

Formation of a company

The major steps in formation of a company are as follows:

1.Promotion stage

2.Registration stage

3.Incorporation stage

4.Commencement of Business stage

Promotion Stage: Promotion is the first step in the formation of a company. In this phase, the idea of starting a business is converted into reality with the help of promoters of the business idea.

In this stage the ideas are executed. The promotion stage consists of the following steps:

- 1)Identify the business opportunity and decide on the type of business that needs to be done.
- 2)Perform a feasibility study and determine the economic, technical and legal aspect of executing the business.
- 3)Interest shown by promoters towards the business idea and supply of capital and other necessary procedures to start the business.

Registration stage: Registration stage is the second part of the formation process. In this stage, the company gets registered, which brings the company into existence.

A company is said to be in existence, if it is registered as per the Companies Act, 2013. In order to get a company registered, some documents need to be provided to the Registrar of Companies.

There are several steps involved in the registration phase, and are as follows:

1)Memorandum of Association: A memorandum of association (MoA) must be signed by the founders of the company. A minimum of 7 members are required in case of a public company and 2 in case of a private company. The MoA must be properly registered and stamped.

2)Article of Association: Article of Association (AoA) is also required to be signed and submitted. All members who previously signed MoA, should also be signing the AoA.

3)The next step is preparing a list of directors which should be filed with the Registrar of Companies.

4)Directors of the company should provide a written consent agreeing to be directors, should be filed with the Registrar of Companies (RoC).

5)The notice of address of the office needs to be filed.

6)A statutory declaration should be made by any advocate of either the High Court or Supreme Court, or a person of the capacity of Director, Secretary or Managing Director. This declaration shall be filed with the RoC.

Certificate of Incorporation: Certificate of incorporation is issued when the registrar is satisfied with the documents provided. This certificate validates the establishment of the company in the records.

Certificate of commencement of business: Certificate of commencement of business is required for a public company to start doing business, while a private company can start business once it has received the certificate of incorporation.

Public companies receiving the certificate of incorporation can issue prospectus in order to make the public subscribe to the share for raising capital. Once all the minimum number of required shares have been subscribed, a letter should be sent to the registrar along with a bank document stating the receiving of the money.

The registrar will issue a certificate upon finding the provided documents satisfactory. This certificate is known as certificate of commencement of business. The company can start business activities from the date of issue of the certificate and the business shall be done as per rules laid down in the MoA (Memorandum of Association).