



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

Classifications of Companies

- On the basis of Incorporation
- On the basis of Liability
- On the basis of Number of Members
- On the basis of Control
- On the basis of Ownership

The Companies Act, 2013

Distinction between Private Company and Public Company

■ Minimum No. of Members

Private Company - Two Members

Public Company - Seven Members

■ Maximum No. of Members

Private Company - Two Hundred Members

Public Company - Unlimited Members

■ Article of Association

Private Company - Should have separate Articles of Association

Public Company - They can adopt Table A if its has liability limited by shares

The Companies Act, 2013

Distinction between Private Company and Public Company

■ Commencement of Business

- | | | |
|-----------------|---|--|
| Private Company | - | Commence once received Incorporation Certificate |
| Public Company | - | After getting incorporation certificate apply for Commencement of Business certificate |

■ Invitation to the Public

- | | | |
|-----------------|---|---|
| Private Company | - | Articles prohibit any such invitation to the public |
| Public Company | - | Invites general public to subscribe for the shares in or debentures |

■ Transferability of Shares

- | | | |
|-----------------|---|---|
| Private Company | - | Right to transfer of shares and debentures are restricted by its Articles |
| Public Company | - | Shares and debentures are freely transferable |

The Companies Act, 2013

Distinction between Private Company and Public Company

■ Quorum

Private Company	-	Two members
Public Company	-	If Articles do not provide for a larger quorum, 5 members

■ No. of Directors

Private Company	-	Minimum of Two directors
Public Company	-	Minimum of Three directors

■ Statutory Meeting and Report

Private Company	-	Statutory meeting and report not required
Public Company	-	Mandatory to convene a Statutory meeting and report to be submitted to Registrar

The Companies Act, 2013

Distinction between Private Company and Public Company

■ Restriction on Appointment of Directors

Private Company	-	No restriction in appointing directors
Public Company	-	The directors must file with the Registrar a consent to act as director or sign an undertaking for their qualification shares.

■ Managerial Remuneration

Private Company	-	No restriction in managerial remuneration
Public Company	-	Overall Managerial remuneration should not exceed 11 percent of the net profit

Review Questions

1. In a private limited company, it is discovered that there are, in fact 204 members. On an enquiry, it is ascertained that 6 of such members have been employees of the company in the recent past, and that they acquired their shares while they were still employees of the company. Is it necessary to convert the company into a public limited company?
2. The director of the private company has to give their consent with registrar to act as director. **True or False**
3. The public company can commence its business after getting the commencement of business certificate. **True or False**

Answer

1. In a private limited company, it is discovered that there are, in fact 204 members. On an enquiry, it is ascertained that 6 of such members have been employees of the company in the recent past, and that they acquired their shares while they were still employees of the company. Is it necessary to convert the company into a public limited company?

Answer: No need to convert, 6 of them were employees of the company

2. The director of the private company has to give their consent with registrar to act as director.

Answer: False

3. The public company can commence its business after getting the commencement of business certificate.

Answer: True