

# Define Company and its history

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According to Section 2 (20) of the Company Act 2013 "Company means a company incorporated under this Act or any previous Company Law."

In general, a company is an artificial person, created by law that has a separate legal entity, perpetual succession, and common seal and has limited liability. It is a voluntary association of persons who together contribute in the capital of the company to do business.

Generally, the capital of a company is divided into small parts known as shares, the ownership of which is transferable subject to certain terms and conditions. The word 'Company' in simple terms to mean voluntary association of persons who have come together for carrying on some business & sharing the profits thereon.



story:

The concept of company act was taken from English Companies Act, 1844.

The first company legislation in India was passed in 1850 known as a Joint Stock Companies Act.

This Act was replaced by the Joint Stock Companies Act, 1857 which introduced the principle of limited liability for the first in India.

This act again as a Joint Stock Companies Act, 1860 modified by addition the principle to banking companies.

In 1866 the first comprehensive Act provided for the incorporation, regulation and winding up of companies.

The 1866 Act was recast in 1882 and remained in force till 1913.

Later on the Indian Companies Act, 1913 was passed followed by the English Companies Act, 1908.

After that this act was amended and recasted several times almost every year.

Finally the Companies Act, 1956 was passed and came into force 1st April 1956 based on the English Companies Act, 1943. It consists of 658 sections and 13 schedules.

After 25 amendments the Companies Act, 2013 passed by Parliament by introducing new Company Bill. It came into force on the 29th of August 2013.



## Characteristics of Company-

- (i) Incorporated Association : A company comes into existence through the operation of law. Therefore, its incorporation under the Companies Act is must. Without such registration no company can come into existence.
- (ii) Separate Legal Entity : A company has a separate legal entity, which is not affected by changes in the ownership. Therefore being a separate entity, a company can contract, sue and be sued in its corporate name and capacity.
- (iii) Artificial Person: A company is an artificial and juristic person that is created by law.
- (iv) Limited Liability : Every shareholder of a company has limited liability. His liability is limited to the extent of the unpaid value of the shares held by him. If such shares are fully paid up he is subject to no further liability.
- (v) Perpetual Existence : The existence of company is not affected by the death, retirement and insolvency of its members. That is, the life of a company remains unaffected by the life and the tenure of its members in the company. The life of a company is infinite and it can be properly wound up as per the Companies Act.



vi) Common Seal: The company is not a natural person and has no physical existence. Hence, it cannot put its signature. Thus, the common seal acts as an official signature of a company that validates the official documents.

(vii) Management and Ownership: A company is not managed by all members but by their elected representatives called Directors. Thus, management and ownership are different.

(viii) Transferability of Shares: Shares of a company are freely transferable, except in case of private companies. Transfer of shares of private companies is regulated by Articles of Association

