**IQRA NATIONAL UNIVERSITY**

**Corporate law final term paper**

**Attempt all the questions total marks 50 all the questions carry equal marks:**

Q1: Throw light on any two of the following

1. Common seal
2. Auditors
3. Artificial person

Q2: What is company and its types?

Q3: Procedure of amendment in memorandum of association?

Q4: What is requirement of memorandum of association under section (19) & what are conditions to be fulfilled for the registration of MOA?

**SOLUTION**

**Auditors**

Auditors are specialists who review the accounts of companies and organizations’ to ensure the validity and legality of their financial records. They can also act in an advisory role to recommend possible risk aversion measures and cost savings that could be made.

A person who is conducting Audit or person appointed by the company to execute the audit is called Auditor. In order to act as an auditor, a person should be certified by the regulatory authority of accounting and auditing or possess certain specified qualifications.

An auditor is a professional—usually a Certified Public Accountant (CPA) — who reviews financial records to check their accuracy. Depending on their specialty, auditors can work for corporations, government agencies, or public accounting firms.

An audit examines your business's financial records to verify they are accurate. This is done through a systematic review of your transactions. Audits look at things like your financial statements and accounting books for small business. ... When your small business is audited, you will generally receive an audit report.

There are three main types of audits:

* External Audits
* Internal Audits
* Internal Revenue Service (IRS) Audits.

**Artificial Person**

A corporation is recognized as an artificial person. The word incorporate comes from the Latin corpus, meaning body. It essentially means formed or added into a body and united by legal enactment. When a new legal entity is incorporated, owners are able to act as one.

The incorporation of a company is an artificial entity recognized by the law as a legal person that exists independently with rights and liability. This means that a company is treated as a separate person from its participants. It is owned by at least one shareholder and managed by at least one director.

Juridical person. Entity (such as a firm) other than a natural person (human being) created by law and recognized as a legal entity having distinct identity, legal personality, and duties and rights. Also called artificial person, juridical entity, juristic person, or legal person. See also body corporate.

Q2: What is company and its types?

Ans: A company is a legal entity formed by a group of individuals to engage in and operate a business—commercial or industrial—enterprise. ... The line of business the company is in will generally determine which business structure it chooses such as a partnership, proprietorship, or corporation. It is often a business organization which makes goods or services in an organized manner and sells them to the public for profit. It may also be a non-profit organization. A company may hire people to be the staff of the company.

A business enterprise is always a for-profit entity, while, a company can be a not-for-profit too. Of course, the other difference can be traced back to the nature of ownership. A company, on the other hand, is an entity on its own, governed by the concept of going concern, and is bigger than the persons who formed it.

**The IRS recognizes Five Types of Businesses:**

* Sole proprietorship
* Partnership
* Corporation
* S corporation
* Limited Liability Company

**Characteristics of Company:**

* An Artificial Person Created by Law: A company is a creation of law, and is, sometimes called an artificial person. ...
* Separate Legal Entity: ADVERTISEMENTS: ...
* Perpetual Succession: ...
* Common Seal: ...
* Limited Liability: ...
* Transferability of Shares: ...
* Limitation of Work: ...
* Voluntary Association for Profits:

Q3: Procedure of amendment in memorandum of association?

Ans: The memorandum of association of a company defines its relation with the outside world and the scope of its activities. Its purpose is to enable shareholders, creditors and those who deal with the company to know what its permitted range of enterprise is. A contract is a legally enforceable agreement between two or more parties that creates an obligation to do (or not do) a particular thing.

Similar to a contract, a memorandum of understanding is an agreement between two or more parties. Unlike a contract, however, an MOU need not contain legally enforceable promises.

Alteration in the Memorandum of Association can be made by following the procedure under section 13 of the Companies Act'2013. Hold board meeting to recommend the proposal for members' consideration by passing special resolution. Give notice of Extraordinary general meeting in which special resolution is to be passed.

Process of Changing the Articles of Association. A notice needs to be issued for conducting a Board Meeting at least 7 days prior to the meeting. A special resolution is passed at the Board Meeting with the consent of the members for making changes in the Articles of Association.

Memorandum of Association is the supreme basic legal document for a company due to the following reasons: It is the basic of incorporation and a company cannot be registered without a Memorandum of Association. It contains the fundamental conditions upon which alone the company can be incorporated.

**Alteration of Articles:**

A company's articles of association, or any part of them, may, subject to the provisions of the Companies Acts and to the conditions in the memorandum of association, at any time be altered or deleted by special resolution, others being substituted as necessary.

* shareholders to sign the written resolution to change the articles;
* attach a copy of the new or amended articles to the written resolution; and.
* send both documents to Companies House within 15 days of the resolution being signed (and thereby passed upon signing).

**The Six Elements of a Legal Contract**

* Offer. The offer is the very first part of creating a contract. ...
* Acceptance. A contract cannot legally exist without the offeree giving acceptance to the proposed offer. ...
* Consideration. The object, event, service, payment, etc. ...
* Legality of subject matter. ...
* Contractual capacity. ...
* Contractual intent

**Memorandum of association must have the following clauses:**

* Name Clause: A Company is a legal entity
* Situation Clause: Memorandum of Association must state the name of the State in which the registered office of the company is to be situated
* Objects Clause
* Liability Clause
* Capital Clause
* Association Clause

Q4: What is requirement of memorandum of association under section (19) & what are conditions to be fulfilled for the registration of MOA?

Ans: The Memorandum of Association or MOA of a company defines the constitution and the scope of powers of the company. In simple words, the MOA is the foundation on which the company is built. Also, we will understand the contents of the Memorandum of Association of a company.Memorandum of Association is the supreme basic legal document for a company due to the following reasons: It is the basic of incorporation and a company cannot be registered without a Memorandum of Association. It contains the fundamental conditions upon which alone the company can be incorporated.

Memorandum of Association is simply the constitution or charter of a company. According to the companies Act, 2013, “memorandum” means “memorandum of association of a company as originally framed or as altered from time to time in pursuance of any previous company law or of this Act.” ... Objects of the company

**Basic Principles and Characteristics:**

* Necessary and Sufficient Information.
* Do not assume that everyone knows everything related to the issue discussed in the Memo.
* Be Clear, Concrete and Specific.
* Easy-to-Understand.
* Explain with Ease and Co-operation.
* NO Emotional Appeal.

**The components of a memo**

* Heading Components of a Memo.
* Context and Background Section.
* Tasks and Resolutions.
* Supporting Research and Ideas.
* Conclusion and Further Discussion.
* Documents and Other Attachments.

**Section: 19 The memorandum shall be:-**

* a) Printed;
* b) Divided into paragraphs numbered consecutively;
* c) Signed by each subscriber, who shall add his present name in full, his occupation and father’s name or, in the case of a married woman or widow, her husband’s or deceased husband’s name in full, his nationality and his usual residential address and such other particulars as may be prescribed, in the presence of a witness who shall attest the signature and shall likewise add his particulars; and
* d) Dated.

**Requirement: Memorandum of Association**

The memorandum of association is the significant company formation documents in addition to articles of association, companies’ house registration form 10 and form 12. A memorandum of association is must for all limited liability companies that introduce company's internal affairs such as name of the company, objects of the company, liability of the members, amount of share capital the company proposes, name of the initial members or shareholders and many more.

The memorandum of associations must contain or states the following information:

1) Name of the company: The name of the company should be ended with a word name limited. The name of the company should contain limited as the very last word

2) Limited liability of the members: The memorandum of association must state the liabilities of the members are limited in case of a limited liability company.

3) Registered office: The memorandum must specify whether the registered office to be located in England and Wales or Scotland. A registered office is a place of communication where official documents, summons and notices may be sent.

4) Company objects: The MOA should clearly state the object of the company to carry on business as a legal commercial company.

5) Signature of the subscribers: The memorandum of association has to contain the signature of the subscriber, which must be witnessed by a 3rd party.

6) Name of shareholders: MOA should clearly mention the name of initial members or shareholders and the number of shares each shareholder subscribes. A minimum of two shareholders should subscribe the company memorandum of association. The signature of those shareholders should be witnessed by a third party.

Q5: Definition of a company by Justice James & Features of a company?

 **Ans:** Justice is a concept on ethics and law that means that people behave in a way that is fair, equal and balanced for everyone.

The quality of being just;

* Righteousness
* Equitableness
* Moral rightness

Types of justice:

* Commutative
* Distributive
* Legal
* Social.

Three main allocation principles.

* Equity
* Equality
* Need

Features of a company

 A company is a business entity registered under the Companies Act. It is a legal entity with a separate identity from those who are its members or operate it. Therefore it can be considered as an artificial person created by the law.

A company has a distinct entity and is independent of its members or people controlling it. A separate legal entity means that only the company is responsible to repay creditors and to get sued for its deeds.

It bears its own name and acts under a corporate name; it has a seal of its own; its assets are separate and distinct from those of its members

The maximum number of members (shareholders) permitted for a Private Limited Company is increased to 200 from 50. Private limited company is held by few individuals privately having a separate legal entity. In this, the shareholders cannot trade publicly shares. It is a company which restricts the right of its members to transfer its shares and it doesn't send the invitation to the public for subscription of its shares.

Joint-stock company is a business entity in which shares of the company's stock can be bought and sold by shareholders. Each shareholder owns company stock in proportion, evidenced by their shares (certificates of ownership).