

**Yogoda Satsanga Mahavidyalaya**  
**Department of Commerce**  
**B.Com Semester I**

**Paper Name: Business Organization and Management**

**Paper Code: MJ 1**

**Topic: Important Documents of a Company**

**Document 1. Memorandum of Association:**

Memorandum of Association of a Company is one of the most important documents required to be filed with the Registrar of Companies at the time of formation of a company. In the words of Palmer, **“It is a document of great importance in relation to the proposed company.”**

No company can be registered without Memorandum of Association and that is why it is sometimes called a life giving document. It is the charter of the company which contains the fundamental conditions upon which alone the company can be incorporated.

The memorandum of Association contains information about name, capital, liability of the members and the objectives of the company. It defines the limitations and powers of the company, beyond which the company cannot spread its activities. Any action outside the scope of Memorandum of Association will be void. It defines the relationship of the company with the outsiders.

**Contents or Clauses or Subject Matter of Memorandum:**

Section 13 of the Companies Act, sets out the contents of Memorandum of Association.

**The Memorandum of Association of a company limited by shares must contain the following contents or clauses:**

1. The name clause
2. The registered office clause,
3. The objects clause,

4. The liability clause,
5. The capital clause, and
6. The association or subscription clause.

### **Document 2. Articles of Association:**

The Articles of Association are the regulations or bye-laws which govern the internal management of the company. They embody the powers of directors; officers and of the shareholders as to voting etc., the mode and the form in which the business of the company is to be carried out and the mode and the form in which the changes in the internal regulation can be made.

The Articles of Association are subordinate to Memorandum of Association of the Company. The Memorandum lays down what is to be done and Articles lays down how it is to be done.

According to Section 2 (2) of the Companies Act, “**Articles means the Articles of Association of a company as originally framed or as altered from time to time in pursuance of the previous companies law or of this Act.**”

In the case of a public company limited by shares, it is not obligatory to register Articles of Association along with the Memorandum of Association. But (i) a company limited by guarantee, (ii) an unlimited company, and (iii) a private company limited by shares, must register Articles of Association.

The Articles have to be printed, divided into paragraphs, numbered consecutively, and signed by each subscriber of the Memorandum of Association of the company.

### **Contents or Subject Matter of Articles of Association:**

**The Articles of Association of a company should usually contain the following matters:**

1. The exclusion, total or partial, of Table A.
2. Share capital.
3. Rights of different classes of shares.
4. Calls on shares.

5. Lien on shares.
6. Transfer of shares.
7. Transmission of shares.
8. Forfeiture of shares.
9. Surrender of shares.
10. Increase and decrease of capital.
11. Consolidation and sub-division of shares.
12. Conversion of shares into stock.
13. Issue of share warrants.
14. General Meetings, proceedings thereof and votes, proxies, and polls.
15. Directors, their appointment, remunerations, qualification, powers and proceedings of Board meetings.
16. Auditors, their appointment and remuneration.
17. Manager or secretary, their appointment, etc.
18. Dividends and reserves.
19. Borrowing powers.
20. Accounts and audit.
21. Common seal.
22. Adoption or execution of a preliminary agreement, if any.
23. Capitalisation of profits.
24. Notices.
25. Winding up.

### **Document 3. Prospectus:**

In order to finance its activities, a company needs to have capital. This is raised by the issue of a prospectus inviting deposits or offers for shares and debentures from the public.

A document containing detailed information about the company and an invitation to the public for subscribing to the share capital and debentures issued is called prospectus.

According to Section 2 (36) of the Companies Act, **“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 the subscription or purchase of any shares in or debentures of a body corporate.”**

Private companies cannot issue prospectus because they are strictly prohibited from inviting the public to subscribe to their shares. Only public companies can issue a prospectus.

### **Object of Prospectus:**

#### **The objects of the prospectus are as follows:**

1. To bring to the notice of the public that a new company has been formed.
2. To preserve an authentic record of the terms and allotment on which the public have been invited to buy its shares or debentures.
3. To secure that the directors of the company accept responsibility of the statement in the prospectus.

### **Contents of Prospectus:**

The contents of the prospectus have been specified in schedule II.

#### **The important contents to be included in the prospectus are as follows:**

1. The name and address of the company.
2. The object of the company.
3. Full particulars of the signatories to the memorandum and number of shares taken by them.

4. The number and classes of shares.
5. The names, addresses and occupations of the directors, managing directors or managers etc.
6. The qualification shares of a director and the remuneration of the directors.
7. The minimum subscription.
8. The time of the opening of subscription lists.
9. The amount payable on application and allotment and calls.
10. The nature and extent of interest of every promoter in the promotion of the company.
11. The names of underwriters and the opinion of the directors regarding discharge of their obligations.
12. The estimated amount of preliminary expenses.
13. The names and addresses of the auditors of the company.
14. Particulars of premium paid or payable on shares issued within two years preceding the issue of the prospectus.
15. Particulars of shares or debentures issued within two years, preceding the date of issue of prospectus, as fully or partly paid up or otherwise than in cash.
16. The interest of the promoters of directors in promotion of the company or in any property acquired by the company.
17. Particulars of contracts which give any preferential right to any person subscribe the shares or debentures of the company.
18. Particulars about reserves and surpluses.
19. Voting rights of the different classes of shares.
20. If any profit has been capitalised then the particulars of capitalised profit.
21. Particulars of the length during which the business has been carried on by the company.

22. Reports of the auditors regarding profits and losses of the company.

23. A similar report by the chartered accountants regarding the profits and losses and assets and liabilities of the company.