



SNS COLLEGE OF TECHNOLOGY

Kurumbapalayam (Po), Coimbatore - 641 107

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Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

DEPARTMENT OF MECHANICAL ENGINEERING

COURSE NAME : 16GE302 Engineering Economics & Cost

Analysis

IV YEAR /VII SEMESTER

Unit 3 – ORGANISATION

Topic : Joint stock company

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Joint stock company



Why Company?

In a partnership we cannot exceed 20 members



So there is a limit of contribution of capital, resources, wisdom etc.



Also a risk of unlimited liability





Joint stock company-Features



1. Artificial Person

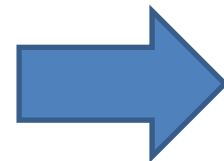


Artificial



no body, soul i.e. its invisible and intangible

Person



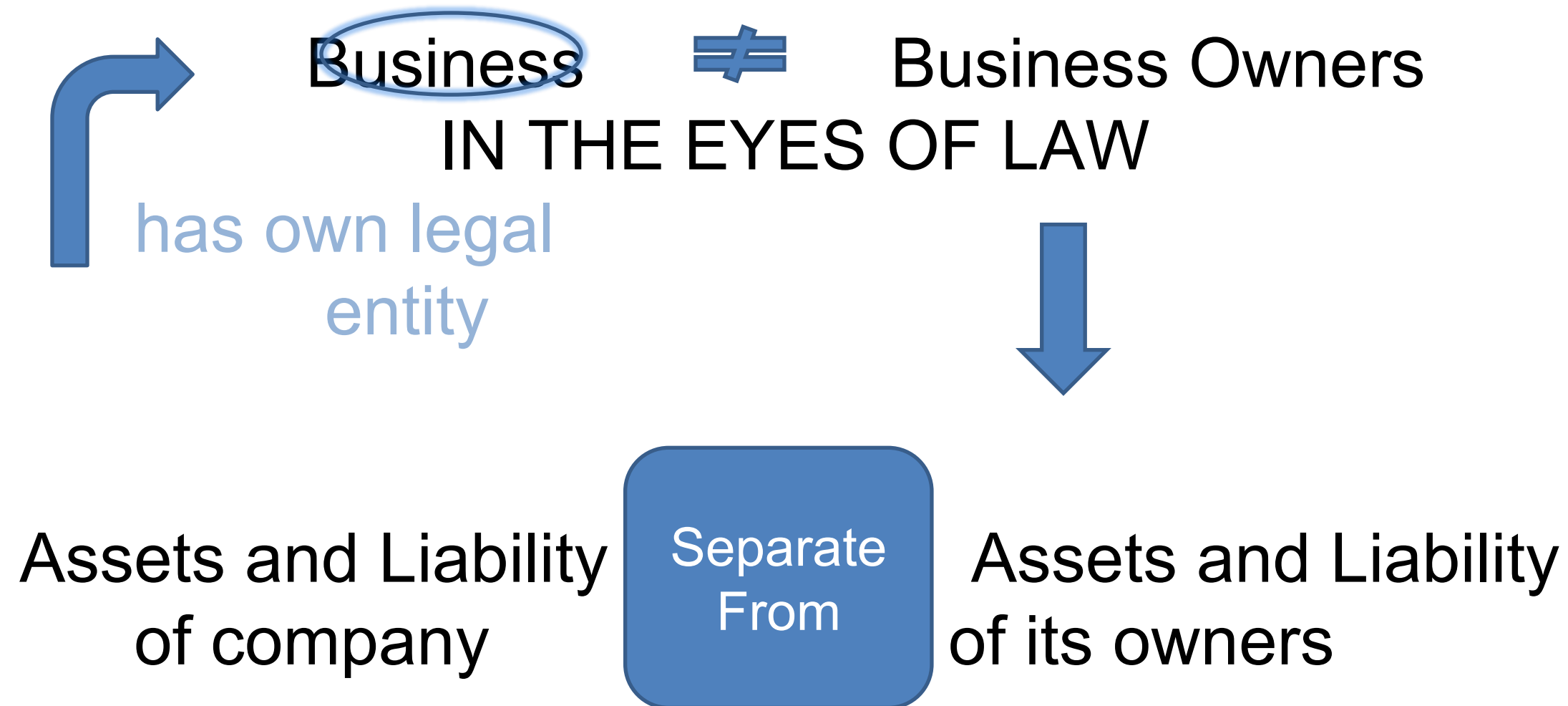
it can incur debts, own property, borrow money, enter contracts etc.



Joint stock company-Features



2. Separate Legal Entity



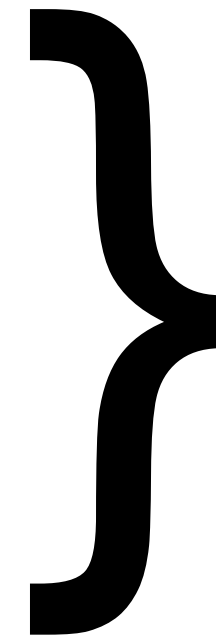


Joint stock company-Features



3. Formation

time consuming
expensive
complicated



Preparation of Documents

Compliance with several Legal Requirements

REGISTRATION UNDER



Indian Companies Act



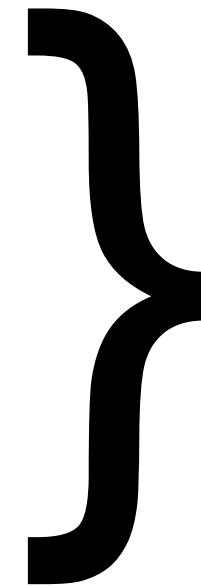


Joint stock company-Features



4. Perpetual Succession

Never ending
OR
Permanent
Existence



Not affected by death
Or
the coming and going
of people

A BUSINESS CAN
ONLY BE BROUGHT
TO AN END BY LAW



By procedure of
WINDING UP



Joint stock company-Features



5. Control

Ownership control



Exercised by Shareholders

OWNERS



Management Control



Exercised by Board of Directors

LEGAL REPRESENTATIVES





Joint stock company-Features



6. Liability



Limited to the extent of the capital contributed



Personal assets are free/safe



Joint stock company-Features



7. Common seal



Official signature of company in the form of a Stamp(seal) with name of company engraved on it.

This is a legal requirement.

NEED: arises due to the company being an artificial person and not being able to sign documents





Joint stock company-Features



8. Risk Bearing



Risk is borne by all shareholders.



Individual risk decreases





Joint stock company-Features



9. Transfer of Shares



The shareholders enjoy a right to transfer their shares to other persons in the open market.





Merits



- Limited liability
- Perpetual Existence
- Increased resources and production capacity
- Access to new markets
- Access to latest technology
- Scope of expansion
- Professional Management





Demerits



- Complexity in formation
- Lack of secrecy
- Numerous Regulations
- Delay in decision making
- Oligarchic Management
- Conflict in Interests





Industry specified questions



The minimum members in public limited company are:

A. 4

B. 2

C. 8

D. 7

Ans:D





Industry specified questions



Joint stock company is an artificial person created by:

- (a) Law**
- (b) Registrar**
- (c) Employees**
- (d) Provincial Govt.**

Ans:a





Thank You