

B.A.LL.B.VII SEMESTER
SUBJECT: COMPANY LAW
BL-702
TOPIC: Classification of company

The corporate form can take many shapes in order to respond efficiently to the environment. Company law should therefore recognize a multiple classification of companies. The criteria for classification on the basis of the form is discerned but recognizes that such classification can never be exhaustive.

The companies may be classified based upon the mode of their incorporation defined under sec-7 of the companies act, 2013.

(I) ON THE BASIS OF INCORPORATION

Royal charter company – this mode of incorporation is no more recognized in any companies act to incorporate new companies. A company where charter is granted by the crown to the people requesting to form a cooperative or a company, like the banking of England (1694)

Statutory company – these are the companies that are formed by the means of a special statute passed by the parliament or the state legislature, like – the reserve bank of India.

Registered company – As defined under sec 2(92) of the companies act, 2013, registered companies which get registered under the statute of the companies act. Companies are also provided with a certificate of incorporation by the registrar of the company.

(II) ON THE BASIS OF LIABILITY OF MEMBERS

Companies Limited by Shares– According to Sec 2(22) of the Companies Act, 2013. The liability of the members of such a company is based upon the number of shares kept unpaid.

Companies Limited by Guarantee–According to Sec 2(21) of the Companies Act, 2013. In a company where the liability is limited by guarantee, it means

the member of the company has agreed on the memorandum of Association to repay the same amount during winding up of such company.

Unlimited liability Company– According to Sec 2(92) of the Companies Act, 2013, do not have a cap on the amount of liability that may add on their members in case the company has to repay any debt.

(III) ON THE BASIS OF NUMBER OF MEMBERS

Private Company– According to Sec 3(1)(b) of the Companies Act, 2013, the private companies are very restrictive in nature wherein it may in its Articles of Association restrict the right to transfer shares.

Public Company– According to Sec 2(71), public Companies are the ones which are not a private company. As mandated under Sec 3(3)(a), there should be at least 7 members to form a public company.

One Person Company– According to Sec 2(62), A company in which one person is the whole and sole owner of the share capital of the company is known as a one person company.

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