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FORMATION OF A COMPANY

Question 5:

What is the meaning of Certificate of Incorporation?

ANSWER:

The certificate of incorporation is the certificate which specifies the birth of the company as a separate entity. A company legally comes into existence or becomes a separate legal entity on the date stated in its certificate of incorporation. For instance, if the certificate is issued on September 30 and the date mentioned on the certificate is September 27, then the company is said to exist since September 27 only. The certificate of incorporation acts as compelling confirmation of the regularity of the incorporation of the company even if there is any flaw in its registration process. A company can immediately commence its business once its certificate of incorporation is issued. Thus, the certificate of incorporation is conclusive evidence of the existence of a company.

Question 6: Discuss the stages of formation of a company.

ANSWER: *The following are stages of formation of a company:*

a. **Promotion** of the company: The stage of promotion refers to the process of discovering the idea of formation of a company and developing it into a concrete form. The stage starts when an individual or a group of individuals discovers an idea for a business that has the potential to be converted into a successful business opportunity.

b. **Incorporation** of the company as a separate legal entity: The stage of incorporation consists of applying for and obtaining the certificate of incorporation after which the company becomes a valid entity in the eyes of the law.

c. **Subscription of capital** in the form of shares and debentures: The stage of capital subscription involves raising capital from the public through the subscription of shares.

d. **Commencement of business** after the completion of the formalities mentioned above: This stage consists of the completion of the formalities and commencement of business by the company.
