

Chapter-5. Joint Stock Company

Joint Stock Company

1844 - Britain (first company Act)

1850 - Indian sub-continent company Act

1913 - Indian company Act.

1934 - Company Act, Bangladesh.

Joint Stock Company:

Joint Stock Company is a voluntary association of people incorporated under the company act, having a separate legal existence with limited liability and a common perpetual succession and a common seal.

Features

- 1) Lawful organization.
- 2) Separate and artificial entity.
- 3) Perpetual succession,
- 4) Compulsory registration.

5) Number of members.

6) Membership.

7) Limited liability.

8) Common seal.

9) Transferability of share.

10) Statutory responsibility.

11) Democratic management organization.

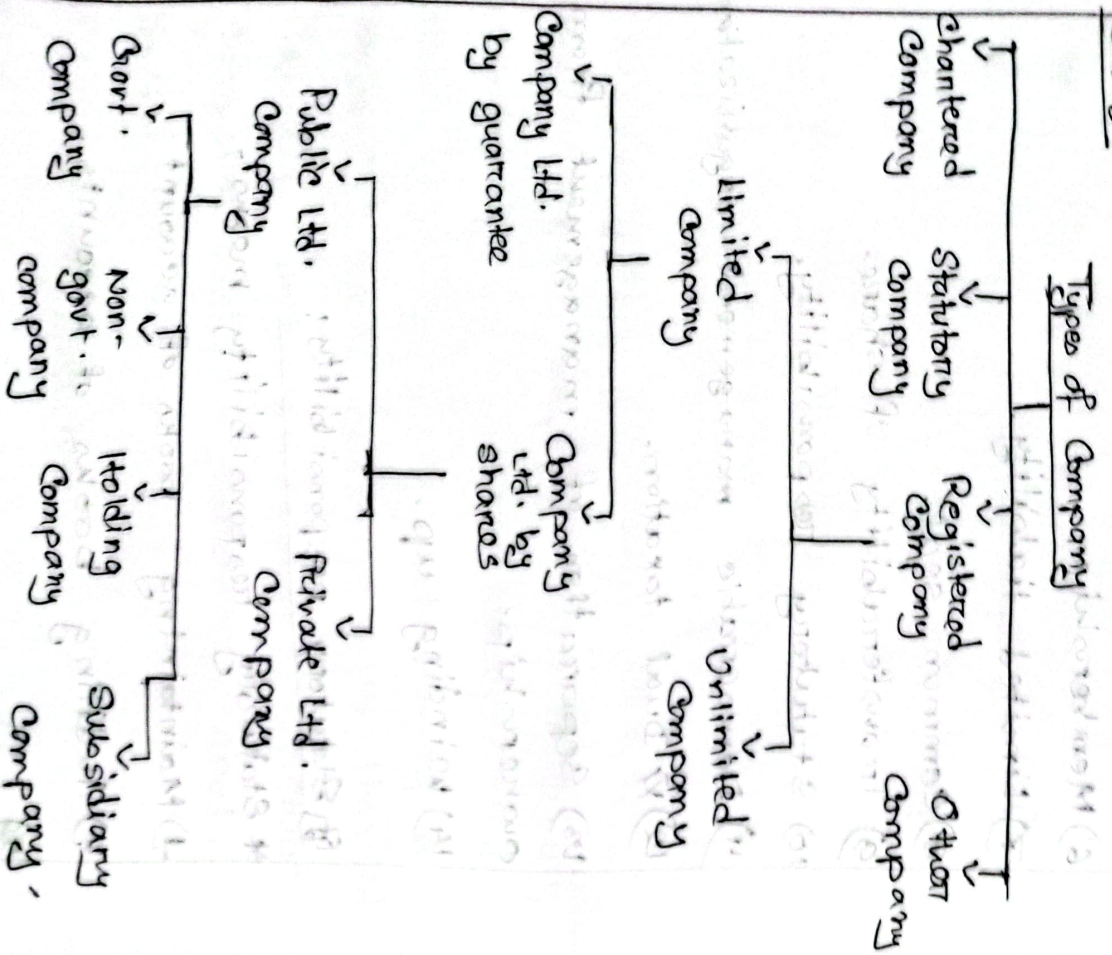
12) Dual taxation.

13) Separation of management from ownership.

14) Winding up.

Statutory responsibility:

- 1) Statutory responsibility means -
- 1) Maintaining books of account.
- 2) Auditing books of accounts.



Chartered Company

1. East India Company
2. Bank of England
3. The chartered bank of England
4. Chartered mercantile bank of India

Statutory Company

1. Bangladesh Bank
2. BPTE
3. RAJUK
4. WASA
5. Bangladesh Rural Electrification Board

Company limited by guarantee

A company Ltd. by guarantee is such a registered company where the extent of liability of members is specified in the MOA. The liabilities of its members in case of need may exceed the face value of shares held by them.

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Types of Company

PLC \rightarrow Certificate of incorporation

" registration

" a common term

Holding Company

The company which holds majority voting rights of another company.

\Rightarrow A holding company is one that directly or indirectly holds more than 50% of equity share capital or controls the composition of BOD of some other companies. A company may become a holding company of another company in any of the following 3 ways:

1) By holding more than 50% of ^{the paid up} equity share capital of another company.

2) By holding more than 50% of the voting rights.

3) By holding the right to appoint the majority directors of another company.

Subsidiary Company

A subsidiary company is one which more than 50% of paid up equity share capital is held by another company or whose majority of the directors are appointed by another company or whose more than 50% of the voting ~~est~~ rights are exercised by another company.

Difference between Pte and Pub. Ltd.

| Public | Pvt. |
|---|---|
| <p>⇒ Minimum no. of members 7 to no. of shares.</p> | <p>⇒ Minimum no. of members 2 to 50.</p> |
| <p>⇒ Formation is harder</p> | <p>⇒ Formation is easier.</p> |
| <p>⇒ Shares can be transferred.</p> | <p>⇒ Shares cannot be transferred.</p> |
| <p>⇒ Can start by collecting share certificate</p> | <p>⇒ Can start by collecting certificate of incorporation</p> |

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how is it associated with the world?

Advantages of Joint-Stock Company

1. Perpetual existence
2. Low full organization / legal entity -
3. Huge amount of capital.
4. Limited liability.
5. Efficient direction.
6. Public interest.
7. Employment opportunity.
8. Research and development.
9. Use of modern technique.
10. Social welfare.
11. Expansion opportunity.
12. Advantages of credit.

Limitations

- ⇒ Complexity
- ⇒ Delay in decision making
- ⇒ Lack of secrecy
- ⇒ Huge administrative exp.