## Companies Act, 2013 – Chapter 1 (Preliminary)

#### 1. INTRODUCTION

- **Purpose** → To consolidate & amend laws relating to companies.
- Reason → Needed due to changing national & international economic environment.
- Key dates:
  - o President's Assent → 29 Aug 2013
  - o Gazette Notification → **30 Aug 2013**
  - $\circ$  Enforced in phases  $\rightarrow$  e.g., 98 sections (12 Sept 2013), 143 sections (1 Apr 2014).

#### • Structure of the Act:

- o 470 Sections
- 7 Schedules
- o 29 Chapters
- Objective → Corporate governance ✓, Simplified regulations ✓, Investor protection ✓.

# 2. SECTION 1 – Short Title, Extent, Commencement, Application

#### **★** Short Title

Known as the Companies Act, 2013.

### \* Extent

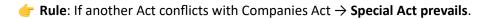
• Applies to whole of India.

#### Commencement

- Section 1 came into force on 30 Aug 2013.
- Other provisions → came into effect through **Govt. notifications** (different dates).

### Application (Who does the Act apply to?)

- 1. All companies (old & new).
- 2. Insurance companies (unless inconsistent with Insurance Act, 1938 or IRDA Act, 1999).
- 3. Banking companies (unless inconsistent with Banking Regulation Act, 1949).
- 4. Companies in electricity sector (unless inconsistent with Electricity Act, 2003).
- 5. Companies governed by special Acts (e.g., LIC, RBI).
- 6. Other bodies corporate notified by Central Govt. (e.g., FCI, NHAI).



### • 3. SECTION 2 – DEFINITIONS

(Foundation section: gives legal meaning to common terms. Exams love this part!)

# **Must-Know Definitions**

Term	Meaning (Simple)	Exam Tip
Company [2(20)]	Incorporated under this Act or previous company law.	Reliance, Infosys (under 1956 Act) = still Company.
Private Co. [2(68)]	Restricts share transfer + ≤200 members + no public invitation.	Max 200 members (employees not counted).
Public Co. [2(71)]	Not private + subsidiary of a public co. deemed public.	A Pvt. Ltd. (subsidiary of AB Ltd. public co.) = Public.
One Person Co. [2(62)]	Company with only <b>1 member</b> .	Exam favourite!
Small Co. [2(85)]	Paid-up capital ≤ ₹4 Cr & Turnover ≤ ₹40 Cr. Excludes: Public, Sec. 8, Holding/Subsidiary.	Remember: both conditions must be met.
Associate Co. [2(6)]	Another co. has ≥20% voting power / significant influence.	"20% rule" = key.
Subsidiary [2(87)]	Holding co. controls >50% voting power or Board composition.	Layering rule applies.
Govt. Co. [2(45)]	≥51% owned by Central/State Govt.	Voting power counts, not just shareholding.
KMP [2(51)]	CEO/MD/Manager, CS, WTD, CFO, one level below directors.	Till date – no other prescribed officer.
Board [2(10)]	Collective body of directors.	Simple but often asked.
Authorized Capital [2(8)]	Max share capital a co. can issue (as per MOA).	Limit set at registration.
Issued, Subscribed, Paid-up Capital [2(50, 86, 64)]	Issued = offered Subscribed = investors applied Paid-up = actually paid.	Numerical Qs asked!
Net Worth [2(57)]	Paid-up + reserves – losses. Excludes revaluation reserves.	Must exclude "unrealised gains".

Term	Meaning (Simple)	Exam Tip
Financial Year [2(41)]	Ends on <b>31 March</b> every year. Exception: foreign subs/holdings can apply to CG.	Co. formed after Jan $\rightarrow$ FY ends next 31 March.
Financial Statement [2(40)]	Includes BS, P&L, CF, equity changes, notes. CF not required for OPC, Small Co., Dormant, Start-up Pvt.	Exemption important!
Related Party [2(76)]	Directors, relatives, firms, companies with cross-holdings/control.	Private cos. get some exemptions (Sec. 188).
Relative [2(77)]	Father, Mother, Spouse, Children, Brother, Sister (incl. step relations).	Remember "step-relatives included".
Officer in Default [2(60)]	WTD, KMP, Board-specified director, etc.	If none, then all directors responsible.
[2(40)]  Related Party [2(76)]  Relative [2(77)]	Includes BS, P&L, CF, equity changes, notes. CF not required for OPC, Small Co., Dormant, Start-up Pvt.  Directors, relatives, firms, companies with cross-holdings/control.  Father, Mother, Spouse, Children, Brother, Sister (incl. step relations).	Exemption important!  Private cos. get some exemptions (Sec. 188).  Remember "step-relatives included".  If none, then all directors

# **ii** Capital Terms (Easy Table)

## **Type of Capital Meaning**

Authorized Max limit allowed (MOA).

Issued Part of authorized offered to public.

Subscribed Part of issued that investors agreed to take.

Called-up Amount company asks shareholders to pay.

Paid-up Actual money received.

### • 4. KEY NUMBERS TO REMEMBER

- **20%** → Associate Co. (significant influence).
- 51%  $\rightarrow$  Govt. ownership = Govt. Co.
- **200** → Max members in Private Co.
- ₹4 Cr capital + ₹40 Cr turnover → Small Co. limit.
- **31 March** → End of financial year.

#### • 5. EXAM-STYLE QUESTIONS

- MCQ: Co. formed on 3 Jan 2022 → FY ends on 31 Mar 2023.
- MCQ: Sec. 8 (not-for-profit) co. = X Not a small company.

- MCQ: Pvt. Co. listing NCDs privately ≠ Listed Co.
- MCQ: Significant influence = 20% voting power.

# → Tips for First Reading:

- Use **highlighter** → mark key words like "20%", "51%", "200", "₹4 Cr/₹40 Cr".
- Write  $\mathbf{margin} \ \mathbf{notes} \rightarrow \mathrm{``Special} \ \mathsf{Act} \ \mathsf{wins''} \ \mathsf{'`Small} \ \mathsf{Co.} \ \mathsf{excludes} \ \mathsf{Sec.} \ \mathsf{8''}.$
- Don't try to learn all definitions → Focus on 20–25 high-yield ones.