Class :- 9th Tender Heart High School
Commercial Studies
Lokesh Meena

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Ch - 7 Joint Stock Company.

Good Morning Students.
This lesson is for class 9th for the subject of "Commercial Studies". The topic for today is "Joint Stock Company and its types". which is covered in chapter 7 "Joint Stock Company" of your book.
This lesson is being submitted to you on 13.05.24
All the students now please open page number 42 of your book and listen carefully.

A Joint stock company is an incorporated association of persons having a seperete legal existence, perpetual succession and common seal. Its capital is generally divided into shares which are transferable, subject to certain conditions.
"A Joint stock company is a voluntary association of individuals for profit, having a capital divided into transferable shares the ownership of which is the condition of membership."

Features of Joint Stock Company

1. Seperate Legal Existence :-
A company has a distinct legal entity independent of its members. It can own property, make contracts and file suits in its own name. Others can also file suit (case) against the company.

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not against the owner.
for example, If I have to file a complent against ICICI Bank for wrong charges, then the complaint will be filed against the bank not against the owners of the bank.

(2) Perpetual Succession:-
A company is created by law and only the law can bring an end to its existence. Life of the company does not depend upon the life of its members. Even if all the members of the company die, then also it will continue. Members may come and go but the company goes on untill it wound up.

(3) Limited Liability:-
In sole proprietorship and partnership, liability of members is unlimited but in case of Joint Stock companies, liabilities of the members of company is limited. The liability of each member ~~it~~ is limited upto unpaid value of shares held by the members.
For example:-
If a member has purchased 5000 shares of ₹ 10 each and paid ₹ 7 per share. He has not paid ₹ 3 per share. Now the liability of that member will be ₹ (5000×3) = ₹ 15000 (unpaid value of the share)

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(4) Transferability of Shares:-
The capital of a company is divided into parts. Each part is called a share. These shares are generally transferable. A shareholder can withdraw his membership from the company by transferring his shares. However, in actual practice some restrictions are placed on the transfer of shares.

(5) Common seal:-
Being an artificial entity, a company cannot sign itself. Therefore, it acts through human beings. All the acts of the company are authorised by its common seal. The common seal is affixed on all important documents of the company as the official signature of the company.

(6) Seperation of Ownership and Control:-
Members (owners) have no right to participate directly in the day-to-day management of a company. They elect their representatives called directors, who manage the company's affairs on behalf of the members. The ownership of the company is with the shareholders while management is vested in the board of directors.

(7) Voluntary Association:-
A Joint stock company is a voluntary association of certain persons formed to carry out a particular purpose in common. Members of a company can join it and leave it at their own free will.

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(8) Artificial Legal Person:-

A company is an artificial person created by law. It exists only in the eyes of law. It can enter into contracts and can own property in its own name. It can sue others and others can sue it. (Sue means filing a court case)

(9) Statutory Regulation and Control:-

Government excercises control through company law over the management of Joint stock companies. A company is required to comply with several legal formalities and to file several documents with the Registrar of Companies.

Distinction between Company and Partnership

S.No.	Point of Distinction	Company	Partnership
1.	**Mode of creation**	By incorporation under the Companies Act among partners	By a written or oral agreement
2.	**Legal status**	Distinct legal entity separate from members	No separate legal entity different from partners
3.	**Number of members**	Public company : Minimum - 7 Maximum - No limit Private company : Minimum - 2 Maximum - 200	Minimum - 2 Maximum - 50
4.	**Liability**	Generally limited up to face value of shares held or amount of guarantee given.	Unlimited joint and several liability.
5.	**Transferability of interest**	Transferable without permission of other members.	Not transferable without mutual consent of all the partners.
6.	**Management**	Members elect directors who manage the company.	Generally, every partner has right to take part in management of the firm.
7.	**Implied agency**	A member is not an agent of the company or of other members.	Every partner is an agent of the firm and of other partners.
8.	**Registration**	Compulsory.	Not compulsory.
9.	**Legal formalities and statutory control**	Filling of audited accounts compulsory, cannot change its objects without legal procedure.	Accounts and audit not compulsory, can change objects freely.
10.	**Dissolution**	Does not dissolve by death, insolvency, lunacy, etc., of members.	Dissolved by death, insolvency and lunacy of a partner.
11.	**Governing law in India**	The Companies Act, 2013.	The Partnership Act, 1932.

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Merits and Demerits of Joint stock Companies are not in syllabus.

Before Going further, lets take a short break write the answer of the following questions during the break.

1. What is Perpetual Succession?
2. Give two difference between Partnership and Joint stock Company.

Types of Joint Stock Companies:-
1. On the basis of Mode of Incorporation:-

(i) Statutory Company:-
A statutory company is established by a special Act of the Central or State legislature. Its objectives, powers and activities are defined by the special act under which it is created. A statutory company is normally formed to run enterprises of national importance. The Reserve Bank of India and State Bank of India are examples of statutory Companies in India.

(ii) Registered Companies:- A registered company is established by registering it with the Registrar of Companies Act. The formation, working and winding up of such a company is governed by the provisions of the Companies Act. Tata Iron and Steel Co., Reliance

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Industries Ltd. and Maruti Udyog Ltd. are some of the examples of Registered Companies in India

On the Basis of Liability :-

(1) Company Limited by Shares :-
It is a company which is registered with a specific amount of share capital divided into a specified number of shares. The liability of every member is limited upto unpaid value of the shares held by him. Even if the assets of the company are not enough to pay the debts of the company, members of the company cannot be called upon to pay any amount in excess of unpaid value of shares.

(2) Company Limited by Guarantee :-
In this type of company, liability of every member is limited to the amount which he had undertaken (promised) to pay, if necessary, to the assets of the company at the time of winding up. For example, Ajay has promised to contribute ₹ 50,000/- and Rohit has promised to contribute ₹ 20,000/-. At the winding up of the company, if the assets of the company are not enough to pay the loans of the company, then Ajay and Rohit will contribute ₹ 50,000/ and ₹ 20,000/- respectively towards the assets of the company.

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(3) Unlimited Company:-
It is a company in which the liability of members is unlimited. If the company's assets are insufficient for payment of debts (loans) of the company, the personal property of the members can be sold to pay the loans of the company. Such types of companies are rarely found in India.

On the basis of Control:-

(1) Holding Company:- A holding company is one which directly or indirectly holds more than half of the equity share capital or controls the composition of board of directors of some other company.
In simple words, a company which controls any other company is a holding company

(2) Subsidiary Company:-
A company in which more than half of the equity share capital, more than 50% of voting right or the right to appoint board of directors is held by another company is known as subsidiary company
In simple words, a company which is under the control of any other company is a subsidiary company.

With this, I am ending my topic here. Write the answers of the following questions in your note book.

Ques 1. What is Statutory Company?
2. What is Holding Company?
3. Explain the features of Joint Stock Company.

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