

CORPORATE LAW

UNIT-I (COMPANY)

COMPANY - it's meaning definition and characteristics

Companies' = 'com' and 'panies'

MEANING: 'Comp' means together and 'panies' means breed. Company means a group of persons who ate together. In ancient times, men of business thought, discuss the affairs of business over lunch or dinner. But now a day, by company is meant an association in which there is joint investment of capital. In modern age a company is the voluntary association of persons formed for the purpose of earning a profit with the investment of capital which is transferable in shares of limited liability. It is incorporated and registered as an artificial person' under the company act.

Definition:- Sec 3(1) of the Indian Company Act 1956 company means a company formed and registered under this act or an existing company. Existing company means a company formed and registered under any of the previous company act. According to L.H.Honey- 'A company is an incorporated association which is an artificial person created by law having a separate entity with a perpetual succession and a common seal.'

A company is voluntary association of persons which is formed with the specific objectives of establishing a business. It has a separate entity from its members who can freely transfer their interest as they desire.

Characteristics of a company:-

1. Incorporated Association established by Law- is recognized by law-it needs to be incorporated.
2. Artificial person- because its birth is not a natural birth. It is invisible, intangible and immortal artificial person. It has no body, no soul and suffers

no pain and enjoys no pleasure. But like a natural person a company can buy and sell properties, make agreement or enter into contracts.

3. Separate Legal Entity- Company acquires a separate legal entity after incorporation which is distinct from the entity of its member- SOLOMAN v/s SOLOMAN & CO.
4. Perpetual succession- Member may come and member may go, but the company goes on forever.
5. Common seal
6. Limited liability
7. No. of members in Pvt. Ltd is 2-50; Public Co. is maximum (no limit).
8. Transferability of share
9. Representative management
10. Termination of existence only by law.

TYPES OF COMPANIES

Classification of Joint Stock Company

A. On the basis of incorporation- These companies were formed.

- i. BY ROYAL CHARTER- by the express order of the King, Queen and called chartered companies. Example East India Co.(1600 AD) and Bank of England (1694 AD) companies enjoyed unlimited rights.
- ii. Incorporated by an Act of Parliament- incorporated by a separate Act examples are RBI, SBI, IFC, LIC word limited is not used for these companies.
- iii. Incorporation under companies Act 1956- Rights and liabilities of the members are governed by the provisions of companies' act 1956.

B. On the basis of Liability

- i. Limited Liability companies
 - a. Companies liability limited by shares
 - b. Companies liability by guarantee
- ii. Unlimited liability companies- This type of company are rare with business scenario today.



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C. On the basis of transferability of shares

- i. Private company-Sec-3(1) Act 1956
 - a. Restricts the rights of its member to transfer share.
 - b. Excluding ex-employees and employer member is 50 and minimum is 2.
 - c. Cannot issue prospectus minimum capital one lac.
- ii. Public company is one which is not a private co. minimum capital is 5 lacs.

• PRIVILEGE OF PRIVATE COMPANY OVER PUBLIC COMPANY

<u>BASIS</u>	<u>PRIVATE CO.</u>	<u>PUBLIC CO.</u>
1. No. of member	Minimum 2 and maximum 50 excluding ex and present employees	Minimum 7 and maximum no limit
2. Minimum paid up capital	One lac	5 lacs
3. Invitation to the public	.....	.....
4. Allotment of shares	.....	No allotment of shares unless it received minimum
5. Commencement of business	.....	After getting certificate for commencement
6. Issue of prospectus	No	Yes, issue of prospectus
7. Preparation of article of	.....	.....
8. No. of director	2	3
9. Qualification of shareholder	.....	.....
10. Increasing no. of directors	No permission is needed	Permission is needed
11. Use of word limited	Private limited	Limited



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FORMATION OF A COMPANY

- A. Promotion of a company
- B. Incorporation or registration of the company
- C. Certificate for Commencement of business-in case of a public co. only

A. PROMOTION OF COMPANY: Meaning and Definition- Before a company is formed some persons get together and conceive the idea of doing business, the concept of the company is born in their minds they investigate the sources and make a plan, they also deliberate on the legal aspects of the whole process. These persons are known as 'Promoters'.

HENRY- 'PROMOTION is the process of creating a specific business enterprise. The aggregate of activities contributed by all those who participate in the building of the business constitutes promotion.'

L.H.HENRY 'promotion may be defined as the process of organized and planning the finances of a business enterprise under the corporate form.'

B. FLOATATION/ INCORPORATION/ REGISTRATION OF COMPANY: Getting the company registered with the registrar of companies. The required fee for registration is paid and the certificate of registration obtained from the registrar of companies. The company becomes an entity only after it is registered. So long as a company is not incorporated, it cannot be called as a company from the legal point of view and it has no entity as such.

- i. Preliminary Activities:-** Address of the registered office, name of the company, to get the license, to make appointment, to get the important document prepared, to send the application to the registrar.
- ii. Document to be filled with the registrar:-** Memorandum of association, Article of Association, address of the H/o, list of directors, written consent of director, preliminary agreement, statutory declaration.

Payment of prescribed fee & ordinary letter

Certificate of incorporation



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iii. Specimen of certificate of incorporation:- I hereby certify that company limited is incorporated as a company under the provisions of the companies act 1956 and that it is a limited company.

Office stamp

Sign.

Company Registrar

C. To get certificate for commencement of business: only in case of public company.

MEMORANDUM OF ASSOCIATION

LORD CAIMS- the Memorandum contain the fundamental conditions which the company is allowed to be incorporated.

LORD MACMILLION, 'the purpose of the memorandum is to enable the share holders, creditors and those who deal with the company to know the permitted range of enterprise.

Memorandum is the charter of a company and without it no company can be setup. In the memorandum it is itself the purpose. The permitted range and power of the company is described. It is a charter that gives information about the company and the persons outside it.

CHARACTERISTICS OF THE MEMORANDUM OF ASSOCIATION

1. It is fundamental document.
2. It is an unalterable document.
3. It defines the limitations of the company operation.
4. Basis of the relationship between the company and outsider.
5. It contains clauses.

Subject Matter Of Memorandum Of Association

- a. Name of the company (clause)- Emperor Prohibited Nature, Empress, Imperial, King, Queen, Royal.
- b. Situation clause- Address, City And State, Company Registered Office, A/C Legal Document And Books Of A/C Of The Company Are Kept, Legal Function
- c. Object Clause- main objects-other object of the company is not against the law.
- d. Liability clause
- e. Capital clause- authorized capital-divided into shares

f. Association and subscription clause- declaration of association, procedure of alteration of MOA.

- **ALTERATION OR CHANGE**

- **Memorandum Of Association**

Under rule the Memorandum of Association is an unalterable document. According to Sec 16 company act 1956 ' a company shall not alter the conditions contained in MOA except in two cases, in the mode and to the extent for which express provisions made in this act:-

Alteration with Name Clause:

- a. By strict regulation and permission from central govt. (sec 21). The central govt. gives its permission to all the company law.
- b. By rectification or omission in name: by passing an ordinary resolution within three months from the date of such directions.

Alteration in Registered Office: such change can be:-

- a. From one place to another in the same city or town: board of directors must pass a resolution to that effect and give to new address of its registrar office to the registrar, within 30 days.
- b. Shifting from one town to another in the same state:- pass special resolution and send the notification to the registrar within 30 days.
- c. Shifting from one state to another:
 - Reason for shifting should be given.
 - Sanctionary the central govt.

Alteration In Object Clause:- It is extremely difficult to alter the object clause but under sec17(1) object clause can be altered only in the following circumstances:-

- To carry business more economically

- To enlarge or change the legal area of operation, alternate the co. with any other co.

Procedure Of Alteration:

1. Special resolution: copy of resolution file with the central govt.
2. Ratification by central Govt. - is application for proposed alteration is filed with the central govt., the central govt. shall scrutinize the application to convenience itself- when the central govt. is satisfied. It shall give its confirmation to the proposed alternation by issuing directive.
3. Registration of alteration: a copy of alteration shall be filed by the company with the registrar of companies within 3 months from the policy.
4. Alteration in liability clause:- As a general rule, the liability of the shareholder of a limited company cannot be made unlimited unless it is expressly agreed to by All the members of the company but in special case, a limited co. may also authorized by its article by special resolution alter the memorandum, so as to render the liability of its director or of any director or manager unlimited.
 - a. Conversion of limited liability into unlimited: No alteration
 - b. Registration of unlimited liability co. as limited liability.
 - Co. must pass special resolution
 - File a copy of resolution with central govt. within 30 days
 - A copy of the confirmation must be filed with the registrar of companies within 3 months.

Alteration In Capital Clause: A company may make any alteration in the capital clause of its memorandum. It can only do so if there is such provision in its articles to alter the condition.

- a. Increase in share capital:- ordinary resolution and inform the registrar within 30 days
- b. Reduction in share capital: it is done by a special resolution to reduce its share capital in any way.

- c. Reorganization of share capital: by passing ordinary resolution and file with reorganization of capital.

ARTICLES OF ASSOCIATION

Sec 2(2) 'articles' means the article of association of a company as originally framed or as altered from time to time in pursuance of any previous company laws or of this act.

Justice Brown: - 'The Memorandum of Association contains the fundamental conditions upon which the company is allowed to be incorporated. The articles are the internal regulations of the company and are for the benefit of shareholders, articles of association are set of rules made under the memorandum of a company that regulates the management and control of the internal affairs of a company.

Contents Of Article Of Association

'Table A shall be applicable or not rule relating to classes of share and rights, issue of the share capital and its allotment, minimum subscription, forfeiting of shares its reissue, payment of dividend and creation of rule, auditor, board meeting, winding up, bank rule relating to capitalization of profits, keeping of books of A/c and their audit.

ALTERATION OF ARTICLE OF ASSOCIATION

Under sec 31(1), 'A company can alter its articles by a special resolution subject to the provision of the Act and to the conditions contained in its memorandum. Under sec 31(2) any alteration made shall be valid as its originally contained with article.

Limitation Regarding Alteration of Article

Under special circumstances and important verdicts of courts- some restrictions have been imposed on the alteration of article:-

A. Statutory Restriction

- Alteration must be by a special resolution.
- Alteration must not be inconsistent with the provision of the company act.
- Alteration must not be inconsistent with the memorandum of association.
- Permission of central govt. for alteration
- Written consent of the member for alteration

B. Judicial Restriction

- Alteration must not be illegal for business
- Alteration must be in good faith and for the company benefits.
- Alteration must not be depriving any person of his rights under contract.
- The alteration should not be a fraud on the minority by the majority.
- Alteration must not cause breach of contract with a third party.

Doctrine of Constructive Notice

A public document is one which is open to inspection by the public. Any person can examine these documents and get their copies by paying the requisites fee. It is therefore assumed that any person who deals with the company is familiar with the contents of these documents. The duty of every person who deals with a company to study the memorandum and article of association of the company and enter into contract in the light of the powers and limitations of the company as defined in these documents. Whether he studies these documents or not and is deemed to have dealt with the company at his own risk. This assumption is what is called- "The constructive notice- The legal implication of this doctrine is that- if any person deals with a company in a

manner which is inconsistent with the provision of its memorandum or article i.e. enters into a transaction which is beyond the power of the company- he does so at his own risk and cost and shall have to bear the consequences thereof.

Example if articles of a company needs that a bill of exchange issued by it shall have the signatures of two directors, a person who has a bill signed by only one director cannot claim any payment of such bill.

Doctrine of Indoor Management

It is not necessary for an outsider to be conversant with the internal or 'indoor management' of the company, Outside can assume that the company has correctly carried out the internal procedure. Those who deal with the company in good faith assume that the internal requirement prescribed in the company's public documents has been observed. They are not bound to investigate the regularity of the company's internal proceedings. Only required to be sure that the proposed dealings are apparently regular and consistent with the memorandum and articles.

Doctrine of Ultra Vires

Such acts of a company which are beyond the scope of the company's memorandum and articles are known as ultravires. A company cannot do any such act which is not stated in its memorandum or is not directly related to the company objects are ultravires act.

LIFTING THE CORPORATE VEIL

A company is an artificial person which born by an Act of law and is terminated by an Act of law. Its identity is totally different from of its members.

The decision in the case of Soloman Vs Soloman & co. established the fact that there crops up a VEIL between a company and its members when it is incorporated, which lawfully gives a separate entity to the company and its members. This distinction between the two is called the Corporate VEIL.

The company being an artificial person does not perform any function by itself. Its functions are performed by its directors at the director of a company defend the company or any third party, or do an act which goes against the companies Act, the law permits the order of the court to lift the corporate VEIL and make the directors or members guilty of misconduct and face the consequences of law.

According to Prof. Goverl “where the law disagreed the corporate entity and pays regard instead to the individual members behind the legal facade. It is known as lifting the VEIL of corporate personality” the situation under which the corporate VEIL may be lifted:-

A. Under statutory provision

- a. Reduction of the number of member below statutory.
- b. Investigating the affairs of the company.
- c. Investigating fraudulent trading.
- d. Non-disclosure of company norms.

Unit-II

PROSPECTUS

The prospectus is issued by public Co. to raise the necessary capital for the company. It is short of an advertisement of the company.

Meaning of prospectus: - Sec 2(36) 'Prospectus means any document described or issued as a prospectus and includes any notice, circular, advertisement or other document inviting deposits from the public or inviting offers from the public for subscription or purchase of any shares in or debenture of body corporate.

It is clear that a prospectus is a document that invites the public to subscribe to share capital or debenture of a company.

NEED FOR THE PROSPECTUS

It is not necessary to every Co. to issue of statement in lieu of prospectus, but for the public Co. it is compulsory.

A Company in which director themselves arrange the capital from their personal sources. It is not necessary to issue a prospectus, but company must file a statement in lieu of prospectus to the registrar of companies.

OBJECTS OF PROSPECTUS:-

- a. To invite the public to invest in the share or debenture.
- b. Dictate the conditions on which the public is invited to invest in share or debenture.

CONTENTS OF PROSPECTUS

1. Main object of the company and signatories to the memorandum

2. Share capital- authorized, issued, subscribed and paid-up capital, size of present issue paid-up capital
3. Terms of the present issue
4. Particulars of the issue
5. Managerial Personnel- Promoters, Manager, Managing Director.
6. Minimum subscription
7. Opening of the subscription list
8. Application and allotment moneys
9. Share and debenture issued for consideration other than cash
10. Under writer, Preliminary Expenses, Promoter, Property Acquired, Time and Place of Inspection, Details Of Business.
11. In case of existing company profit & loss and balance-sheet, golden rule for prospectus.

SHARE CAPITAL OF COMPANY

- SHARE CAPITAL
- TYPES OF SHARE CAPITAL
- ALTERATION OF SHARE CAPITAL
- REDUCTION OF SHARE CAPITAL

MEANING OF SHARE CAPITAL: The share capital of a company is the capital that the company gets by the sale of its share. The term 'capital' and the 'share capital' are the same for a company. But there is a difference between a company's share capital and its loan capital. The capital of a company includes both its share capital and loan's capital. The share capital represents the company own assets whereas loan capital represents the assets of its creditors. There must be an appropriate ratio between the two for successful running of the company.

FORMS OF SHARE CAPITAL



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- A. Authorized , Nominee or Registered Capital
- B. Issued capital
- C. Subscribed capital –
 - a. over subscribe
 - b. under subscribe
- D. Allotted capital
- E. Called up capital
- F. Uncalled up capital
- G. Paid-up capital
- H. Fixed capital- cash invested in land
- I. Working capital
- J. Watered capital- cash paid for buyers, Goodwill, Franchiser Rights

KINDS OF CAPITAL: -

- A. Equity share capital
- B. Preference share capital

Preference share capital fulfils following conditions:-

- i. It carries a profit ratio in payment of dividend to the shareholders.
- ii. It carries a profit ratio on a winding up for repayment of capital.

Equity share capital: All share capital of a company which is not preferential is known as equity share capital.

Alteration of share capital:- A company starting with a specific capital can increase, reorganize or decrease its capital. The word 'Alteration' is used in the act for any increase, reorganize or decrease in the company capital.

Methods Of Alteration Of Share Capital

A Company may alter its share capital in any of the following ways:

1. It can increase its share capital by issuing new shares.

2. It may consolidate and divide its share capital into share of large amount than its existing shares.
3. It may convert its fully paid up shares into stock or reconvert the stock into fully paid up shares.
4. It may sub divide its share into share of smaller amount.
5. It may cancel the shares which have not taken by any person.

These rights can be exercised by company-

- a. In its general meeting
- b. No need of any approval/ sanction of central govt. court.

Legal Restriction for Alteration:

Under sec 6, of the company Act restrictions on a company to alter its share capital are as under:

1. Alteration by specified companies- alteration can be done only by a company:
 - a. Limited by share
 - b. By guarantee
 - c. Having a share capital
2. Provision in article of association:- article of company must authorize the alteration and state how the alteration is to be affected.
3. Passing of ordinary resolution:

Procedure of Alteration

- a. Acceptance of ordinary resolution in general meeting.
- b. Information to registrar:- Except for an increase with share capital, information to registrar has been given within 30 days. Registrar shall resend the notice and make any alteration. Default Rs. 1000 in a day and up to 5 lacs.
- c. Notice of increase of share capital:

- i. Notice must be given to registrar within 30 days of passing the resolution.
- ii. In case of default – Rs. 1000 in a day upto 5 lacs

Reduction of share capital: Reduction of share capital is meant reducing the paid up capital of the company the objective is to protect the interest of the company share capital. In any of reduction:

- By writing of lost capital
- By regarding surplus capital
- By extinguishing or reducing the liability on share

Legal Restriction for Reduction

1. By specified companies- only by company limited by share or by guarantee and having a share capital can reduce its share capital.
2. Authorization by articles
3. By specified resolution
4. Confirmation by national company law tribunal.

Procedure For Reduction:

- a) Passing specified resolution
- b) Application to the tribunal for confirmation
- c) Order confirming reduction-before company register

Reason for reduction in capital:

- If company has suffered a loss in its business.
- If company has more capital
- If company fixed assets have been over valued
- If there any fictitious assets in the company balance sheet.

Further Issue Of Share Capital: means that issue of that part of share capital of the company which is yet unissued.

PROCEDURE OF ALLOTMENT OF FURTHER ISSUE SHARE CAPITAL

- a. Offer to existing equity share holders
- b. Notice of offer
- c. Surrender of right in favors of another person.

RIGHTS OF THE BOARD OF DIRECTORS

- Share and stock
- Share certificate and warrant

MEANING OF SHARES: _ literal meaning of share is part. But in company 'share capital' share has a special meaning.

Share capital of a company is divided into different classes of parts and each part is called a share.

Sec-2(4) of the company ACT 2013- share means, share in the share capital of a company and includes stock except where a distinction between stock and share is expressed.

Every part of the joint capital of company is a share by acquiring the share of a company; any individual can become shareholder.

Characteristics of shares

1. Movable property
2. Number-s.no.
3. Share certificate
4. Rights & interest

KINDS/TYPES OF SHARES

1. Equity shares
2. Preference shares

EQUITY SHARES: An equity share is also called an ordinary share. According to sec 43 of the company act 2013 are share of a company which are not preference share are equity or ordinary shares. Equity shares core activity to major portion of the share of a company having share capital.

Equity shareholders have the right to vote. They are the real owner of the company. Equity share holder can influence the management of the company.

PREFERENCE SHARES: preference share having preferential rights, It carries a profit ratio in payment of dividend to the shareholders. It carries a profit ratio on a winding up for repayment of capital.

Kinds of preference shares

- Simple or non cumulative preference share
- Cumulative and convertible preference share
- Non convertible preference share and redeemable preference share
- Irredeemable preference share and participative preference share

Distinction between equity shares and preference share

1. Right of dividend
2. Return of capital
3. Rate of dividend
4. Accumulation of dividend
5. Redemption of dividend
6. Voting rights

MEANING OF STOCK:

Lord Cairns: Stock means that the company has received the total value of shares and it is a positive to divide the share into groups or categories. We can say that stock means the collected value of shares which the company can later diversely into different groups.

Characteristics of stock

- Fully paid up shares can converted into stock
- Company articles have provision to convert shares into stock
- Stock has no definite number
- Company cannot invite the public to buy its stock

MEANING OF SHARE CERTIFICATE

Sec 46 of the company act-'A certificate under the common seal of the company specifying any share held by any member, shall be a prima facie evidence of the title of the shareholder. Sherlaker. "A share certificate is a document of the title to the share issued by the company under its common seal. Its specify the no. of shares need by a member.

Contents: Name of Co., Address of Registered Office, S.No. Of Share Certificate, Name Address of Share Holders, No. Of Share, Value of Share Money, Amount of Paid-Up, Revenue Stamp.

Every person whose name is entered as member in the register of members entitled to received within two months of allotment or within one month after the application for registration of transfer.

- One certificate for the entire share several certificate each for one or more of his share upon payment of one rupee for every certificate after the first.

Legal effect of share certificate:

1. Prima facie evidence of title
2. Estoppels as to payment

Share warrant

A share warrant is bearer ' Document of title' to the shares issued by the company under its common seal, duly stamp and signed by one or more director of the company as per its articles.

A public limited company having share capital under the provision of its article and within consent of the central govt. can issue, under its common seal, a certificate for its fully paid-up shares is called share warrant.

Content of share warrant

Name of the Co., Address of the Co., Serial No., No. of Shares. Value of Shares, Date of Share Warrant, Signature of Two Director and Counter Sign of The Secretary, Common Seal Of The Co.

Difference between share certificate and share warrant

<u>Basis</u>	<u>Share certificate</u>	<u>Share warrant</u>
1. Paid-up	Partially/fully	Fully paid-up
2. <u>Transfer</u>	With written document of transfer	No need of written document
3. Dividend	Does not carry any document	Dividend company attached to it
4. Application for winding up	Holder of share certificate has to make an application for the winding up	Because of share warrant does not have the right to make an application for winding up

Company Management

Introduction, Qualification, Disqualification, Director Appointment, Vacation, Removal of Director, Duties and Power Liabilities of Director, Managerial Remuneration

Introduction

The management of a company is quite different from the management of a sole trader or partnership. The owners of a company are its shareholders trust. It is not practical for the shareholder to manage and administer the company due to very large number and all are scattered all over the country. Therefore the shareholders transfer their right to administer and manage the company to company director. The group of decisions which manage and administer the company affairs is called its board of directors.

DIRECTOR

The person who acts on behalf of a company is called its 'Director'.

According to Webster Dictionary- A director is any person who is appointed to manage the business of a company.

Sec 2 (34) of the company Act 2013- 'Director' as any person appointed to the board of company. A company's board of directors may however consist of persons specialized in different branches of business administration such as accounts, finance, law, and bonus. Management etc.

BOARD OF DIRECTORS

According to sec 149 of the company act- the director of a company are collectively known as the board of directors, or the board of company, the 'board' is the apex governed body of a company. The board of director of a

company plans the company policy, controls its management and makes all important decisions, sec 149 of the company act 2013 provide.

- a. Minimum director- 3 director in case of public company
2 directors in case of private company
1 director in one Man Company
- b. Maximum director- a maximum no. of director is 15
- c. A company can appoint more than 15 directors after passing a special resolution and such type of co. shall have at least one women director only, individual can be director.

According to sec 152 the body corporate association or firm van be appointed director of a company only individual can be appointed. Company shall appoint or reappoint any individual as director of the company unless he has been allotted a director identification number (DIN) under sec 158 of the company act 2013.

Restriction on no. of Directorships

Under sec 165 of the company act 2013- no person shall hold office as Directors of more than 20 public companies at a time. When a director already holding office in twenty. Companies are appointed. He vacates his office in some companies so as to bring down the number of 20 as provided by sec 165 of the company act 2013.

Qualification of Directors

The companies act does not define any qualification of a director. The rules governing the appointment of director of a company are as follows:-

- a. One should have director identification number (DIN).
- b. Signed or consent in writing to Act as director within 30 days with registrar of company.

- c. Agreed to take qualifications show and signed the memorandum-qualification shall are registered in his name.

Disqualification of Directors

Sec 164 of companies act 2013 mentions disqualification for becoming director of a company:

- Unsound mind
- Indecency insolvent
- Apply for adjudicated and application convicted by a court of an offence.
- Involving moral turpitude person has not paid any call in shares.
- Owner disqualifying him as a director has been passed by govt.

DIRECTOR IDENTIFICATION NUMBER (DIN)

The Director Identification number under sec 154, which is issued by the central govt. the company shall within 15 days furnish the director identification number of all its directors to the registrar of company on a prescribed form with such fee as prescribed. Fraudulent fined of Rs. 25000 which may extend up-to one lac.

Sec-158 Act makes its mandatory for company to mention the director identity number in all the written information or document etc. furnished under the companies Act 2013.

Appointment of Directors

A director may be appointed in any of the following ways:

- 1. By the signatory of Memorandum of Association-** First director so retiring at the first general meeting of the company may be reappointed as director.

2. By the shareholders in general meeting- shareholders must elect the director according to the articles at the first and at every subsequent annual meeting of the company. In case of public company at least 2/3 of the total number must retire by rotation.

3. Appointment by board of directors-

- Appointment in case of casual vacancy of vacancies may arise due to death, resignation, insolvency or disqualification. Board of directors may appoint for the remaining person any eligible person as director.
- Appointment of additional director- if the articles of a company authorize the board of director may appoint additional director.
- Appointment of alternative director-if authorize by articles and after passing resolution may appoint an alternative director for a period of not less than 3 months during the absence of original director.
- Appointment of nominee director- the board may appoint any person as director nominated by any institution or by the central govt. or the state govt. by virtue of its shareholders in a government company.

4. Appointment by proportional representation

Vacation Of Office By Director

Sec-167(1) of the company Act 2013 provides a Director will be deemed to have vacated his office if:-

- a. He incurs any disqualification sec 164
- b. Absent in all meetings during 12 months without permission.
- c. Disqualified by an offence of court convicted by court
- d. One Acts in contravention of the provision of sec 184
- e. One fails to disclose his interest in any of one day contract.

Vacation office- he shall be punishable with imprisonment for a term. One year or fine up to one lac extendable up to 5 lacs.

REMOVAL OF DIRECTOR

1. By company
2. By tribunal

A. BY COMPANY: Sec-169 of companies Act 2013, a company may by special notice and by ordinary resolution remove a Director before the exerting of the person of office- exception:-

Not in case of director appointment by central govt.

Not in case of private co. director holding office

In co. opted to appoint director by the system of proportionate representation.

B. REMOVAL BY TRIBUNAL: In case of mismanagement and corruption on the part of any director. The national company's law tribunal can remove the director. Any person removed is not eligible for a directorship for a period of 5 years.

Duties of Directors

Under the provision of the articles of a company and the company's act- the directors have statutory duties and general duties.

A. STATUTORY DUTIES:-

- Inspecting the prospectus
- Signing the prospectus- presenting the annual statement holding the statutory meeting and forwarding the statutory report Conveniently of G.M.
- Do of any extra ordinary meeting declining and paying dividend presenting the annual A/c.

- Sending copies of annual A/c to the registrar.
- Providing document at the aim of inspection
- Declining solvency
- Disclose personal interest.

B. GENERAL DUTIES

- He must work in good faith for company property.
- They must not try to be over clever
- they must not neglect their duties
- They discharge their responsibility themselves.

CORPORATE SOCIAL RESPONSIBILITIES OF COMPANY'S BOARD OF DIRECTORS

It is a new provision incorporated under sec 185 of the companies Act 2013- under this rule company having a specified network, turnover or net profit during any F.Y should constitute a corporate social responsibility committee of the board. The committee shall ensure that at least 2% of the average net profit shall be stand on-

- Eradication power, promotion of education, gender equality and women's empowerment reducing child mortality to prime minister national relief fund etc.

LIABILITIES OF DIRECTOR

The director have certain liabilities for which they are answerable to the company, to the share holders and to the outsiders.

A. Liability towards company

- Liability for ultravires Acts
- Liability for negligence
- Liability for committing a breach of trust

- Liability for fraud

B. Liability towards outsiders

- Liability for ultravine Act
- Liability as agent
- Liability in relation to allotment
- Liability for not getting approval from stock exchange
- Liability in respect of allotment within minimum subscription.

CRIMINAL LIABILITY OF THE DIRECTOR

The director of a company, in case of the willful contravention of the provisions of law are Punishable by imprisonment or fine both.

1. In case there id mis-statement or a fraudulent statement with company prospectus shall be liable under sec 447.
2. Any director guilty of knowingly or core lessely making any statement which is fallen under 447.
3. When dividend has been declared but has not been paid within 30days of the declaration the defaulting director be punishable.
4. In case there is a default in presenting the company balanve sheet and profit & loss A/c fine Rs. 50000 extended to Rs. 300000.
5. Any director who acts as director of more than 20 companies- 5000 extended upto 25000

Every director of one has interest in any contract on behalf of the company must disclose the interest at a meeting of the board he does not disclose. Imprisonment up to one year or 50000 fines.

REMUNERATION OF DIRECTORS

In companies act 2013 has brought significant changes in respect of remuneration of directors:-

1. Remuneration to director can be paid of there is provision in company's articles of association or the payment is sanctioned by the company in general meetings.



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2. Sec-197 of the company Act 2013- remuneration payable to the director of a company, including managing director or whole time director must be determined either by the articles of the company or by resolution.
3. The total managerial remuneration payable to directors or manage in respect of a financial year shall not exceeds 119 of the net profit of the company.
4. In case of a company has no profit or inadequate profit. The company may with the previous approval with central Govt. pay by way of minimum remuneration of the remuneration.
5. If the remuneration paid by way of commission, no remuneration shall be paid to the director in the event of issue.
6. A director may be paid remuneration either by way of monthly payment or at a specialized % of the net profit of the company.

UNIT-III

COMPANY MEETINGS

Meaning and Definition, Characteristics, Kind of Meeting, Resolution

Meaning: A meeting may be defined as the gathering together of two or more person b by mutual agreement for discussion and transaction of some business.

Company meeting we means a ‘meeting’ is a get together of the company’s members, shareholders, directors and debenture holder with a previous notice and a time and place previously defined.

P.K. GHOSH- “Any gathering, assembly or coming together of two or more person for the transaction of some lawful business of common concern is called meeting.

CHARACTERISTICS:-

1. Get together of two or more person who are member of company.
2. Discussion on some lawful business.
3. Notice of meeting is given, meeting held at specific form and place.
4. Meeting is held according to the provision of the company Act.

Importance of Meetings: All important decision regarding the functioning of companies are made at meeting.

KIND OF MEETINGS:

1. **Shareholders Meeting:** To ensure that the shareholders are informed of the company’s affairs. Periodic meetings of the shareholder are called to protect the interest of shareholders various provisions have been made in the companies Act 2013. So that a company’s shareholder can participate the decision meeting of the company.

- 2. Annual General Meeting (AGM):** According to sec 96, every company shall call its annual meeting once in every year and the notice of such meeting being called must state that it is the company's annual general meeting.

OBJECTS AND IMPORTANCE OF MEETING

The main object of the AGM is that the company's members get together and have an opportunity to examine the affairs of the company collectively. Director report and the auditor report is also presented to the members which gives them all information about the company's affairs. In AGM the, member gets all information about the company's performance and its profit & loss.

Business transacted in AGM- Under Sec-102 of the Act 2013, the business to be transacted at the AGM of a company has been classified into two heads-

General Business:-

- i. To discuss the profit and loss account of the company and the 'Directors' and 'Auditors' Report of the company.
- ii. To disclose the dividend.
- iii. To appoint new directors to replace those who retire by rotation.
- iv. To appoint auditors

Special Business:-

- i. The appointment, Renewal of appointment and remuneration of directors.
- ii. Increase the company's share capital.
- iii. Altering the company's Article of Association.

When some special business has to be transacted in the AGM, the notice for the same must be given.

Rule Regarding the AGM

- **Time Interval For Calling the Meeting:-** Every company shall in each year hold a general meeting as its annual general meeting and not more than 15 months shall elapse between the date of one annual general meeting of a company and that of the next. In case of the first AGM, it shall be held within a period of 9 months for the date of closing of the first financial year of the company and in any other case, within period of 6 months from the date of closing of two financial years. The Registrar may, for any special reason, extend the time by a period not exceeding 3 months.
- **Notice and Place of Meeting:** - Minimum 21 days notice in writing should be given to every shareholder.
AGM must be called during the Business hours on a day which is not a public holiday-AGM must be held either at the company's registered office of the company is situated.
- **Consequences of not holding the AGM:-**
 - a. Tribunal calling meeting- On an application being made by any member of the company, the tribunal may direct call the calling of a general meeting.
 - b. Penalty- Failing to hold AM every offence of the company who is the default shall be punishable with fine extendable rupees one lac- Additional fine of Rs 1000 per day may be imposed.
 - c. Extra ordinary G.M- Except the AGM, any meeting of company's shareholder called is an 'extra ordinary G.M', in other word an extra ordinary GMN of company is any meeting of its shareholder which is called during the period between its two consecutive Annual general meeting.
Circumstances under which extra ordinary general meeting may be called-

- To make an alteration into company's memorandum of association and article of association.
- To issue fresh debenture.
- To increase, Reduce or reorganize the company's share capital.
- To any other urgent matter.

Who may call such meetings?

- By the director
 - By the director on requisition of members
 - By the Requisition its themselves
 - By National company law board.
- **CLASS MEETINGS:** When a company issues different classes of shares, if calls a meeting of that class of shareholder such meeting of type of shareholder is called a 'class meeting' these meetings are called to alter or defines the rights and obligations of a class of shareholder-for example to convert one class of shares to another, to convert preference share into equity shares. The Rights and obligation of any class of shareholder can only be altered upto the limits defined in the company's articles and memorandum of association. Any default in complying with the provision of Sec 48 of the companies act 2013, company shall liable to punishment with fine of Rs.25000 may be extended to 5 lakhs rupees and offence liable to hold this meeting punishable with imprisonment for a term of six month with fine of Rs.25000 extendable to 5 lakhs or with both.
 - **BOARD OF DIRECTORS MEETINGS:** The meetings of the company's board of directors are held to take decisions relating to its policy and management.

Types of Board Meetings:

- a. Meetings of Board of Directors

b. Meetings of Directors Committee

• **LEGAL RULE FOR BOARD MEETINGS:**

1. **Power to call the Meeting:-** A Meeting of the board of directors may be called by any director of the company. As a general Rule, the managing director or the chairmen directs the company's secretary to calls the meeting.
2. **Period of Meeting:** Sec 173 of company act 2013 provide that every company shall hold the first meeting of the board of director within 30 days of its incorporation and hold a minimum 4 meetings of its board of directors every year n such a manner that not more than 120 days gap should be there in between two meetings. Central Govt. may exempt any company for holding this type of meetings.
3. **Notice And Agendas Of The Meetings:** A written notice between 7 days of the meetings shall be given to every director at his address-failure to give notice liability to a penalty of 25000.
4. **Quorums:-** By 'Quorums' is meant the minimum no. of directors who must be presented for the meeting to be lawfully held. They require quorum for such meetings of the board is defined, than quorum shall be 1/3 of the total strength or two director, whichever is highly of the meeting (one) not be held for lace of Quorum. Then it shall automatically stand Adjourned till the same day with next week at the same time and place.
5. **Chairmen of the Meeting:** Meeting is presided over by chairmen. The company may name the chairmen business to be transacted in meetings. All such business which is within the company's authority is transacted in the meeting of its Board of Director. Decision in the board meeting shall be taken by majority of votes. The chairmen may be allowed a casting V.T.E in case of a Tie.
6. **Minutes Of Meetings:** Every company shall maintain minutes of meeting proceeding of board meeting. The pages of minutes

books must be consecutively numbered. Each page of minutes book must be initiated or signed. Minutes of meeting kept in accordance with the principles of sec 118-

In case of default, the company shall liable to a penalty of Rs.25000 and every offence of company 5000/-

A person is found guilty of tempering with the minutes of the proceeding of meeting. He shall be punishable with imprisonment for a term of 2 years and with fine 25000/- extendable one lac.

- **MEETING OF DIRECTOR'S COMMITTEE**

Companies which are big and have diversified fields of activity constitutes committee of its Directors to deal with different issues. When particular issues to be discussed only the directors of the concerned committee need to b meet and make a decision. Such committees are of two types:

- a. Permanent Committee
- b. Temporary Committee

- **CREDITORS MEETINGS**

A creditors meeting in fact is not the company's meeting because such meeting is organized by the creditors. A creditors meeting may be called relating to-

- a. To settle any suit between the creditors and the company.
- b. To get the creditor consent to the reorganization or amalgamation of the company.
- c. To get the creditors agreement to the winding up of the company.

In case the company is being wind up, the court shall appoint an official liquidator and order a meeting of the creditors or a class of creditors.

- **DEBENTURE HOLDER MEETING**

When a company issues its debenture, it also plans the Meetings of the holder of its debentures. The meeting of debenture holder are called:-

- When the terms of repayment of debenture need to be altered.
- When the rights of the holders of debenture need to be altered.

RESOLUTION

MEANING: - When something is proposed at a meeting, it is called a motion. In simple words, the subject to be discussed in the meeting is known as a MOTION. Any motion proposed by a member is seconded by another member when the discussion about the motion is over, the chairman of the meeting calls for a vote of the requisite number of persons VOTE in favor of the motion. It becomes resolution. A resolution is the decision of the persons present at the meeting either presumably or by proxy, which is arrived at after due deliberation.

TYPES OF RESOLUTION

Under the company Act 2013-Resolution can be-

1. **ORDINARY RESOLUTION:** An ordinary resolution is which is passed by a simple majority of votes. For example, A resolution can be deemed to be passed if 51 member out of 100 votes for it. In case of ordinary resolution the chairman of the meeting can also Vote if required.

No prior notice is required for an ordinary resolution unless the company's articles specify otherwise.

2. **SPECIAL RESOLUTION:** A Resolution is said to be special resolution-
 - The intention to propose the resolution as a special resolution.
 - The notice required under the Act has been duly given.

- The votes cast in favour of the Resolution are not less than three times. A special resolution relates with important acts of the company includes the following:
 1. To alter its article of association.
 2. To alter the provision of its memorandum.
 3. To windup company voluntary.
 4. Demanding the appointment of one or more person to investigate the affairs of the company.

DIFFERENCE BETWEEN ORDINARY AND SPECIAL RESOLUTION

<u>POINTS OF DIFFERENCE</u>	<u>ORDINARY RESOLUTION</u>	<u>SPECIAL RESOLUTION</u>
1. MAJORITY	SIMPLE MAJORITY	3/4 MAJORITY
2. NOTICE	NO NOTICE REQUIRED	NOTICE IS REQUIRED
3. OBJECT	----	RELATES TO IMPORTANT MATTER
4. REGISTRATION	DO NOT NEED TO BE REGISTERED	SEND THE COPY OF SPECIAL RESOLUTION TO REGISTRAR OFFICE WITHIN 30 DAYS OF ITS BEING PASSED

RESOLUTION REQUIRED SPECIAL NOTICE

According to the act and articles of a company there are some resolutions which cannot be passed unless a prior notice is given.

The following are the resolution that requires a special notice:-

- Appointing as Auditor a person other than a retiring Auditor.
- To appoint another Director in place of the removed director.
- To remove a Director before the expiring of his period of office.

WINDING UP

Prof.Gower- Winding up of a company is a process whereby its life is ended and its property is sold for the benefit of its creditors and members. An liquidation is appointed and he takes control of the company, sale its assets, pays its debts and finally distributes among the members if any in accordance with their rights.

We can say winding up means putting an end to the life of company.

Generally a company is dissolved when it is great financial problems.

MODES OF WINDING UP:

1. **COMPULSORY WINDING UP:** Winding up of a company under the order of National company law Tribunal is also known as compulsory winding up. The circumstances under which a company may be wound up by NCLT are given as under:-
 - a. Special resolution of the company.
 - b. When company acted against National interest.
 - c. Winding up of sick company.
 - d. Winding up on application made by registrar.
 - e. Default of company in filing with registrar its financial statements.
 - f. Not to commence business in time or suspend business.
 - g. Inability to pay debts.
 - h. Just and equitable.

COMPULSORY ORDER WHEN THERE IS A VOLUNTARY WINDING UP:

The Tribunal may also make a winding up order in respect of company which being wound up voluntary on a petition presented by any authorized to do so under sec-272 of the company act 2013.

PETITION FOR WINDING-UP

NCLT does not itself wind up the company. An application to the NCLT for winding up of company is

- By the company
- By the creditors or creditor
- By the contributory
- By the Registrar
- By the Govt.

COMMENCEMENT OF WINDING UP BY NCLT

Power/Rights of NCLT on presentation of petition:-

1. Dismiss it with or without costs.
2. Adjoin the hearing conditionally or unconditionally.
3. Make an order for winding up the company.

Any of above order shall be made by the Tribunal within 90 days.

CONSEQUENCES OF WINDING-UP ORDER

1. Intimation to official liquidation and Registrar within 7 days.
2. Copy of winding up order to be filed with the registrar within 30 days.
3. Effect on official and employees of the all official and employees discharge for his duties.
4. Suit stay- no suit or other legal proceeding carried on.
5. Power of NCLT- NCLT has power to dispose of
 - Any suit or proceeding by or against the company.
 - Any claim made or against the company.
 - Any application made for compromise with ex/member.
 - Any question of priorities.
6. Submission of audited books and accounts to NCLT.

7. Effect of winding up order:- An order for winding up a company shall operate in four of all the creditors and all the contributories of company.
8. Official liquidation to be liquidation:- The official liquidation shall by virtue of his office become the liquidation of the company.

PROCEDURE OF WINDING UP BY NCLT

Appointment of official liquidation:-

Duties of the company liquidator:-

- To conduct the proceedings in winding up.
- To take company's property into custody.
- To make calls.
- To pay company debt.
- To maintain proper books.
- To submit accounts.
- To appoint committee of inspection.
- To submit information in pending liquidation.
- To distribute the balance to contributories.

POWER/RIGHTS OF LIQUIDATION:-

- To institute a defend suits and other legal proceedings.
- To carry on the business of the company.
- To sell the immovable and movable property.
- To sell whole of the undertaking of the company as giving concern.
- To raise money on the security of the company.
- To do all such other things as may be necessary.
- To inspect the record and returns of the company.
- To appoint an agent.

VOLUNTARY WINDING UP

When a company is wound up by the members or creditors, without any interference by the NCLT, it is called voluntary winding up. In voluntary winding up the company and its creditors are left free to settle their affair without giving to the NCLT.

CIRCUMSTANCES OF VOLUNTARY WINDING UP:-

According to sec 304-

- By passing an ordinary resolution.
- By passing a special resolution

CONSEQUENCES OF VOLUNTARY WINDING UP:-

Effect on status of company- Company shall cease to carry on its business board's power to cease on appointment of liquidator. Notice of discharge of the officer and employees of the company.

Distribution of property.

Notification of liquidation.

TYPES OF VOLUNTARY WINDING UP

1. Member voluntary winding up possible only when the company is solvent and is able to pay its liabilities is full. Members voluntary winding up requires-
 - a. The filing of a statutory 'Declaration of Solvency' with the registrar.
 - b. The passing of an ordinary or special resolution and filing a copy to the registrar.
2. Creditor's voluntary winding up.

PROVISION APPLICABLE TO A MEMBER'S VOLUNTARY WINDING UP:-

1. Appointment and remuneration of liquidator.
2. Notice of appointment of company liquidator to be given to registrar.
3. Board powers to cease an appointment of liquidator.
4. Appointment of committee if needed.
5. Company liquidator to submit report on progress of winding up to member or creditors.
6. Report of company liquidator to tribunal for examination of any suspicious person.
7. Final meeting and dissolution.

CREDITOR VOLUNTARY WINDING UP

Where a declaration of solvency by directors is not made and sent to registrar. It is a case of creditors winding up.

Provision Applicable To Creditors Voluntary Winding Up:-

1. Meeting of members and creditors.
2. Appointment of company liquidator.
3. Committee of inspection.
4. Meeting of the company and the creditors final meeting and dissolution.

UNIT-IV

COMPANY SECRETARY

Meaning, Qualification, Qualities, Function, Role And Importance Of Company Secretary, Appointment, Power And Rights And Liabilities Of Company Secretary

MEANING: The English word 'Secretary' is derived from the Latin word 'Secretaries' mean the person employed to deal with correspondence keep records, make appointments etc. The Oxford Dictionary defines as "one whose office is to write for another, especially one who is employed to conduct correspondence to keep records and to conduct various other business for another person or for a society corporation public body."

It is a secretary who does the actual work by whatever name he may be called secretary.

According to sec 2(45) of the companies act 1974- Secretary means any individual possessing the prescribed qualities appointment to perform the duties which may be performed by a secretary under this act and any other ministerial or administrative duties."

According to sec 2(1) of the company secretary act 1980- C.S means a person who is a member of the institution of company secretaries of India constituted under this act or possess the prescribed qualifications.

Indian company Act and Secretaries: rules lays down that every company having paid up capital of not less than Rs. 5 crore and above shall have whole time secretary-Penalty-5000/- per day

QUALIFICATION

1. Company having paid up capital Rs. 5 Crore, person appointed must be a member of the institute of company Secretary of India New Delhi.
2. Company having share capital of less than Rs. 5 Crore, the person appointed should have one of the following qualification:-
 - a. Member Group of the institution of company secretaries of India.
 - b. Degree in law.
 - c. Membership of the institute of company secretary.
 - d. Membership of the institute of cost accounts.
 - e. M.Com post graduate diploma in corporate law.

DISQUALIFICATION

- a. Less than 21 year of age.
- b. Unsound mind.
- c. Being an insolvent.
- d. Convicted by a court
- e. Convicted of professional misconduct.

QUALITIES OF SECRETARY

1. Impressive Personality.
2. Sound General Knowledge.
3. Command over language.
4. Knowledge of law.
5. Knowledge of companies Act.
6. Knowledge of booking & accounts.
7. Knowledge of organization & management.
8. Knowledge about meetings.
9. Knowledge of trade.

❖ APPOINTMENT OF SECRETARY

- 1. Appointment by Promotion:** - If the secretary of a company is appointed before the company is official incorporated. The appointment is made by the company's promoters, but in this case secretary should gets his appointment confirmed in the first meeting of the company's Directors after the company's incorporation.
- 2. Appointment under Article of Association:-** if the Article of a company provides that a particular person should be appointed as company's secretary. Such person should get a written resolution passed to their effect and make a written contract with the company.
- 3. Appointment by Directors:-** From the legal point of view, a company Board of Directors is supported to appoint the company's Secretary and any secretary so appointed may be removed by the Board.

❖ IMPORTANCE OF SECRETARY

A Secretary has an important role to play in the day to day fortuning of a company. The scope of activities of secretary depends upon the nature and scale of a company's business. The Directors appoint a secretary of the company and shift the responsibility of day to day operation of the company to the secretary. The secretary of a company today is fully fledged office of the company whose liability is to ensure that the company's multilateral activities are performed smoothly and conform to the provision of law.

❖ FUNCTIONS OF COMPANY SECRETARY

- 1. Secretarial Functions**
- 2. Managerial Functions**

Secretarial Functions: - Pre- incorporation secretarial functions, before a company is incorporated, the promoters have a lot of work to do. This would be secretary of the proposed company acts is an unofficial capacity to do all the Acts.

Post incorporation secretarial functions: - After the incorporation of company secretary has to perform a lot of functions on behalf of the company. Actually the secretary function officially starts after the company's incorporation.

Managerial Functions:-

- a. Planning Functions
- b. Administrative Functions
- c. Advisory Functions

POWER OR RIGHTS OF THE SECRETARY

- Right to control and supervision
- Right as a principle official
- Right to claim salary
- Right to issue certificate
- Right to contract on company behalf
- Right to correspond on company behalf
- Right to represent the company
- Right in relation to Negotiable instrument

DUTIES OF COMPANY SECRETARY

Statutory duties- The foremost duty of a company secretary is to fulfill the statutory obligations of the company that are required by law and the provision of various act that are un force-

- a. Under the company Act-1956
- b. Under Income Tax Act
- c. Under Indian stamp duty act
- d. Under custom duty act
- e. Under other act-
 - industrial dispute act

- Factories act
- ESI Act
- **DUTIES TOWARDS DIRECTORS:-**Legal point of view, a secretary is the servant of the company's Directors. It is the duty of the secretary to act according to the Director's institution and within the Authority expressed or implied, vested in him by the directors. A secretary may also advise the board of director about various legal or other matters.
- **DUTIES TOWARD SHAREHOLDER:-** The secretary is the only medium that serves as a link between the company and its shareholders. It is the duty of the secretary to send notice of the company's general meeting and its agenda, prepare the share certificates, the news to be polite and co-operative when dealing with the shareholders.
- **DUTIES TOWARDS EMPLOYEES:-** The secretary is a principal officer of the company, he must perform all duties toward all employees of the company.
- **DUTIES TOWARD PUBLIC:-** It is the duties of the secretary to keep the public informed of the company performance, its plans for the future and any matter as may be of interest to the public.
- **OTHER DUTIES:-** Secretary also functions as the company's representative. He has to attend various meetings related to legal, economic, social and other issues.

LIABILITIES OF COMPANY SECRETARY

If the secretary perform his duties well, he has no liabilities but if he makes a default in the performance of his duties irresponsible or corrupt or acts beyond the scope of his authority, then he is liable for his actions.

1. Liability for Negligence
2. Liability for not sending document to registrar.
3. Liability for fraud..
4. Liability for break of trust.
5. Liability for ultra virus Acts.

6. Liability for acts of self interest.
7. Liability in case of registration of company in wrong name.
8. Liability under companies Act.

ROLE OF COMPANY SECRETARY

- From the legal point of view, the secretary is a servant of the company. He is expected to do what his need to do.
- Under sec 54 of the Act the secretary is recognized as an officer of the company who may sign any document or proceeding of the company.
- It is the secretary who normally takes over the routine management of the company and takes decision on its day to day affairs.

The secretary also as a medium or contact between the different department or offices of the company.

If the Directors are the brain of the company, the secretary is its eyes, ears and hands.