

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 of money contributed to the company by its owners – 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 approved 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