***COMPANY LAW***

**Types of businesses**

* + sole trader/sole owner/sole proprietor
	+ partnership
	+ company

**Sole trader/sole owner/sole proprietor**

* business owned and operated by a single person
* has unlimited liability for debts
* freelancer
* self-employed person

**Partnership**

* several people work together and share risks and profits
* partners are fully liable (have unlimited liability) for partnership's debts
* sometimes a legal entity

**COMPANIES**

**Limited Liability Company**

* a **legal entity** (can enter into contracts and can be sued or taken to court), separate from its owners
* **share capital –** the amount ofmoney contributed to the company by itsowners – the shareholders (UK) or stockholders (US)
* shareholders' liability for company's debts is **limited only to their share capital**

**Private and public companies**

* private companies are not allowed to sell their stocks or shares on an open market/**stock exchange**
* public companies' shares can be **publicly traded**
* **the UK public companies**
	+ **public limited companies (PLCs)**
	+ **quoted** on the London Stock Exchange
	+ have to produce half-yearly **interim reports** on **sales revenue** / **turnover**, **gross profit** and **net profit\*,** and **annual reports**

**\* sales revenue** / **turnover -** the money received by the company in a given period from selling goods or services
**gross profit** - turnover less cost of sales
**net profit** - gross profit less administrative expenses and tax

* **the US public companies/corporations**
	+ registered with the **Securities and Exchange Commission** (SEC-registered companies)
	+ **listed** companies
	+ have to produce **quarterly reports** and **annual reports**
* **Polish public companies**
	+ **joint-stock** companies (spółki akcyjne)
	+ issuing prospectus must be aproved by the **Financial Supervision Authority** (Komisja Nadzoru Finansowego)
	+ shares registered with the **National Depository for Securities** (Krajowy Depozyt Papierów Wartościowych)
	+ quoted on the **Warsaw Stock Exchange**
	+ produce quarterly, interim and annual reports
* **Company's Annual Report** (audited by external auditors)
	+ prepared after each financial year
	+ sent to shareholders

 contains:

* + the review of the year's activities
	+ examination and explanation of the company's financial position and results
	+ financial statements and notes
	+ auditor's report on the financial statements
* **Annual General Meetings (AGM) (US - Annual Meeting of Stockholders)**
	+ held both by private and public companies
	+ shareholders can question directors about the content of the Annual Report
	+ shareholders vote to accept or reject the dividend recommended by directors
	+ shareholders vote on replacements for retiring members of the board
* **Extraordinary General Meeting (EGM) (US – Special Meeting)**
	+ held if there is a crisis

**Management of the companies**

* qualified managers and senior managers, known as directors run the company for its owners
* **corporate governance** – **framework of rules and practices by which Board of Directors ensures accountability, fairness and transparency in company's relationship with its stakeholders**
* **Board of Directors**
	+ executive/non-executive Directors
	+ choose one to act as a **Chairperson (UK) / President (US)**, who provides leadership for the board
	+ define the policy and strategy for the company
	+ put the above in a mission statement
	+ make vital decisions
	+ approve the Annual Financial Report
	+ appoint the CEO
* **Managing Director (UK) / Chief Executive Officer (US)**
	+ secures smooth operating of the company
	+ oversees day-to-day running of the business
	+ supervises effective implementation of the Board's decisions
	+ delegates power
* **Management Ranks**
	+ senior managers
	+ middle managers
	+ lower managers
* **Audit Committee**
	+ contain several non-executive directors
	+ external auditors report to them

**Words to remember:**

sole trader/sole owner/sole proprietor

freelancer

partnership

limited liability company'

private company

public company

quoted/listed company

joint-stock company

legal entity

share capital

shareholder/stockholder

stock exchange

revenue/turnover

gross profit

net profit

executive directors

non-executive directors

SEC

AGM

EGM

CEO