

# **Articles of Association (AOA)?**

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# Articles of Association (AOA)?

- **What is Articles of Association (AOA)?**
- Articles of Association (AOA) describes the rules and regulations for the internal management of the company.
- Articles of Association has to be carefully drafted at the time of [Company Registration](#) considering the The provisions of the articles are binding on the members as well as the company. The AOA should always be in harmony with the MOA of the company, meaning which the Articles cannot prescribe rules, which is beyond the powers mentioned in the Memorandum.
- Articles of Association generally prescribes the relation between shareholders and Board of Directors, relation among shareholders and Directors themselves.
- It usually contains regulation relating to Share capital and Variation rights, Lien, Calls on Share.

# PROVISIONS

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- **The articles of association is comprised of following provisions:**
- Share capital, call of share, forfeiture of share, conversion of share into stock, transfer of shares, share warrant, surrender of shares, etc.
- Directors, their qualifications, appointment, remuneration, powers, and proceedings of the board of directors meetings.
- Voting rights of shareholders, by poll or proxies and proceeding of shareholders general meetings.
- Dividends and reserves, accounts and audits, borrowing powers and winding up.

# MANDATORY

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- **It is mandatory for the following types of companies to have their own articles:**
- **Unlimited Companies:** The article must state the number of members with which the company is to be registered along with the amount of share capital, if any.
- **Companies Limited by Guarantee:** The article must define the number of members with which the company is to be registered.
- **Private Companies Limited by Shares:** The private company having the share capital, then the article must contain the provision that, restricts the right to transfer shares, limit the number of members to 50, prohibits the invitation to the public for the further subscription of shares in the form of shares or debentures.

- The articles generally deal with the following
- 1. Classes of shares, their values and the rights attached to each of them.
- 2. Calls on shares, transfer of shares, forfeiture, conversion of shares and alteration of capital.
- 3. Directors, their appointment, powers, duties etc.
- 4. Meetings and minutes, notices etc.

- 6. Appointment of and [remuneration to Auditors](#).
- 7. Voting, poll, proxy etc.
- 8. Dividends and Reserves
- 9. Procedure for winding up.
- 10. Borrowing powers of Board of Directors and managers etc.
- 11. Minimum subscription.
- 12. Rules regarding use and custody of common seal.
- 13. Rules and regulations regarding conversion of fully paid shares into stock.
- 14. Lien on shares.

# Alteration of Articles of Association

- The alteration of the Articles should not sanction anything illegal. They should be for the benefit of the company. They should not lead to breach of contract with the third parties. The following are the regulations regarding alteration of articles:
- A company may alter its Articles with a special resolution. Due importance and care should be given to ensure that the alteration of AoA does not conflict with the provisions of the Memorandum of Association or the Companies Act. A copy of every special resolution altering the Articles must be filed with the Registrar within 30 days of its passing.

- 1. The proposed alteration should not contravene the provisions of the Companies Act.
- 2. The proposed alteration should not contravene the provisions of the Memorandum of Association.
- 3. The alteration should not propose anything that is illegal.
- 4. The alteration should be bonafide for the benefit of the company.