

**Subject: Business Economics**

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

**Paper No: 203**

**Paper Title: Legal Aspects of Business.**

**Unit No.: 3 (Three)**

**Title: Companies Act, 1956 Part-3**

**Lecture No: 3 (Three)**

**Title: Companies Act, 1956 Part-3**

FAQs

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**Q-1. Define article of association.**

**Ans.** Articles of association are the internal regulations of the company and are for the benefit of shareholders. These are the rules and regulation relating to the internal management of a company. The Article define the mode and form on which the business of the company is to be carried on.

**Q-2. Define Prospectus**

**Ans.** Prospectus - sec 2 (36) Prospectus means any document described or issued as a prospectus and includes any notice, circular, advertisement or other document inviting deposits from the public for the subscription or purchase of any shares in, or debentures of a body corporate. Merely Prospectus is a document by which an invitation is issued to the public to take shares or debentures of the company.

**Q-3. What are the content of article of association?**

**Ans.** Content of Article of Association

1. Rights of different classes of shareholder.
2. Use of common seal of the company.
3. Different classes of shares and their right.
- 4, Appointment, powers, duties, salary of MD, manager, and secretary.
5. Borrowing power of directors.
6. Voting rights of member.
7. Board meetings and proceedings.
8. Winding up company.

**Q-4. Define the different types of company meetings.**

**Ans.** Types of Company Meetings

1. Shareholders Meetings:
2. Statutory Meeting under Section 165;
3. Annual General Meetings under Section 166;
4. Extraordinary General Meetings:
5. Convened by directors on requisition under Sec 169.

**Q-5. What is the liabilities of independent director?**

**Ans.** Liability of an Independent Director-Section 149 (12) An independent director and a non-executive director except the promoter or key managerial personnel, shall be held liable only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes and with his consent or connivance or where he had not acted diligently.

**Q-6. Meeting of the Board and its power; discuss in brief**

**Ans.** Meetings of Board and its Powers shall be given to every director at the registered address as available with the company. The notice can be given by hand delivery or by post or by electronic means. 2. In case the Board meeting is called at shorter notice, at least one independent director shall be present at the meeting. If he is not present, then decision of the meeting shall be circulated to all directors and it shall be final only after ratification of decision by at least one Independent Director.

**Q-7. What is the difference in the main objects of Articles of Association and Memorandum of Association?**

**Ans.**

Memorandum controls external operations of the company whereas articles control internal operations of the company.

- Memorandum are the conditions introduced for the benefits of creditors, buyers, debtors, sellers and outside public whereas articles govern the relationship between the company and the shareholders, members amongst the members. It is just like the partnership deed in a partnership.

**Q-8. What is Share Capital?**

**Ans.** Share Capital is the total payments made to the Company by all the shareholders on their shares.

**Q-9. Can Company change its share Capital?**

**Ans.** Yes. Company can alter its share capital in the manner prescribed in The Companies Act, 1956.

**Q-10. What do you mean by the term meeting?**

**Ans.** Meeting may be defined as a gathering, assembly or coming together of a number of persons for the transaction of any lawful business.