Chapter 2: Joint Stock Company

EXERCISE 1 [PAGES 28 - 31]

Exercise 1 | Q 1.1 | Page 28

QUESTION

Select the correct answer from the options given below and rewrite the statement.

A sole proprietorship has _____ owner/owners.

- one
- two
- five

SOLUTION

A sole proprietorship has **one** owner/owners.

Exercise 1 | Q 1.2 | Page 28

QUESTION

Select the correct answer from the options given below and rewrite the statement.

The head of Joint Hindu Family Business is called as_____

- Proprietor
- Director
- Karta

SOLUTION

The head of Joint Hindu Family Business is called as Karta.

Exercise 1 | Q 1.3 | Page 28

QUESTION

Select the correct answer from the options given below and rewrite the statement.

Indian Partnership Act was passed in the year _____



- 1923
- 1932
- 1956

SOLUTION

Indian Partnership Act was passed in the year 1932.

Exercise 1 | Q 1.4 | Page 28

QUESTION

Select the correct answer from the options given below and rewrite the statement.

The members of Hindu Undivided Family Business are called _____

- Karta
- partners
- co-parceners

SOLUTION

The members of Hindu Undivided Family Business are called **co-parceners**

Exercise 1 | Q 1.5 | Page 29

QUESTION

Select the correct answer from the options given below and rewrite the statement.

The liability of shareholders in the public limited joint stock company is _____

- Limited
- Unlimited
- Collective

SOLUTION

The liability of shareholders in the public limited joint stock company is **Limited**

Exercise 1 | Q 1.6 | Page 29

QUESTION



Select the correct answer from the options given below and rewrite the statement.	
The minimum number of members required for a co-operative society is	_
• 10	
• 20	

SOLUTION

• 50

The minimum number of members required for a co-operative society is 10

Exercise 1 | Q 1.7 | Page 29

QUESTION

Select the correct answer from the options given below and rewrite the statement.

The _____ is/are elected representative of shareholders who manage affairs of company.

- Secretary
- Directors
- Auditors

SOLUTION

The **Directors** is/are elected representative of shareholders who manage affairs of company.

Exercise 1 | Q 1.8 | Page 29

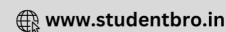
QUESTION

Select the correct answer from the options given below and rewrite the statement.

State Bank of India is the example of _____ Company.

- Chartered
- Statutory
- Foreign





State Bank of India is the example of **Statutory** Company.

Exercise 1 | Q 2.1 | Page 29

QUESTION

Match the pairs:

Group 'A'	Group 'B'
a) Sole Trading concern	1) 1932
b) Joint Hindu Family Business	2) Partner
c) Partnership Act	3) Artificial person
d) Joint Stock Company	4) 1923
e) Co-operative Society	5) Karta
	6) Natural person
	7) Single Ownership
	8) Equal voting rights
	9) Multiple ownership
	10) Minimum 9 members

SOLUTION

Group 'A'	Group 'B'
a) Sole Trading concern	7) Single Ownership
b) Joint Hindu Family Business	6) Natural person
c) Partnership Act	1) 1932
d) Joint Stock Company	3) Artificial person
e) Co-operative Society	8) Equal voting rights

Exercise 1 | Q 2.2 | Page 29

QUESTION

Match the pairs:

Group `A'	Group 'B'
a) Private company	1) 51% share capital held by Government
b) Public company	2) Bank of England
c) Government company	3) Maximum 200 members





d) Statutory Company	4) Minimum 7 members
e) Limited Liability Partnership	5) Maximum 100 members
	6) Minimum 5 partners
	7) 40% share capital
	8) Minimum 5 members
	9) Life Insurance Corporation
	10) Minimum 2 partners

SOLUTION

Group 'A'	Group 'B'
a) Private company	3) Maximum 200 members
b) Public company	4) Minimum 7 members
c) Government company	1) 51% share capital held by Government
d) Statutory Company	9) Life Insurance Corporation
e) Limited Liability Partnership	10) Minimum 2 partners

Exercise 1 | Q 3.1 | Page 30

QUESTION

Write a word or a term or a phrase which can substitute the following statement.

The owner who is the sole manager and decision maker of his business.

SOLUTION

Sole Trader

Exercise 1 | Q 3.2 | Page 30

QUESTION

Write a word or a term or a phrase which can substitute the following statement.

The senior most family member of Joint Hindu Family Business.

SOLUTION

Karta

Exercise 1 | Q 3.3 | Page 30





QUESTION

Write a word or a term or a phrase which can substitute the following statement.

The members of Joint Hindu Family Business.

SOLUTION

Co-parceners

Exercise 1 | Q 3.4 | Page 30

QUESTION

Write a word or a term or a phrase which can substitute the following statement.

An artificial person created by law.

SOLUTION

Joint stock company

Exercise 1 | Q 3.5 | Page 30

QUESTION

Write a word or a term or a phrase which can substitute the following statement.

The persons who have entered into an agreement of partnership.

SOLUTION

Partners

Exercise 1 | Q 3.6 | Page 30

QUESTION

Write a word or a term or a phrase which can substitute the following statement.

A person who purchases shares of Joint Stock Company.

SOLUTION

Shareholder

Exercise 1 | Q 3.7 | Page 30

QUESTION





Write a word or a term or a phrase which can substitute the following statement.

The official signature of Joint Stock Company.

SOLUTION

Common seal

Exercise 1 | Q 3.8 | Page 30

QUESTION

Write a word or a term or a phrase which can substitute the following statement.

Name a company that is created by a special legislation of parliament or state assembly.

SOLUTION

Statutory company

Exercise 1 | Q 4.1 | Page 30

QUESTION

State whether the following statement is True or False.

A joint stock company is voluntary association of persons.

- True
- False

SOLUTION

True

Exercise 1 | Q 4.2 | Page 30

QUESTION

State whether the following statement is True or False.

A joint stock company is a formal form of business organization.

- True
- False

SOLUTION

True





QUESTION

State whether the following statement is True or False.

Registration of Joint Stock Company is compulsory.

- True
- False

SOLUTION

True

Exercise 1 | Q 4.4 | Page 30

QUESTION

State whether the following statement is True or False.

A Joint Stock Company is a natural person.

- True
- False

SOLUTION

False

Exercise 1 | Q 4.5 | Page 30

QUESTION

State whether the following statement is True or False.

A Joint Stock Company does not enjoy independent legal status.

- True
- False

SOLUTION

False

Exercise 1 | Q 4.6 | Page 30

QUESTION

State whether the following statement is True or False.





The liability of shareholder of public limited company is limited.

- True
- False

SOLUTION

True

Exercise 1 | Q 4.7 | Page 30

QUESTION

State whether the following statement is True or False.

A joint stock company has long and stable life.

- True
- False

SOLUTION

True

Exercise 1 | Q 4.8 | Page 30

QUESTION

State whether the following statement is True or False.

There is no separation of ownership and management in Joint Stock Company.

- True
- False

SOLUTION

False

Exercise 1 | Q 4.9 | Page 30

QUESTION

State whether the following statement is True or False.

Board of Directors manage the Company.

- True
- False





SOLUTION
True
Exercise 1 Q 5.1 Page 30
QUESTION
Complete the sentence.
A company is a creation of law, hence it is called as
SOLUTION
A company is a creation of law, hence it is called an Artificial person
Exercise 1 Q 5.2 Page 30
QUESTION
Complete the sentence.
A company which is incorporated under a special Act is called as
SOLUTION
A company which is incorporated under a special Act is called as statutory company.
Exercise 1 Q 5.3 Page 30
QUESTION
Complete the sentence.
A Company which has only one member is called as
SOLUTION
A Company which has only one member is called as One person
Exercise 1 Q 5.4 Page 30
QUESTION
Complete the sentence.
A listed company is must follow the provisions of Companies Act and

SOLUTION

A listed company is must follow the provisions of Companies $\mbox{\it Act}$ and $\mbox{\it \bf SEBI Guidelines}$

Exercise 1 | Q 6.1 | Page 30





QUESTION

Select the correct option form the bracket.

Group 'A'	Group 'B'
Private company	

- Foreign Company
- Minimum 7 members
- Maximum 200 members
- Unlimited Liability Company

SOLUTION

Group 'A'	Group 'B'
Private company	Maximum 200 members

Exercise 1 | Q 6.2 | Page 30

QUESTION

Select the correct option form the bracket.

Group 'A'	Group 'B'
Public company	

- Foreign Company
- Minimum 7 members
- Maximum 200 members
- Unlimited Liability Company

SOLUTION

Group 'A'	Group 'B'
Public company	Minimum 7 members

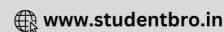
Exercise 1 | Q 6.3 | Page 30

QUESTION

Select the correct option form the bracket.







Group 'A'	Group 'B'
	Member have unlimited liability

- Foreign Company
- Minimum 7 members
- Maximum 200 members
- Unlimited Liability Company

SOLUTION

Group 'A'	Group 'B'
Unlimited Liability Company	Member have unlimited liability

Exercise 1 | Q 6.4 | Page 30

QUESTION

Select the correct option form the bracket.

Group 'A'	Group 'B'
Incorporated Outside India	

- Foreign Company
- Minimum 7 members
- Maximum 200 members
- Unlimited Liability Company

SOLUTION

Group 'A'	Group 'B'
Incorporated Outside India	Foreign Company

Exercise 1 | Q 7.1 | Page 30

QUESTION

Answer in one sentence:

How many member/s can be there in a one person company?





One person company has only one person as a member.

Exercise 1 | Q 7.2 | Page 30

QUESTION

Answer in one sentence:

What is a Holding company?

SOLUTION

A company which holds more than one half of the total share capital of another company or has powers to appoint or remove all or a majority of directors of another company is called Holding Company.

Exercise 1 | Q 7.3 | Page 30

QUESTION

Answer in one sentence:

What is meant by foreign company?

SOLUTION

A company which is incorporated outside India, but having a place of business in India is called Foreign Company, e.g. Nestle India Limited, etc.

Exercise 1 | Q 8.1 | Page 31

QUESTION

Correct the underlined word and rewrite the following sentence.

Statutory companies are registered under the Companies Act.

SOLUTION

Statutory companies are registered under <u>a special act passed by the central or state legislative.</u>

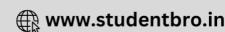
Exercise 1 | Q 8.2 | Page 31

QUESTION

Correct the underlined word and rewrite the following sentence.

A Subsidiary Company holds more than half of the total share capital of another company.





A Holding company holds more than half of the total share capital of another company.

Exercise 1 | Q 8.3 | Page 31

QUESTION

Correct the underlined word and rewrite the following sentence.

A private Company must have minimum 7 Members.

SOLUTION

A private company must have minimum **2** member.

Exercise 1 | Q 8.4 | Page 31

QUESTION

Correct the underlined word and rewrite the following sentence.

A public Company can have maximum 200 Membesrs.

SOLUTION

A private company can have maximum 200 mem

EXERCISE 2 [PAGE 31]

Exercise 2 | Q 1 | Page 31

QUESTION

Explain the following term/concept.

Dormant company

SOLUTION

- (1) A company which is registered for a future project, but not yet made any significant accounting transactions in the last two years and also not yet filed financial statements or annual returns in the last two years, after making an application under Section 455, is called dormant company.
- (2) Dormant companies may develop and function properly in the near future.

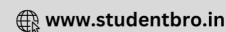
Exercise 2 | Q 2 | Page 31

QUESTION

Explain the following term/concept.

Holding company





SOLUTION

- (1) A company which controls the management of another company is called the 'Holding Company'. The company which is controlled by another company is termed as a 'Subsidiary Company'.
- (2) A holding company holds more than 50% of the total share capital of subsidiary company and has powers to appoint or remove all or the majority of directors of the subsidiary company.

Exercise 2 | Q 3 | Page 31

QUESTION

Explain the following term/concept.

Foreign company

SOLUTION

- (1) A foreign company means a company incorporated (registered) outside India but having a place of business in India, e.g. Bata India Limited. Nestle India Limited, Whirlpool Corporation, etc.
- (2) Within 30 days of the establishment of the business in India, a foreign company has to furnish to the Registrar the different documents such as charter, statute, Memorandum and Articles of Association of the company, the full address of the Registered office, list of directors, etc.

Exercise 2 | Q 4 | Page 31

QUESTION

Explain the following term/concept.

Company limited by guarantee

- (1) A company limited by guarantee is the one in which the liability of members is limited to the amount of guarantee given by them. This type of company may or may not have a share capital.
- (2) Each member of the company promises to pay a fixed amount of money specified in the Memorandum of Association in the event of the dissolution of the company for the payment of the liabilities and debts of the company.
- (3) Usually, profit-making is not the aim of such companies. They are usually formed to promote activities in art, literature, sports, education, religion, or other such non-trading activities.





QUESTION

Explain the following term/concept.

Associate company

SOLUTION

- (1) Term associate means an institution or a company having a subordinate position in or admitted to only partial membership of another institution or a company.
- (2) Accordingly, an associate company is one over which another company exercises a significant (means at least 20% of total capital or decision making power) degree of control but the degree of control so applied is less than the degree of control exercised over the subsidiary company.
- (3) An associate company in relation to another company means a company over which that another company has significant control or influence but the company over which such significant control applied is not a subsidiary company.

Exercise 2 | Q 6 | Page 31

QUESTION

Explain the following term/concept.

Limited Liability

SOLUTION

- (1) The term 'liability' means the state of being responsible for something, especially by law. The liability of a shareholder of a joint-stock company is limited to the extent of the face value of the shares held by him. It is limited up to the unpaid part of the face value of shares held by him; Shareholder is liable to pay only the unpaid amount on his shares. If the share amount is fully paid, then there is no further liability on the part of the shareholder.
- (2) The company undertakes greater risks because the liability of the members is limited. In the event of liquidation of the company, the personal property of the shareholders cannot be attached by the creditors of the company in settlement of their debts. In such a case, the shareholders at the most may lose their investments in the shares of the company.

Exercise 2 | Q 7 | Page 31

QUESTION

Explain the following term/concept.



Perpetual Succession

SOLUTION

- (1) The term 'perpetual' means eternal or everlasting. A joint-stock company has perpetual succession i.e. continuous existence.
- (2) A company is an artificial (legal) person created by the process of law and dissolved only by the process of law. It enjoys a very long and stable life unless it is wound up through the legal process.
- (3) The company's existence and continuation are not affected by death, retirement, insolvency, or insanity of its member or members. The company continues to exist in spite of the changes in its membership. Members may come and go but the company can go on forever.

Exercise 2 | Q 8 | Page 31

QUESTION

Explain the following term/concept.

Listed company

SOLUTION

- (1) A listed company is a company which has issued any of its securities listed on any recognised stock exchange. Security refers to a document issued by a company or a government called 'the issuer' and acknowledging that issuer has received money or some other valuable consideration. Security includes shares, debentures, bonds, etc.
- (2) A public limited company may be a listed company or unlisted company. The listed companies are required to follow certain provisions of the Companies Act and guidelines issued by the Securities and Exchange Board of India (SE81).

Exercise 2 | Q 9 | Page 31

QUESTION

Explain the following term/concept.

One Person Company

- (1) A company, in which one person holds almost the whole of its share capital and has other members just to meet the legal requirement of a minimum number of members, is known as one person company. It is a private company.
- (2) It has to comply with all the formalities of a private company that are specified in the Act or rules. The concept of a One-person Company was introduced through the





Companies Act, 2013.

(3) It is managed, operated, and controlled by a Single-member called promoter. The liability of its member is limited to the extent of his capital investment in the company. It is superior than Sole Trading Concern of business organisation.

Exercise 2 | Q 10 | Page 31

QUESTION

Explain the following term/concept.

Government company

SOLUTION

As mentioned in Section 2(45) of the Companies Act, 1956, any 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 partly by the Central Government and partly by State Government is known as a government company. A subsidiary company of a government company is also called Government Company.

It is registered under the Indian Companies Act. Bharat Heavy Electricals Ltd, (BHEL), Bharat Electronics Ltd. (BEL), Steel Authority of India Ltd, (SAIL), Oil and Natural Gas Corporation Limited (ONGC Ltd.). Etc. are some examples of government companies.

EXERCISE 3 [PAGE 31]

Exercise 3 | Q 1 | Page 31

QUESTION

Study the following case/situation and express your opinion.

Two promoters got 'Super Drinks Pvt. Ltd.' incorporated on 18th Jan, 2018. The company has 100 members as on 31st Mar, 2019.

- a) What is the maximum number of members this company can have?
- b) Can this company invite the general public to subscribe for shares?
- c) Can the shareholders of the company sell its shares to outsiders?

SOLUTION

(a) Super Drinks Private Ltd. company is a private company. As per the new provisions made in the Companies Act, 2013, the maximum number of members increased to 200. Hence this company can have a maximum of 200 members. Earlier the maximum number of members allowed in Private Company was 50.



- (b) Super Drinks Private Ltd. company is a private company. Hence this company cannot invite the general public to subscribe for shares.
- (c) Super Drinks Private Limited Company cannot sell its shares to the members of the public. However, shares and debentures of a private company are generally allotted and sold to the family members, close relatives, and friends. It does not invite the members of the public to subscribe to its shares and debentures. It collects its capital through private arrangements.

Exercise 3 | Q 2 | Page 31

QUESTION

Study the following case/situation and express your opinion.

Kali VFX Ltd. was incorporated on 1st Jan, 2019 as a public limited company.

- a) How many minimum number of members must be there in this company?
- b) Can the members of this company sell its shares to outsiders?
- c) How many maximum number of members can this company have?

SOLUTION

- a) Kali VFX Ltd. is a public limited company. In this company minimum 7 members must be there.
- b) The members of this company can sell their shares to outsiders. This is because in case of public limited company shares are freely transferable and usually quoted on a Stock Exchange
- c) Kali VFX Ltd. is a public limited company. In a public limited company, there is no limit on the maximum number of members

Exercise 3 | Q 3 | Page 31

QUESTION

Study the following case/situation and express your opinion.

Sunset Printers Pvt. Ltd. was incorporated on 5th Dec, 2015 as per the provisions of Companies Act 2013. Mr. Manoj was the only subscriber to the Memorandum and Articles of Association and he was also the only member of the company.

- a) Is this company a One Person company?
- b) Will the liability of Mr. Manoj be limited or unlimited?
- c) Will the company close down on the death, insanity or insolvency of Mr. Manoj?





- a) The concept of 'One Person Company was introduced to the companies Act, 2013. Since Sunset Printers Pvt. Ltd. was incorporated on 5th December, 2015 as per the provisions of Companies Act, 2013, it is a one-person company.
- b) The liability of Mr. Manoj Who is a member and promoter of the One Person Company has limited liability.
- c) One Person Company (OPC) Will not close down on the death, insanity or insolvency 0 Mr. Manoj. As per the provisions of Companies Act, 2013, Mr. Manoj must have appointed his son or daughter or any other close relative as a nominee with 15 days of his appointment or incorporation of OPC. Such nominee in the event of death, insolvency or insanity of Mr. Manoj will become a member of Sunset Printers Pvt. Ltd. and will be entitled to all shares, other rights and bear all liabilities.

Exercise 3 | Q 4 | Page 31

QUESTION

Study the following case/situation and express your opinion.

On 1st Jan, 2018 Mr. John bought 100 shares of TIPS Paints Ltd. The face value of each share was Rs. 10. Mr. John paid the full amount of Rs. 1000. In Dec, 2018 the company suffered a loss of Rs. 10 crores.

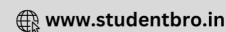
- a) Can the company ask Mr. John to pay any further money to the company?
- b) Which feature of a Joint-stock company is referred to in this example?
- c) Explain the feature briefly.

SOLUTION

- a) Mr. John is a shareholder (member) in TIPS Paints Ltd. His liability is limited up to the unpaid part of the face value of shares held by him. Since he has paid the full amount on the shares he has purchased. The company cannot ask Mr. John to pay any further money to the company as the shares are fully paid-up, there is no further liability on the part of the shareholder.
- b) The feature of limited liability of the members or shareholders is referred in the above case.

c)

(1) The term liability means the state of being responsible for something, especially by law. The liability of a shareholder of a joint-stock company is limited to the extent of the face value of the shares held by him. It is limited up to the unpaid part of the face value of shares held by him, the shareholder is liable to pay only the unpaid amount on his shares. If the share amount is fully paid, then there is no further liability on the part of the shareholder.



(2) The company undertakes greater risks because the liability of the members is limited. In the event of liquidation of the company, the personal property of the shareholders cannot be attached by the creditors of the company in settlement of their debts. In such a case the shareholders at the most may lose their investments in the shares of the company.

EXERCISE 4 [PAGES 31 - 32]

Exercise 4 | Q 1 | Page 31

QUESTION

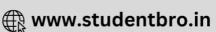
Distinguish between the following:

Sole Trading concern and Joint Hindu Family Business.

Sole trading concern	Joint Hindu family business
A business which is owned, managed and controlled by one individual called sole trader for earning profit is called sole trading concern.	The ancestral business which is continued and conducted by the members of a Hindu Undivided Family under the direction of the senior most member for earning profit is called Joint Hindu Family firm.
Since, sole trading concern is owned and managed by a single person, there cannot be more than one member.	The minimum or maximum number of coparceners is not regulated by Hindu law. It changes With the number of births and deaths in the family.
The business assets (properties) are entirely owned by the sole proprietor himself.	All the members of the Hindu Undivided Family are the joint owners of the ancestral business property.
The liability of a sole trader is unlimited. It means if the assets of the business are insufficient to pay its liability then the property of the sole trader will be attached and sold to pay business debts.	The liability of each coparcener is limited to the extent of his share in the Co parceners. However, the liability of the Karta is unlimited.
The financial resources of the sole trader	The financial resources of a Joint Hindu







are very limited in comparison to the Joint Hindu Family Firm.	Family Firm are relatively more than that of sole trading concern.
The sole trading concern lacks stability because the survival and continuity of business are affected by death, lunacy (madness), or insolvency of a sole trader.	The Joint Hindu Family Firm is comparatively more stable because in the case of the death of the Karta, the family business is taken over and continued by the next senior-most family member.

Exercise 4 | Q 2 | Page 31

QUESTION

Distinguish between the following:

Sole Trading concern and Partnership Firm.

Sole trading concern	Partnership firms:
A sole trading concern is a form of business organisation Which is owned, managed and controlled by one individual called 'sole trader.	A partnership firm is a form of business organisation owned and managed by two or more persons.
Sole trading concern can be formed at any time. Its formation is easy and quick.	Partnership firm can be formed by an agreement between 2 or more competent persons. It's formation is comparatively difficult.
A sole trading concern is owned, managed and controlled by a single person, i.e. the proprietor, himself.	Partnership firm is owned by partners jointly. The minimum number of members required is 2, while the maximum number is 50 for general business.
Registration is not necessary.	Partnership firm can be registered under the Indian Partnership Act, 1932. However, registration is compulsory in Maharashtra.
In sole trading concern, maximum business secrecy can be	The business secret is known to and shared by all the partners.



maintained.	
In sole trading concern, only one person, i.e. sole trader contributes his own skills.	In a partnership firm, diverse talents, skills and business contacts of all partners are pooled together. Therefore, benefits of principle of division of labor and expertise can be well obtained.

Exercise 4 | Q 3 | Page 31

QUESTION

Distinguish between the following:

Partnership Firm and Joint Stock Company.

Partnership firm	Joint stock company
A partnership firm is a form of business organisation 1 owned and managed by two or more persons i.e. partners for earning profit.	A joint stock company is an incorporated voluntary association of individuals for profit, created by law, owned by the shareholders but managed by their few representatives, i.e. Directors.
The minimum number of members is 2, While the maximum number of members is 10 in the case of banking business and 50 in the case of any other business.	In the case of a private company the minimum number of members is 2 and the maximum number of members is 200. In the case of Public Company the minimum number of members is 7 and the maximum number is unlimited.
The formation of a partnership firm is easy and simple. Minimum legal formalities are involved. Only an agreement is necessary. Even registration is not compulsory. However, it is compulsory in the state of Maharashtra.	The formation of a joint stock company is rather difficult and complicated. Numerous legal formalities are involved. Registration is compulsory, costly, complicated and time consuming.
The liability of all the partners except	The liability of the shareholders is limited to





minor partner is unlimited, joint as well as several.	the extent of the unpaid amount, if any, on the shares held by them.
The Partnership firm is regulated and governed by the provisions of the Indian Partnership Act, 1932 and also by the companies Act 2013.	A joint stock company is regulated and governed by the provisions of the Indian Companies Act, 1956.
The partnership firm has no separate legal status distinct from its members (Partners).	A joint stock company has separate legal status distinct from its members (Shareholders).

Exercise 4 | Q 4 | Page 32

QUESTION

Distinguish between the following:

Joint Stock Company and Co-operative society.

Joint stock company	Co-operative society
An organisation which is managed and controlled by an incorporated voluntary association of many persons to conduct business to make a profit and distribute it among its members is called a Joint Stock Company.	An organisation which is managed by an incorporated voluntary association of many persons, usually of limited means to conduct business to achieve common economic objectives is called a co-operative organisation.
The company is regulated and controlled by the provisions of the Indian Companies Act. 1956	A co-operative society is regulated and controlled by the provisions of the Co-operative Societies Act, 1912.
The main motive of the company is to make prom and providing services is its secondary motive.	The main motive of a co-operative organisation is to render service and profitmaking can be its secondary objective.
Shares are freely transferable to a public	Shares are not transferable but can be







company. They are also listed on stock exchanges.	surrendered {to a co-operative organization for encashment.
Minimum 2 members and a maximum of 200 members for a private limited company. In the case of public companies, the minimum number of members is 7 and the maximum number is unlimited.	The minimum number of members to form a cooperative society is 10. There is no limit on the maximum number of members.
Every share has one vote. The principle of 'One share, One-vote' is followed.	Every member has one vote irrespective of the number of shares held by him. The principle of 'One member, One-vote' is followed.

Exercise 4 | Q 5 | Page 32

QUESTION

Distinguish between the following:

Private Company and Public Company.

Private company	Public company
A private company is the one which restricts the rights of its members to transfer shares, limits the maximum number of members to 50 and prohibits an invitation to public to subscribe to its shares and debentures.	A public company is the one which does not restrict the right of its members to transfer shares, does not limit its membership to 50 and can invite the public to subscribe to its shares and debentures.
A private company must have at least 2 directors.	A public company must have a minimum 3 directors.
In a private company, transferability of shares is restricted by its articles.	In case of public company, shares are freely transferable and usually quoted on a Stock Exchange.



The minimum number of members is 2 While the maximum number of members is 200 in a private company.	The minimum number of members is 7 while there is no limit to the maximum number of members in a public company.
A private company is required to add the word 'Private Limited' after its name.	A public company is required to add the word 'Limited' after its name.
A private company is required to raise a minimum amount of paid-up share capital of 1 lakh.	A public company is required to raise a minimum amount of paid-up share capital of 5 lakh.

EXERCISE 5 [PAGE 32]

Exercise 5 | Q 1 | Page 32

QUESTION

Answer in brief.

How is LLP different from a partnership firm?

SOLUTION

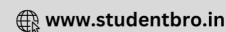
The difference between limited liability partnership (LLP) and a partnership firm.

- (1) A Limited Liability Partnership is governed by the Limited Liability Partnership Act, 2008, whereas Partnership Firm is governed by the Partnership Act 1932.
- (2) In LLP all partners have limited liability. It means that the personal property of the partners cannot be attached or used for paying off the debts and liabilities of the LLB However, in Partnership firm the liability of partners is unlimited and it is joint and several. It means in the case of insolvency. Of the firm personal property of the partners are attached and used to pay off the debts of the firm
- (3) In LLP minimum number of partners is 2 and there is no limit on the maximum number of partners. While in Partnership firm minimum number of partners is 2 and the case of general business, the maximum number of partners is 50.
- (4) LLP has separate legal status distinct from its members, i.e. a body corporate. Whereas the partnership firm has no separate legal status distinct from its members. There is no distinction between partners and their firms.

Exercise 5 | Q 2 | Page 32

QUESTION





Answer in brief.

Explain the different types of companies on the basis of the liabilities of members.

SOLUTION

The different types of companies on the basis of liabilities of members:

- (1) A company limited by Shares: A company in which the liability of each member is limited or restricted to the extent of the unpaid part of the face value of shares purchased by him is called the company limited by shares. The company during its existence or in the event of insolvency or Winding up can ask its member to pay the remaining unpaid amount due on the shares held by them. In this company, the liability of the directors may be unlimited. A company limited by shares may be a public company or private company. Most of the companies in India are companies limited by shares.
- (2) Company Limited by Guarantee: A company in which its members give a guarantee to pay a fixed or specified sum of money in the event of its liquidation is called company limited by guarantee. Profit-making is not the aim of such companies. They are usually formed to promote activities in art, science, culture, literature, sports, education. Religion or charity etc.
- (3) Unlimited Liability Company: A company in which liability of members is unlimited as partners in the partnership firm, is called a company with unlimited liability In the event of insolvency of the company, creditors may recover their dues from the private property of the members/partners. This company may or may not have share capital. However, this type of company does not exist in India.

Exercise 5 | Q 3 | Page 32

QUESTION

Answer in brief.

What are holding and subsidiary company?

SOLUTION

A company exercising control over another company is called a holding company. The company so controlled is called a subsidiary company. The holding company holds and controls more than 50% of the total share capital of the subsidiary company. The holding company has powers to appoint or remove all or the majority of the directors of the subsidiary company.

EXERCISE 6 [PAGE 32]

Exercise 6 | Q 1 | Page 32

QUESTION





Justify the following statement.

Registration of the Joint Stock Company is compulsory.

SOLUTION

- (1) A joint stock company is defined as an incorporated association. It means it is an association registered under the Companies Act or a special Act of Parliament. In fact, a company comes into existence only when it gets the Certificate of Incorporation from the Registrar of Companies.
- (2) In other words, registration is similar to the birth of a company. On getting the Certificate of Incorporation, the company gets an independent legal existence i.e., it becomes a corporate body. An unregistered organisation or association has no corporate existence and hence it cannot be called a 'company'. Hence, registration of the Joint Stock Company is compulsory.

Exercise 6 | Q 2 | Page 32

QUESTION

Justify the following statement.

A Joint Stock Company is an artificial person.

SOLUTION

- (1) A joint stock company is created by law, i.e. Companies Act, 1956, or a special Act of Parliament. It has its own independent legal personality. It is therefore called a corporate body or an artificial or legal person. Unlike a natural living person, it does not have life, body, soul, and mind. It exists only in the eyes of law. Although a joint stock company is owned by its members, its existence is distinct from its members. A company on its own can enter into contracts, purchase, sell and mortgage the property, raise loans, issue official receipts, and appoint persons as employees. It can perform all the acts through its directors.
- (2) Even a member of a company, i.e. a part-owner can enter into a contract with the company. A company can sue or file a suit against a third party. Similarly, it can be sued by a third party in the court of law. Though a company can enter into contracts, it cannot sign by itself. For this purpose, the Common Seal of the company serves as its signature. But it is to be attested by two directors and the secretary, if necessary. Thus, though a company is not a natural person it performs all the acts of a natural person for the sake of business and therefore it is called an artificial person.

Exercise 6 | Q 3 | Page 32

QUESTION

Justify the following statement.





The liability of a shareholder of company is limited.

SOLUTION

- (1) A joint stock company is a registered association. It is registered under the Companies Act, 1956. The effect of such registration (incorporation) is that the company becomes a distinct body independent of the members (shareholders) i.e. the owners who have formed it. The company is an independent legal entity distinct from its members. It is called a corporate body or a legal person. In other words, the company and its members are not the same.
- (2) Therefore, the liabilities of the company cannot become the liabilities of the shareholders. The company cannot bind the shareholders by its acts. Similarly, the members of the company cannot bind the company by their own acts. The debts of the company are repayable from out of the assets of the company. The creditors have no right to recover their dues from the shareholders. Thus, the liability of the shareholders is limited to the extent of the unpaid amount on the shares. In the case of fully paid-up shares, there is no liability on the part of shareholders.

Exercise 6 | Q 4 | Page 32

QUESTION

Justify the following statement.

The ownership and management are separated in Joint Stock Company.

SOLUTION

- (1) Although the shareholders are the joint owners of the joint stock company, its management remains in the hands of a few elected representatives of the shareholders known as the directors. The directors form themselves into a Board. Soon after the incorporation, the company is separated from its shareholders and receives an independent statutory status. All the affairs of the joint stock company are managed by the Board of Directors.
- (2) The shareholders are large in number and they are scattered over a wide area. They are only interested in earning the returns on their holdings. Thus, the shareholders have no direct contr01 over the affairs of the company. The Board of Directors formulates plans, strategies, and policies With respect to business activities. Thus, in a joint stock company, the ownership is separated from the management.

Exercise 6 | Q 5 | Page 32

QUESTION

Justify the following statement.





The Joint Stock Company collects huge capital from the public.

SOLUTION

- (1) A joint stock company can raise a large amount of funds through different sources like
- (i) the issue of shares and debentures,
- (ii) accepting public deposits, etc. A company has a large number of shareholders spread over a very wide area. In the case of a public company, there is no maximum limit for the number of shareholders. Hence, it can raise huge capital from a large number of shareholders. Smaller denomination of shares, limited liability, easy liquidity, and transferability, etc. enable even a common man to invest in the shares of a company. Thus, a company can raise huge funds through the mobilisation of scattered savings of the people.
- (2) As there are different types of shares, the company can make an appeal to different kinds of investors to collect a huge amount of funds in the form of share capital. In addition, it can raise borrowed capital by issuing debentures of different types and accepting deposits from the public. AS company enjoys better creditworthiness in the money market, it can raise borrowed capital by taking short term, medium-term and long term loans from the banks and other financial institutions.

Exercise 6 | Q 6 | Page 32

QUESTION

Justify the following statement.

There is more Government control and supervision over the working of Joint Stock Company.

- (1) As per the provisions of the Companies Act 1956, the registration is compulsory for every joint stock company. For registration, various legal documents and statements are required to be submitted to the Registrar of the Companies which is one of the government bodies. The Government keeps strict control on the Joint Stock Company to protect small investors as they are unable to Protect their financial Interest. Every company is required to follow the provisions of the Companies Act 1956. Thus, there is excessive statutory control right from the stage of its incorporation up to the stage of its winding up.
- (2) A company has to prepare its Profit and Loss Account, various financial statements, and Balance Sheet and get them audited from the company's auditors. The audited annual accounts, annual returns, financial statements, and reports are required to be filed with the registrar. They are also required to be published. A company has to prepare



and maintain certain statutory books and proper books of accounts. The non-compliance of any of those rules or provisions results in penalties of a higher amount.

EXERCISE 7 [PAGE 32]

Exercise 7 | Q 1 | Page 32

QUESTION

Answer the following question:

State the features of sole trading concern.

SOLUTION

A Sole Trading Concern is one of the oldest forms of business organization. It is maintained, owned, controlled only by one person and so it is also called as "One Man Business." The person who conducts such business is known as "Sole Trader".

The features of sole trading are explained as follows:

- **(1) Minimum Government regulations:** A sole proprietor is free from complicated government rules and regulations. There is no Special law to register and control the working of sole proprietorships. There are no complicated legal formalities to be followed for setting up a concern or for closing down the business. However, it has to observe general law and taxation law of the country.
- (2) **Single ownership:** The entire business of a sole trading concern is owned by one person, viz. the proprietor. He may appoint the manager, accountant, superintendent, etc. but they cannot share profit or loss and the ownership of his business.
- **(3) One-man's capital:** The capital required for the business is entirely raised by the sole proprietor himself. It may consist of his own personal savings or borrowings from his friends, relatives or financial institutions.
- **(4) No sharing of profits and risks:** A sole trader being the single owner of his business does not have to share the profits or losses with anybody else. In the case of profit, it is fully enjoyed by the sole trader and in the case of loss; it is fully borne by the sole trader himself.
- **(5) Decisions:** The sole trader can take any decision he likes and he can also take any action as per his desire. He is the ultimate and final decision-making authority having full control over his business.
- **(6) Secrecy:** A sole trader is not required to publish annual accounts. Similarly, he takes decisions individually and independently. Thus complete business secrecy is maintained in this form of organisation.
- (7) Unlimited liability: As the sole trader and his business are one and the same. The



liabilities of his business become his liabilities. It means that if the assets of his business are not enough to pay off the business liabilities, the sole trader will have to pay the same out of his other personal and private property. In other words, the liability of a sole trader is unlimited.

(8) Legal status: A sole trading concern has no separate legal status distinct from its owner (sole trader). In other words, legally there is no distinction between the sole trader as an individual and his business. The sole trader and his business are one and the same in the eyes of the law. Because of this, the death of the sole trader brings an end to the organisation.

Exercise 7 | Q 2 | Page 32

QUESTION

Answer the following question:

State the features of Joint Hindu Family Business.

SOLUTION

The Joint Hindu Family Business or the Hindu Undivided Family (HUF) is a unique form of business organization found only in India. It is governed by the Hindu Law. It is governed by the Hindu Succession Act, 1956.

The features of the Joint Hindu Family Business are as under:

- (1) Formation as per the Hindu Law: The Joint Hindu Family Business comes into existence by the operation of Hindu Law. The members of a Hindu Undivided Family are the joint owners of the family business by virtue of birth.
- (2) Karta and Coparceners: The senior-most member of the Hindu Undivided Family (HUF) becomes the head of the family business. He is called Karta. He has the sole right to conduct the business on behalf of other members of HUF. All other members of HUF are the joint owners of the business. They are called Coparceners.
- (3) **Joint ownership:** The property as well as business of a Hindu are jointly owned by all the members of HUF. Three successive generations jointly inherit the property and business by the virtue of their birth in the family. This property and business (also called ancestral property) remain under the custody of Karta.
- **(4) Membership:** There is no restriction on the minimum and maximum number of membership in the Joint Hindu Family Firm. Every child (even a girl in the State of Maharashtra) born in the HUF becomes its member by virtue of birth. The number of members (coparceners) fluctuates or changes with the births and deaths in the family.
- **(5) Management:** The joint Hindu family business is managed by the Karta. He is the only manager, controller and co-coordinator of the business. While conducting the business, Karta can make contracts with third parties, draw bills of exchange, issue



receipts, sell or mortgage property of HUF and purchase a new property in the interests of coparceners.

- **(6) Profit-sharing:** The Hindu law does not mention the ratio in which profits or losses of the business are to be divided among its members, including the Karta. The profit-sharing ratios vary according to the number of births and deaths in the family.
- **(7) Quick decision:** The Karta being the single manager, decision-maker and controller of business, can take quick decisions on various matters relating to business and implements them immediately.
- **(8) Good relations:** On account of the business conducted by the Joint Hindu Family in the local market with a few employees, it is possible for this organisation to establish and maintain personal and close contacts with their customers. This also helps to maintain good relations with the employees.

Exercise 7 | Q 3 | Page 32

QUESTION

Answer the following question:

State the features of Partnership firm

SOLUTION

A partnership firm is an organization which is formed with two or more persons to run a business with a view to earning profit. Each member of such a group is known as a partner and collectively known as a partnership firm. These firms are governed by the Indian Partnership Act, 1932.

The features of a partnership firm are explained as follows:

- (1) Agreement: A partnership is essentially an agreement between two or more persons to do some lawful business. The agreement may be written or oral.
- **(2) Sharing of profits:** The agreement must refer to the sharing of the profits among the partners in some agreed proportion. If the agreement is silent on this point, the profits are to be shared equally.
- **(3) The number of partners**: According to Section 11 of the Companies Act, 1956, a partnership firm must have a minimum of 2 persons as partners and a maximum of 10 persons as partners for banking business and 50 persons in the case of any other business.
- **(4) Joint ownership:** The partnership firm is jointly owned by the partners. Therefore, the assets and the property must be used or utilized for conducting the business of the partnership. Such property cannot be used by any single partner for his personal gain.





- **(5) Unlimited liability:** The liability of all the partners except minor partners is unlimited, joint and several. If business property is not sufficient, then the creditors can claim and recover their dues from the private property of the partners. They can recover entire dues from one partner or in proportion from all the partners or some of the partners.
- **(6) Dissolution:** Events such as the death, insolvency or insanity of any partner affect the continuity and stability of the partnership firm unless specified otherwise. In the case of partnership at will, the partnership gets dissolved the moment any partner gives 14 days notice to that effect to other partners. A particular partnership or joint venture gets dissolved on completion of the specified period or objectives.
- **(7) Joint management:** The management of partnership is collective. The business of a partnership may be managed by all of them or some of them or any one of them on behalf of others. All the partners have equal rights to manage the business. However, for convenience, some of the partners may voluntarily surrender their managerial rights in favour of managing partners.
- **(8) Principal-agent relationship:** Every partner acts as the principal as well as the agent of the firm in the matters relating to its business. To the outsiders, every partner is the principal and to the other partners, he is an agent. As an agent, he can bind the firm as well as all other partners individually by his acts.

Exercise 7 | Q 4 | Page 32

QUESTION

Answer the following question:

State the features of co-operative society.

SOLUTION

A co-operative society is a voluntary association of people who come together to meet their common economic, social, and cultural objectives. The registration of a co-operative society is compulsory in the State of Maharashtra under the Maharashtra State Cooperative Societies Act, 1960.

The features of co-operative society are explained as follows:

- (1) Voluntary association and open membership: A co-operative organisation is essentially a voluntary association of the individuals. The membership of a co-operative society is open to all those having common economic interests irrespective of their caste, creed, religion or economic status.
- **(2) Service motive:** The main objective of a co-operative organisation is to provide service to its members and others and not to maximize profits. Mutual benefits, economy, elimination of middlemen, welfare, etc. are the other objectives of the co-operative organisation.



- **(3) Limited liability:** As the co-operative society has a separate legal entity, the members are not personally liable to pay off the debts of the society. Therefore, the liability of the members is limited to the face value of the shares held by them.
- (4) Democratic management: The management of a co-operative society is democratic. Each member has a right to express his Opinion. The principle of 'Onemember, One vote' is followed by the management. The decisions in the General Body Meetings and in the meetings of the Managing Committee are taken by the majority of the members present at the meeting.
- **(5) Independent existence:** According to the provisions of the Co-operative Societies Act, 1912, a co-operative society has an independent legal existence distinct from its members. A co-operative society is, therefore, a corporate body. It enjoys a perpetual or long term existence.
- **(6) Registration and State (Government) control:** As per the provisions of the Cooperative Societies Act of the respective state, registration is compulsory for a cooperative society, A cooperative organisation established in Maharashtra is required to be registered under Maharashtra State Co-operative Societies Act, 1960. The cooperative organisations function under the supervision of respective state governments.
- **(7) Surplus profit:** After the distribution of the dividend and the payment of the bonus, a certain portion of the profit is transferred to the statutory reserve. The leftover profit is then utilised for the welfare of the locality in which a cooperative organisation is situated.

Exercise 7 | Q 5 | Page 32

QUESTION

Answer the following question:

State the features of Limited Liability Partnership.

SOLUTION

Limited Liability Partnership is a combination of Partnership and Joint Stock Company. As it has limited liability so the personal assets of the partners are not attached for paying off the debts of LLP. It is governed by the Limited Liability Partnership Act, 2008.

The features of Limited Liability Partnership (LLP) are stated as follows:

- (1) Independent existence: The Limited Liability Partnership (LLP) is an independent legal entity. It has separate legal existence distinct from its members. (i.e. partners). From a legal point of view, it recognised as a legal person.
- **(2) Number of Partners:** The LLP must have a minimum of 2 partners to start with. There is no limit on its maximum membership.





- (3) Capital contribution: There is no requirement (need) of minimum capital contribution.
- **(4) Formation:** The LLP is easy to form and easy to operate and run. The cost of formation is also low.
- **(5) Limited Liability:** The partners have limited liability. Limited liability implies in the event of insolvency of LLR its creditors cannot attach the personal property of the partners in settlement of their claims. At most partners will lose their capital invested in the business.
- **(6) Mobility of members:** Any person can join the LLP at any time. There is no restriction on joining the LLP as a partner or member. The existing partner or member can leave the LLP at any time if it is not mentioned in the partnership agreement.
- (7) No tax on the share of profit: Since LLP is a legal entity, the government imposes a tax on its profits. In order to avoid double taxation, the partners or members are not required to pay tax on the share of the profit they receive from LLP.
- **(8) The statute governing LLP:** All Limited Liability Partnerships are regulated, governed, and controlled by the Limited Liability Partnership Act of 2008.

Exercise 7 | Q 6 | Page 32

QUESTION

Answer the following question:

Define Joint Stock Company and explain its feature.

SOLUTION

Definition: Prof. Haney defines Joint Stock Company in the following words, "A joint stock company is a voluntary association of individuals for profit having a capital divided into transferable shares, the ownership of which is the conditions of membership." In simple terms, a joint stock company is a form of business organisation in which persons interested in doing some business with the sole aim of earning profit form an association and get it incorporated (registered) under the Companies Act.

Features: The features of a joint stock company are explained as follows:

- (1) Artificial person: As soon as a company is incorporated, it is separated from its shareholders and it received independent statutory status. It is recognised as a person in the eyes of law though it has no physical existence. For this reason, it is called an artificial (legal) person. It has a separate name and it uses a common seal as a substitute for its signature.
- (2) Voluntary association: A joint stock company is an association of many persons.





Any person irrespective of caste, creed, colour, religion, and economic status can become a member of the company by purchasing its shares. However, membership is not compulsory but voluntary.

- **(3) Perpetual succession:** A company is an artificial person created by the process of law and dissolved only by the process of law. Its existence and continuation are not affected by death, retirement, insolvency, or insanity of its member or members. The company continues to exist in spite of the changes in its membership.
- **(4) Limited liability:** The liability of a shareholder is limited to the extent of the Face Value of the shares held by him. If the share amount is fully paid (i.e. face value), then there is no further liability on the part of the shareholder'In the event of liquidation of the company, the personal property of the shareholders cannot be attached by the creditors in settlement of their debts.
- **(5) Common seal:** The Companies Act provides that every company must have its own seal, known as the 'common seal', and get it registered. Since the company is an artificial person, cannot sign as a human being, the common seal is used as the signature of the company.
- **(6) Membership:** In a private limited company, the minimum membership is 2 and the maximum membership is 200. In a public limited company, the minimum membership is 7 and there is no limit for the maximum number of members.
- **(7) Registration:** As per the provisions of the Indian Companies Act, 1956, the registration is compulsory for every joint stock company. A company cannot be formed without registration.
- **(8) Transferability of shares:** The ownership of share is the pre-condition on membership. In the case of a public limited company, the shares are freely transferable. The transferability of shares enables a shareholder to get back his capital easily by selling them on the Stock Exchange. However. The shares of the private limited company are non-transferable.
- **(9) Separation of ownership from management:** In the case of a joint stock company, the ownership of the joint stock company remains with the shareholders and the management is entrusted to the elected representatives of the shareholders known as the directors. The directors form themselves into the Board of Directors which formulates plans, strategies, and policies with respect to the business operations of the company.

Exercise 7 | Q 7 | Page 32

QUESTION

Answer the following question:





Define a 'company'. Explain the types of companies on the basis of the liability of members.

SOLUTION

Definition: Prof. Haney defines Joint Stock Company in the following words, "A joint stock company is a voluntary association of individuals for profit having a capital divided into transferable shares, the ownership of which is the conditions of membership." In simple terms, a joint stock company is a form of business organisation in which persons interested in doing

some business with sole aim of earning profit form an association and get it incorporated (registered) under the Companies Act.

Types of companies on the basic of liability.

- (1) Company limited by Shares: A company in which the liability of each member is limited or restricted to the extent of unpaid part of the face value of shares purchased by him is called company limited by shares. The company during its existence or in the event of insolvency or Winding up can ask its member to pay the remaining unpaid amount due on the shares held by them. In this company, liability of the directors may be unlimited. A company limited by shares may be public company or private company. Most of the companies in India 'are companies limited by shares.
- **(2) A company limited by Guarantee:** A company in which its members give a guarantee to pay a fixed or specified sum of money in the event of its liquidation is called company limited by guarantee. Profit-making is not the aim of such companies. They are usually formed to promote activities in art, literature, sports, education. Religion or charity etc.
- (3) Unlimited Liability Company: A company in which liability of members is unlimited as partners in the partnership firm, is called a company with unlimited liability In the event of insolvency of the company, creditors may recover their dues from the private property of the members/partners. This company may or may not have share capital. However, this type of company does not exist in India.

Exercise 7 | Q 8 | Page 32

QUESTION

Answer the following question:

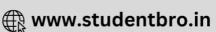
Explain any four types of companies.

SOLUTION

The different type of companies are explained as follows:

(1) **Statutory Company:** It is a company formed by a special law or statute passed by the Central or State Legislature for a particular type of commercial activity. The





objectives, privileges, etc. of the statutory company are laid down by the special Act. Examples are the Reserve Bank of India, the Life Insurance Corporation of India, etc. It cannot use the word 'limited' at the end of its name since all such companies are fully owned by the government.

- **(2) Registered Company:** A company registered under the Companies Act, 2013, or under the previous Companies Acts is called a registered or an incorporated company. The formation, functioning, and management of such companies are governed according to the provisions of the Companies Act, 2013. All the existing companies in India, except the statutory companies, are registered companies.
- (3) Private Limited Company: A private limited company is the one which by its Articles of Association: (a) restricts the right of its members to transfer the shares; (b) limits the maximum number of members to 200 (excluding its past and present employees), and (c) prohibits an invitation to the public to subscribe to its shares or debentures.

At least two members are required to form such a company. A private company must use the word 'Private' in its name.

- (4) Public Limited Company: According to the Indian Companies Act, a public company means a company which is not a private company. Hence, it can be said that a public company is the one which: (a) does not restrict the right of its members to transfer their shares freely, (b) does not limit its membership to 200, (c) can invite the public to subscribe to its shares and debentures. A public company requires a minimum of seven members for incorporation. There is no restriction on the maximum number of members.
- **(5) Government Company:** As mentioned in Section 617 of the Companies Act, 1956, any 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 partly by the Central Government and partly by State Government is known as a government company. A subsidiary company of a government company is also called as a government company. It is registered under the Indian Companies Act. Bharat Heavy Electricals Ltd, (BHEL), Bharat Electronics Ltd. (BEL), Steel Authority of India Ltd, (SAIL), Oil and Natural Gas Corporation Limited (ONGC Ltd.), etc; are some examples of government companies.