



**SRI AKILANDESWARI WOMEN'S COLLEGE, WANDIWASH**

# **COMPANY LAW**

**Class : II UG Commerce**

**Mrs.N.LAKSHMI**

**Assistant Professor**

**Department of**

**Commerce**

**SWAMY ABEDHANADHA EDUCATIONAL TRUST, WANDIWASH**

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# Section-1: Introduction of a Company

Some open questions for students:

- What do you mean by company?
- What are the types of company?
- What are the procedure for company formation?
- How many members in the company?
- How many directors are in the company?
- What do you mean by winding-up of a company?

# Meaning of Company

A company is a legal entity formed by a group of individuals to engage in and operate a business enterprise in a commercial or industrial capacity. A company's business line depends on its structure, which can range from a partnership to a proprietorship, or even a corporation.

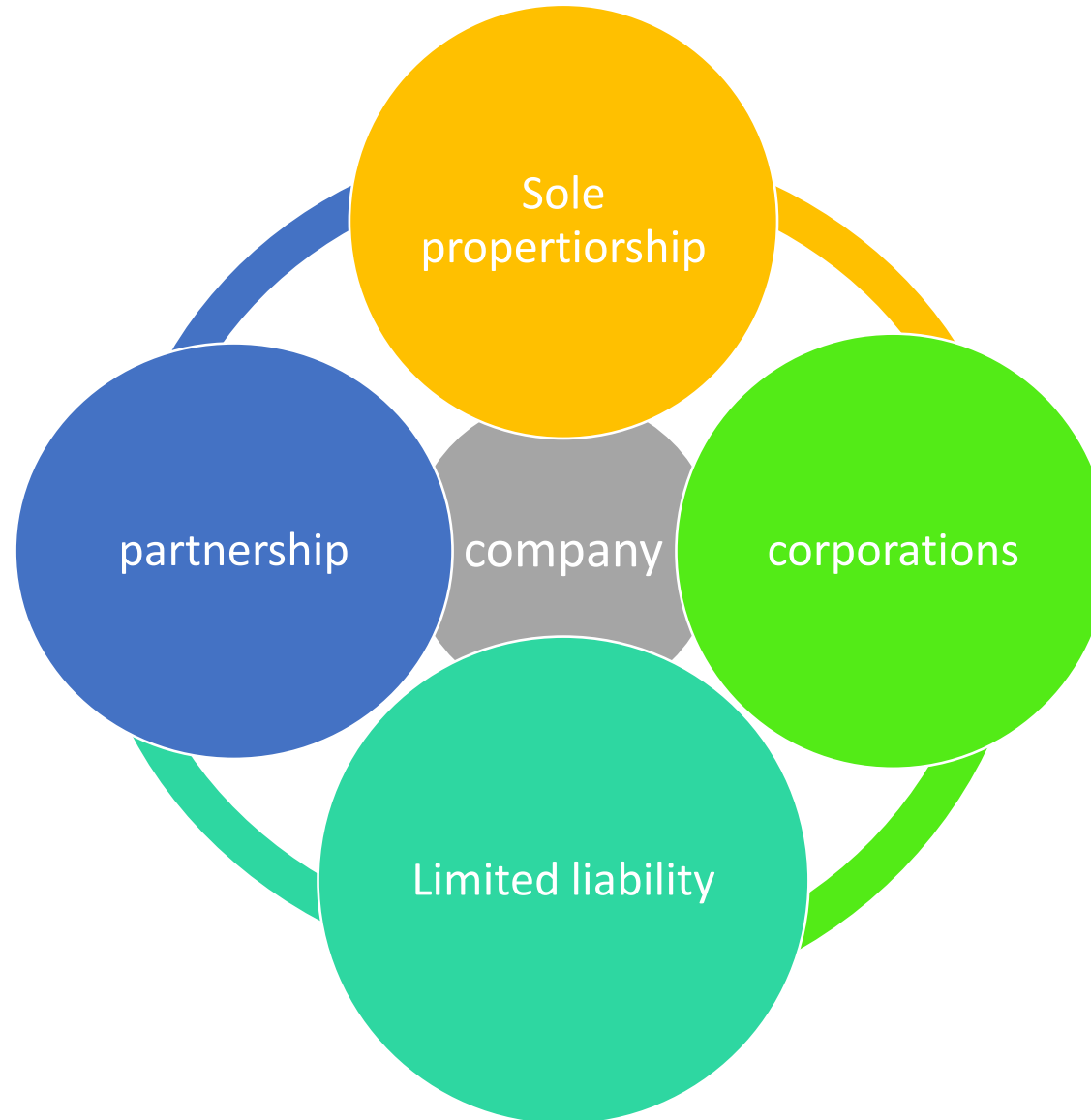
It includes features such as Limited Liability, Perpetual Succession etc. A registered association which is an artificial legal person, having an independent legal, entity with a perpetual succession, a common seal for its signatures, a common capital comprised of transferable shares and carrying limited liability.

# Definition

Section 2(20) of the Companies Act, 2013 defines a company to mean a company incorporated under this Act or under any previous company law.

*Prof. Haney* – “A company is an artificial person created by law, having separate entity, with a perpetual succession and common seal.”

# Types of Company



# Section-2: Formation of a Company

What are the way to formation of a company?



# Memorandum of Association(MoA)

Memorandum of Association is a **legal document that explains why the organization was founded**. It establishes the company's authority and the terms under which it works. It is a manual that includes all of a company's laws and regulations for its interactions with the outside world.

Any business must have a Memorandum of Association that specifies the extent of its activities. The organization cannot work outside the limits of the document until it has been prepared.



# Articles of Association(AoA)

Articles of association form a document that specifies the regulations for a company's operations and defines the company's purpose. The document lays out how tasks are to be accomplished within the organization, including the process for appointing directors and the handling of financial records.

Articles of Association also explain the manner in which a company will issue shares, pay dividends, audit financial reports, and offer voting rights. A set of guidelines can be called the company's manual as it outlines the process to perform the everyday activities that need to be accomplished.

# Section-3: Prospectus

Meaning:

A prospectus is a formal document that is required by and filed with the SEC that provides details about an investment offering for sale to the public. This document is used to help potential investors make a more informed decision on whether or not to invest.

Investors may also seek to obtain a prospectus through their broker or by contacting a company's investor relations department

# Contents of prospectus

1. Without prejudice to Article 14(2) and Article 18(1), a prospectus shall contain the necessary information which is material to an investor for making an informed assessment of:
  - (a) the assets and liabilities, profits and losses, financial position and prospectus of the issuer and of any guarantor;
  - (b) the rights attaching to the securities
2. The information in a prospectus shall be written and presented in an easily analyzable, concise and comprehensible form
3. The issuer, offeror or person asking for the admission to trading on a regulated market may draw up the prospectus as a single document or as separate documents.

# Section-4: Members of a Company

## Meaning:

Every person holding shares of the company and whose name is entered as a beneficial owner in the records of the depository shall be deemed to be a member of the concerned company. A company is a legal person and so is competent to contract. Therefore, it can become a member of any other company.

## Definition:

Section 2(25) of the companies act 2013 defines, "member", in relation to a company, means- (i) the subscriber to the memorandum of the company who shall be deemed to have agreed to become member of the company, and on its registration, shall be entered as member in its register of members; (ii) every other person who agrees in writing to become a member of the.

# Who can become a member?

- A person would become the member of the company if he 'agrees in writing' and gets his name entered in the register of members of the company. A shareholder would also become a member of the company if he 'agrees in writing', and by the following methods: By transfer of shares. By transmission of shares.

# What are the rights of members?

## Rights to participate in meeting

Rights to vote

Rights to  
information

Rights to  
transfer shares

Dividend rights

Rights to sue

# Section-5: Directors of a Company

## Meaning:

Directors are the persons appointed to direct and supervise the affairs of a company. As per section 2(34) of the Companies Act 2013 director means a director appointed to the board of a company.

Section 152(1) of the 2013 Act provides that, in default and as per the contents of the Articles of the Association of a company, the ones who are the subscribers of the Memorandum of Association (provided they are individuals and not an association, enterprise, etc.) shall be termed as directors.

# What are the way to appoint directors?

- Except as provided in the Act, every director shall be appointed by the company in general meeting.
- Conducting general meeting
- Majority of shareholders entitled to vote
- Appointed by the government



# Winding up

## Meaning:

Winding up (or liquidation) is the process by which a company's assets are collected and sold to pay off its debts. Any monies remaining after all debts, expenses and costs have been paid off are distributed amongst the company's shareholders. The company will be dissolved and will no longer exist after winding up.

# What are the way to winding up of a company?

## **Compulsory windingup**

- Special Resolution
- Statutory Meeting Default
- Business Commencement Or Suspension
- Membership Reduction
- Debt Obligations
- Court orders

## **Voluntary windingup**

- Member's Voluntary Winding Up
- Creditors voluntary winding up