

## Unit-IV: Prospectus of Company :-

### • Meaning

Sec. 2(36) of the Companies Act describes a prospectus as "any document issued as a prospectus and includes any notice, circular, advertisement or other document inviting deposits from the public or inviting offers from the public for the subscription or purchase of any share in, or debenture of a body Corporate."

In other words, it is a document which invites deposits from the public or invites offer from the public for the subscription of shares in, or debentures of, a Company. The words "inviting deposits from the public" were added by the Companies (Amendment) Act, 1974.

Private limited Companies are strictly prohibited from issuing prospectus and they cannot invite public to subscribe to their shares. Only public limited Companies can issue prospectus. Thus, it is an open invitation extended to the public at large.



## • Features and characteristics of Prospectus :

- (i) It is a document issued as a prospectus ;
- (ii) It is an invitation to the members of the public ;
- (iii) The public is invited to subscribe to the shares or debentures of the Company ;
- (iv) It includes any notice, circular, advertisement inviting deposits from the public ;
- (v) It is a document by which the Company procures its share capital needed to carry on its activities.

## • Objectives of Issuing Prospectus :

- (i) To bring to the notice of the public that a new Company has been formed
- (ii) To preserve authentic record of the terms and allotment on which the public have been invited to buy it



Shares or debentures.

(iii) To secure that the directors of the Company accept responsibility for the statements in the prospectus.

### • Contents of the Prospectus:

Sec. 56 states that every prospectus must -

- i State the matters specified in Part I of Schedule II, and
- ii Set out the reports specified in part II of Schedule II.

Thank You

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