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DEPARTMENT OF MANAGEMENT STUDIES

COURSE NAME : 19BA104- LEGAL ASPECTS OF BUSINESS

I YEAR / I SEMESTER

Unit - 4 : COMPANY LAW 2013 & IPR

TOPIC: Formation, Memorandum and Articles of Association



Articles of Association

An Article of Association (AoA) lays down the rules and regulations for the internal management of the company. It specifies the duties, rights, and powers of the management of the company. An Article of Association is subsidiary to the Memorandum of Association(MoA).

A Memorandum of Association specifies the objectives of the company whereas, an Article of Association lays down the internal guidelines to be followed when achieving these objectives of the company. An Article of Association brings clarity in the relationship between the shareholders and the company and among the shareholders themselves. The Article of Association contains the rules regarding the share capital, transfer of shares, voting rights of the shareholders, the appointment of directors, accounts, an audit of the company etc

Definition of Articles of Association of a Company

As per Section 2 (5) of the Companies Act, 2013, Articles of Association have been defined as

“The Articles of Association (AOA) of a company originally framed or altered or applied in pursuance of any previous company law or this Act.”



Features of Articles of Association

1. It is a part of the constitution of an organization.
2. A contract between the members and among the members themselves.
3. It lays down the duties of shareholders.
4. Few statutory clauses should be included in the article of associations. Other clauses can be chosen to make the bye-laws of the organization.
5. Article of Association can be inspected by anyone as they are a public document.



Provisions for Entrenchment

The word “entrench” means to establish an attitude, habit, or belief so firmly that change is very difficult or unlikely. An entrenchment clause is the one which makes certain amendments either impossible or difficult. The articles may contain provisions for entrenchment to the effect that specified provisions of the articles and may be altered only if conditions or procedures as that are more restrictive than those applicable in the case of a special resolution, are met or complied with.

The provisions for entrenchment shall only be made by

1. Private Company :

New Company: During formation of a company

Existing Company: By an amendment in the Articles agreed to by all the members of the company and by passing a Board resolution

2. Public Company:

New Company: During formation of a company

Existing Company: By passing a special resolution



Form of Article

Table	Form
Table F	AOA of a company limited by shares
Table G	AOA of a company limited by guarantee and having share capital
Table H	AOA of a company limited by guarantee and not having share capital
Table I	AOA of an unlimited company and having share capital
Table J	AOA of an unlimited company and not having share capital



Contents of a Articles of Association

Share capital and variation of rights includes sub-division, rights of various shareholders, the relationship of these rights, share certificates, payment of commission.

Lien of shares: To retain or hold the possession of shares in case the member is unable to pay his debt to the company

Calls on shares: It includes the whole or part unpaid amount on each share which has to be paid by the shareholders on the demand of the company.

Transfer of shares: includes the process for the transfer of shares by the shareholder (transferor) to other person (transferee).

Transmission of shares: includes title devolution by succession, death, marriage, insolvency, etc.

Forfeiture of shares: The AOA provides for the forfeiture of shares if the purchase requirements of shares are not met with –fails to pay the call money, instalment.

Alteration of capital: Increase, decrease or reclassification of capital must be done as the Articles of Association provide.

Conversion of shares in stock: In consonance with the AOA, the company can convert the shares into stock by an ordinary resolution in a general meeting.



Buy-back of Shares: Under the provisions of AOA, the Company has the right to buy-back shares issued to shareholders

General meetings and proceedings: All the provisions relating to the general meetings and the manner to be conducted are contained in the Articles of Association.

Voting rights and Proxy: – The members or the appointment of proxy shall have the right to vote on certain company matters and the manner in which voting can be carried out is provided in the Articles of Association.

Board of Directors, Meetings and Proceedings: The appointment, remuneration, qualifications, powers and proceedings of the Board of Directors' meetings are detailed out in Articles of Association.

Key Managerial Personnel: The Articles of Association provides for appointment, remuneration, powers of CEO, CS, CFO or Manager

Dividends and reserves: The Articles of association of a company provides for the distribution of dividend to the shareholders.

Accounts and Audits: Manner in which books of accounts are to be kept is detailed in AOA.

Borrowing Powers: Every company has powers to borrow; the same has to be consonance with Articles of Association of the company.

Winding Up: Provisions relating to the winding up of the company and must be done accordingly.





RECAP

QUESTIONS???

THANK YOU