

LESSON-26 COMPANY: AN ITRODUCTION

SUMMARY

A company is a voluntary association of individuals formed to carry on business to earn profits or for nonprofit purposes. These persons contribute towards the capital by buying its shares in which it is divided.

COMPANY–MEANING AND CHARACTERISTICS

A company is an association of individuals incorporated as a company possessing a common capital i.e. share capital contributed by the members comprising it for the purpose of employing it in some business to earn profit.

As per Companies Act 1956, a company is formed and registered under the Companies Act or an existing company registered under any other Act”.

Characteristics of a Company


- Artificial Legal Person
- Incorporated Body
- Capital Divisible into Shares
- Transferability of Shares
- Perpetual Existence
- Limited Liability
- Representative Management
- Common Seal

Accountancy (320)

Nature of Company

A company is a voluntary association of persons formed for some common purpose, with capital divisible into parts, known as shares and with a limited liability. It is created by law and is known as an artificial person with a perpetual succession and a common seal. It has a separate legal entity.

TYPES OF COMPANIES

Companies can be classified under the following heads 

1. On the basis of formation.
2. On the basis of liability.
3. On the basis of ownership.

On the basis of Formation

- Statutory Company
- Registered Company

On the basis of Liability

- Company Limited by Shares
- Company Limited by Guarantee
- Unlimited Company
- Company Under Section 25

On the basis of Ownership

- Private Company

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- Public Company
- Government Company
- Foreign Company
- Holding Company and Subsidiary Company
- Listed Company and Unlisted Company


SHARES-MEANING AND ITS KINDS

A share is an indivisible unit of capital. It expresses the proprietary relationship between the company and the shareholder. The denominated value of a share is its face value. The total capital of a company is divided into number of shares.

Kinds of Shares

- Preference Shares
- Equity Shares

SHARE CAPITAL—MEANING AND ITS TYPES

As the total capital of the company is divided into shares, the capital of the company is called share capital. Share capital of the company is divided into following categories 

- Nominal/Authorised/Registered Capital
- Issued Capital
- Subscribed Capital
- Called up Capital
- Uncalled Capital
- Paid up Capital
- Unpaid Capital

- Reserve Capital

PRIVATE PLACEMENT OF SHARES

According to **Section 81 (1A)** of Companies Act, 1956 private placement of shares implies issue and allotment of shares to a selected group of persons.

ISSUE OF SHARES FOR CONSIDERATION OTHER THAN CASH


The company purchases certain assets from vendors (sellers or suppliers) on credit. Instead of making payment to vendors in cash, the company issues them certain agreed number of shares at the agreed rate as a consideration (payment in exchange) of assets purchased.

ISSUE OF SHARES TO PROMOTERS

Promoters are paid remuneration for their services. This remuneration can be paid in the form of shares also. In such cases companies issue shares to their promoters without payment.

ACTIVITY

Your father is a shareholder of a company. Every year he receives report from the company. This report is called annual report of the company. After going through the report for a year, find out the

following 

- Name of the company with suffix Ltd. or Private Ltd.
- Mention the amount of capital