

MEMBERSHIP OF A COMPANY

MEMBERS OF A COMPANY

MEANING & DEFINITION ●

WHO CAN BECOME A
MEMBER ●

RIGHTS OF MEMBERS ●

MODES OF MEMBERSHIP ●

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Membership

- As per section 41 of the Companies Act, 1956 **“Only a person who has signed the memorandum of association of a company and every other person who agrees in writing to become a member of a company and whose name is entered in the Register of Members can be considered as the member of a company”**
- **Every member is a shareholder and every shareholder is not a member.**



Membership of a Company

- **Members (Section 41):** A company when incorporated is an artificial person. It is a constitution of natural persons called members of a company.
- *Who are the members of a company?*
 - (1) Subscribers to the memorandum of a company and entered as members in the Register of Members;**
 - (2) Every other person who agrees in writing to become a member of a company and whose name is entered in its Register of Members;**
 - (3) Every person holding equity share capital and whose name is entered as beneficial owner in the records of the depository.**

Who can become a member?

- **Membership is open only to such persons who are competent to enter in o contract according to Indian Contract Act 1972.**
- **1. Minor:**
- **A minor is incompetent to enter into any contract and therefore, he cannot be a member of a company. Company can issue shares to the guardian of a minor, but minors name cannot be included in the list of contributories during the winding of the company.**
- **2. Partnership Firm :** A Firm cannot be registered as a member as it is not a legal person and the partners may not remain constant. A Firm may purchase shares in a company in the individual names of the partners as joint shareholders.
- **3. Foreigners:** A foreigner can become a member but his voting rights are suspended when he becomes an alien enemy.
- **4. Insolvents:** An insolvent remains a member until his name appears on the register of members.
- **5. Companies:** A company if permitted by its articles can become a member of a company.

.....*Who can become a member?*

- **6. Hindu Undivided Family:** Karta can become a member of a company
- **7. Married Woman:** There is no objection to a married women to become a member of a company if she is competent to enter into contract.
- **8. Trustees:** A Trustee who buys shares in the individual capacity can become a member.
- **9. Registered Societies:** A society registered under the Societies' Registration Act 1860, can hold shares in a company in its own name may be entered on the Register of members.
- **10. Persons take shares in fictitious name.:** Such persons becomes liable as a member but also liable to imprisonment which may extend to 5 years.
- **11. Joint holders.:** Joint holders of shares are counted as one.. Signature of any one is sufficient.. Company is bound to deliver one notice of meeting.. Dividend is to be paid to the person whose name is written in the Register of members.. Transfer of shares is effected by joint holders

Modes of Acquiring Membership

A person may become a member of the company in any following ways:

1. By subscribing to the memorandum of association.
2. By application and allotment.
3. Agreeing to become director:
4. By transfer of shares.
5. By transmission of shares.
6. By holding out as a member or by estoppels

Termination of Membership

Termination of Membership

A person will cease to be a member of the company when his name is removed from the register of members. It may take place in any of the following ways:

1. When a person transfers his shares. In such a case the transferor ceases to be a member as soon as the transferee is registered but not before.
2. When his shares are validly forfeited by the company.
3. When a person makes a valid surrender of his shares of the company.
4. When a company sells the shares in exercise of its right of lien over them.
5. When he dies.

..... *Termination of Membership*

6. When he is declared insolvent.
7. When he repudiates the contract on the ground of false or misleading statement in the prospectus of the company.
8. When he is holding redeemable preference shares and such shares are redeemed.
9. When share-warrants are issued in exchange of fully paid-up shares and the articles do not recognize holders of share-warrants as members.
10. When the company is wound-up. But he remains liable as a contributory.

Rights of a Member/Shareholder

- **To receive notices of all general meetings.**
- **To attend & vote at general meetings, appoint directors & auditors.**
- **To receive copies of accounts of company.**
- **Entitled to a copy of report of a statutory meeting.**
- **To inspect the minutes of proceedings of any general meeting.**
- **To inspect the register, index of members, debenture holders.**
- **To transfer his shares.**
- **Priority to have shares offered if there is increase of capital by the company.**
- **To receive share certificate.**
- **To receive dividends in case of preference shares.**
- **To make an application to the Central Government for ordering investigation into the affairs of the company.**
- **To apply to CG to convene the AGM when Board of Directors fail to convene the same.**
- **To present a petition to the Court for winding up of company.**

Register of Members

- **Register of Members:** Every company must keep a register of members with the following particulars:
 - i) Name, address & occupation.
 - ii) Shares held by each member, distinguishing each share by its number, and the amount paid on those shares.
 - iii) Date at which each member was entered in the register.
 - iv) Date on which any person cease to be member.

Importance of Register of members

- ✓ Register of members is a Register or book in which a detailed account of each member is kept.
- ✓ It contains a detail account of each member
- ✓ Entries in a Register of members constitute a prima facie evidence(not a conclusive evidence)of the matters entered therein.
- ✓ The entry in the Register of members is considered to be the crucial test of membership of the company.
- ✓ It acts a source of information.
- ✓ It also serves as the purpose of a shares ledger.
- ❖ **Must be prepared immediately after the allotment**
- ❖ **Should be kept in the Registered office of the company**

Types: 1) Principal Register 2) Branch Register

A decorative card with a background of pink flowers. The text "Thank You" is written in a large, elegant, black cursive font, centered on the card. The background consists of several pink flowers, some in sharp focus and others blurred, creating a soft, romantic atmosphere. The card has a white border.

Thank
You