

Tamil Nadu State Council for Higher Education (TANSCHÉ) Syllabus
For B.Com. (General) & B.Com. (Accounting & Finance)

COMPANY LAW

N.D. Kapoor



Sultan Chand & Sons

COMPANY LAW

(Academic Textbook on The Companies Act, 2013)

For Third Semester, B.Com. (General), B.Com. (Accounting & Finance)

as per

Tamil Nadu State Council for Higher Education (TANSCH) Syllabus

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Preface

This textbook, Company Law, has been carefully developed to meet the academic requirements for the Third semester of Bachelor of Commerce (B.Com.) General, Accounting & Finance students, following the syllabus prescribed by the Tamil Nadu State Council for Higher Education (TANSCHÉ). The book is designed to introduce students to the essential concepts and applications of company law and serves as a foundational guide for understanding the legal framework governing corporate entities.

In today's corporate world, an understanding of company law is crucial for anyone pursuing a career in commerce, as it provides the legal foundation for managing, structuring, and regulating business organizations. This book is divided into five units, each covering key areas of company law, ensuring that students gain a comprehensive understanding of corporate legalities through both theoretical and practical lenses.

Unit I introduces students to the nature and types of companies, outlining the fundamental concepts that form the basis of company law. This unit helps students differentiate between various forms of business entities and their unique legal attributes, setting a solid foundation for the topics.

Unit II discusses the formation of a company, including essential documents like the Memorandum of Association, Articles of Association, and Prospectus. Chapters on share capital and debentures further explore the legal requirements for financing companies, helping students understand the complex processes involved in establishing a corporate entity.

Unit III covers the organization and conduct of company meetings, board powers, and the role of audits and auditors. This unit provides insight into the procedures and responsibilities that ensure corporate transparency and governance, highlighting how companies maintain accountability and legal compliance.

Unit IV focuses on management and administration, covering the appointment of directors and the functioning of the National Company Law Tribunal (NCLT) and the Appellate Tribunal (TCLAT). This unit emphasizes the regulatory bodies and managerial structures essential for effective corporate governance.

Unit V discusses winding up a company, detailing the legal processes and procedures for dissolving a company in compliance with regulatory requirements.

To enhance learning, the book is enriched with 32 case laws, 123 theory questions, and 55 practical problems, encouraging students to apply theoretical concepts to real-world scenarios.

We hope that Company Law will serve as an invaluable resource, providing students with a clear, structured approach to the subject and fostering a strong understanding of legal principles in the corporate world.

Editorial Team
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Syllabus

Tamil Nadu State Council for Higher Education (TANSCHÉ) Syllabus

Company Law

Unit-I – Introduction to Company Law: Companies Act, 2013 – Definition of a Company, Characteristics of Company – Lifting or Piercing the Corporate Veil – Company Distinguished from Partnership and Limited Liabilities Partnerships – Classification of Companies – Based on Incorporation, Liability, Number of Members, Control.

Unit-II – Formation of Company: Formation of a Company – Promoter – Incorporation Documents e-filing – Memorandum of Association – Contents – Alteration – Legal Effects – Articles of Association – Certificate of Incorporation – Prospectus – Contents – Kinds – Liabilities – Share Capital – Kinds – Issue – Alteration – Dividend – Debentures.

Unit-III – Meeting: Meeting and Resolution – Types – Requisites – Voting & Poll – Quorum – Proxy – Resolution – Ordinary & Special – Audit & Auditors – Qualification, Disqualification, Appointment and Removal of an Auditor.

Unit-IV – Management & Administration: Management & Administration – Directors – Legal Position – Board of Directors – Appointment/ Removal – Disqualification – Director Identification Number – Directorships – Powers – Duties – Board Committees – Related Party Transactions – Contract by One Person Company – Insider Trading – Managing Director – Manager – Secretarial Audit – Administrative Aspects and Winding Up – National Company Law Tribunal (NCLT) – National Company Law Appellate Tribunal (NCLAT) – Special Courts.

Unit-V – Winding Up: Meaning – Modes – Compulsory Winding Up – Voluntary Winding Up – Consequences of Winding Up Order – Powers of Tribunal – Petition for Winding Up – Company Liquidator.

Features of The Companies Act, 2013

1. The new Companies Act, 2013 effective from 01.04.2014 has dispensed with the prior approval of the Central Government on most of the matters of companies which have now been left to be decided by the Boards of Directors of companies and/or the shareholders. The objective is promotion of a legal framework of responsible self-regulation in the corporate sector.
2. The urgent need for in *preventing serious irregularities auditing job* which came to light in the country in the recent past is reflected in the elaboration of the functions of statutory Auditors in the new Companies Act. Further there is threat of punishment with imprisonment of one year and hefty fine in case as Auditor has contravened any of the provisions knowingly or willfully with the intention to deceive the stakeholders.
3. The new Companies Act, 2013 *has introduced the concept of key managerial personnel* which comprises of Chief Executive Officer (CEO), Company Secretary and the Chief Financial Officer. The rules provide that it is mandatory for every company having paid-up share capital of ten crore of rupees or more to have whole-time key managerial personnel, which only goes to give statutory backing to the position generally prevalent in the corporate sector.
4. Under the new Companies Act, 2013 the composition of the Board of certain class or classes of companies shall *at least include one woman Director*. This provision will be applicable to all listed companies and also to certain big public companies.
5. The Companies Act, 2013 has now made it compulsory to have *one-third of the Board as Independent Directors* for listed companies and also to certain big public companies.
6. The new Companies Act, 2013 provides for constitution of the *Corporate Social Responsibility (CSR) Committee of the Board* to formulate the CSR policy for undertaking *the activities specified, in large companies of the size prescribed. Such companies are required to spend at least two per cent of their profits in every financial year*. The shortfall if any, in spending the amount having to be disclosed in the Board's report with the reason for not spending the amount. There is the need for big companies to extend some help to the community in which they function and prosper.
7. The secretarial audit report provided in respect of listed companies to be annexed to the Board's Report, given by a company secretary will help in improving the compliance by the companies.

8. A new category of company introduced by the Companies Act, 2013 namely One Person Company limited will be private limited in nature. This Category will enable sole proprietorships to convert themselves into one person companies and to derive the benefits of incorporation under the Companies Act, 2013.
9. The law of acceptance of deposits by companies has been rationalized with the predominant objective being to protect the interest of several depositors. The latter objective is proposed to be achieved by making it mandatory for companies accepting deposits to give the depositors insurance cover with guaranteed recovery of deposit upto Rs. 20,000 per depositors in case of default. The companies are also required to create a charge on the assets of the company in favour of depositors as security for the repayments of balance money, if any. The Companies Act, 2013 restricts the option to invite deposits from public to fairly big public companies like companies having net worth of rupee one hundred crores or turnover of rupees five hundred crores while all companies, public or private, are allowed to accept deposits upto 10% from their members.
10. Transaction with related parties are subjected to greater disclosure.
11. The procedure regarding *managerial remuneration* in the new Companies Act, 2013 continue to be the same as it was under the previous Companies Act, 1956 and the same will be governed by the provisions of Schedule V which gives the freedom to companies making profits to fix remuneration up to 5% or 10% of net profits, as the case may be, and in respect of companies having no or inadequate profits, to fix remuneration on the basis of the scale of remuneration given depending on the effective capital of such a company. With the graded scale of remuneration having been composed in a manner to suit the current trends and in a liberal way, it is expected that there may be fewer occasions for companies to seek the prior approval of Government for managerial remuneration.
12. The companies Act, 2013 has included *Nidhis* which are small public companies formed to promote the habit of thrift amongst its member. These will be founded to be, valued to the community in cities and towns.



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