

## **1. Concepts under Companies Act, 13:**

Section 2(41) Financial year

Section 2 (64) Paid up share capital

Section 2 (62) One person company

Section 2(68) Private company

Section 2 (71) Public Company

Section 2(50) Issued Capital

### **1. Section 2(41) Financial year:**

**Came in force from 1/04/2014**

#### MEANING OF FINANCIAL YEAR

Companies Act 2013 defines Financial Year under Section 2(41) as:

“Financial Year”, in relation to any company or body corporate, means the period ending on the 31<sup>st</sup> day of March every year, and where it has been incorporated **on or after the 1<sup>st</sup> day of January** of a year, the period ending on the 31<sup>st</sup> day of March of the **following year**, in respect whereof financial statement of the company or body corporate is made up.

1. A company started on 1/01/2025, financial year ended on-----

1) 31/03/2025

2) 31/12/2025

3) 31/03/2026

2. A company's financial year ended on-----

1) 31/03/20--

2) 31/12/20--

3) 31/06/20--

Major points From Provisions Of Section 2(41) Of Companies Act 2013:

1. Financial Year has to be started from 1<sup>st</sup> of April and to be ended on 31<sup>st</sup> of March.
  2. Holding company or a subsidiary of a company incorporated outside India are exempted, provided that they make an application to the Central Government and take its Approval.
  3. Central Government may grant the approval on the ground that the Subsidiary Company desire to align its accounts/balance sheet for consolidation of accounts as per the laws of the land where the Holding Company is incorporated.
  4. Application for seeking approval for change in the financial year need to obtain from the office of Regional Director. Approval from Tribunal (NCLT) is done away w.e.f. 12.01.2019 by the Companies (Amendment) Ordinance, 2019
- First Financial Year of a company can be shorter than 12 months or may be longer than 12 months in case of newly incorporated companies.

## **2. Section 2 (50) Issued Capital: Effective date-12/09/2013**

Meaning: Issued capital means such capital as the company issues from time to time for subscription.

For e.g. Out of 25,00,000 Equity shares, 10,000 equity shares at Rs.5 each offered to public. Issued capital= $10,000 \times 5 = 50,000$

Events resulting into increase in issued capital:

1. Public Issue
2. Right shares: Offered to existing share holders first.
3. Bonus Shares: Type of dividend given to shareholders.
4. ESOP (Employees Stock Option Plan) & SWEAT shares
5. Shares issued against non-cash consideration

Events resulting into decrease in issued capital:

1. Capital Reduction
2. Buyback of shares

## **3. Section 2 (64) Paid up share capital: Effective date-12/09/2013**

Meaning: Paid up share capital means that part of the called up capital for which consideration in cash or otherwise has been received by the company.

For e.g. Out of 25,00,000 Equity shares, 10,000 equity shares at Rs.5 each offered to public. Issued capital= $10,000 \times 5 = 50,000$

Out of 10,000 issued shares, holder of 200 shares do not paid first call money of Rs.3 ps.

Paid up capital=  $10,000 \times 5 = 50,000 - 600 = 49,400$

Calls-in –arrears= $200 \times 3 = 600$

It is shown in the balance sheet at actual amount paid-up by the share-holders.

Events resulting into increase in paid up capital:

1. Additional Issue
2. Right shares

3. Bonus Shares
4. ESOP & SWEAT shares
5. Shares issued against non-cash consideration

Events resulting into decrease in paid up capital:

1. Capital Reduction
2. Buyback of shares

#### **4. Section 2 (62) One person company: Effective Date 1/04/2014**

Meaning: One person company means a company which has only one person as a member.

Features of a One Person Company

Here are some general features of a one-person company:

- a. Private company: Section 3(1)(c) of the Companies Act says that a single person can form a company for any lawful purpose. It further describes OPCs as private companies.
- b. Single-member: OPCs can have only one member or shareholder, unlike other private companies.
- c. Nominee: A unique feature of OPCs that separates it from other kinds of companies is that the sole member of the company has to mention a nominee while registering the company.
- d. No perpetual succession: Since there is only one member in an OPC, his death will result in the nominee choosing or rejecting to become its sole member. This does not happen in other companies as they follow the concept of perpetual succession.
- e. Minimum one director: OPCs need to have minimum one person (the member) as director. They can have a maximum of 15 directors.

- f. No minimum paid-up share capital: The Company Act, 2013 has not prescribed any amount as minimum paid-up capital for OPCs. Change in MOA for nomination of person will not be treated as alterations in MOA
- g. Special privileges: OPCs enjoy several privileges and exemptions under the Companies Act that other kinds of companies do not possess.
- h. Rules framed by: C.G. shall make rules & regulations
- i. Financial Statement: Cash flow statement not included in F.S.

### **5. Section 2(68) Private company:**

Section 2(68) of Companies Act, 2013 defines private companies. According to that, private companies are those companies whose articles of association restrict the transferability of shares and prevent the public at large from subscribing to them. This is the basic criterion that differentiates private companies from public companies.

Important features:

1. No minimum capital required: No minimum paid-up share capital required.
2. Number of members: A private company can have a minimum of 2 members and a maximum of up to 200 members.
3. Transferability of shares restricted: Private companies cannot freely transfer their shares to the public like public companies. This is why stock exchanges never list private companies.
4. “Private Limited”: All private companies must include the words “Private Limited” or “Pvt. Ltd.” in their names.
5. Conversion of company: Private Company is converted in to public company, no approval from tribunal is required but rules of conversion are required to be followed.

6. Number of directors & directorship: Minimum 2 directors and maximum number of directorship hold by one director is 10 in public & 20 in private companies.
7. Amendment in to AOA: Consent of all members required.
8. Annual Account: Not required to present annual account in to Annual general meeting to shareholders.
9. Contract with registered office: Not required to keep any contract with directors to registered office.

#### **6. Section 2 (71) Public Company: Effective from 12/09/2013**

Meaning: Public company means a company which-

- (a) Is not a private company
- (b) Has minimum paid up capital as may be prescribed;

Provided that a company which is a subsidiary of a company, not being a private company shall be deemed to be public company for the purpose of this Act even where such subsidiary company continues to be a private company in its articles.

Important Points:

- i. No minimum capital required: No minimum paid-up share capital required.
- ii. Number of members: A private company can have a minimum of 7 members and a maximum no limit.
- iii. Transferability of shares: Public companies can freely transfer their shares to the public.
- iv. Conversion of company: Public Company is converted in to Private Company, approval from tribunal is required.
- v. Number of directors: Minimum 3 directors and maximum 10.

- vi. Amendment in to AOA: Only special resolution should be passed.
- vii. Annual Account: Required to present audited annual account in to Annual general meeting to the shareholders.
- viii. Contract with registered office: Required to keep any contract with directors or Managers to registered office.
- ix. Acceptance of Deposits from public: Acceptance of Deposits from public is allowed.

Question Bank:

1. Write Short Notes:

10. Section 2(41) Financial year

11. Section 2 (50) Issued Capital

12. Section 2 (64) Paid up share capital

13. Section 2 (62) One person company

14. Section 2(68) Private company

15. Section 2 (71) Public Company