

Limited liability companies

Chapter 4, p 18-21



SdP

Re-Cap

What is a partnership?

What is an advantage of becoming a partnership?

What is a disadvantage of becoming a partnership?

What document do you need to set up a partnership?

Private Limited Companies - Ltd

Known as "limited", "ltd", or "ltd"

Shares can only be transferred privately

All shareholders must agree on the transfer and they cannot be advertised for sale

Shares cannot be traded on the stock market

Owned by family members and friends

Directors tend to be shareholders

Public Limited Companies - Plc

Why Large Businesses

Private Sector

Known as "plc", "plc"

Minimum of £50,000 share capital

Flexibility of some shares including assets

Advertising and administrative expenses

Shares bought and sold by the public on the stock exchange

Differences between an LTD and a PLC

Public Limited Company (PLC)	Private Limited Company (LTD)
the shares are offered to the general public on the stock exchange, meaning anyone can be a shareholder in the company	the shares are not offered to the general public, only family or friends
if something goes wrong it could harm or collapse the entire plc	usually wouldn't have as much of an effect on the plc
Shares can be transferred freely	Shares can't be freely or easily sold on the stock exchange

MAIN DIFFERENCE - REMEMBER

In a public limited company the shares are offered for sale to the general public. In a private limited company they are not

Disadvantages

LTD	PLC
Financial information has to be made public (Beneficial of companies)	Selling as much as the rest of the company
Consistency and takes time to set up	Ownership can take control by buying shares
Profits are shared	More financial information has to be made public
Takes time to transfer shares to new owner	May be more expensive from outside
Control and legal aspects of money are shared	More regulatory control than in private law
	Managers may take control rather than owners

Joint Ventures

Two or more businesses work closely together

One project

Limited Companies

A limited company is a business that is owned by its shareholders who have bought shares from the company, run by directors and has a separate legal identity from its owner.



Limited Companies

Advantages	Disadvantages
<ul style="list-style-type: none"> Separate legal identity Protection from bankruptcy Can be used for selling shares Shares can be bought and sold by the shareholders Can be used for raising capital No limit on the number of shareholders Can be used for raising capital 	<ul style="list-style-type: none"> More expensive to set up More complex to run More administrative work More expensive to transfer shares More expensive to raise capital More expensive to sell the company

Advantages

LTD	PLC
<ul style="list-style-type: none"> Limited Liability Separate Legal Identity Can be used for selling shares Can be used for raising capital No limit on the number of shareholders Can be used for raising capital 	<ul style="list-style-type: none"> Unlimited Liability Separate Legal Identity Can be used for selling shares Can be used for raising capital No limit on the number of shareholders Can be used for raising capital

Activity

YOU SAY WE PLAY

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Limited Companies

- Separate Legal Identity (Incorporated)
- The owners have limited liability
- Capital is raised by selling shares
- They are run by Directors elected by the shareholders
- Companies pay corporation tax
- To form a limited company it's necessary to follow a legal procedure

- Steps to form**
- Register with Registrar of Companies or Companies House
 - Draw up a Memorandum of Association
 - Draw up the Articles of Association
 - Obtain a Certificate of Incorporation from the Companies Registrar
 - The company can then start trading

Private Limited Companies - Ltd

Denoted by "Limited", "Ltd", or "Pty Ltd"

Shares can only be transferred privately

All shareholders must agree on the transfer and they cannot be advertised for sale

Shares cannot be traded on the stock market

Owned by family members and friends

Directors tend to be shareholders

Public Limited Companies - Plc

Very Large Businesses

Private Sector

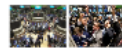
Denoted by "PLC", "plc"

Minimum of £50,000 share capital

Possibility of some shares remaining unsold

Advertising and administrative expenses

Shares bought and sold by the public on the stock exchange



Differences between an LTD and a PLC

Public Limited Company (PLC)	Private Limited Company (Ltd)
The shares are offered to the general public on the stock exchange, meaning anyone can be a shareholder in the company.	The shares are not offered for sale to the general public, usually just family or friends.
If something goes wrong it could have an adverse effect on the public.	Probably wouldn't have an adverse effect.
Shares can be transferred freely	Usually sold to family or friends and can only be done if all shareholders agree.

Disadvantages

LTD	PLC
Financial information has to be made public (Register of companies)	Setting up costs can be very expensive.
Costs money and takes time to set up	Outsiders can take control by buying shares
Profits are shared	More financial information has to be made public
Takes time to transfer shares to new owner	May be more remote from customers
Cannot raise huge amounts of money like PLCs	More regulatory control due to Company Acts
	Managers may take control rather than owners

Advantages

LTD	PLC
Limited Liability	Limited Liability
Sale of Shares	Incorporated Business
Separate Legal Identity	Separate Legal Identity
Original Owner Retains Control (control cannot be lost to outsiders)	Continuity
More Ability to Raise Capital	Raise Large Amounts of Capital
Continuity (Business continues if a shareholder dies)	Can exploit economies of scale
Has more Status	May be able to dominate the market
	May have a very high profile in the media
	No Limit on the Number of Shareholders
	Easy to Buy, Sell & Transfer Shares
	Higher Status
	Easy to Attract Suppliers

MAIN DIFFERENCE - REMEMBER

In a **private limited company** the shares are **not offered for sale to the general public**. Where as in a **public limited company** they are!

Joint Ventures

Two or more businesses

Work closely together

Activity

YOU SAY WE PLAY

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Limited Companies

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L.O.

- To understand what a limited company is and the different types
- To know the difference between a **PLC** and **Ltd**
- To identify at least one advantage and disadvantage of each type of limited company
- To be able to describe the process of forming a limited company



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- Capital is raised by selling shares
- They are run by Directors elected by the shareholders
- Companies pay corporation tax.
- To form a limited company it's necessary to follow a legal procedure.

Steps to forming:

Register with **Registrar of Companies** at Companies House

Draw up a **Memorandum of Association**

Draw up the **Articles of Association**

Obtain a Certificate of Incorporation from the Companies' Registrar

The company can then start trading



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LIMITED COMPANIES

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PRIVATE
LIMITED COMPANY

PUBLIC
LIMITED COMPANY

Private Limited Companies - Ltd

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Public Limited Companies - Plc

Very Large Businesses

Private Sector

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PLC

Setting up costs can be very expensive.

Outsiders can take control by buying shares

More financial information has to be made public

May be more remote from customers

More regulatory control due to Company Acts

Managers may take control rather than owners

Advantages

LTD

Limited Liability

Sale of Shares

Separate Legal Identity

Original Owner Retains Control (control cannot be lost to outsiders)

More Ability to Raise Capital

Continuity (Business continues if a shareholder dies)

Has more Status

PLC

Limited Liability

Incorporated Business

Separate Legal Identity

Continuity

Raise Large Amounts of Capital

Can exploit economies of scale

May be able to dominate the market

May have a very high profile in the media

No Limit on the Number of Shareholders

Easy to Buy, Sell & Transfer Shares

Higher Status

Easy to Attract Suppliers

Limited Company (Ltd)

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to the general
public, just family or
friends.

couldn't have an
infinite number of
shareholders.

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friends, can only be
shareholders

Disadvantages

LTD

Financial information has
to be made public
(Registrar of companies)

Costs money and takes
time to set up

Profits are shared

Takes time to transfer
shares to new owner

Cannot raise huge
amounts of money like
plcs

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MAIN DIFFERENCE - REMEMBER

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rather than owners

Joint Ventures

Joint Ventures	
Advantages	Disadvantages
• Share costs	• Only 50% ownership
• Risk sharing	• No control
• Specialized skills	• No control
• No full-time staff	• No full-time staff
• No full-time staff	• No full-time staff
• No full-time staff	• No full-time staff
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Two or more businesses

Work closely together

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Joint Ventures

ADVANTAGES

Shared Risks

Reduced Costs

Shared Research &
Development costs

Most joint ventures are friendly. This may help to improve the success of the venture

Competition may be eliminated

DISADVANTAGES

- Policy & Management

Disagreements
Conflicts
Disputes

- Profit is split between the investors

Reduces profit potential

Chances

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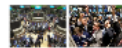
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