

2.4 DIFFERENCE BETWEEN PUBLIC COMPANY AND PRIVATE COMPANY

Criteria	Public Company	Private Company
Meaning:	The public company refers to a company that is listed on a recognized stock exchange.	A private company is one that is not listed on a stock exchange and its securities are restricted or held privately by its members only
Name:	A public company need not affix the word "private"	private company, it is mandatory to affix the words "private limited" at the end of its name
Number of Members:	There must be minimum seven members to start with a public company and no maximum number of members restricted.	Private company can be started with a minimum of two members. Private companies can have a maximum of 200 members.
Transfer of Shares	The shares of a public company are freely transferable.	The shares of a private company are not freely transferable. Transferability is allowed subject to the provisions in the Articles of Association.
Issue of Prospectus	Public Company issues the Prospectus for public subscription.	A Private Company is restricted from issuance of prospectus as these companies cannot invite public for subscription.
Statutory Meeting	Compulsory to hold statutory meeting to obtain the certificate of commencement	Not required to hold statutory meeting.
Place of Holding AGM	Annual General Meeting can be held at the registered office or any other place where the registered office is situated	Place of Holding AGM

Difference between Memorandum of Association and Article of Association

Basis	Memorandum of Association	Articles of Association
Objective	Memorandum of association defines the objects for which the company is formed.	Articles of association are rules of internal management of the company. They indicate how the objectives of the company are to be achieved.
Position	This is the main document of the company and is subordinate to the companies Act.	this is a subsidiary document and is subordinate to both the memorandum of Association and the Companies Act.
Relationship	Memorandum of association defines the relationship of the company with outsiders.	Articles define the relationship of the members and the company.
Validity	Acts beyond the memorandum of association are invalid and cannot be ratified even by a unanimous vote of the members.	Acts which are beyond articles can be ratified by the members, provided they do not violate the memorandum.
Necessity	Every company has to file a memorandum of association.	It is not compulsory for a public limited company to file articles of articles of adopt table A of the Companies Act.
Alteration	Alteration of memorandum of association is quite difficult and in many cases, approval of certain statutory authority is required.	Articles can be altered by passing a special resolution by the members.