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**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 -2**

***Ques: 5 What is meant by the term 'Body Corporate?'***

***Ans: Sub-section (11) of Section 2 of the companies Act,  
2013 defines the expression 'body corporate' as follows,***

***"body corporate" or "corporation" includes a company  
incorporated outside India, but does not include:***

- 1. A co-operative society registered under any law relating to co-operative societies.***
- 2. Any other body corporate (not being a company as defined in the Act) which the Central Government***

*may notify. Thus, the words 'body corporate' are not equivalent to the words 'incorporated company'.*

*3. An incorporated company is a body corporate but many bodies corporate are not incorporated companies. The expression 'body corporate' or 'corporation' is, thus, wider than the word 'company'.*

*The term 'body corporate' includes the following:*

*4. Foreign companies.*

*5. Corporations formed under Special Act of Central Government or State Government.*

*6. Public Financial Institutions under Section 2 (72)*

*e.g., LIC, ICICI, IDBI, GIC, Power Finance Corporation Ltd., Rural Electrification corporation Ltd., Infrastructure Development Finance Company Ltd., etc.*

## **7. Nationalized Banks**

**8. Limited Liability Partnership formed and registered under the Limited Liability Partnership Act, 2008.**

## **9. One Person Company**

**Question 6 :- What is meant by 'Corporate Veil'?**

**Ans:- One of the fundamental principles of company law is that a company has personality that is distinct from that of its shareholders. Once a company is formed and registered under the Act, it is a separate legal entity distinct from its members. It can sue and be sued in its own name.**

**This rule was laid down by the House of Lords in *Salomon v. Salomon & Co.*, in 1897 in which it was held that even if one individual held almost all the shares and debentures in a company, and if the remaining shares were held on trust for him, the company is not to be regarded as a mere shadow of that individual.**

*The principle of separate entity is regarded as a curtain, a veil, or shield between the company and its members, thus protecting the later from the liability of the former. The veil is impassable as an iron curtain. This theory of corporate entity is still the basic principle on which the whole law of corporations is based.*

**Question 7 :- Describe the case 'Salomon Vs. Salomon and Co. Ltd.**

**Ans:-** *In Salomon Vs. Salomon and Co. Ltd., Salomon was holding substantially the entire share capital in his name and to fulfill the statutory requirement of at least 7 members, his wife, a daughter and four sons joined him to form the company.*

*The company ran into financial difficulties after sometime and went into liquidation. The creditors claimed priority over the debentures stating that Mr. Salomon and Salomon and Co. Ltd. Were one and the same person, the company was only a façade to defraud the innocent creditors.*

*It was held that the company had an independent existence distinct from its members. Therefore, Mr.*

***Salomon was entitled to be paid his dues first as a secured creditors.***

***Question 8 :- How many minimum and maximum number of members in a-private company?***

***Ans:- Except One Person Company, the minimum number of members required to form a private company is two and maximums number Of members is 200, excluding members who are or were in the employment Of the company. It may also be noted that if two or more persons hold shares jointly, such joint shareholders shall be treated a single member.***