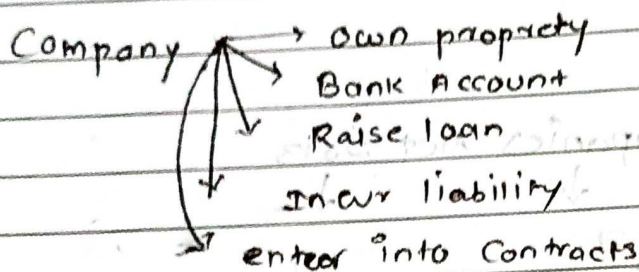


Q.1 Company : meaning & its features

• what is company & explain its feature ?

* definition

In the words of professor Haney "A Company is an incorporated association which is an artificial person created by law, having a separate entity, with a perpetual succession & a common seal



Case Study : Macaura vs Northern Assurance Co. Limited

* Feature of a Company

- 1) [Separate legal entity
 - legally separate from the members
- 2) [perpetual succession
 - change in members does not affect existence of company
- 3) [Limited liability
 - Liability of company is different from liability of members
- 4) [Artificial judiciary judicial person
 - Company can act through human agency only
 - Company can contract sue & be sued in its own name

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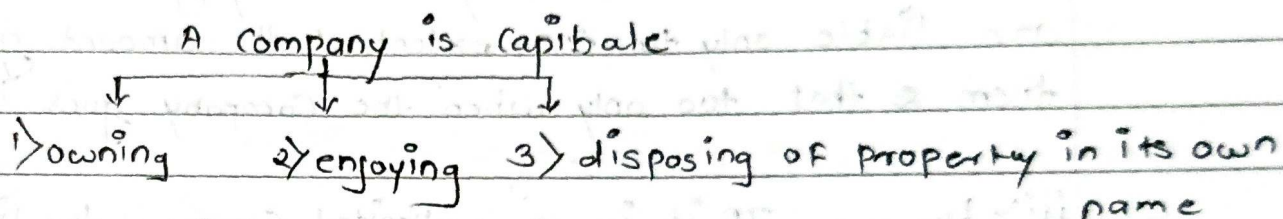
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i) Separate legal entity: when a company is registered, it is clothed with a legal personality. It comes to have almost the same rights and powers as a human being. Its existence is distinct and separate from that of its members. A company can own property, have bank account, raise loans, incur liabilities and enter into contracts.

b) Even members can contract with company, acquire right against it or incur liability to it. For the debts of the company, only its creditors can sue it and not its members.



The shareholders are not the private or joint owners of the company's property.

Case study: Macaura vs Northern Assurance Co Limited (1925)

ii)

ii)

Perpetual succession: members may die or change, but the company goes on till it is wound up on the grounds specified by the Act. The shares of the company may change hands infinite but that does not affect the existence of the company. Since a company is an artificial person created by the law, law alone can bring an end to its life. Its existence is not affected by the death or insolvency of its members.

iii) Limited Liability: The liability of a member depends upon the kind of company of which he is a member. We know that company is a Separate legal entity which is distinct from its members.

i) Thus, in the case of a limited liability company, the debts of the company in totality do not become the debts of the shareholders.

ii) In the case of a Company limited by guarantee, the members are liable only to the extent of the amount guaranteed by them & that too only when the company goes into liquidation.

iii) However, if it is an unlimited company, the liability of its members is unlimited as well.

iv) Artificial legal person: i) A company is an artificial person it is created by a process other than natural birth. It is legal or judicial as it is created by law. It is a person since it is clothed with all the rights of an individual.

ii) The company being: 1) Separate legal entity, 2) own property, 3) Banking account, 4) raise loan, 5) Incur liabilities, 6) Enter into contracts. Even member can contract with company. It can do anything everything which any natural person can do except be sent to jail.

iii) As the company is an artificial person. It can act only through some human agency. The Director cannot control affairs of the company & act as its agency, but they are not the "agents"

of the members of the Company. The director (an either on their own or through the common seal of the company) can authenticate its formal acts.

iv) Thus, a company is called an artificial legal person.

v) Common seal: A company being an artificial person is not bestowed with a body of a natural being. Therefore, it works through human beings. Common seal is the official signature of a company. The common seal is a seal used by a corporation as the symbol of its incorporation.

The Companies (Amendment) Act, 2015 has made the common seal optional by omitting the words "and a common seal" from Section 9. Reason for this amendment is that common seal is seen as a relic of medieval times. Even in U.K., common seal has been made optional since 2006.

If a case a company does not have a common seal, the authorization shall be made by two directors or by a director and the company secretary, wherever the company has appointed a company secretary.