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COIMBATORE – 641049

Department of commerce with professional accounting

21UCP552 – CORPORATE LAW

Unit 2

**Ms. B Gayathri
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Professional Accounting (UG)

Doctrine of Ultra Vires & Constructive Notice

Corporate Law | MOA & AOA | Company Law Foundations

LLB / CORPORATE LAW

CLASSROOM SESSION

21UCP552 – Corporate Law / Ms. B Gayathri , Assistant professor in
Department of commerce with professional accounting



Session Roadmap

01

Doctrine of Ultra Vires

Meaning, origin & legal effect under Companies Act

02

MOA & AOA

Objects clause, scope, and binding nature

03

Constructive Notice

Public documents, deemed knowledge & limits

04

Case Studies & Applications

Landmark Indian & English cases with discussion

05

Summary, Activities & Assignment

Key takeaways, group tasks, Q&A

🎯 Classroom Activities This Session

⚡ Quick Poll

3 min — gauge prior knowledge

🤝 Think-Pair-Share

3 min — peer discussion

☁️ Word Cloud

3 min — live vocabulary mapping

📖 Reflection

2 min — consolidate learning

Doctrine of Ultra Vires

What It Means

- **Ultra Vires** = "Beyond the powers" — any act outside the company's authorised objects
- Rooted in **Ashbury Railway Carriage v Riche (1875)** — House of Lords declared ultra vires acts *void ab initio*
- In India: governed by **Section 4 & Section 10** of Companies Act, 2013
- Protects shareholders, creditors & public from misuse of company funds

Legal Consequences

- Contract is **void & unenforceable** — even if both parties agreed
- Directors may face **personal liability** for ultra vires acts
- Injunction can be sought by shareholders to restrain such acts

⚡ Quick Poll — 3 Min

"Can a company ratify an ultra vires act by passing a special resolution?"

A) Yes B) No C) Sometimes

🤝 Think-Pair-Share — 3 Min

Discuss: *"Why should a stranger suffer if a company acts beyond its MOA?"* Share your view with a partner.

MOA & AOA — The Constitutional Documents

Memorandum of Association (MOA)

- The company's **charter** — defines its relationship with the outside world
- Contains **Objects Clause**: main, ancillary & other objects
- Any act beyond the Objects Clause = **Ultra Vires**
- Cannot be altered easily — requires special resolution + NCLT approval in some cases

Articles of Association (AOA)

- Internal **rulebook** of the company — governs management & members
- Must be *consistent* with MOA and Companies Act — AOA cannot override MOA
- Acts beyond AOA = **Intra Vires company but Ultra Vires directors**
- Key case: **Royal British Bank v Turquand (1856)** — Indoor Management Rule

i MOA is the **supreme document**. AOA is subordinate. Any conflict → MOA prevails. Always read both together when advising a client.

Doctrine of Constructive Notice



Core Principle

- MOA & AOA are **public documents** filed with the Registrar of Companies
- Every person dealing with a company is **deemed to have read** these documents
- "*Ignorance of public documents is no excuse*" — Mahony v East Holyford Mining Co (1875)

Practical Implications

- A third party **cannot claim** ignorance if they contract beyond the company's objects
- Protects the company against unauthorized commitments
- BUT: does not extend to *internal proceedings* — see Indoor Management Rule

⚠ Limitation: Constructive notice does NOT mean notice of internal irregularities — only of **public registered documents**.

Word Cloud & Reflection Activity



Word Cloud — 3 Min

On Mentimeter / Slido, type **one word** that comes to mind when you hear "Ultra Vires."
Watch the class cloud build live!



Reflection — 2 Min

Write silently: *"One thing I learned today that surprised me, and one question I still have."*



Group Activity

Outcome: Each group drafts a 2-line "Objects Clause" for a fictional startup.
Present to class — faculty evaluates if the clause is ultra vires-proof.



Interactive Case Studies

Case 1: Ashbury Railway Carriage v Riche (1875)

Company's MOA allowed making railway wagons. It contracted to build a railway line — held ultra vires & void.

Discussion: Could Riche have protected himself? What should he have checked before contracting?

Case 2: A. Lakshmanaswami Mudaliar v LIC (1963)

Indian Supreme Court — donation made by a company beyond its objects held ultra vires; directors held personally liable.

Discussion: Does the Companies Act 2013 (CSR provisions) change this analysis today?

Case 3: Royal British Bank v Turquand

Outsider relied on indoor management — binding even though internal resolution was not passed.

Discussion: How does this limit the harshness of constructive notice? Where does the limit lie?

Hypothetical: EdTech Startup

Objects Clause: "To develop and sell educational software."
CEO signs a ₹2 Cr real estate lease for a school building.

Discussion: Ultra vires or not? Who is liable? What advice would you give the landlord?

Key Takeaways & Summary

1 Ultra Vires = Void

Acts beyond MOA are void ab initio — no ratification possible, even by unanimous consent

2 MOA Reigns Supreme

AOA must align with MOA; MOA must align with Companies Act 2013

3 Constructive Notice Protects Companies

Outsiders are deemed to know public documents — ignorance is not a defence

4 Indoor Management Balances Harshness

Protects bona fide outsiders from internal irregularities not visible in public documents

Take-Home Assignment

Task 1 — Research

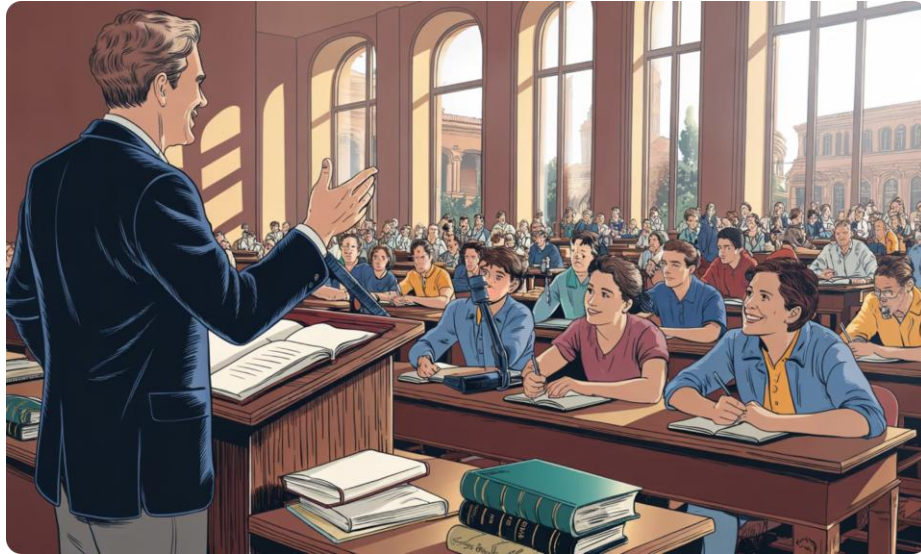
Find one post-2013 Indian case where ultra vires was argued. Summarise in 200 words.

Task 2 — Drafting

Draft an Objects Clause for a renewable energy company that is ultra vires-proof. Justify each clause.

Task 3 — Opinion

Write a 1-page advisory note to the EdTech startup CEO (from Case 4) explaining legal consequences and remedies.



Any Questions?

This is your space — raise anything from today's session, case studies, or your assignment queries.

- Clarify a concept
Ultra vires, MOA/AOA hierarchy, or constructive notice
- Challenge a case ruling
Do you agree with the court's reasoning? Why or why not?
- Real-world connection
How would you apply today's learning in your first corporate brief?

✔ Next Session: **Doctrine of Indoor Management & Exceptions** — come with your assignment drafts!