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FORMATION OF A COMPANY

Question 7:

'Articles of association' is the main document of a company.

ANSWER:

The statement is **FALSE**.

'Articles of association' is not the main document of the company. Rather, the most important document of a company is the memorandum of association.

Question 8:

Every company must file Articles of Association

ANSWER:

The statement is **FALSE**.

It is not compulsory for every company to file articles of association (AoA). Instead of AoA, the company may adopt Table A of the Companies Act.

Question 9:

If a company suffers heavy losses and its assets are not enough to pay off its liabilities, the balance can be recovered from the private assets of its members.

ANSWER:

The statement is **FALSE**.

In view of the limited liability of the members and shareholders of a company, they are not liable to pay any amount from their private assets if the company suffers any loss or is liquidated

Question 1:

Name the stages in the formation of a company.

ANSWER:

The formation of a company is a complex process which involves various stages. The following are the sequential stages.

- (a) Promotion:** This involves taking the initiative to form a company and promoting it.
 - (b) Incorporation:** This step involves the formation of the company as a separate legal entity.
 - (c) Subscription of capital:** In this stage, funds are raised in the form of shares and debentures.
 - (d) Commencement of business:** This stage implies the completion of the formalities and the commencement of business by the company.
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Question 2:

List the documents required for the incorporation of a company

ANSWER:

An entrepreneur needs to submit the following documents for the incorporation of a company.

- (a)** Memorandum of association.
- (b)** Articles of association.
- (c)** Written approval of the proposed directors to function as directors and an undertaking to buy the qualification shares.
- (d)** An agreement naming the proposed managing director or a manager or a full-time director, if any.
- (e)** A copy of the letter obtained from the registrar concerned approving the company name proposed.
- (f)** A legal confirmation by the law stating the submission of all documents and requirements for registration.
- (g)** The exact address of the registered office.

(h) Documentary evidence of payment of the registration fee.
