

Notes by Akhilesh Kumar
Jk college Biraul Darbhanga

Notes BY: AKHILESH KUMAR(Guest Teacher)

DEPARTMENT OF COMMERCE

JANTA KOSHI COLLEGE BIRAUL, DARBHANGA

**FOR-LNMU B. COM PART -2 Hons paper -III Business
and Regulatory Framework , unit-4 Indian company
Act 1956(as amended till) Lecture no -1**



Easy to Understand the concept

Ques 1 : Define a Joint Stock Company.

Ans: *A joint-stock company is a business entity in which shares of the company's stock can be bought and sold by shareholders. Each shareholder owns company stock in proportion, evidenced by their shares. Shareholders are able to transfer their shares to others without any effects to the continued existence of the company*

According to Prof. Haney :- *A company is an artificial person created by law, having separate entity, with a perpetual succession and a common seal.*

According to Justice James:- *A company is an association of persons united for a common object.*

Section 2 (20) of the Companies Act, 2013 define a company as

“A company incorporated under this Act or under any previous company law.

”A company incorporated under any previous company law means an existing company.

Ques 2 : State any four features of a Joint Stock Company?

Ans: A few significant characteristics of a company are as follows:

- 1. Artificial Legal Person:** A company is an artificial person as against a natural person. It is created by a process of law.
- 2. Separate Legal Entity:** A Company has a separate and distinct legal entity from its shareholders/ members. It can enter into contracts, sue and be sued in its own name by its members as well as outsiders.
- 3. Limited Liability:** The liability of the members for the debts of the company is limited to the amount unpaid on their shares howsoever heavy losses the company might have suffered.

4. Transferability of Shares: *The shares in a public company are freely transferable subject to conditions prescribed by its articles. However, a private company has to restrict the right to transfer its shares by its articles.*

Ques3 : *What do you mean by perpetual succession of company?*

Ans:- *Perpetual Succession : A company is a legal entity with perpetual succession. It is capable of surviving beyond the lives of its members. It never dies.*

Because, law creates it and law alone can dissolve Its existence is even not affected by the change, lunacy, retirement, death or insolvency of its members.

It may be noted that even in case of OPC (One Person Company), the feature of perpetual succession has been ensured. For this purpose, the Act provides that memorandum of OPC shall indicate the name of other person (Nominee) with his consent.

This person shall in the event of subscriber 's (Member 's) death or his incapacity to contract, become member of

the company. (Section 31) Thus, even a OPC has the characteristics of perpetual succession. Members may come and go but a company goes on forever and remains the same entity.

Ques: 4. What is meant by Separate Legal Entity of Company?

Ans: A company has a legal entity distinct and separate from its constituent members (shareholders). It is an autonomous body, self-controlling self-governing. It has the right to own and transfer the title to property in any way it. It can enter into contracts, open a bank account in its own name, sue and be sued by its members as well as outsiders.

A member can not claim any ownership rights in the assets of the company either individually or jointly during the existence of the company or in its winding up. The property of the company is to be used for benefit of the company and not for the personal benefit of the shareholders.

Principle of separate legal entity of the company was judicially recognized by the House of Lords in 1867 in the case of Oakes Vs. Turquand and Hording (1867). It

was then held that since an incorporated company has a legal personality distinct from that of its members, a creditor of such a company has remedy only against the company and not against an individual shareholder.

Thus, a creditor of an incorporated company has remedy only against the company for his debts and not any of the members of whom it is composed. The position was further clarified by the House of Lords in the famous case of Salomon v. Salomon Co. Ltd. (1897).