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Chapter I

PRELIMINARY

Short Title, Extent, Commencement and Application [Sec.1]	
Application [Sec. 1(4)]	<p>The provisions of this Act shall apply to:</p> <ul style="list-style-type: none"> (a) Companies defined u/s 2(20); (b) Insurance Companies, except if inconsistent with Insurance Act, 1938 or IRDA Act, 1999; (c) Banking Companies, except if inconsistent with Banking Regulation Act, 1949; (d) Companies engaged in the generation or supply of electricity, except if inconsistent with Electricity Act, 2003; (e) Statutory Companies unless inconsistent with its Special Act; (f) Body corporate, incorporated by any Act for the time being in force, as the CG may, by notification, specify in this behalf.
Company [Section 2(20)]	<p>Company means a company incorporated:</p> <ul style="list-style-type: none"> (a) Under this Act; or (b) Under any previous company law. <p>Note:</p> <ul style="list-style-type: none"> • The word "Company" when used in Companies Act, does NOT include Foreign Companies or Company Incorporated Outside India
Body Corporate or Corporation [Section 2(11)]	<p>Section 2(11) of the Companies Act, 2013 provides that body corporate or corporation includes a company incorporated outside India, but does not include-</p> <ul style="list-style-type: none"> (i) a co-operative society registered under any law relating to co-operative societies; and (ii) any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf. <p>Note –</p> <ol style="list-style-type: none"> 1 Body Corporate is an entity which has these characteristics:- <ul style="list-style-type: none"> • Separate Legal Entity (Artificial Person) • Perpetual Succession • Common Seal (optional) Incorporate under any Statute. 2 Thus the term body corporate includes not only companies within the meaning of Companies Act, 2013 and corporations established under Special Acts of Parliament but also foreign companies. It will further include all public financial

institutions as well as nationalized banks. Thus the term '**body corporate**' is wider than the expression company.

3 LLP is also a Body Corporate.

4 All companies are body corporate but all body corporate are not company.

1 The provisions of Companies Act, 2013 apply to:

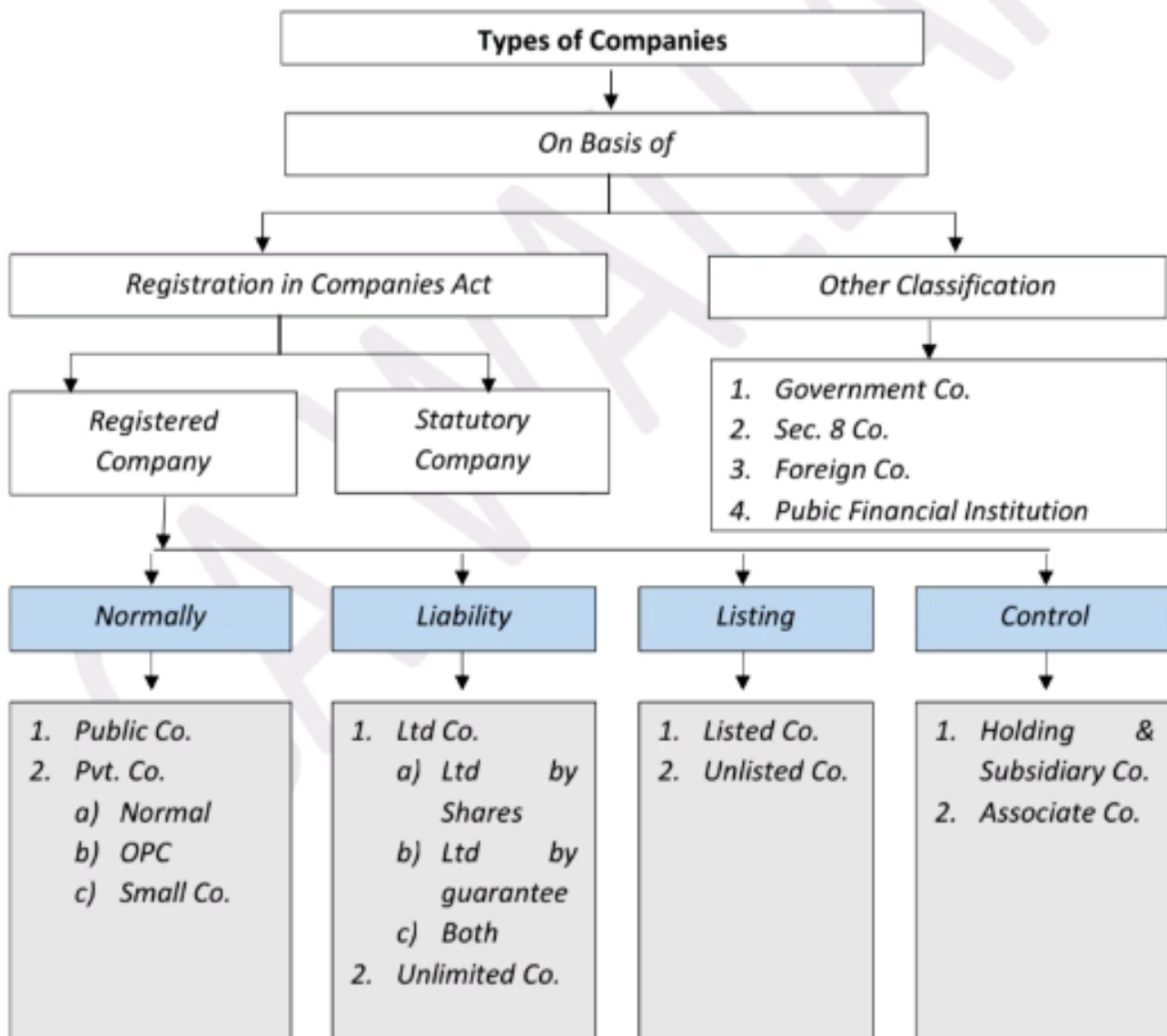
- a. XYZ Ltd., a company incorporated under Indian Companies Act, 1913

b. ABC Private Limited, incorporated under Companies Act, 1956

c. Both (a) and (b)

d. Neither (a) nor (b)

Types of Companies



Statutory Company

- Company which is not formed under companies act, but **formed under special act of parliament.**
- Such special act governs this company
- E.g. → LIC, ICAI, ICSI, RBI etc.
- Normally these Companies are formed for some public utility.

Private Company [Sec. 2(68)]

Private company means a company whose articles have following restrictions:-

- (i) Restriction on right to transfer shares.
- (ii) They cannot invite public to subscribe for any securities of the company.
- (iii) Limits the number of members to 200.

Note :

- 1 If no. of members exceeds 200, it is deemed to be public co. and all rules of public co applies to it.
- 2 **Only for purpose of this clause**, while calculating no. for 200 calculation:-
 - a. Past and present employee members are not counted.
 - b. Joint holders on single shares are counted as 1.
- 3 There can be restriction but not prohibition on transfer of shares.
- 4 Limit on 200 is for membership and no other cases
- 5 A private company **cannot** make a **public offer** of securities like IPO, FPO. However, a private company can issue securities on **private placement** basis u/s 42, whereby it invites only selected persons to subscribe for Securities.

- 1 A private company has 210 members including 11 members who have been employees of the company and acquired shares while in employment of the company. In view of provisions of Companies Act, 2013, which of the following statement is correct?
 - a. The private company has to convert to a public company since the number of members exceed 200.
 - b. The private company will have to forfeit the shares of 10 members so that the number of members can be limited to 200.
 - c. **For the purposes of reckoning the limit of 200, the shares held by ex-employees of the company are excluded.**
 - d. None of the above

Public Company [Sec. 2(71)]

A Company which:

- a. Is not a private company
- b. Is a private company, but is subsidiary of public company;

Is a public company.

Note - Provided that a Private company which is a subsidiary of a Public company shall be deemed to be public company for the purposes of this Act even where such subsidiary company continues to be a private company in its articles.

One Person Company [Sec. 2(62)]

Read with Rule 3 of The Companies (Incorporation) Rules, 2014)

Definition [Sec. 2(62)]	'One Person Company' means a company which has only one person as a member.
Basics	<ul style="list-style-type: none"> (i) It is basically a private company with some unique features. (ii) As regards the name of a one person company, the act provides that the words "one person company" or OPC" shall be mentioned in brackets below the name of such company, wherever its name is printed, affixed or engraved.
Qualifications for being a Member/Nominee	<ul style="list-style-type: none"> (i) Only a natural person who is an Indian citizen whether resident in India or otherwise shall be eligible <ul style="list-style-type: none"> (a) to incorporate OPC; (b) to be a nominee for the sole member of a OPC. (ii) For the purpose of this rule, the term 'resident in India' means a person who has stayed in India for a period of not less than 120 days during the immediately preceding FY.
Restrictions [Rule 3]	<ul style="list-style-type: none"> (i) A natural person shall not be member of more than 1 OPC at any point of time and the said person shall not be a nominee of more than 1 OPC. [Rule 3(2)] (ii) However, if a natural person is member in a OPC and becomes a nominee in another OPC, such person shall meet the eligibility criteria specified in Rule 3(2) within 180 days. [Rule 3(3)] (iii) A minor shall no become a member or nominee of the OPC. [Rule 3(4)] (iv) Such company cannot be incorporated or converted into a company under section 8 of the Act. [Rule 3(5)] (v) OPC cannot carry out non-banking financial investment activities and cannot invest in securities of a body corporate.
Rule 4	<p>1. Withdrawal by Nominee and new appointment</p> <p>The person nominated by the subscriber or member of a OPC may, withdraw his consent by giving a notice in writing to</p> <ul style="list-style-type: none"> • such sole member and to OPC. <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Appointment of New Nominee Sole member shall:-</p> <ul style="list-style-type: none"> • nominate another person as nominee within 15 days of the receipt of the notice of withdrawal and • send an intimation of such nomination in writing to the Company, along with the written consent of such other person so nominated in Form </div>

	<p>No.INC.3.</p> <p>2. Change of Nominee by Member The member may change the Nominee at any time for any reason.</p> <p>The company shall file with the Registrar:-</p> <ul style="list-style-type: none"> a notice of such change in Form No INC.4 and the written consent of the new nominee in Form No.INC.3 within 30 days of receipt of intimation of the change. <p>Intimation to ROC of withdrawal & new appointment The company shall within 30 days of receipt of the notice of withdrawal of consent, file with the Registrar:-</p> <ul style="list-style-type: none"> a notice of such withdrawal of consent and the intimation of the name of another person nominated by the sole member in Form No INC.4 and Form No.INC.3.
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Small Company [Sec. 2(85)]

Conditions for being a 'Small Company' [Sec. 2(85)]	A company shall be a small company only if it satisfies both the following conditions: <ul style="list-style-type: none"> (i) Its paid-up share capital does not exceed Rs. 4 crore; and (ii) Its turnover (as per profit and loss account for the immediately preceding FY) does not exceed Rs. 40 crore
Certain Companies not to be 'Small Companies' [Proviso to Sec. 2(85)]	A company shall not be a small company, if: <ul style="list-style-type: none"> (i) It is a public company; or (ii) It is a holding or a subsidiary company; or (iii) It is a company registered u/s 8 ; or (iv) It is a company or body corporate governed by any special Act.

- 1 Define the term 'Small Company' as contained in the Companies Act, 2013.(MAY 2015)
- 2 MNP Private Ltd. is a company registered under the Companies Act, 2013 with a, Paid up Share Capital of 2cr and turnover of 60cr crores. Explain the meaning of the "Small Company" and examine the following in accordance with the provisions of the Companies Act, 2013:
 - (i) Whether the MNP Private Ltd. can avail the status of small company?
 - (ii) What will be your answer if the turnover of the company is 30 crore?(MTP NOV 2020)(module)

1. As on 31st March 2023, paid up capital of ABC Pvt. Ltd. was 2.5 crores and turnover was 36 crores. For categorizing it a small company, ABC Pvt. Ltd. needs to have following paid up capital and turnover which shall not exceed, as per sub-clause (i) and sub-clause (ii) of clause (85) of section 2 of the Companies Act, 2013 : (Nov 23)
 - a. Paid up capital Rupees two crores or turnover Rupees twenty crores.
 - b. Paid up capital Rupees two crores and turnover Rupees twenty crores.
 - c. **Paid up capital Rupees four crores or turnover Rupees forty crores.**
 - d. Paid up capital Rupees four crates and turnover Rupees forty crores.
2. Roma along with her six friends has incorporated Roma Trading Ltd. in May 2019. The paid-up share capital of the company is 2 cr. Further, in April 2020, she noticed that in the last financial year, the turnover of the company was well below 40 crores. Advise whether the company can be treated as a 'small company'. (module)
 - a. Roma Trading Ltd. is definitely a 'small company' since its paid- up capital is much below 4cr and also its turnover has not exceeded the threshold limit of 40 crores.
 - b. **The concept of 'small company' is applicable only in case of a private limited company/OPC and therefore, despite meeting the criteria of 'small company' it being a public limited company cannot enjoy benefits of 'small company'.**
 - c. Unlike a private limited company/OPC which automatically becomes a 'small company' as soon as it meets the criteria of 'small company', Roma Trading Ltd. being a public limited company has to maintain the norms applicable to a 'small company' continuously for two years so that, thereafter, it is treated as a 'small company'.
 - d. If all the shareholders of Roma Trading Ltd. give an undertaking to the ROC stating that they will not let the paid-up share capital and also turnover exceed the limits applicable to a 'small company' in the next two years, then it can be treated as a 'small company'.
3. The paid-up capital of Akash Ltd. is 25 Lakh and its turnover as per profit and loss account for the year ended 31st March, 2020 is 1.80 Crore. In view of provisions of Companies Act, 2013, which of the following statement is correct?
 - a. Akash Ltd. is a 'small company' since it fulfils both, the paid-up capital and turnover criteria.
 - b. **The concept of 'small company' is applicable only to private companies and therefore, Akash Ltd. cannot be categorised as a small company.**
 - c. The paid-up capital and turnover criteria has to be fulfilled for minimum 2 successive years. Therefore, Akash Ltd. cannot be categorised as a small company.
 - d. None of the above
4. The provisions relating to 'small company' as given in Section 2(85) of the Companies Act, 2013 does not apply to:
 - a. A Holding company or a Subsidiary company
 - b. A company registered under Section 8
 - c. A company or body corporate governed by any special act
 - d. **All of the above**

On the basis of liability

Point of Distinction	Company Limited by Shares [Sec.2(22)]	Company Limited by Guarantee without Share Capital [Sec.2(21)]	Company Limited by Guarantee with Share Capital	Unlimited Company [Sec. 2(92)]
Extent of Liability	Amount unpaid on the shares held by the members	Amount agreed by the Members and stated in the MOA.	(a) Amount unpaid on the shares held by the members; and (b) Amount agreed by the Members and stated in the MOA	Liability of members is unlimited
Timing of Liability	(a) During the continuance of the Company ; or (b) At the time of winding up	After commencement of winding up of company	(a) During the continuance of the Company ; and (b) At the time of winding up	

On the basis of listing on Stock Exchange

Listed Company [Sec. 2(52)]	<p>'Listed company' means a company which has any of its securities listed on any recognised stock exchange.</p> <p>Newly Inserted [The Companies (Amendment) Act, 2020]</p> <p>Provided that such class of companies, which have listed or intend to list such class of securities, as may be prescribed in consultation with the SEBI (Securities and Exchange Board of India), shall NOT be considered as listed companies.</p> <p>The CG has notified that the following companies shall NOT be considered as Listed Company for the purpose of compliance with provisions of Companies Act 2013:-</p> <ol style="list-style-type: none"> PUBLIC Companies which have NOT listed their Equity Shares on a recognized Stock Exchange BUT have listed their <ol style="list-style-type: none"> Non-Convertible Debt Securities (Debentures - NCD) issued on Private Placement basis. Non-Convertible Redeemable Preference Shares (NCPS) issued on Private Placement basis. PRIVATE Companies which have listed their Non-Convertible Debt Securities (Debentures - NCD) issued on Private Placement basis on a recognized Stock Exchange. PUBLIC Companies which have NOT listed their Equity Shares on a recognized Stock Exchange in India BUT whose Equity Shares are listed on FOREIGN Stock Exchanges.
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Newage Private Limited issued 9% Non-convertible Debentures worth ` 10 lakh and thereafter, the directors contemplated to get them listed. After due formalities, these privately placed non-convertible debentures of ` 10 lakh were listed. Which of the following options is applicable in the given situation: (RTP Nov 23)

- Newage Private Limited shall be considered as a listed company.
- Newage Private Limited shall not be considered as a listed company.**
- Newage Private Limited shall be considered as a listed company only when minimum amount of listed privately placed non-convertible debentures is ` 15 lakh.
- Newage Private Limited shall be considered as a listed company only when minimum amount of listed privately placed non-convertible debentures is minimum ` 20 lakh.

Unlisted Company	It means a company other than a listed company.
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On the basis of Control

Holding Company [Sec. 2(46)]	<p>(i) Holding company, in relation to one or more other companies, means a company of which such companies are subsidiary companies.</p> <p>(ii) For the purposes of this clause, the expression 'company' includes any Body corporate.</p>
Subsidiary Company [Sec. 2(87)]	<p>Section 2(87) provides that a company shall be deemed to be a subsidiary of another, if any of the following conditions are satisfied:</p> <p>(a) That other controls the composition of its board of directors;</p> <p>(b) That other exercises or controls more than one-half of the total voting power</p> <ul style="list-style-type: none"> • either at its own or • together with one or more of its subsidiary companies; or • through its Subsidiaries <p>(c) The first-mentioned company is a subsidiary of any company which is that other's subsidiary (chain action).</p> <p>Note –</p> <p>(i) For the purpose of clause (a) above, the composition of the board of directors of a company means that the holding company has power, at its discretion, to appoint or remove all or majority of the directors of the subsidiary company without the consent of the other persons.</p> <p>(ii) Company shall not have more than two layers of subsidiaries.</p> <p>(a) However, this provision is not applicable to Banking Company, Registered NBFC, Government Company and Insurance Company.</p> <p>(b) However, this rule shall not effect a company from company acquiring outside India with subsidiaries beyond 2 layers as per rules of that country (Foreign Chain)</p> <p>(c) For purpose of counting layer, one layer which consist of wholly owned subsidiary or subsidiaries will not be taken into account (100% Subsidiary)</p> <p>(iii) For the purpose of this clause, the term 'company' includes any Body corporate.</p> <p>(iv) Indian company can become holding as well as subsidiary of foreign company</p>

The paid-up share capital of Saras Private Limited is ` 1 crore, consisting of 8 lacs Equity Shares of ` 10 each, fully paid-up and 2 lacs Cumulative Preference Shares of ` 10 each, fully paid-up. Jeevan (JVN) Private Limited and Sudhir Private Limited are holding 3 lacs Equity Shares and 50,000 Equity Shares respectively in Saras Private Limited. Jeevan Private Limited and Sudhir Private Limited are the subsidiaries of Piyush Private Limited. With reference to the provisions of the Companies Act, 2013 examine whether Saras Private Limited is a subsidiary of Piyush Private Limited? Would your answer be different if Piyush Private Limited has 8 out of 9 Directors on the Board of Saras Private Limited? (RTP MAY 2018) (RTP MAY 2019)

Associate Company
[Sec. 2(6)]

1. **"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
2. **And includes a joint venture company.**

Explanation — For the purpose of this clause,—

- a) the expression **"significant influence"** means control of **at least 20% of total voting power**, or control of or participation in business decisions under an agreement;
- b) The expression **"joint venture"** means a joint arrangement whereby the parties that **have joint control** of the arrangement have rights to **the net assets** of the arrangement.

1. A Ltd. is the holding company of B Ltd. Another company C Ltd. is the subsidiary company of B Ltd. Is there any relationship between A Ltd. and C Ltd. (RTP MAY 2019)
 - a. There is no relationship between A Ltd. and C Ltd.
 - b. **C Ltd. is deemed to be the subsidiary of A Ltd.**

- c. A Ltd. shall be deemed to be the holding company of C Ltd. provided A Ltd. acquires at least 10% stake in C Ltd.
- d. C Ltd. shall be deemed to be the subsidiary of A Ltd. if the latter company acquires minimum 10% stake in the former company within six months after C Ltd. becomes subsidiary of B Ltd.

2. Aman Pvt. Ltd. was incorporated in 2009 with 10 members having equal amount of equity shares. Subsequently, eight shareholders sold their holding to another company Chaman Ltd. In view of provisions of Companies Act, 2013, which of the following statement is correct?
- Since the identity of company is distinct from its members, the status of Aman Pvt. Ltd. will not change with the change in the shareholders.
 - Since Chaman Ltd. holds more than 50% of voting power of Aman Pvt. Ltd., Aman Pvt. Ltd. will be deemed to be a public company.**
 - Aman Ltd. will have to amalgamate with Chaman Ltd. since it holds more than 50% of its capital.
 - None of the above
3. A Ltd. is the holding company of B Ltd. Another company C Ltd. is the subsidiary company of B Ltd. Is there any relationship between A Ltd. and C Ltd.?
- A Ltd. and C Ltd. have separate legal entities and there is no relationship between them.
 - C Ltd. is deemed to be the subsidiary of A Ltd.**
 - A Ltd. shall be deemed to be the holding company of C Ltd. provided A Ltd. acquires at least 10% stake in C Ltd.
 - A Ltd. shall be deemed to be the holding company of C Ltd. provided A Ltd. acquires at least 51% stake in C Ltd.
4. H Ltd., its Managing Director and its Company Secretary hold 33.33% equity shares each in S Ltd. Which of the following statement is correct?
- S Ltd. will be treated as subsidiary of H Ltd.
 - S Ltd. will be joint venture of H Ltd., its Managing Director and its Company Secretary.
 - Both (a) and (b)
 - None of the above**
5. A Limited held equity shares in B Limited. Later on, A Limited became subsidiary company of B Limited. Decide under the Companies Act, 2013, what will be the requirement as to shares held by A Limited in B Limited.
- A Limited, which is now a subsidiary of B Limited will have to surrender thquequity shares of B Limited.
 - A Limited will continue to hold the equity shares of B Limited but it cannot exercise voting rights in respect of these shares.**
 - A Limited will continue to hold the equity shares of B Limited and can exercise voting rights in respect of these shares.
 - None of the above
6. In order to be an 'Associate company', in relation to another company, the other company has to:
- Acquire at least 20% of the voting power
 - Control the business decision making under an agreement
 - Enter into a joint arrangement to have joint control of net assets of the arrangement
 - Any of the above**

Formation of Companies with Charitable Objects, etc. [Sec. 8]

Requirements for formation of a non-profit company [Sec. 8(1)]	A company may be formed u/s 8 if <ol style="list-style-type: none"> the objects of the company are to promote commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or such other object; the company intends to apply its profits in promoting its objects; and the company intends to prohibit the payment of dividend to its members.
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Issue of license by CG and registration of company by the Registrar	<p>1. Where CG is satisfied that an association of persons proposed to be registered under this Act as a limited company satisfying all the conditions given u/s 8, CG may:</p> <ul style="list-style-type: none"> (i) by issue of a licence in the prescribed manner; (ii) allow, that the company may be registered as a limited company, but without using the word(s) 'Limited' or 'Private Limited'.
Privileges of limited company	No use of word 'Pvt' or 'Ltd'
Revocation of license	<ul style="list-style-type: none"> (i) The CG (R.D) may revoke the licence issued to the company if the company: <ul style="list-style-type: none"> (a) contravenes any of the provisions of Sec. 8; or (b) contravenes any condition subject to which the licence was issued; or (c) the affairs of the company are carried on fraudulently or not as within the object of the company. (ii) Before passing any such order, CG shall give a reasonable opportunity of being heard to the company. (iii) Where the licence granted u/s 8 had been revoked, the company shall apply to the Registrar in Form No. INC. 20 along with the fee to convert its status and change of name accordingly.
Other Imp points	<ul style="list-style-type: none"> (1) A firm may become a member of a company registered u/s 8 (2) A non-profit company may alter the provisions of its MOA or AOA with the prior approval of the CG. (3) CG may order a section 8 Company to: <ul style="list-style-type: none"> (a) wound up; or (b) amalgamated with any other company registered u/s 8 and having similar objects; only if CG has revoked the licence or is satisfied that such order is necessary in public interest and the company has been given a reasonable opportunity of being heard. (4) Can convert into any other co – G.M – S.R ,take permission from R.D , file copy of S.R with ROC

A group of enthusiastic women is planning to establish the Nursing Medicare Association, a limited liability company with the objective of providing comprehensive theory and practical training to aspiring nurses. The association aims to operate under the provisions of section 8 of the Companies Act, 2013, with a core objective of education. The intended duration for the association's operation is set at ten years, after which a dissolution will be initiated. In the event of dissolution, any remaining assets exceeding liabilities will be allocated among the members according to the standard procedures permitted by the Companies Act. Assess the viability of the proposal and offer guidance to the promoters, taking into account the regulations outlined in the Companies Act, 2013. 5 M (Nov 23)

Alpha Ltd., a Section 8 company is planning to declare dividend in the Annual General Meeting for the Financial Year ended 31-03-2020. Mr. Chopra is holding 800 equity shares as on date. State whether the act of the company is according to the provisions of the Companies Act, 2013. [May 2018 2M]

1. Abhilasha and Amrita have incorporated a 'not for profit' private limited company which is registered under Section 8 of the Companies Act, 2013. One of their friends has informed them that their company can be categorized as a 'small company' because as per the last profit and loss account for the year ending 31st March, 2019, its turnover was less than ` 2.00 crores and its paid up share capital was less than ` fifty lacs. Advise. (ICAI) (module)
 - a. A section 8 company, which meets the criteria of 'turnover' and 'paid- up share capital' in the last financial year, can avail the status of 'small company' only if it acquires at least 5% stake in another 'small company' within the immediately following financial year.
 - b. If the acquisition of minimum 5% stake in another 'small company' materializes in the second financial year (*and not in the immediately following financial year*) after meeting the criteria of 'turnover' and 'paid-up share capital' then with the written permission of concerned ROC, it can acquire the status of 'small company'.
 - c. **The status of 'small company' cannot be bestowed upon a 'not for profit' company which is registered under Section 8 of the Companies Act, 2013.**
 - d. A section 8 company, if incorporated as a private limited company (*and not as public limited company*) can avail the status of 'small company' with the permission of concerned ROC, after it meets the criteria of 'turnover' and 'paid-up share capital'.
2. Mr. Anurag and Mr. Sumit, both are teacher of Mathematics and want to open a coaching academy for poor children. They seek to raise money for their operational expenses by way of sponsorship from some like-minded friends and reinvest any surplus left for this noble cause only. In your opinion, what kind of entity should be incorporated for this purpose?
 - a. A One Person Company
 - b. A Private Limited Company
 - c. **A Section 8 Company**
 - d. A Limited Liability Partnership

Other Types Of Companies

Government Company [Section 2(45)]	<p>Government Company means any company:</p> <ul style="list-style-type: none"> (i) in which not less than 51% of the paid up share capital is held – <ul style="list-style-type: none"> (a) by the Central Government; or (b) by any State Government(s); or (c) jointly by the Central Government and any State Government(s). (ii) which is a subsidiary of a Government company. <p>Note - For the purposes of Sec. 2(45), the term "paid-up share capital" shall be construed as "total voting power", where shares with differential voting rights have been issued.</p>
Foreign Company [Section 2(42)]	<p>Discuss later in specific chapter</p>
Dormant Company [Sec. 455]	<p>Where a company is formed and registered under this Act for:-</p> <ul style="list-style-type: none"> • a future project and has no Significant Accounting Transaction or, • to hold an asset or intellectual property and has Significant Accounting Transaction , or • an INACTIVE company, <p>then such a company may make an application (MSC-1) to the Registrar for obtaining the status of DORMANT company.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>"Inactive Company" means a company which:-</p> <ul style="list-style-type: none"> • has not been carrying on any business or operation during the last 2 financial years or • has not made any Significant Accounting Transaction during the last 2 financial years or • has not filed Financial Statements and Annual Returns during the last 2 financial years. </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>"Significant Accounting Transaction" means any transaction other than — (RAAM)</p> <ul style="list-style-type: none"> (i) payment of fees by a company to the Registrar; (ii) payments made by it to fulfil the requirements of this Act or any other law; (iii) allotment of shares to fulfil the requirements of this Act (Sec 3); and </div>

	(iv) Payments for maintenance of its office and records.
Explain the concept of "Dormant Company" as envisaged in the Companies Act, 2013.(MAY 2016)	
Meaning of 'Nidhi' w.r.t to Sec. 406	'Nidhi' means a company which has been incorporated as a Nidhi with the object of cultivating the habit of thrift and savings amongst its members, receiving deposits from, and lending to, its members only, for their mutual benefit, and which complies with such Rules as are prescribed by CG for regulation of such class of companies.
Public Financial Institution 2(72)	<ul style="list-style-type: none"> (i) The Life Insurance Corporation of India, established under the Life Insurance Corporation Act, 1956; (ii) The Infrastructure Development Finance Company Limited, (iii) Specified company referred to in the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002; (iv) Institutions notified by the CG u/s 4A(2) of the Companies Act, 1956 so repealed u/s 465 of this Act; (v) Such other institution as may be notified by the CG in consultation with the RBI: Provided that no institution shall be so notified unless: <ul style="list-style-type: none"> (a) it has been established or constituted by or under any Central or State Act or other than this act or previous company law, or (b) not less than 51% of the paid up share capital is held or controlled by the CG or by any SG or Governments or partly by the CG and partly by one or more SG.

IFSC Company	
Specified IFSC Public Company	It means an public company which is licensed to operate by the RBI or SEBI or IRDA from the international Financial Services Centre located in an approved multi-services Special Economic Zone.
Specified IFSC Private Company	It means a private company which is licensed to operate by the RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services Special Economic Zone.

Some Important Definitions	
Relative [Sec. 2(77)]	<p>'Relative', with reference to any person, means any one who is related to another, if-</p> <ul style="list-style-type: none"> (i) they are members of a Hindu Undivided Family; (ii) they are husband and wife; or (iii) one person is related to the other in such manner as may be prescribed. <p>As per Rule 4 of the Companies (Specification of definitions details) Rules, 2014, a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-</p>

	(iv) Payments for maintenance of its office and records.
Explain the concept of "Dormant Company" as envisaged in the Companies Act, 2013.(MAY 2016)	
Meaning of 'Nidhi' w.r.t to Sec. 406	'Nidhi' means a company which has been incorporated as a Nidhi with the object of cultivating the habit of thrift and savings amongst its members, receiving deposits from, and lending to, its members only, for their mutual benefit, and which complies with such Rules as are prescribed by CG for regulation of such class of companies.
Public Financial Institution 2(72)	<ul style="list-style-type: none"> (i) The Life Insurance Corporation of India, established under the Life Insurance Corporation Act, 1956; (ii) The Infrastructure Development Finance Company Limited, (iii) Specified company referred to in the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002; (iv) Institutions notified by the CG u/s 4A(2) of the Companies Act, 1956 so repealed u/s 465 of this Act; (v) Such other institution as may be notified by the CG in consultation with the RBI: Provided that no institution shall be so notified unless: <ul style="list-style-type: none"> (a) it has been established or constituted by or under any Central or State Act or other than this act or previous company law, or (b) not less than 51% of the paid up share capital is held or controlled by the CG or by any SG or Governments or partly by the CG and partly by one or more SG.

IFSC Company	
Specified IFSC Public Company	It means an public company which is licensed to operate by the RBI or SEBI or IRDA from the international Financial Services Centre located in an approved multi-services Special Economic Zone.
Specified IFSC Private Company	It means a private company which is licensed to operate by the RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services Special Economic Zone.

Some Important Definitions	
Relative [Sec. 2(77)]	<p>'Relative', with reference to any person, means any one who is related to another, if-</p> <ul style="list-style-type: none"> (i) they are members of a Hindu Undivided Family; (ii) they are husband and wife; or (iii) one person is related to the other in such manner as may be prescribed. <p>As per Rule 4 of the Companies (Specification of definitions details) Rules, 2014, a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-</p>

	<ol style="list-style-type: none"> 1. Father (including step-father) 2. Mother (including step-mother) 3. Son (including step-son) 4. Son's wife 5. Daughter 6. Daughter's husband 7. Brother (including step-brother) 8. Sister (including step-sister)
Key Managerial Personnel [Sec. 2(51)]	<p>'Key managerial personnel', in relation to a company, means:</p> <ol style="list-style-type: none"> (i) the Chief Executive Officer or the managing director or the manager; (ii) the company secretary; (iii) the whole-time director; (iv) the Chief Financial Officer ; (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and (vi) such other officer as may be prescribed.
Net Worth [Section 2(57)]	<p>"Net worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.</p>
Officer who is in default [Section 2(60)]	<p>"Officer who is in default", for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely:—</p> <ol style="list-style-type: none"> (i) whole-time director; (ii) key managerial personnel; (iii) where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified; (iv) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorises, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default; (v) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity; (vi) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;

	<p>(vii) in respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer.</p> <p>Extra Points:</p> <p>When all directors liable as officers in default. – all the directors of the company will be officers in default within the meaning of section 5 [new section 2(60) of this act] only when there is no managing director, whole-time director, manager, secretary, a person charged by the board with the responsibility of complying with the provisions of the provisions of the act and the director/directors specified by the board under clause (g) of section 5 (new section 2(60)(iii)).</p> <p>Liability of directors post retirement / resignation :- even after the retirement / resignation of the director, he/she would come under the definition of an officer in default.</p>
Related Party [Section 2(76)]	<p>"Related party", with reference to a company, means-</p> <ul style="list-style-type: none"> (i) a director or his relative; (ii) a key managerial personnel or his relative; (iii) a firm, in which a director, manager or his relative is a partner; (iv) a private company in which a director or manager or his relative is a member or director; (v) a public company in which a director and manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital; (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager; (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity; (viii) any company body corporate which is— <ul style="list-style-type: none"> a. a holding, subsidiary or an associate company of such company; or b. a subsidiary of a holding company to which it is also a subsidiary; <p>[This Clause shall not apply with respect to Section 188 on the Private Companies and Specified IFSC Public Companies]</p> <ul style="list-style-type: none"> c. an investing company or the venturer of the company; <p><i>Explanation.</i>—For the purpose of this clause, "the investing company or the venturer of a company" means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.</p> <p>such other person as may be prescribed.</p>

1. With reference to a company, the following shall be treated as a 'Related party':
 - a. Director or KMP or his relative
 - b. Director or KMP of its holding company or his relative
 - c. Both (a) and (b)**
 - d. None of the above
2. Under the provisions of Companies Act, 2013, a person, with reference to another person, shall be considered as 'relative' if:

- a. He is a member of a Hindu Undivided Family
- b. He is spouse (husband or wife) of that another person
- c. He is related in the manner prescribed in Rule 4
- d. **All of the above**