

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्ति उत्थान आश्रम लखीसराय बिहार

Class 11 commerce Sub. BST. Date 04.01.2021

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### FORMATION OF A COMPANY

Question 3:

What is 'Memorandum of Association'? Briefly explain its clauses.

**ANSWER:**

A memorandum of association (MoA) is the most essential document in the formation of a company as it highlights the company's main objectives and goals. The MoA regulates the activities of the incorporated company in such a manner that the company can legally undertake only those activities that are mentioned in the MoA. This document must be signed by at least seven members in the case of a public company and by two persons in the case of a private company. The following are the main clauses of the MoA.

**(a) The name clause:** This includes the name of the company which has already been approved by the registrar of companies. It is the name by which the company will be known.

**(b) Registered-office clause:** This clause mentions the name of the state where the registered office of the company is situated. It is not mandatory to submit the exact address of the registered office at this stage. However, the address needs to be submitted within 30 days of incorporation of the company.

**(c) Objects clause:** This is the most important clause in the MoA as it defines the main objective of the company for which it was formed. The company cannot undertake activities that are not stated in the objects clause. The objects clause is divided into the following two sub-clauses.

**(i) The main objects:** This sub-clause lists the main objects for which the company is formed. Any clause that is essential for the achievement of the main objectives is considered valid even if it is not contained in the sub-clause.

**(ii) Other objects:** Objects that are not included in the main-objects clause can be included in this sub-clause. If a company wants to initiate a business activity that is mentioned in this clause, it is required to pass either an ordinary resolution or a special resolution to get the consent of the central government.

**(d) Liability clause:** This clause states the liability of each shareholder according to the amount unpaid by them for the shares they own.

**(e) Capital clause:** This clause defines the authorised capital of the company which it can raise through the issue of shares. It also states the division of the number of shares.

**(f) Association clause:** This clause contains the statement by the signatories to the MoA giving their approval to be a part of the company. They also give their consent to buy the qualification shares of the company.

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Question 4:

Distinguish between 'Memorandum of Association' and 'Articles of Association.'

**ANSWER:**

<b><i>Basis of difference</i></b>	<b><i>Memorandum of Association (MoA)</i></b>	<b><i>Articles of Association (AoA)</i></b>
Objective	The MoA defines the character of a company and the scope of its activities.	The AoA defines the rules and regulation of the company.
Position	It is the main document of a company which is subordinate to the Companies Act.	It is the subsidiary document of a company which is subordinate to both MoA and the Companies Act.
Relationship	The MoA establishes the relation between the company and outsiders.	The AoA defines the relation of the company with its members.
Alteration	Altering the MoA requires the approval of a statutory authority.	The AOA can be easily altered by passing a resolution.
Ratification	Acts beyond MoA cannot be ratified.	Acts beyond the AoA can be ratified by the members if they do not violate the MoA.
Necessity	It is a necessary document.	It is a secondary document.

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