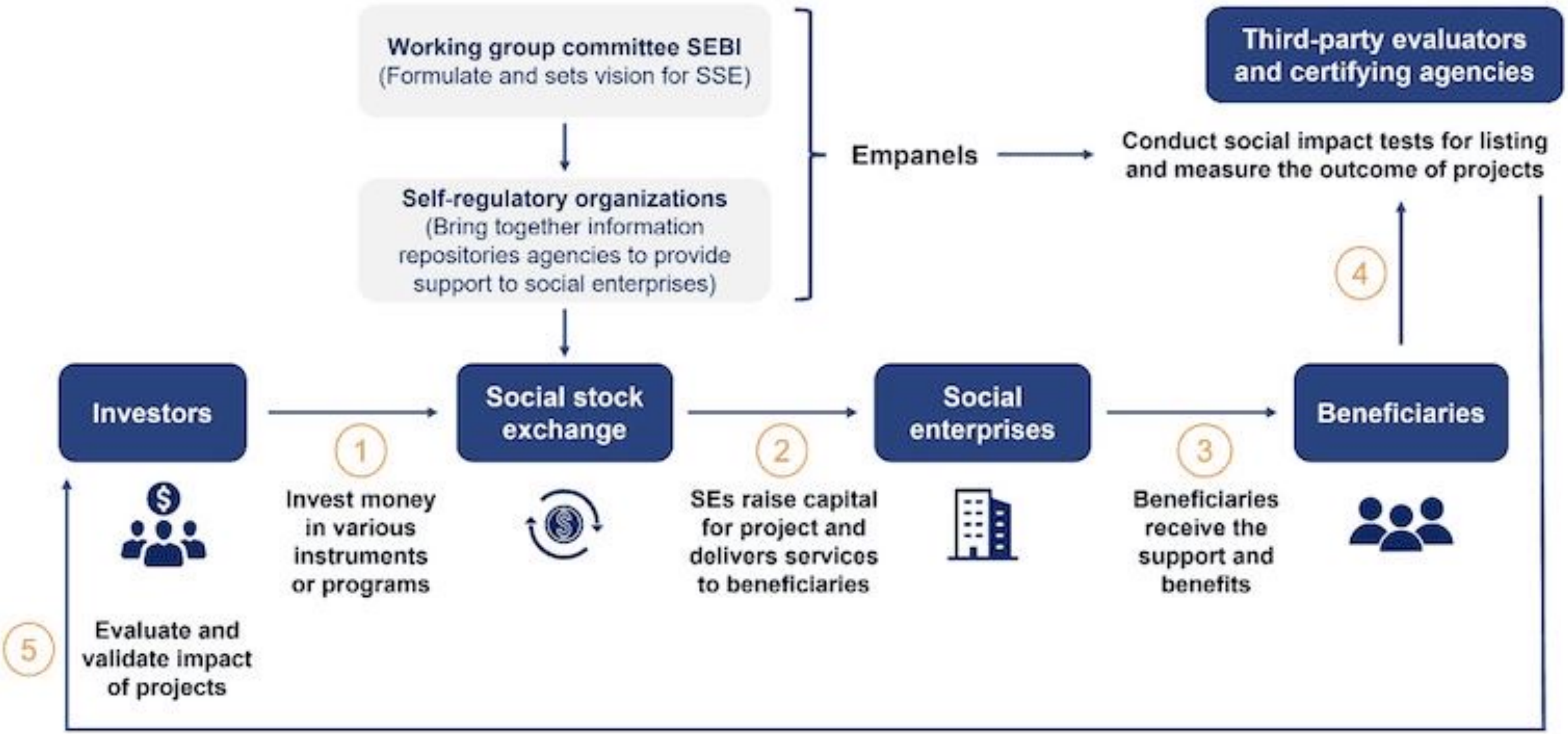
a) A Social Impact Assessor

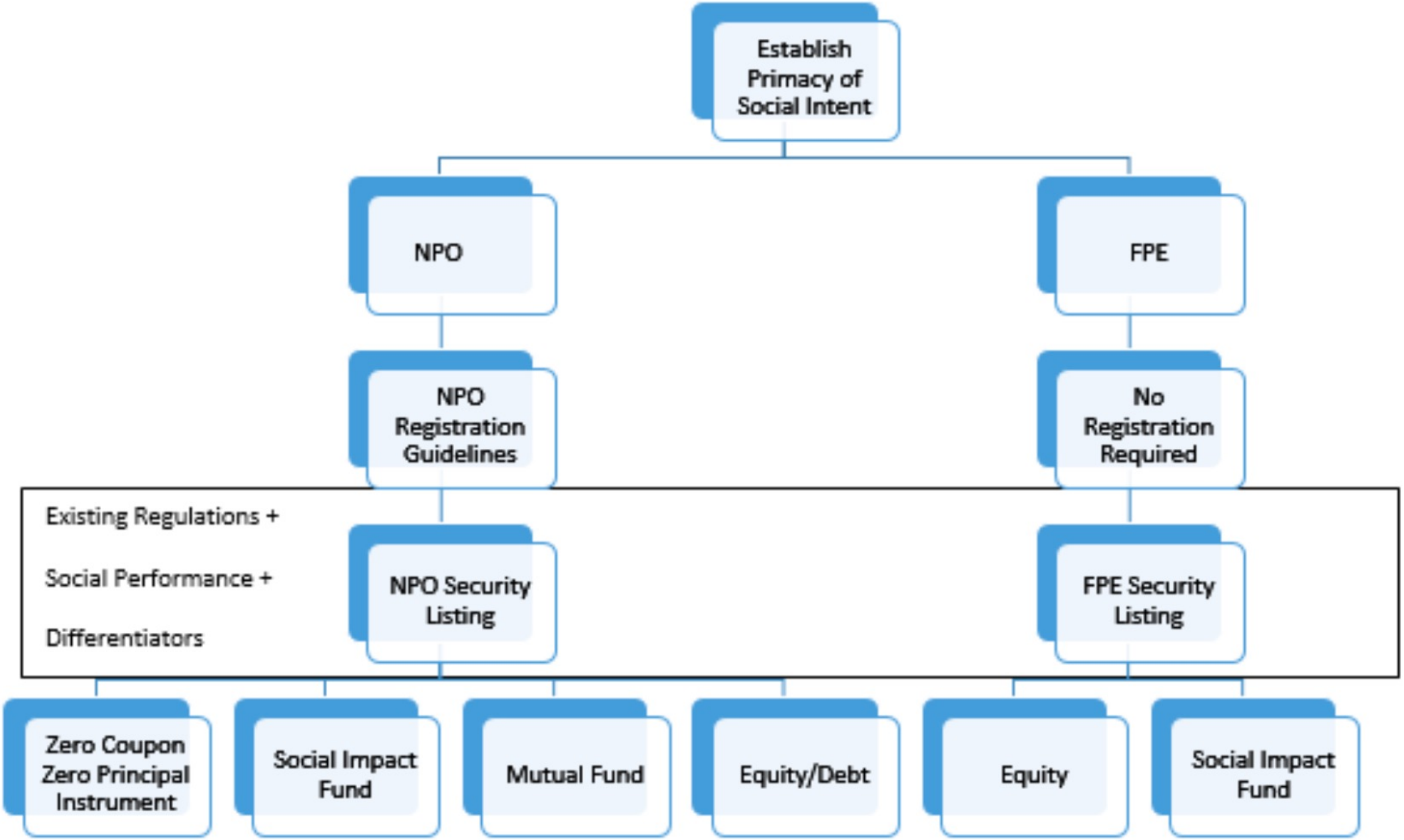
b) A Social Auditor

c) An Independent Agency

d) The Centre for Social Audit

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


Working group committee SEBI
(Formulate and sets vision for SSE)
Self-regulatory organizations
(Bring together information repositories agencies to provide support to social enterprises)
Empanels
Third-party evaluators and certifying agencies
Conduct social impact tests for listing and measure the outcome of projects
Investors
Social stock exchange
Social enterprises
Beneficiaries
1
Invest money in various instruments or programs
2
SEs raise capital for project and delivers services to beneficiaries
3
Beneficiaries receive the support and benefits
4
5
Evaluate and validate impact of projects

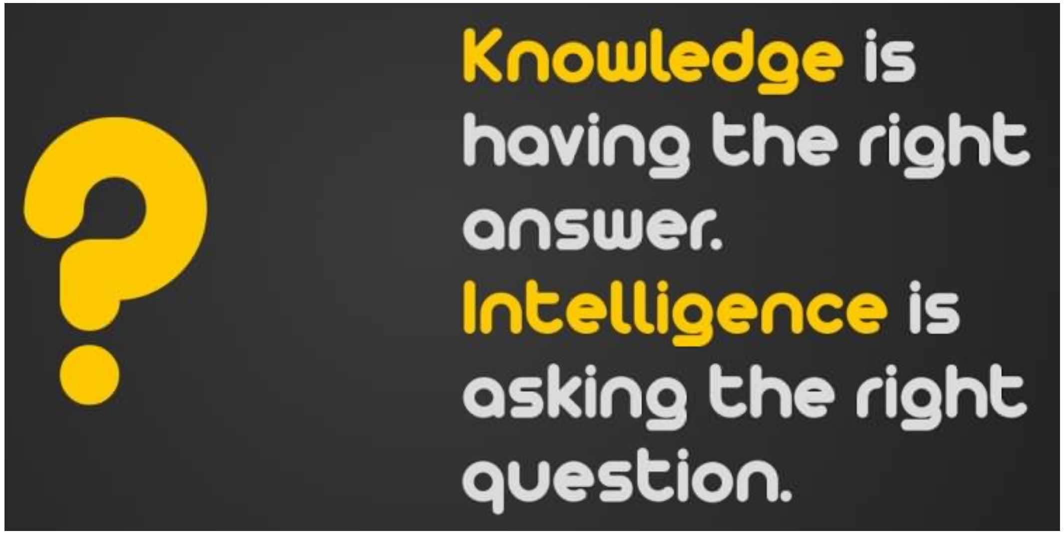


Note: A **Not for Profit Organization** may choose to register on a Social Stock Exchange and not raise funds through it.


ANALYSE

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	b				
2	c		2	d	12	a				
3	c		3	d	13	c				
4	c		4	a						
5	a		5	d						
6	a		6	d						
7	d		7	d						
8	b		8	c						
9	d		9	a						
10	a		10	c						



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