**JOINT STOCK COMPANY**

Meaning – Joint Stock Company is a voluntary association of persons for profit, having a capital divided into transferable shares, the ownership of which is the condition of membership.

**FEATURES**

**1. Incorporated association –** The company must be incorporated or register the companies as per Act 1956. Without registration no company can come into existence.

**2. Separate Legal Existence –** It is created by law and it is a distinct legal entity independent of its members. It can own property, enter into contracts, can file suits in its own name.

**3. Perpetual Existence –** Death, insolvency and insanity or change of members as no effect on the life of a company. It can come to an end only through the prescribed legal procedure.

**4. Limited Liability –** The liability of every member is limited to the nominal value of the shares bought by him or to the amt. guaranteed by him.

**5. Transferability of shares** – Shares of public Co. are easily transferable. But there are certain restrictions on transfer of share of private Co.

**6. Common Seal-** It is the official signature of the company and it is affixed on all important documents of company.

**7. Separation of ownership and control –** Management of company is in the hands of elected representatives of shareholder and are known individually as director and collectively as board of directors.

**MERITS**

**1. Limited Liability –** Limited liability of shareholder reduces the degree of risk borne by him.

**2. Transfer of Interest –** Easy transferability of shares increases the attractiveness of shares for investment.

**3. Perpetual Existence –** Existence of a company is not affected by the death, insanity,

Company can be liquidated only as per the provisions of companies Act.

**4. Scope for expansion –** A company can collect huge amount of capital from unlimited no. of members who are ready to invest because of limited liability, easy transferability and chances of high return.

**5. Professional management –** A company can afford to employ highly qualified experts in different areas of business management.

**LIMITATIONS**

**1. Legal formalities –** The procedure of formation of Co. is very long, time consuming, expensive and requires lot of legal formalities to be fulfilled.

**2. Lack of secrecy –** It is very difficult to maintain secrecy in case of public company, as company is required to publish and file its annual accounts and reports.

**3. Lack of Motivation –** Difference between ownership and control and absence of a direct link between efforts and reward lead to lack of personal interest and incentive.

**4. Delay in decision making –**quick decisions and prompt actions is not possible. There is little scope for personal initiative.

**TYPES OF COMPANIES**  
On the basis of ownership, companies can be divided into two categories –  
Private & Public.

**Difference between Private Company & Public Co.**

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| **Private Co.** | **Public Co.** |
| It has minimum 2 and maximum 50 members. | It has minimum 7 and maximum unlimited. |
| It cannot invite general public to buy its shares and debentures. | It invites general public to buy its shares and debentures. |
| There are certain restrictions on transfer of its shares. | Its shares are freely transferable. |
| It can commence business after incorporation. | It can commence business after obtaining certificate of commencement of business. |
| It has to write Private Ltd. After its name | It has to write only limited after its name |
| In its minimum capital required is one lakh. | In its minimum capital required is five lakhs. |