

# FORMATION OF A COMPANY

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# FUNCTIONS OF A PROMOTER

- ◉ Identification of business opportunity
- ◉ Feasibility studies
- ◉ Name approval
- ◉ Fixing up signatories to the memorandum of association
- ◉ Appointment of professionals
- ◉ Preparation of necessary documents

# DOCUMENTS REQUIRED TO BE SUBMITTED

## A. Memorandum of Association

- It is the most important document as it defines the objectives of the company
  - The name clause
  - Registered office clause
  - Objects clause
    - The main objects
    - Other objects
  - Liability clause
  - Capital clause
  - Association clause

# DOCUMENTS REQUIRED TO BE SUBMITTED

- B. Article of association
  - It is a rule regarding internal management of a company
- C. Consent of proposed directors
- D. Agreement
- E. Statutory declaration
- F. Payment of fee

# CAPITAL SUBSCRIPTION

- ⦿ SEBI approval
- ⦿ Filing of prospectus
- ⦿ Appointment of bankers, broker, underwrites
- ⦿ Minimum subscription
- ⦿ Application of stock exchange
- ⦿ Allotment of shares

# DIFFERENCE BETWEEN MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

Basis of Diff.	Memorandum of Association (MoA)	Articles of Association (AoA)
<b>Objectives</b>	MoA defines the objects for which the company is formed.	AoA are rules of internal management of the company indicating how the objectives of the company are to be achieved .
<b>Position</b>	This is the main document of the company and is subordinate to the companies act.	This is the subsidiary document and is subordinates to both the memorandum of association and the companies act.
<b>Relationship</b>	It defines the relationship of the company with outsider.	It defines the relationship of member and the company.
<b>Validity</b>	Acts beyond the MoA are in valid and cannot be ratified even by a unanimous vote of the members.	Acts which are beyond articles can be ratified by the members, provided they do not violate the memorandum.
<b>Necessity</b>	Every company has to file a MoA.	It is not compulsory for a public ltd. Company to file AoA. It may adopt Table A of the Companies Act.
<b>Alteration</b>	Alteration of MoA is quite difficult and in many case, approval of certain statutory is required.	Articles can be altered by passing a special resolution by the member.

# REFERENCES

- ⦿ Business Studies Text Book of Class XI & XII by NCERT, <http://ncert.nic.in/>
- ⦿ Ramachandran, N and Ram Kumar Kakani. *Financial Accounting for Management*. 4<sup>th</sup> Edition, McGraw Hill Series, Tata McGraw Hill Education, 2016 [ISBN: 978-93-85965-66-1 ].

# CHECK YOUR KNOWLEDGE

- ⦿ Minimum number of members to form a private company is
  - a) 2
  - b) 5
  - c) 3
  - d) 7



# CHECK YOUR KNOWLEDGE

- ⦿ Minimum number of members to form a public company is
  - a) 5
  - b) 7
  - c) 12
  - d) 21

# CHECK YOUR KNOWLEDGE

- A Proposed name of company is considered undesirable if
  - a) It is identical with the name of an existing company
  - b) It resembles closely with the name of an existing company
  - c) It is an emblem of Government of India, United Nations etc.
  - d) In case of any of the above

# CHECK YOUR KNOWLEDGE

- ⦿ A prospectus is issued By
  - a) A private company
  - b) A public company seeking investment from public
  - c) A public enterprise
  - d) A public company

# CHECK YOUR KNOWLEDGE

- Stages in the formation of a public company are in the following order
  - a) Promotion, Commencement of Business, Incorporation, Capital Subscription.
  - b) Incorporation, Capital Subscription Commencement of Business, Promotion.
  - c) Promotion, Incorporation, Capital Subscription, Commencement of Business.
  - d) Capital Subscription, Promotion, Incorporation, Commencement of Business.

THANK YOU