

◆ 1. INTRODUCTION

- **Purpose** → To consolidate & amend laws relating to companies.
  - **Reason** → Needed due to changing **national & international economic environment**.
  - **Key dates:**
    - President's Assent → **29 Aug 2013**
    - Gazette Notification → **30 Aug 2013**
    - Enforced in phases → e.g., 98 sections (12 Sept 2013), 143 sections (1 Apr 2014).
  - **Structure of the Act:**
    - 470 Sections
    - 7 Schedules
    - 29 Chapters
  - **Objective** → Corporate governance ✅, Simplified regulations ✅, Investor protection ✅.
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◆ 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*).

👉 **Rule:** If another Act conflicts with Companies Act → **Special Act prevails.**

### ♦ 3. SECTION 2 – DEFINITIONS

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

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#### ★ Must-Know Definitions

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

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

### 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%** → 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. = **✗** Not a small company.

- **MCQ:** Pvt. Co. listing NCDs privately ≠ Listed Co.
  - **MCQ:** Significant influence = **20% voting power**.
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✦ **Tips for First Reading:**

- Use **highlighter** → mark key words like “20%”, “51%”, “200”, “₹4 Cr/₹40 Cr”.
- Write **margin notes** → “Special Act wins” / “Small Co. excludes Sec. 8”.
- Don’t try to learn all definitions → Focus on **20–25 high-yield ones**.