



COMPANY LAW

TYPES OF COMPANIES

MEANING OF COMPANY

A Company is a voluntary association of persons formed to achieve some common objectives, having a separate legal entity, independent and separate from its members, with a perpetual succession and a common seal, and with capital divisible into transferable shares.

DEFINITION OF COMPANY:

According to Lord Justice Lindley, “A company is an association of many person who contributed money or moneys worth to a common stock and employ it in some trade or business and who share profit and loss arising therefrom”.

TYPES OF COMPANIES

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INCORPORATED COMPANIES

UNINCORPORATED COMPANIES

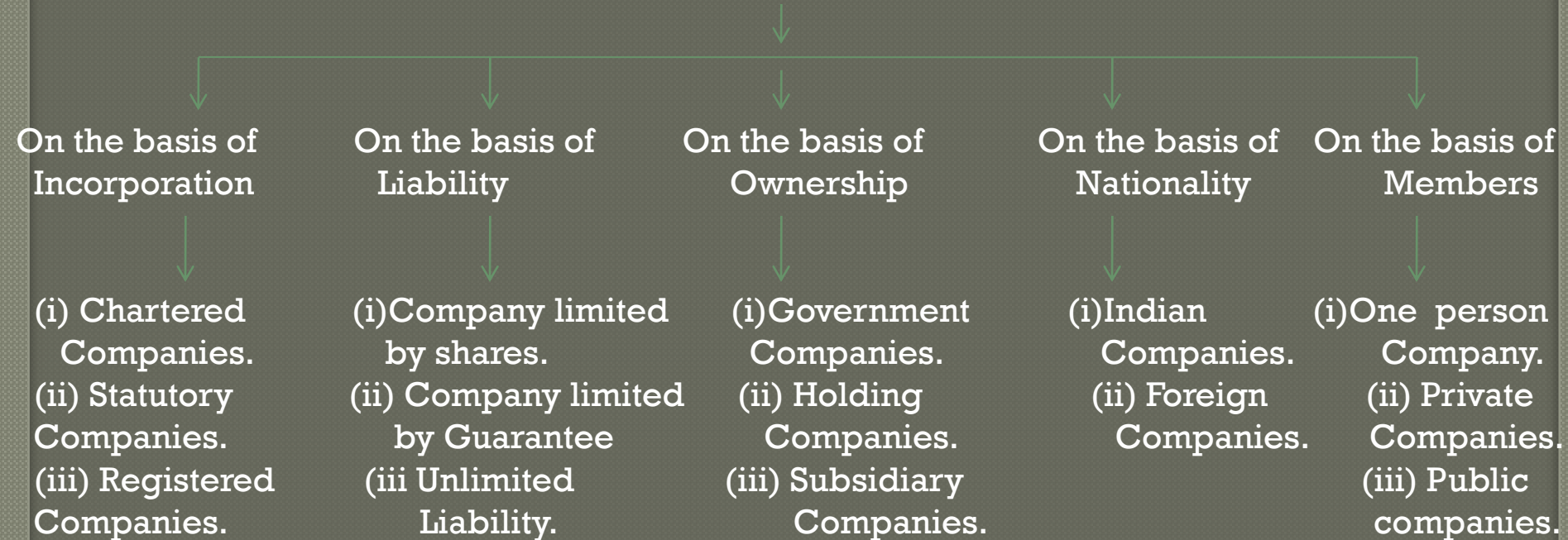
Incorporated companies:

Companies which are established by means of incorporation under the Companies Act or under a Special Act or a Charter, are called Incorporated companies.

Unincorporated Companies:

The companies, which are not incorporated under the Companies Act or Special Act or Charter, are called Unincorporated Companies.

Incorporated Companies



Other forms of Companies:

- (i) Associate Companies.
- (ii) Investment Companies.
- (iii) Producer Companies.
- (iv) Dormant Companies.
- (v) Small Companies.

1. On the basis of Incorporation:

(i) Chartered Companies:

Companies, which are established by special Royal Charters, are called Chartered Companies. The Charters are granted by Kings or Queens. The Queen of England incorporated several companies like East India Company, The Bank of England, Chartered Bank of China etc.



(ii) Statutory Companies:

Companies, which are established by a Special Act of the Central Legislature or any State Legislature, are called Statutory Companies. These type of companies are established not for profit but for providing service to the public. Eg., The State Bank of India, The Unit Trust of India etc.

Public, private and
global enterprises
Part 2

Statutory corporation/
Public organisation



(iii) Registered Companies:

Companies, which are established by registration under the companies Act are called Registered companies. These companies are regulated by the provisions of the Companies Act and the provisions of their respective Memorandum of Association and Articles of Association.



2. On the basis of Liability:

(i) Company Limited by Shares:

Companies, in which the liability of the members is limited by the Memorandum to the unpaid amount of the shares held by them, are called companies limited by shares



(ii) Companies Limited by Guarantee:

Companies, in which the liability of members is limited by the Memorandum to such an amount as the members undertake to pay are called companies limited by guarantee.



(iii) Unlimited Companies:

Companies, in which the liability of the members is unlimited, are known as unlimited companies. In this type of companies, if the company is unable to pay its debts, its members have to pay the debts out of their private resources.



3. On the basis of ownership:

(i) Government Company:

According to sec.2(45), a company in which not less than 51% of the Paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments is called a Government Company.



(ii) Holding Companies:

Holding Company is one which has control over another company.



Understanding a Holding Company

A company that owns assets, but doesn't have any operations, activities, or other active business itself.

Johnson & Johnson

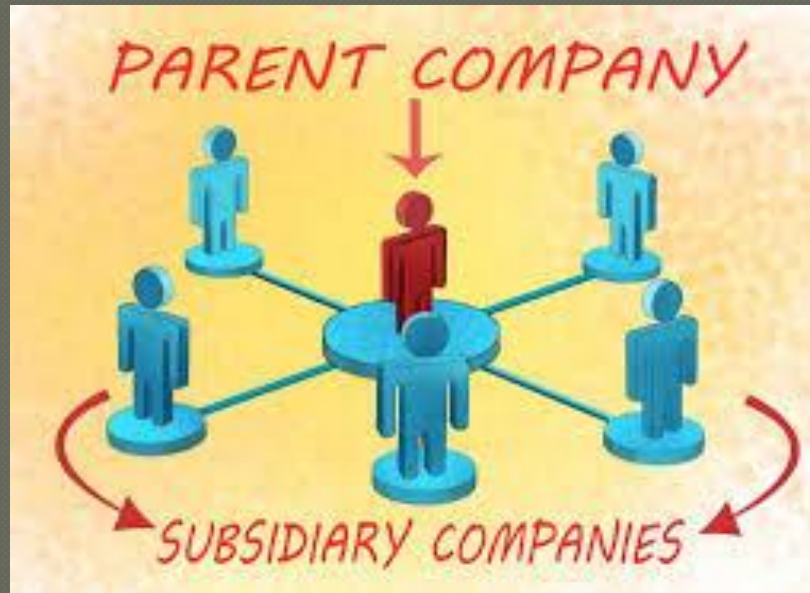
Holding company

Subsidiaries



(iii) **Subsidiary Companies:**

The company, over which the control is exercised, is called the subsidiary company.



4. On the basis of Nationality:

(i) Indian Companies:

A company formed and registered under any law relating to companies formerly in force in any part of India.



(ii) Foreign Companies:

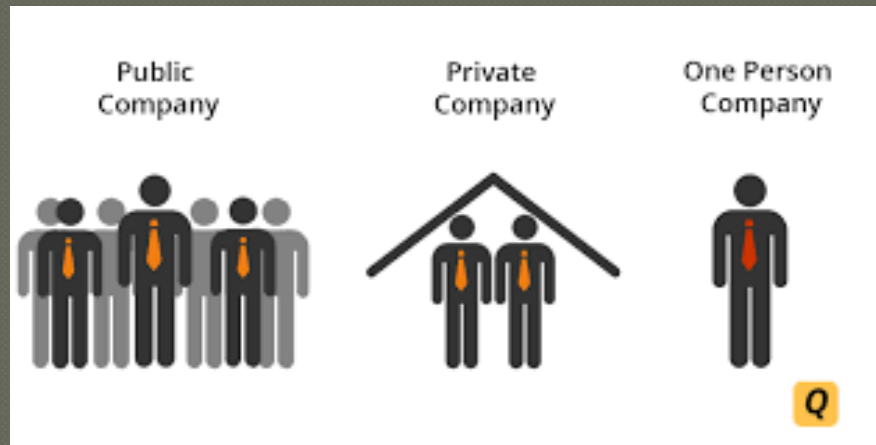
A Foreign company is one which is incorporated or formed outside India. However, for the purpose of Companies Act, 1956, it means a company incorporated outside India and having a place of business in India.



5. On the basis of members:

(i) One person company:

With the implementation of the Companies Act, 2013, a single person could constitute a company, under the One person company (OPC) concept. One person company means a company which has only one person as a member.



(ii) Private Companies:

According to sec.2(68) a Private company means a company, which has a minimum paid up capital as may be prescribed , and which by its Articles-(a) restricts the right of the members to transfer its shares, (b) except in case of one person company, limits the number of members to two hundred, and (c) Prohibits any invitation to the public to subscribe any securities of the company.

According to sec 12 of the Companies Act,2013, a private company should have a minimum of 2 members. It can have a maximum of 200 members.

(iii) Public Companies:

A public company means a company, which-

(a) is not a private company.

(b) has a minimum paid up capital as may be prescribed.

(c) is a subsidiary of a company, not being a private company, even where such subsidiary company continues to be a private company in its Articles[sec2(71)].

A public company requires a minimum of 7 members. It can have any number of members and so there is no maximum limit.

6. Other forms of Companies:

(i) Associate Companies:

As per sec 2(6), Associate company, in relation to another company means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

(ii) Investment Companies:

According to the explanation (a) to section 186, Investment company means a company whose principal business is the acquisition of shares, debentures or other securities.

(iii) Producer Companies:

A producer company is a body corporate having objects or activities specified in section 581B and which is registered as such under the provisions of the Act. The membership of producer companies is open to such people who themselves are the primary producers, which is an activity by which some agricultural produce is produced by such primary producers.

(iv) Dormant Companies:

The Companies Act, 2013 has recognized a new set of companies called as dormant companies.

As per sec.455(1) where a company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the Registrar in such manner as may be prescribed for obtaining the status of a dormant company.

(v) Small Companies:

Sec 2(85) of the Act defines Small Company means a company, other than a public company.

(a) Paid-up share capital of which does not exceed fifty lakhs rupees or such higher amount as may be prescribed which shall not be more than ten crore rupees; or

(b) turnover of which as per profit and loss account for the immediately preceding financial year does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than one hundred crore rupees.

THANK YOU

BY

Dr.E.RAMAPRABA,

ASSISTANT PROFESSOR OF COMMERCE

BON SECOURS COLLEGE FOR WOMEN,

THANJAVUR.