

## ⑦ Nomination Clause [O.P.E.]

- a minor cannot be nominee
- when death of subscriber.

## Doctrine of Ultra Vires

↓ ↓  
Beyond Powers.  
अतिरिक्त

- ① Null [void-ab-initio]
- ② Directors are personally liable
- ③ Injection Order [Stay Order]
- ④ No Ratification Possible

- Any act done or a contract made by the company which travels beyond the powers & not only of the directors but also of the company  
→ is void-ab-initio [null in eyes of law].

↓

- Not Binding on the Company.
- It can not be sued on an Ultra Vires transaction

• MOA → public document

So, when one deals with a company one is deemed [assumed] to know about the powers of the company.

If in spite of this you enter into a transaction which is Ultra Vires the Company,

You cannot enforce it against the company.

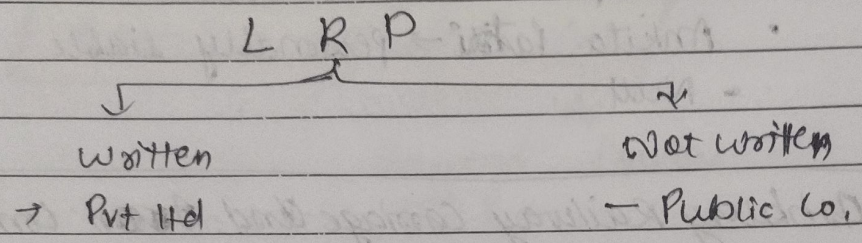
eg → Beer bottle sold by Ankita Patni director of SPC Pvt Ltd which was taken by Sidharth Malys.

- SPC Pvt Ltd → not liable
- Ankita Patni → personally liable
- Null

Ashbury Railway Carriage and Iron Company Limited  
Vs  
Riche

## # Articles of Association :-

- Rules & Regulation which are formed to manage its internal affairs



### • Content :-

#### ① Contain Regulations

- AOA contain rules & regulation for management of Company.

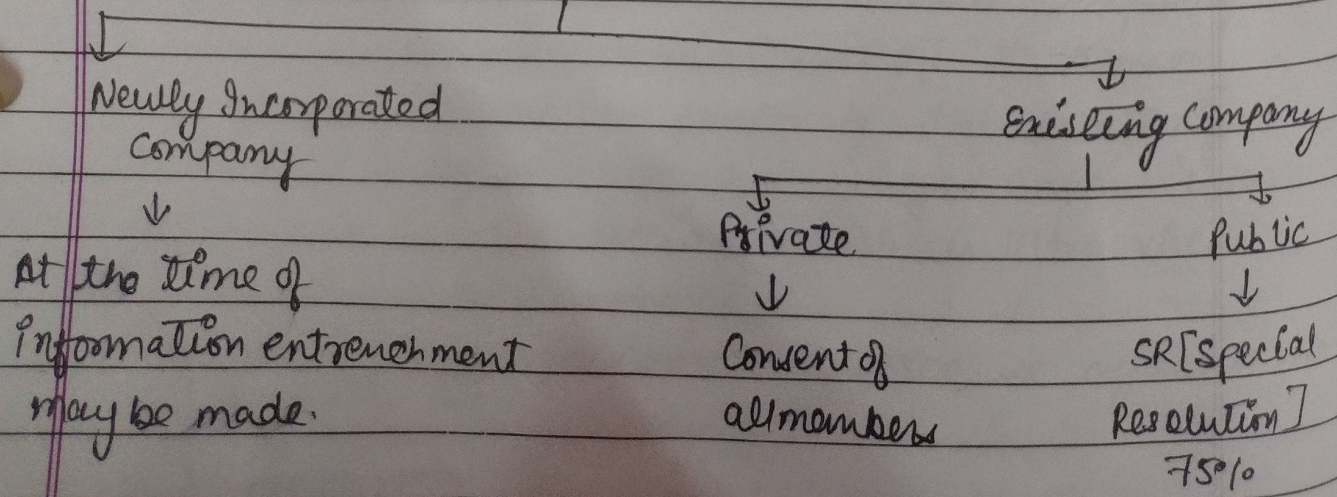
#### ② Inclusion of matters :-

- AOA ~~contain~~ contain such matter which are prescribed under the rules [of ruling party → Central Govt].

#### ③ Contains provisions for entrenchment :-

- entrenchment → more restrictive [stricter]

#### Entrenchment



Articles ko Alter krne ki to MOA & Act ki  
Provision ke within hama change.

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- If you want to alter [change] the AOA wants to more restrictive  $\rightarrow$  than those applicable in the case of special resolution.  $\rightarrow$  [75% consent at least]

④ Manner of inclusion of the entrenchment provision:-

- either on formation of a company or by an amendment.

⑤ Notice to the registrar of the entrenchment provision:-

- entrenchment - formation or by amendment

⑥ forms of articles:-

⑦ Model articles:-

⑧ Company registered after commencement of this act

Principal  
Rule

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## Doctrine of Constructive Notice

- The MOA & AOA of a company when registered with Registrar of Companies, become public documents & they are available for inspection to any person on the payment of nominal fees. [100]

- The ~~direct~~ duty of every person dealing with a company to inspect its documents & make sure that his contract is in conformity with their provisions. a person reads or not is assumed that knows the content of the documents.

This kind of assumed / presumed / implied notice is called Constructive Notice.

→ He is presumed to have knowledge of the contents of the documents.

### Doctrine of Constructive Notice

- Read MOA + AOA
  - Internal proceedings have been complied with or not.
- "Protect the Company against the Outsides!"

[AOA]

2 Directors → Sign → Company wants to take a loan

[Dir. 1 Only] → Loan → [Bank]

Hence, Company is not liable to repay the loan. As this loan was null [void-ab-initio]

### Doctrine of Indoor Management

[Turquand's Rule]

Royal British Bank Company → Bonds → RBB [creditor]  
Insolvent → £ 2000  
Liquidator ← sue

[Turquand]

- Read MOA & AOA
  - Presume that the internal proceedings have been complied with.
- "Protect the Outsides Against the Company"

## Doctrine of Indoor Management / Turquand Rule

- It is opposite to Doctrine of Constructive notice.
- To assume that all the detailed formalities for doing that act have been observed

~~★~~ The Royal British Bank Vs Turquand

Exceptions:- (1) Actual / Constructive knowledge of irregularity  
 We are protecting the company against outsiders.  
 • The rule does not protect any person when the person dealing with the company has notice, whether actual / constructive, of irregularity.

Howard Vs Patent Ivory Manufacturing Co.

General Rules:-

• The General rule says that outsider must go through MOA & AOA of the company & ~~interested~~ that.

(2) <sup>knowledge</sup> Suspicion of Irregularity → negligently [careless behave]  
 ↳ no knowledge

Anand Bihari Lal Vs Dikhan & Co

• But company himself came it <sup>itself</sup> will ~~assumed~~ assumed that it has come with power.

(3) Forgery → nullity → absence of consent  
 [no consent - no contract]

Ruben Vs Great Fingall Consolidated

• We are try to protect outsiders

## # Effect of MOA & AOA

- Eley vs Poltine Govt Security Life Assurance Ltd  
↓  
Outsider / Strangers to the Contract

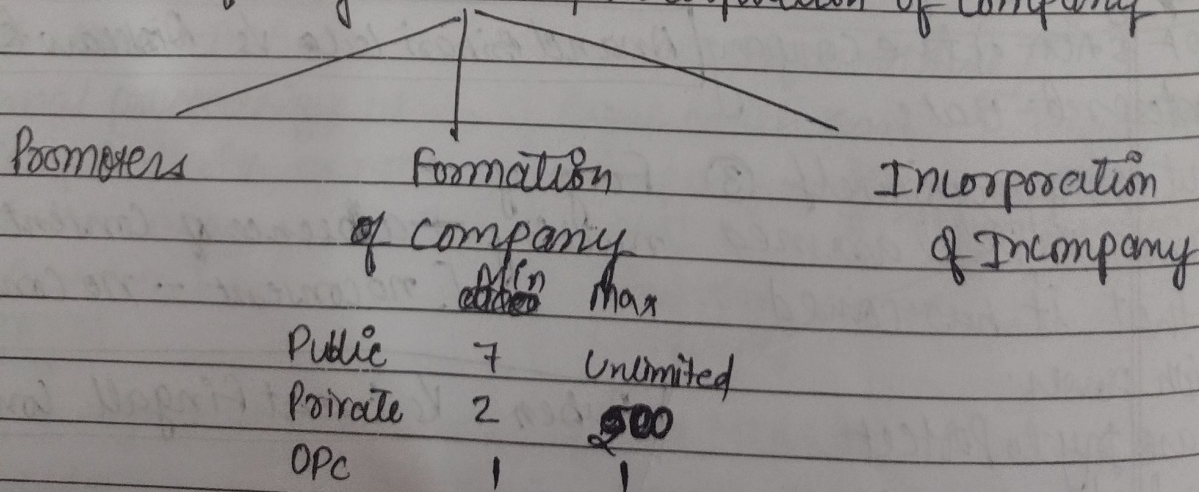
- ① Company is bound towards its members.
- ② members are bound towards company.
- ③ Company & the members are not bound to the outsiders.

- Swabey vs Port Darwin gold mining Co Case  
↓  
Directors.

## # Effect of Registration

- CLAPS

## # Modes of Registration / Incorporation of Company



## Steps of Incorporation of a Company →

SPICE<sub>e+</sub>

- ① Reservation of Companies name
- ② Submission of documents
  - ① MOA
  - ② AOA
- ③ Declaration → CA/CS/CMA/LLB  
→ Director/Manager/Secretary
- ④ Declaration → 1st Subscribers  
→ 1st Directors
- ⑤ Particulars → 1st Subscribers  
→ 1st Director
- ⑥ Consent → 1st Director
- ⑦ Address of Correspondance

### ③ Certificate of Incorporation

- ① Name
- ② Date
- ③ CIN [Corporate Identity Number] 21 digit code

④ maintain & preserve all the documents till its dissolution

⑤ Liability in case of false information

⑥ Liability of promoters, the persons named as the first directors of the company & the persons make declaration

⑦ Order to be passed by tribunal