



VIT[®]

Vellore Institute of Technology
(Deemed to be University under section 3 of UGC Act, 1956)

Legal Aspects of Business

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Recapitulate

The companies Act, 2013

- Objectives of the Act
- Introduction
- Definition
- Company includes

The Companies Act, 2013

Characteristics of a Company

- Incorporated Association
- Artificial Legal Person
- Separate Legal Entity
- Perpetual Succession
- Limited Liability
- Common seal
- Transferability of shares
- Capacity to sue and be sued
- Separate Property

The Companies Act, 2013

Date mentioned in the certificate of incorporation marks the birth of a company and registration is mandatory

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Its not a natural person as it's not born of parents. It can act like natural person, i.e., it can acquire and dispose property, enter into contract, can sue and be sued by others

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Distinct from its members who constitute it. It acquires its own entity and no one claim any ownership rights in the assets and deal as its likes

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It never dies in spite of a change in the membership, death, insolvency, etc. Even during the war everyone were killed by a hydrogen bomb, but it can survive. Natural calamities like flood, earthquake, etc., does not affect the life of the company.

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Liability of every shareholder of a company limited by shares to the extent of the face value or amount of the guarantee given by them

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Being an artificial person, it is not bestowed with a body of a natural person, therefore, it has to act through board of directors. But, document issued without signature will not be validated. Seal is the official signature of the company, the company name is engraved on it.

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The shares of any members in a company shall transferred in the manner prescribed by the articles of the company. It provides liquidity to the investor and stability to the company

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Being a body corporate can enforce its legal rights. Similarly, it can be sued for breach of its legal duties.

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Members do not have direct proprietary rights to the company's property but merely to their shares.

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Review Questions

1. A husband and wife, who were the only two members of a private limited company, are shot dead by dacoits. Does the company also die with them?
2. During the war, all the members of a public company, while in general meeting were killed by a bomb. Is the company no longer in existence?
3. The Board of directors or members does have direct proprietary rights over the company's property. **True or False**

Answer

1. A husband and wife, who were the only two members of a private limited company, are shot dead by dacoits. Does the company also die with them?

Answer: No, the company will continue as it has a perpetual succession

2. During the war, all the members of a public company, while in general meeting were killed by a bomb. Is the company no longer in existence?

Answer: No, it will continue

3. The Board of directors or members does have direct proprietary rights over the company's property.

Answer: False