Joint Stock Company

Meaning of Company

A Company is defined as a voluntary association of persons recognised by law, having distinct name, a common seal, formed to carry on business for profit, with capital divisible into transferable shares, limited liability, corporate body and pectual succession.

Kinds of Companies

I. Companies based on Incorporation:

1. Chartered Company - Ex: British East India Company during 1600
2. Statutory Corporation - Ex: RBI, IDBI, FCI, TSRTC etc
3. Registered Company - Ex: TCS, Infosys, ITC, Reliance, Suzlon etc

II. Companies based on Public interest:

1. Private Company - Ex: AMD India Private Limited Co.
2. Public Company - Ex: Reliance Industries, ONGC, Tata Motors etc
3. Government Company - Ex: NTPC, BHEL, HMT, SAIL etc

III. On the basis of Controlling Interest:

Holding & Subsidiary Companies -

Ex: Alphabet, Berkshire Hathaway, HDFC

IV. Companies based on Liability:

1. Unlimited Company
2. Limited Company
3. Companies limited by guarantee

V. Companies based on Nationality:

1. Foreign Company
2. Indian Company

Public Company Vs Private Company

Points of difference	Private Company	Public Company
Membership restriction	Minimum - 2 Maximum - 200	Minimum - 7 Maximum - Unlimited
Transferability of Shares	Restriction	No Restriction
Minimum paid up Capital	1,00,000	5,00,000
Issue of Prospectus	Prohibited	Can be issued
Minimum Directors	At least 2	At least 3
Acceptance of public deposits	Prohibited	Can accept

Important Documents in Company Formation

1. Memorandum of Association
2. Articles of Association

Memorandum of Association:

It is the principal document of the company. It is a public document which clearly states the objects for which the company is formed.

It is treated as the constitution of the company.

Contents of MOA

The Memorandum of Association contains few clauses:

1. Name Clause
2. Registered Office Clause
3. Objects Clause
4. Liability Clause
5. Capital Clause
6. Subscription Clause

Articles of Association

The Articles of Association (AOA) is a document that defines the purpose of a company and specifies the regulations for its operations.

The AOA of a company contain rules, regulations and by-laws for the management of the internal affairs of the company.

The document outlines how tasks should be accomplished within an organization, including the preparation and management of financial records.

Features of a Company

1. Company is a Registered body
2. Distinct legal entity
3. Artificial person
4. Voluntary association of persons
5. Perpetual succession
6. Common seal
7. Limited liability
8. Transferability of shares
9. Ownership & management separated
10. Winding up

Advantages of Limited Liability Company

1. Collection of huge financial resources
2. Limited liability
3. Free transferability of shares
4. Durability & stability
5. Growth & expansion
6. Efficient management
7. Democracy in management
8. Public & institutional confidence
9. Economies of large scale operations
10. Dispersal of ownership
11. Social benefits

Disadvantages

1. Lengthy and expensive legal procedure
2. Excessive government regulations
3. Delay in decision making
4. Oligarchy in management
5. Conflicting interests
6. Lack of responsibility and commitment
7. Promotes speculation
8. Lobbying with Government departments
9. Growth of monopolistic tendencies
10. Higher taxes

One Person Company (OPC)

Section 2(62) of the Companies Act 2013 defines OPC as a company which has only one person as a member.

Any naturally born Indian who is also a resident of India can incorporate an OPC.

Legal Nature of OPC:

OPC can be registered only as a private company which means that all the provisions applicable to private company will be applicable to an OPC, unless otherwise expressly excluded in the Act or rules made thereunder.

Co-operative Organisation/Society

In the words of International Labour Organisation (ILO), a Cooperative Society is ‘an association of persons usually of limited means who have voluntarily joined together to achieve a common economic end, through the formation of a democratically controlled business organisation, making equitable contribution to the capital required and accepting a fair share of risks and benefits of the undertaking’.

The main principle underlying cooperative organisation is mutual help.

A minimum of 10 persons are required to form a cooperative society.

A society must be registered with the registrars of cooperative societies under the Cooperative Societies Act 1904.

Features of a Cooperative Society

1. It is a voluntary association
2. Separate legal entity
3. Compulsory registration
4. Membership
5. Capital
6. Service motive
7. Democratic style
8. Distribution of surplus
9. Non-transferability of shares
10. One member one vote

Advantages

1. Easy of formation
2. Open membership
3. Democratic management
4. Limited liability
5. Stability
6. Economical operations
7. Government patronage
8. Other benefits

Disadvantages

1. Shortage of funds
2. Inefficient management
3. Absence of motivation
4. Differences among members
5. Misuse of funds
6. Rigid rules and regulations