COMPANIES ACT 1956

- It was enacted by the Parliament of India on January 18, 1956 and started on April 1, 1956
- It was repealed and replaced by the Companies Act 2013
- It is an Act in which rules and regulations for maintaining the books of accounts of a company are written.
- No company in India can violate the regulations of this Act.
- It contains special laws which a company has to follow while maintaining its books of accounts. Registration of all companies in India are undertaken by this Act.
- If any company does not follow these rules and regulations, it is prohibited to perform by law of India.

The act was based upon the recommendation of company law committee appointed under the chairmanship of **Mr C H Bhabha on 25.10.1950.**

An overview of Companies Act 1956

Companies Act 1956 explains about the whole procedure of the how to form a company, its fees procedure, name, constitution, its members, and the motive behind the company, its share capital, about its general board meetings, management and administration of the company including an important part which is the directors as they are the decision makers and they take all the important decisions for the company their main responsibility and liabilities about the company matter the most. The Act explains about the winding of the business as well and what happens in detail during liquidation period.

- The Act is 658 sections long.
- The Act contains provisions about Companies, directors of the companies, memorandum and articles of associations, etc.
- It mentions what type on companies their differences, constitution , management, members , capital, how should the shares should be issues, debentures, registration of charge, at the end of the act it concludes the about winding up of a company, discussing the situations a company needs to be winded up.

Classification of Companies

Companies on the Basis of Liabilities

- Companies Limited by Shares
- Companies Limited by Guarantee
- Unlimited Companies

Companies on the Basis of Members

- One Person Companies
- Private Companies
- Public Companies

Companies on the Basis of Control

- Holding and Subsidiary Companies
- Associate Companies

a) **Companies limited by shares**

Sometimes, shareholders of some companies might not pay the entire value of their shares in one go. In these companies, the liabilities of members is limited to the extent of the amount not paid by them on their shares.

This means that in case of winding up, members will be liable only until they pay the remaining amount of their shares.

b)**Companies limited by guarantee**