

Subject: Business Economics

Course: B.A., 2nd Semester, Undergraduate.

Paper No: 203

Paper Title: Legal Aspects of Business.

Unit No.: 1 (One)

Title: Companies Act, 1956.

Lecture No: 1 (One)

Title: Companies Act, 1956 (Part - 1)

Glossary

(i) Companies limited by shares:

When the liability of the members of a company is limited to the amount if any unpaid on the shares, such a company is known as a company limited by shares. In a company limited by shares the liability of the members is limited to the amount if any unpaid on the shares respectively held by them. The liability can be enforced during existence of the company as well as during the winding up. Where the shares are fully paid up, no further liability rests on them.

(ii) Companies limited by guarantee:

It is a registered company in which the liability of members is limited to such amounts as they may respectively undertake by the memorandum to contribute to the assets of the company in the event of its being wound up. In the case of such companies the liability of its members is limited to the amount of guarantee undertaken by them. Clubs, trade associations, research associations and societies for promoting various objects are various examples of guarantee companies.

(iii) Public company:

A public company means a company which is not a private company. There must be at least seven persons to form a public company. It is of the essence of a public company that its articles do not contain provisions restricting the number of its members or excluding generally the transfer of its shares to the public or prohibiting any invitation to the public to subscribe for its shares or debentures. Only the shares of a public company are capable of being dealt in on a stock exchange.

(iv) Holding and subsidiary companies:

A company is known as the holding company of another company if it has control over another company. A company is known as subsidiary of another company when control is exercised by the latter over the former called a subsidiary company. A company is to be deemed to be subsidiary company of another

(v) Certificate of Incorporation

On registration of the company when the documents required for registration of a proposed company is filed by the company along with the necessary fees. The registrar of Companies issues a Certificate that the company is incorporated. This certificate is called Certificate of Incorporation.