

respectively held by them. The liability can be enforced during existence of the company as well as during the winding up. Where the shares are fully paid up, no further liability rests on them.

(ii) Companies limited by guarantee:

It is a registered company in which the liability of members is limited to such amounts as they may respectively undertake by the memorandum to contribute to the assets of the company in the event of its being wound up. In the case of such companies the liability of its members is limited to the amount of guarantee undertaken by them. Clubs, trade associations, research associations and societies for promoting various objects are various examples of guarantee companies.

(iii) Unlimited companies:

A company not having a limit on the liability of its members is termed as unlimited company. In case of such a company every member is liable for the debts of the company as in an ordinary partnership in proportion to his interest in the company. Such companies are not popular in India.

(C) On the basis of number of members:

(i) Private company:

A private company means a company which by its articles of association:

- (i) Restricts the right to transfer its shares
- (ii) Limits the number of its members to fifty (excluding members who are or were in the employment of the company) and
- (iii) Prohibits any invitation to the public to subscribe for any shares or debentures of the company.
- (iv) Where two or more persons hold one or more shares in a company jointly, they are treated as a single member. There should be at least two persons to form a private company and the maximum number of members in a private company cannot exceed 50. A private limited company is required to add the words "Private Ltd" at the end of its name.

Ex: ABC Private Limited/ABC PVT. Limited/ABC (P) Limited

(ii) Public company:

public company means a company which is not a private company. There must be at least seven persons to form a public company. It is of the essence of a public company that its articles do not contain provisions restricting the number of its members or excluding generally the transfer of its shares to the public or prohibiting any invitation to the public to subscribe for its shares or debentures. Only the shares of a public company are capable of being dealt in on a stock exchange.