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SUBJECT- BUSINESS ORGANIZATION

CHARACTERISTICS OF A JOINT STO K COMPANY

* MEANING OF JOINT STOCK COMPANY

In a partnership firm we know that the number of partners cannot exeed 20. So there is a limit to the contribution of capital. Secondaly, even if the partners could contribute a large amount of capital, they would hesitate to do so considering the risk involved in business and their unlimited liability. mainly to take care of these two problems, a company form of business organisation came into existance.

A company form of business organisation is known as a Joint stock company. It is a voluntary association of persons who generally contribute capital to carry on a particular type of Business, which is established by law and can be dissolved only by law. persons who contribute capital become members of the company. This form of business have a legal existance separate from its members, which means even if its members die, the company remains in existance. This form of business organisations generally requires huge capital investment, which is contributed by its members. The total capital of a Joint-stock company is called share-capital. and it is divided into a number of units called share. Thus, every member has some shares in the business depending upon the amount of capital contributed by him. Hence, members are also called shareholders.

The companies in India are governed by the Indian companies Act, 1956. The Act defines a company as an artificial person created by law, having a separate legal entity, with perpetual succession and a common seal.

* CHARACTERISTICS OF JOINT STOCK COMPANY

we are now familiar with the concept of company as a form of business organisation. Let us now study its characteristics.

1. LEGAL FORMATION :- No single individual or a group of individuals can start a business and call it a Joint stock Company. A Joint stock company comes into existence only when it has been registered after completion of all formalities required by the Indian Companies Act, 1956.

2. ARTIFICIAL PERSON :- Just like an individual, who takes birth, grows, enters into relationships and dies, a Joint stock company takes birth, grows, enters into relationships and dies. However it is called an artificial person as its birth, existence and death are regulated by law and it does not possess physical attributes like that of a normal person.

3. SEPARATE LEGAL ENTITY :- Being an artificial person, a Joint stock company has its own separate existence independent of its members. It means that a Joint stock company can own property, enter into contracts and conduct any lawful

business in its own name. It can sue and can be sued by others in the court of law. The shareholders are not the owners of the property owned by the company. Also, the shareholders cannot be held responsible for the acts of the company.

4. COMMON SEAL:- A joint stock company has a seal, which is used while dealing with others or entering into contracts with outsiders. It is called a common seal as it can be used by any officer at any level of the organisation working on behalf of the company. Any document, on which the company's seal is put and is duly signed by any official of the company, become binding on the company. For example, a purchase manager may enter into a contract for buying raw materials from a supplier. Once the contract paper is sealed and signed by the purchase manager, it becomes valid. The purchase manager may leave the company thereafter or may be removed from the job or may have taken a wrong decision, yet for all purposes the contract is valid till a new contract is made or the existing contract expires.

5. PERPETUAL EXISTENCE:- A joint stock company continues to exist as long as it fulfils the requirements of law. It is not affected by the death, lunacy, insolvency or retirement of any of its members. For example, in case of a private limited company having four members, if all of them die in an accident the company will not be closed. It will continue to exist. The shares of the company will be transferred to legal heirs

of the deceased members.

6. LIMITED LIABILITY:- In a joint stock company the liability of a member is limited to the extent of the value of shares held by him while repaying debts. for example, if a person owns 1000 shares of Rs. 10 each, then he is liable only upto Rs 10,000 towards payment of debts. That is, even if there is liquidation of the company, the personal property of the shareholder cannot be attached and he will lose only his shares worth Rs 10,000.

7. DEMOCRATIC MANAGEMENT:-

Joint stock companies have democratic management and control. That is, even though the shareholders are owners of the company, all of them cannot participate in the management of the company. Normally, the shareholders elect representatives from among themselves known as 'Directors' to manage the affairs of the company.