

## **JOINT STOCK COMPANY**

**A company is an artificial person created by law (Companies Act 1956) having a separate legal entity with a perpetual existence working under a common seal with Limited liabilities up to the share holding.**

### **FEATURES-**

- 1) Separate legal entity- A company has a legal existence different from its members. It can own property and sue in its own name.
- 2) Common Seal-It refers to the signature of the company in the form of a seal.
- 3) Perpetual existence-The life of a company does not depend upon its members full stop death insolvency or change of member have no effect on the life of the company.
- 4) Artificial legal person-Since company is an artificial person as it has no physical existence so its functions are performed by the elected representatives of members.
- 5) Voluntary Association-It is a wilful Association of people who want to achieve common goals with a profit motive.

- 6) Transferability of shares-The shares of a company are freely Transferable from one person to another but there is a restriction on transfer in the case of a private company.
- 7) Limited liability-The liability of members of a company is limited upto the amount of share holding. The members cannot be held personally liable for debts of the company.
- 8) Separate ownership from management-The management of a company is done by the elected representatives of shareholders in the form of board of directors.
- 9) Government control.
- 10) Accountability to shareholders.
- 11) Public confidence-A a company has to publish its annual accounts in the newspapers for the public. Therefore it enjoy the confidence and Goodwill of the general public

### **ADVANTAGES.**

- 1) Huge financial resources – The capital of a company is divided into a large number of shares of small value there is no limit on the number of shareholders in a public company

so it can raise huge amount of capital and undertake large scale business activities.

- 2) Limited liability- The liability of members is limited to the face value of the shares owned by them. This encourages people of small income to invest in the shares of a company without any fear.
- 3) Stability- since the shareholders cannot withdraw the funds invested in a company before its closing. Therefore a company can undertake business activities for a long duration.
- 4) Transferability of shares- Free transferability of shares in a joint stock company provides liquidity to investment in a company.
- 5) Efficient management-A company can afford to employ expert professionals and managers due to large capital resources which directly affect the quality output of the company.
- 6) Growth and expansion-With huge financial and managerial resources a company can expand its business to any size.

### **DISADVANTAGES**

- 1) Difficulty in formation- Formation of a company is a time consuming and expensive process since it involves a lot of legal formalities.
- 2) Lack of motivation-Directors and other paid officials of the company do not have a financial stake in the company. They do not take a personal interest to safeguard the company's assets.
- 3) Delay in decisions-All major decisions in a company are taken by the board of directors in the shareholder meetings which has to be communicated to people working at different levels. Therefore decision making and its implementation is a time consuming process.
- 4) Excessive government control-Companies are registered as per the Companies Act , so it has to follow all the rules and regulations of the government at every step in its working to ensure the investor's interest.
- 5) Oligarchic Management-Management of a company appears to be democratic

but in practice a small group of people appointed by the shareholders manage the company call me exploit the company for personal interest.

6)Lack of secrecy-In of company it is difficult to maintain secrecy of business affairs since all the reports and accounts are to be published forthe general public.

7)Social evils- Due to its large size a company me grow into a monopoly . It may eliminate competition,control the market and introduce unreasonable prices to maximize profit. It may corrrupt public officials to get favours.

### **ONE MAN COMPANY**

Avon man company is a company in which one man holds the whole of the share capital and takes a few more dummy members simply to meet requirements of the company law . Such a company is called family company because the other persons are members of the same family or at the most their relatives and friend. It

is a form of a private company which has legal entities separate from its members.