

Nature & Type of Company

- As per Section 3 of the Companies Act a company means a Company registered under the Companies Act.

Characteristics of a Company

1. Incorporated Association- It means the Company must be registered under the Companies Act

- In case of a Public Limited Company there must be at least 7 members and in case of a Private Ltd. Company the minimum no. of members should be 2.

2. Legal entity distinct from its Members – The Company is a distinct person, i.e., it is a separate legal entity different from its members.
3. Artificial Person – Though the Company is a separate legal person but it is not a natural person but an artificial person. Thus its business will be carried by the natural persons.
4. Limited Liability – One of the advantages of doing business through the Company form of Organization is that the members or shareholders liability is limited to the extent of the shares held by them

- 5. Separate Property – The property of the Company is not the property of the shareholders. The Company owns property on its name and the shareholders have no right on it.
- 6. Transferability of Shares – In case of a Public Ltd. Company the shares of the shareholders are freely transferable. However in case of a Private Ltd. Company the shares are transferable subject to certain restrictions.

- Perpetual Succession – Perpetual succession implies that the shareholders may come and go but the Company will not cease to exist. Thus where all the shareholders of a Company die, their legal heirs will be the members of the Company.
- Common Seal – Since the Company is not a natural person hence its Business is carried on by the Directors through the Company's common seal.

Types of Companies

- Two common types of Companies are:
- Private Companies
- Public Companies.
- The above two types of Companies could be registered either as a limited liability Company or as an unlimited liability Company.

- If a Company is registered as a Limited Liability Company then it could be any of the following:
 - Company Limited by Shares
 - Company Limited by Guarantee
 - Company Limited by shares as well as by guarantee

- Companies may also be Classified as follows:
- Statutory Company
- Registered Company
- Existing company
- Association not for profit (Sec.25 Company)
- Government Company
- Foreign Company
- Holding and Subsidiary Company

- Private Ltd. Company – A Company which puts restriction regarding the right to transfer shares , puts a restriction regarding the number of members to be less than 50 and which prohibits public to subscribe to shares or debentures is a Private Limited Company.
- Public Ltd. Company – Companies Act says a Company which is not a Private Ltd. Company is a Public Ltd. Company. Thus a Company which does not restrict the right to transfer shares , does not restrict the number of members to be 50 and which does not prohibit the public to subscribe to it's shares or debentures is a Public Limited Company.

- Statutory Company – A Company which is formed by a special act of legislature is known as a Statutory Company. In India LIC,SBI,RBI are formed by such type of Act.
- Each statutory Company is governed by the special act as well as the provisions of the Companies Act.
- For example State Bank of India is governed by the State Bank of India Act as well as the Companies Act.

- Registered Company – A Company registered under the Companies Act is known as a Registered Company.
- Registered Companies can be registered either as a Limited Liability Company or an Unlimited Liability Company.
- Further they may be registered either as a Private Company or a Public Company.

Limited Liability Companies:

Limited Liability Companies could further be divided into the following categories:

1. Companies Limited by Shares
2. Companies Limited by Guarantee – A Company limited by guarantee may be defined as a company having liability of its members limited by the memorandum to such amount as the members may respectively undertake by the memorandum to contribute to the assets in the event of closure of the company.
3. Companies Limited by Guarantee having Share Capital

- **Existing Companies – It includes those Companies which are formed and registered under any of the previous companies act in force before the coming into existence of the Companies Act,1956**
- **Association not for Profit – Under Sec.25 of the Companies Act,1956 such type of Organizations are allowed to be registered which are formed for promoting art, commerce ,science , religion, charity or any other useful social purpose.**

- **Government Companies** – Are those Companies in which not less than 51% of the paid-up capital is held by
 - (i) the Central Government, or
 - (ii) the State Government or Governments, or
 - (iii) partly by the Central Government and partly by one or more State GovernmentsA Subsidiary of a Government Company shall also be treated as a Government Company

- Foreign Company – A Foreign Company means a Company incorporated or registered outside India but having a place of business in India.
- A Company shall be said to have a place of Business in India if it has a specified or identifiable place at which it carries on Business such as an Office ,Store House, Godown or other premises having some concrete connection between locality and it's Business.

- Holding Company and Subsidiary Company – These two are relative terms . A Company is a holding company of another if the other is it's subsidiary.
- A Company shall be deemed to be a subsidiary of another , if and only if
 - (i) that other Company controls the composition of it's board of directors
 - (ii) that other Company holds more than half in nominal value of it's equity shares
 - (iii) It is a subsidiary of a third Company which itself is a subsidiary of the controlling company.

Distinction Between Private Company and Public Company

	Pvt. Company	Public Company
Min. No. of Members	Two	Seven
Max. No. of Members	Fifty	Unlimited
Transferability of Shares	Restricted	Freely Transferable
Minimum No. of Directors	Two	Three