Companies Act 1956 came into force on 1st April, 1956. This is the basic law which governs

- the creation, continuation, the winding up of companies
- relationships between the shareholders, the company, the public and the government.

- An extremely important piece of legislation.
- It extends to the whole of India except the State of Jammu and Kashmir.

"public company" shall, subject to the provisions of sub-section (2), have the meanings specified below

- a company formed and registered under this Act or an existing company as defined in clause (ii)

- "existing company" means a company formed and registered under any of the previous companies laws

“Private company” means a company which, by its articles, -

(a) restricts the right to transfer its shares, if any;
(b) limits the number of its members to fifty not including those who are present or past employees of the company.

(c) prohibits any invitation to the public to subscribe for any shares in, or debentures of, the

Company

A company would be called the subsidiary of another company only if :-

(a) that other controls the compositions of its Board of directors; or
(b) that other holds more than half in nominal value of its equity share capital; or
(c) the first-mentioned company is a subsidiary of any company which is that other's subsidiary.

the expression "company" includes any body corporate in the above context.

Section 4A

PUBLIC FINANCIAL INSTITUTIONS

1. The Industrial Credit and Investment Corporation of India
2. The Industrial Finance Corporation of India
3. The Industrial Development Bank of India
4. The Life Insurance Corporation of India,
5. The Unit Trust of India
6. The Infrastructure Development Finance Company Limited,

Subject to the notification, The central govt may define any other financial institution as the public financial institution as it may think fit.

Provided that no institution shall be so specified unless :-

(i) It has been established or constituted by or under any Central Act, or
(ii) Not less than fifty-one per cent of the paid-up share capital of such institution is held or controlled by the Central Government.

Section 5 defines officer in default. officer in default means an officer of the company who who is knowingly guilty of the default,non-compliance, failure,refusal or contravention or try to or willfully authorize such acts.

He would be liable to imprisonment, penalty or both or as the expression may be.

For the purposes of jurisdiction to wind up companies, the expression "registered office" means the place which the longest been the registered office of the company during the six months immediately preceding the presentation of the petition for winding up.

Section 11.
PROHIBITION OF ASSOCIATIONS AND PARTNERSHIPS EXCEEDING CERTAIN NUMBER

For the purpose of banking maximum no of member can't exceed 10 unless the Association or partnership registered under the companies Act 1956.

For the purpose of any other business maximum maximum no of member can't exceed 20 unless the Association or partnership registered under the companies Act 1956.

This section doesn't apply to HUF where it is made of two or more HUF. While computing the no of the HUF, minor members will be excluded.

In case of not complying with the above provisions, the member of the same will be liable to fine, which may extend to Rs.1000.

Section12.
MODE OF FORMING INCORPORATED COMPANY.

- Minimum no for forming the private company is 2 members while the same limit has been accounted for 7 members in case of Public company.
- A company may be unlimited or limited with liabilities subject to the guarantee amount or shares or as may the case be.
- The nature of the company will be described in the memorandum.

The memorandum of every company shall state :-

- Use the word limited in case of Public company whereas Private limited in case of Public company unless the same is prohibited by the Central govt.
- The state in which registered office of the company may be registered.

The memorandum of association of a company shall be in such one of the Forms in Tables B, C, D and E in Schedule I as may be applicable to the case of the company.

Regards
Renu