



SHORT ANSWER TYPE QUESTIONS

Question 1. What is public company?

Answer: Minimum requirement of a public company is seven person. As per the Section 3 (1) (iv) of Companies Act 1956, public company is a company which (a) is not a private company, (b) has minimum capital of ₹5 lakh or such higher paid-up capital as may be prescribed, and (c) is a private company which is a subsidiary public company.

Question 2. What is private limited company?

Answer: As per Section 3 (1) (iii) of Companies Act 1956, A private company is one which has a minimum paid up capital of ₹1 lakh or such higher paid-up capital as may be prescribed by its Articles

- (i) Restricts the right to transfer its shares.
- (ii) Limits the number of its members to fifty (excluding its employees).
- (iii) Prohibits any invitation to the public to subscribe for any shares in or debentures of the company.
- (iv) Prohibits any invitation or acceptance of deposits from person other than its members, directors and relatives.

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