

Company



**MANISHA
ASSISTANT
PROFESSOR
(MANAGEMENT)**

COMPANY

Definition:

“A company can be defined as an "artificial person", invisible, intangible, created by or under law, with a discrete legal entity, perpetual succession and a common seal. [citation needed] It is not affected by the death, insanity or insolvency of an individual member”

Features of Company as per Companies Act, 1956

- An Association of Persons
- Incorporated Association
- Artificial Legal Person
- Distinct Legal Entity
- Perpetual Succession
- Limited Liability
- Transferability of Shares
- Diffused Ownership
- Separation of ownership and management
- Common Seal
- Corporate Finance
- Object clause of Business
- Publication of Accounts

TYPES OF COMPANIES

On the basis of Incorporation

Chartered Companies

- Incorporated under a special royal charter issued by the king or head of the state

- E.g. The East India Company, Bank of England, Hudson's Bay Company

Statutory Companies

- Established by a Special Act of the Parliament to State Legislature

- May not use Ltd.

- E.g. RBI, IFCI, IDBI, LIC etc.

Registered Companies

- Formed and registered under the Indian Companies Act, 1956

- E.g. Infosys, Wipro etc.

TYPES OF COMPANIES

On the basis of Liability

Limited Companies

Limited by Shares

- Liability of members (share holders) is limited to the extent of face value of shares held by them

Limited by Guarantee

- Liability of members is limited to a fixed amount which they have guaranteed on

Unlimited Companies

Unlimited Companies

- Liability of members is unlimited. They have to pay the liabilities of the company from their personal assets

TYPES OF COMPANIES

On the basis of No. of Members

Private Companies

- Restricts the rights of the members to transfer shares
- Limits the number of members to 200 (Act 2013) excluding past or present employees of the company
- Prohibits any invitation to the public to subscribe for its shares, debentures and public deposits

Public Companies

- A public company is one which is not a private company
- To form a company at least 7 members and there is no limit
- Has to use the word 'Limited' at the end of its name

Introduced in Act 2013

- One-Person-Company**
- Dormant Company**

TYPES OF COMPANIES

On the basis of Ownership and Control

Govt. Companies

- Not less than 51% of the share capital of the company owned by the Govt. (Central/State/together)

Holding Companies

- Owns more than 50% of nominal value of equity share capital of another company or is controlling the composition of the board of directors of another company

- E.g. Tata Group

Subsidiary Companies

- Controlled by a holding company since it owns less than 50% nominal value of equity share capital

- E.g. Reebok, Audi, TCS

TYPES OF COMPANIES

On the basis of Nationality

Domestic Companies

Is a company that is incorporated in the country (India)

Foreign Companies

The company which is incorporated outside India but has a place of business in India through its branches or agencies is known as foreign company

STRUCTURE OF COMPANY

It mainly consists of three levels of management.
They are as follows:

- 1) TOP LEVEL MANAGEMENT
- 2) MIDDLE LEVEL MANAGEMENT
- 3) LOWER LEVEL MANAGEMENT

TOP LEVEL MANAGEMENT:

- ▶ Top-level management consists of boards of directors, presidents, vice-presidents, CEOs, general managers and senior managers, etc.
- ▶ They develop goals, strategic plans, and company policies and make decisions about the direction of the business.
- ▶ Top managers need to have more conceptual skill than technical skill. They understand how competition, world economies, politics, and social trends affect organizational effectiveness.

MIDDLE LEVEL MANAGEMENT:

- ▶ Middle management is at the center of a hierarchical organization, subordinate to the senior management but above the lowest levels of operational staff.
- ▶ They are accountable to top management for their department's function. They provide guidance to lower-level managers and inspire them to perform better.
- ▶ Middle-management functions generally revolve around enabling teams of workers to perform effectively and efficiently and reporting these performance indicators to upper management.

LOWER LEVEL MANAGEMENT:

- ▶ Low-level managers focus on controlling and directing. They serve as role models for the employees they supervise.
- ▶ Assigning employees tasks.
- ▶ Guiding and supervising employees on day-to-day activities.
- ▶ Ensuring the quality and quantity of production.