
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?
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
Private Limited Companies - Ltd
Public Limited Companies - Plc
Advantages
LTD
PLC
Differences between an LTD and a PLC
Disadvantages
LTD
PLC
MAIN DIFFERENCE - REMEMBER
Joint Ventures
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 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

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

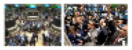
Denoted by "PLC", "plc"

Minimum if £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



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

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 (Registrar 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

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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- 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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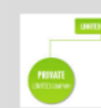

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PLC

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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

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Work closely together

One project

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

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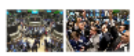

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