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Nature of a
COMPANY

MEANING

A Company means a group of persons associated together for the attainment of a common objectives, social or economic.

DEFINITION

JUSTINE LINDLAY defines the company “as an association of many persons who contribute money or money’s worth to a common stock and employ it in some trade or business and who share the profit arising there from”

- **Association of Persons**



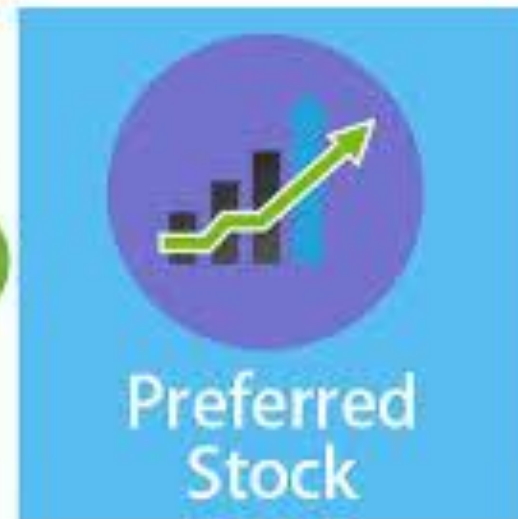
- **Contribute Money**



- **Common Stock**
(capital)



VS



- **Employ it in some trade or business**



- **Share Profit**



Characteristic Features of a Company



- * Incorporated Association under Company Law**
- * Artificial entity with Legal Personality**
- * Independent from the members**
- * Perpetual existence**
- * Common Seal**
- * Common Capital, divisible in terms of shares with limited liability**
- * Shares belonging to member are freely transferable**
- * Own properties and sell them**
- * Capacity to sue**
- * It has professional managers**

**(i) INCORPORATED
ASSOCIATION UNDER
COMPANY LAW**



Company will become a legal entity when it is registered under Law. It frames its own Memorandum and bye-laws.

(ii) ARTIFICIAL ENTITY WITH LEGAL PERSONALITY



It is an artificial person and it does not possess the attributes of a natural person.

(iii) INDEPENDENT FROM THE MEMBERS



A company has an independent personality of its own. It does not derive its personality from its members.

(iv) PERPETUAL EXISTENCE



Members may come and go out of the company but the company will ever remain as a permanent entity. It never dies because it is not a natural person. It can only be dissolved, according to law.

(v) COMMON SEAL



When common seal is affixed on a document, It is considered as the authoritative document of the company.

(vi) Common Capital, Divisible in Terms of Shares with Limited Liability



(vii) Shares belonging to members are freely transferable



The capital of a company is divided into several small parts known as shares. Transferability of shares is one of the essential qualities of a public limited company.

(viii) Own Properties and Sell them



The property owned by the company cannot be regarded as the property belonging to any specific individual shareholder.

(ix) CAPACITY TO SUE



Company being an artificial person, it is endowed with legal personality. Hence, it can file a suit against third parties and a suit can also be filed against the company.

(x) It has Professional Managers



Shareholders may be the owners of the capital. But the management of the capital is done by the board of directors.

