

1) The name of the company; 2) the place where the registered office of the company is situated; 3) the objects of the company; 4) the liability of the members; 5) the amount of capital invested in shares, and the division of it.

b) Articles of Association

These are regulations governing the internal management of the company. They define the duties of the directors and the mode or form in which the business will be carried on.

The Memorandum of Association governs the external working of a company, and the Articles of Association govern the internal workings.

The three kinds of registered companies are (I) those limited by shares, (II) those limited by guarantee, and (III) unlimited companies.

(I) Companies limited by shares

This is the usual form of company, whether public or private. Where a company is limited by shares each member is liable to the amount (if any) unpaid on his shares.

(II) Companies limited by guarantee

In this type of company each member undertakes to contribute a certain sum in the event of its winding-up. Thus, a member who has guaranteed £10,000 will be liable for that amount if the company becomes insolvent and unable to pay its debts. The member cannot be compelled to contribute more.

(III) Unlimited companies

An unlimited company is one in which the liability of the members to pay the debts of the company is unlimited. The unlimited company is not common in the business world. Its main use is to hold property or provide services where outside indebtedness will not be large and secrecy of financial affairs is desired.

7.3 Termination of a company

The existence of company may be ended either by the Registrar of Companies, striking the name of the company off the register or by winding up. The winding up of a company is voluntary or compulsory.

A voluntary winding up is begun when the members of a company decided it. A compulsory winding up is undertaken following an order of a court on a petition presented by a member of the company, or a creditor or the Department of Trade. The petition may allege one or more grounds: for example, inability to pay its debts or failure to commence business within a year.

7.4 Types of companies

There are different types of business organizations, such as:

-Sole trader

-Partnership

-Limited Companies

-Non commercial organizations

-Charities

-Clubs and societies

Sole trader (sole proprietorship)

A sole proprietorship, also known as the sole trader or simply a proprietorship, is a type of business entity that is owned and run by one natural person and in which there is no legal distinction between the owner and the business. The owner is in direct control of all elements and is legally accountable for the financial situation of such business and this may include debts, loans, loss etc.

The owner receives all profits (subject to taxation specific to the business) and has unlimited responsibility for all losses and debts. Every asset of the business is owned by the proprietor and all debts of the business are the proprietor's. It is a "sole" proprietorship in contrast with partnership (which have at least two owners).

A sole proprietor may use a trade name or business name other than his, her or its legal name. They will have to legally trademark their business name, the process being different depending upon country of residence.

Advantages and disadvantages of Sole Proprietorship

As a sole trader:

ADVANTAGES DISADVANTAGES

-you don't need to make complicated legal arrangements and you need very little money to set up the company

-you have full control over the business, make decisions how to run it and don't have to respond to anyone

- you don't have to share the profits with anyone else

-the success of your business depends entirely on you

-You are entirely responsible (liable) for the business finances. If something goes wrong, you run into debts or you go bankrupt, you lose your personal assets together with the business

-you cannot count on anyone else's expertise, viewpoint or capital to help you run the business

-you may find difficult to obtain a loan from a bank to improve or expand your company. Banks consider small companies to be risky

-if you have health or family problems your business may be seriously affected

Limited companies

A limited company is formed by two or more shareholders, that is to say, investors in the company. Any profit made by the company are divided among the shareholders in proportion to the amount they have invested: these payments are called "dividends".

If a limited company goes bankrupt, each shareholder is only liable for his original investment and not for his personal assets.

In England, there are two types of limited companies:

a) Private limited companies- LTD (in Italian: Società a responsabilità limitata-Srl)

b) Public limited companies- PLC (in Italian: Società per azioni-Spa)

The Private limited companies must have Ltd after their name, they cannot be quoted on the Stock Exchange, their shares can only be sold with the agreement of all the shareholders.

The Public limited companies must have PLC after their name, they can be quoted on the Stock Exchange, their shares can be sold without restrictions (to the general public)

Joint Stock Companies

A joint-stock company is a business entity where different stakes can be bought and owned by shareholders. Each shareholder owns company stock in proportion, evidenced by his or her shares (certificates of ownership). This allows for the unequal ownership of a business with some shareholders owning a larger proportion of a company than others. Shareholders are able to transfer their shares to others without any effects to the continued existence of the company.

In modern corporate law, the existence of a joint-stock company is often synonymous with corporation (i.e. possession of legal personality separate from shareholders) and limited liability (meaning that the shareholders are only liable for the company's debts to the value of the money they invested in the company). And as a consequence, joint-stock companies are commonly known as corporations or limited companies.

There are two kinds of joint stock companies:

PRIVATE LIMITED COMPANIES PUBLIC LIMITED COMPANIES

They are owned by between two to fifty shareholders. They are usually small companies and the shareholders are often members of the same family or friends. A family hotel, a football club will have this form of legal organization.

Shares are hold or sold privately (private limited companies) by direct agreement, but they can normally be sold with the permission of the other shareholders. They are very large companies. They have at least two shareholders but there is no upper limit, so they can have thousands.

They must have a minimum share capital. Shares are freely transferable; they are bought and sold on the Stock Exchange.

There are different types of shares:

PREFERENCE SHARES ORDINARY SHARES FOUNDERS' SHARES

Holders of these shares get preferential treatment, their dividend is paid before holders of other types of shares. However,

- a) preference shares have a fixed rate of dividend and
- b) holders of these shares cannot interfere with the management of the company and have no voting rights at the annual general meeting

 Holders of these shares have no guaranteed income for their investment because they get paid last. Their dividend may be nothing, very low or very high depending on the fortune of the company. They have voting right at the shareholders' meeting and can change the management of the company.

 They are special shares belonging to the people who have founded the company

7.5 Debentures

When companies need to obtain more capital, they can issue documents called debentures. Debentures have a fixed rate of interest. Investors buying debentures become creditors of the company and their interest is paid whether the company makes profit or not and before the shareholders' dividend. A debenture is thus like a certificate of loan or a loan bond evidencing the fact that the company is liable to pay a specified amount with interest and although the money raised by debentures becomes a part of the company's capital structure, it does not become share capital. Senior debentures get paid before subordinate debentures, and there are varying rates of risk and payoff for these categories. Debenture holders have no rights to vote in the company's general meetings of shareholders, but they may have separate meetings or votes, e.g. on changes to the rights attached to the debentures. The interest paid to them is a charge against profit in the company's financial statement

7.6 Multinationals

Multinationals are business that own and control producing facilities in more than one countries. A company generally decides to "go global", that is to expand in other countries:

a) to expand its field of activities. This may be done through merger, acquisition or take-over operations resulting in the control of another company

A merger takes place when two companies "merge" together and a new, larger and more powerful company is formed. An acquisition is a simple purchasing action. A company may buy a smaller company operating in the same sector or a company operating in a parallel field to diversify its activity. A take-over occurs when a company buys enough shares of another company to gain control of it

b) to employ cheap labour

c) to process raw materials found in the host country

d) to meet the specific needs of each nation

e) to compete successfully with rival companies on existing or potential market

f) to take advantage of incentives offered by countries wishing to attract foreign investments (for example fiscal advantages).

Multinational companies have often been the target of adverse campaigns. The two main objections to the role of multinationals are:

-the profit the companies make are not re-invested to improve the economy of local communities but are "brought home"

-the bargaining power of these companies which employ thousands people is enormous. For example, the closing down of a plant may have a dramatic impact on the employment and the economy of a whole region. The result is that these companies can exert pressure on the political establishment of the host country to their advantage.

7.7 Publicly-owned business

Governments provide a variety of services and are usually the largest employers in any given country. Most of the services are provided for the public good and are financed through taxation.

Governments may however run enterprises which, like privately-owned companies, provide services or sell what they produce. The number of such companies depends on what types of economy the country has.

In centrally-planned economies all of the means of production are owned and run by the government who decides what and how much consumers need; production and distribution are arranged by central planning. Prices are not subject to the law of supply and demand but are set by the government and consumers cannot affect them. In a free market economy, what services and goods are needed is dictated by market forces. The state only runs enterprises which are essential for the public interest, such as social or national security services. For example, in the USA railways are privately owned, as are services like electricity or telephones. Schools may be entirely private or owned by local councils financed through local taxation. In mixed economies governments provide services for the public interest and run enterprises which may provide services or manufacture goods. Public-owned enterprises are usually appointed by the government and are therefore subject to political changes or pressures.

In the past in many European countries, governments used to own a lot of companies, but the trend in the past twenty years has been to privatize such companies. The companies have usually been turned into Public Limited Companies (PLC).

7.8 The structure of a company

In an enterprise, the chain and organization of business is usually the following:

- At the annual general meeting (AGM), shareholders elect the Board of Directors. The Board of Directors, headed by an elected Chairperson, is responsible for establishing the objectives and implementing the policies of the company;
- The Board of Directors appoints the Managing Director (called CEO, Chief Executive Officer in the USA) who is responsible for reaching the objective and implementing the policies set by the Board of Directors.

In the chain of command below the Managing Director varies from company to company and depends on what departments are established in the company. This is a possible structure:

SHAREHOLDERS

BOARD OF DIRECTORS

MANAGING DIRECTOR

PRODUCTION DEPARTMENT SALES AND MARKETING DEPARTMENT

FINANCE AND ACCOUNTING DEPARTMENT HUMAN RESOURCES DEPARTMENT

Production Manager

Factory manager

Purchasing manager

Warehouse and Transport Manager Home sales manager

Export sales manager

Customer services manager

Marketing and Advertising Manager Chief Accountant

Administrative Manager

Human resources

Staff Manager

Chapter 7

Company law

Activities

1 Vocabulary: word choice

These sentences deal with company formation and management. In each case, choose the correct word or phrase to complete them.

1 The constitution of a company comprises /consists/ contains of two documents.

2 The memorandum of association states / provides for / sets up the objects of the company and details its authorised capital.

3 The articles of association contain arguments / provisions / directives for the internal management of a company.

4 The company is governed by the board of directors, whilst the day-to-day management is delegated upon / to / for the managing director.

5 In some companies, the articles of association make / give / allow provision for rotation of directors, whereby only a certain portion of the board must retire and present itself for re-election before the AGM.

6 Many small shareholders do not bother to attend shareholders' meetings and will often receive proxy circulars from the board, seeking authorisation to vote on the basis of / in respect of / on behalf of the shareholder.

2 Here is a more comprehensive list of roles in company management. Match the roles (1-10) with their definitions (a-j)

1 auditor

2 company secretary

3 director

4 liquidator

5 managing director

6 official receiver

7 promoter

8 proxy

9 receiver

10 shareholder

a person appointed by a shareholder to attend and vote at a meeting in his/her place when the shareholder is unable to attend

b company director responsible for the day-to-day operation of the company

c person elected by the shareholders to manage the company and decide its general policy

d person engaged in developing or taking the initiative to form a company (arranging capital, obtaining personnel, making arrangements for filing corporate documentation)

e person appointed by the company to examine the company's accounts and to report to the shareholders annually on the accounts

f company's chief administrative officer, whose responsibilities include accounting and finance duties, personnel administration and compliance with employment legislation, security of documentation, insurance and intellectual property rights

g member of the company by virtue of an acquisition of shares in a company

h officer of the court who commonly acts as a liquidator of a company being wound up by the court

i person appointed by creditors to oversee the repayment of debts

j person appointed by a court, the company or its creditors to wind up the company's affairs

3 Choose the phrases which correspond to each paragraph

A big company structure –Responsibilities of people running a company-

A kind of company run by a unique owner-

A definition of a company –

A kind of company formed by different people

Choose the phrases which correspond to each paragraph

A big company structure- responsibilities of people running company- a kind of company run by a unique owner- a definition of company- a kind of company formed by different people

1).....

A company is a legal organization whose aim is to pursue set objectives. Its members, called shareholders , have the right to participate in the dividends (a proportionate distribution of profits) .

2).....

There are different forms of legal organization entities : the sole trader who runs his or her own business alone, that is , with no other shareholders.

3).....

In a limited liability company the shareholders will lose only what they have invested if the company goes bankrupt , and will not lose other property that they own;

4).....

A corporation is a large company or a public organization such as the Sony Corporation of the British Steel Corporation . A corporation has a legal personality distinct from that of its members or those who control it. Moreover, a corporation continues in existence irrespective of the death or expulsion of any or all its members. . Its independent existence and survival is known as 'perpetual succession'. This technical expression means that once the corporation is created by law, it will continue until it is destroyed, annulled or dissolved by law.

5).....

In England, a partnership is defined by the Partnership Act, 1980, as the relation which subsists among people carrying on business in common with a view of profit.

4 Match the roles in company management (1-7) with their definitions (a-g)

- | | |
|----------------------|--|
| 1)Director | a) a person appointed by the shareholders to attend and vote in place of the shareholders at a company meeting |
| 2)Liquidator | b) someone with a high position in a company, dealing with legal and administrative matters |
| 3)Auditor | c) a person appointed by a court , the company or its creditors to wind up the company's affairs . |
| 4)Shareholder | d) the person in charge of the daily management of the company. |
| 5)Managing director | e) a person who controls the company and decides its general policy |
| 6) Proxy | f) a person appointed by the company who checks that the company's accounts are true and honest |
| 7) Company secretary | g) person who owns shares in the company. |

5 Complete the sentences using the roles in management

1. If you have consulted the and confirmed that he is able and willing to vote for you, he does not have to sign any form.

2. Our board of meets every three months to discuss strategy.
3. The share price went up, then the new was appointed.
4. The has already checked the files.
5. The bid was accepted by 85% of the
6. Under pressure from the , the company had to increase its reported loss for the year.
7. The are unlikely to pay more than 10 pence on every pound owed by the failed bank.

6 AGM (Annual General Meeting)

Fill in the gaps using the words below. Pay attention: you need just 7 words to complete the paragraph.

Directors Dividend Shareholders Meeting Law Strategy Liquidators Chairman Accounts Auditors

The Annual General Meeting is an official yearly a) _____ where the shareholders meet the b) _____ and the Board of c) _____.

At AGM the company's d) _____ are presented, the e) _____ are elected and the amount of f) _____ is decided, as required by g) _____

7 Match each of the following verbs (1-10) with the correct noun (a-j)

- | | |
|------------|------------------------------|
| 1) Make | a) a strategy |
| 2) Appoint | b) bankrupt |
| 3) Attend | c) a profit |
| 4) Make | d) an admission card meeting |
| 5) Take | e) strike |
| 6) Sign | f) a meeting |
| 7) Discuss | g) a proxy |
| 8) Meet | h) a mistake |
| 9) Go on | i) a position |
| 10) Go | j) a deadline |

8 Working with words

Complete these minutes of a meeting with words and phrases from the list: Majority Put forward
Backing Carry out Brainstorming

All levels of the firm's hierarchy were represented at the meeting. The meeting began with a
1 _____ session in small groups, after which a spokesperson from each group 2
_____ its three main proposals. A lively discussion followed, in which a large 3 _____

supported a 'first come, first served' approach to parking. A proposal to have a new self-service canteen was less popular and only received the 4 _____ of a third of those present. It was agreed that senior management would decide whether to 5 _____ these decisions at their next meeting.

9 Match 1-8 to a-h

1. He'll do anything to avoid ____
2. It's important to reach ____
3. It's time for us to make up _____
4. Have you made _____
5. Don't bother expressing _____
6. Rule on is never to make _____
7. They finally reached _____
8. She is very good at evaluating _____

- a) A consensus at today's meeting
- b) Ideas and presenting clear summaries
- c) A concession without getting something in return
- d) A compromise, which pleased nobody
- e) A decision about my holiday request?
- f) A confrontation. He hates arguments
- g) Our minds about which system to adopt
- h) An opinion. He just expects you to agree

10 Put the letters in brackets in the right order to find words that match these definitions:

- 1) To suggest an idea: _____ (urpfotwrda)
- 2) General agreement between people _____ (oenscsnus)
- 3) Choices or alternatives: _____ (piosotn)
- 4) Assess/Judge: _____ (evelauat)
- 5) An argument or open conflict: _____ (aotonrofncti)

6) Give/agree to something to get something: _____ (oomcpriesm)

11 Word formation. Complete this table by filling in the correct noun or verb

VERB NOUN

To go bankrupt

To elect

To choose

To propose

To ratify

To approve

To admit

To deliver

12 David Harper is discussing progress of his company's new website with his assistants. Complete their conversation with word and phrases from the list.

Hope to have going to tell everyone chances are that how long will it
take to in the long term over the next expect in the short term
what's the next step next step by the end of

David: So, 1 _____? Are we still on schedule?

Ines: Yes, I think so. The layout has been agreed on.

David: That's good to hear. And what about the photographs?

Ines: we 2 _____ a choice of the images by the end of the week.

David: And how's it going with the online payment side of things, Marco?

Marco: Well, as you know, 3 _____ the site will just give information, but 4 _____ it will have online payment.

David: 5 _____ get this up and running?

Marco: Well, we 6 _____ it ready 7 _____
_____ November.

David: So, remind me, how are we 8 _____ about the new site?

Ines: Well, we've printed details on our bags and wrapping paper and all our emails have the address.

David: So what about the 9 _____?

Marco: Well, 10 _____ few months we need to monitor the number of visitors to the site and make sure that search engines start to pick us up.

David: That's great work the two of you. I think everything is on track. The 11 _____ this will give the business the boost we need.

13 Match the people (1-6) with their responsibilities in a company (a-f)

- | | | |
|---|---------------------------|--|
| 1 | shareholder | a. is chosen by the board and manages the whole company |
| 2 | President | b. is in charge of testing products and ensuring that they are of the correct standard |
| 3 | Board of directors | c. is responsible for dealing with complaints from clients |
| 4 | Managing director | d. is the head of the company and organizes meetings of the board |
| 5 | Customer services manager | e. owns the company and chooses the board of directors |
| 6 | Quality control manager | f. represents the shareholders and decides on general company policy |

14 Which word corresponds to the definition?

Account to appoint assets bankrupt bill board of directors branch corporation entrepreneur to expand facilities found fund headquarters labour liable loan managing director merger partner to run a business to set up share to share shareholder skill stick strike takeover trader warehouse

1. One of the local offices or shops of a large business organization.

2. The person responsible for the day-to-day management of a company.

3. The total quantity of a product that a company has available for sale.

4. The acquisition of a company by buying the majority of its share.

5. The place where the top management of a company has its offices.

6. What a worker or employee can do. _____
7. To direct an enterprise. _____
8. The person with whom you run a business together. _____

9. Money provided by a bank and invested in a business or a purchase and that you must give back in a defined period of time at a fixed interest.

10. Public money invested in a business. _____

15 Fill in the gaps

1 The board decided to _____ James Howard as the firm's new Managing Director.

2 Our company wants to _____ by opening new branches in the USA.

3 The two firms agreed to _____ all the expenses of setting up a joint venture.

4 If you are a sole trader, you have to _____ the business on your own.

5 In 1994 Steven Spielberg decided to _____ his own film company called DreamWorks.

6 A few years ago there was a _____ between two of the biggest banks in Italy.

7 The partners in a partnership are _____ for the debts of the business.

8 If the business goes bankrupt, the partners could lose their personal _____.

16 True or False?

1 A business owner with unlimited liability may have to sell his own home to pay business debts.

2 Because of its simplicity, it is easy for a sole trader business to expand.

3 In a partnership all partners always have unlimited liability.

4 Partners always share the profits of a partnership equally between them.

5 There is no limit to the number of members in a cooperative.

6 Everybody who works in a cooperative is a member and can vote on policy.

7 Small businesses often join together in a cooperative to increase their bargaining power.

17 Read the text and then match the beginning of each sentence (1-7) with the correct ending (a-g)

MULTI-NATIONAL COMPANIES

Globalization is creating a trend towards fewer and bigger companies. This is mainly because of the cost of developing sophisticated new products: research and development costs for a new car, plane, pharmaceutical product etc. require enormous investment. Once product have been developed, marketing them around the world is also expensive and complex, involving large-scale advertising campaigns and distribution networks. In many cases only very large companies, which benefit from significant economies of scale, are able to compete effectively. This creates pressure for companies to merge or take over rivals. As a result, many large business have become multi-national (also known as trans-national) companies. A

multi-national is a company which not only sells but also produces its goods or services in more than one country. They usually have a central holding company, based in their headquarters, which owns subsidiary companies located around the world. Having subsidiaries in other countries benefits multi-nationals in a variety of ways. They can:

- take advantage of cheaper local labour;
- avoid a country's restrictions on imports by producing inside that country;
- be near raw materials and cut down on transport costs;
- use local knowledge and make products specifically for the local market;
- take advantage of incentives for foreign investment from local governments and lower taxes;
- expand by taking over local companies.

1. globalization creates problems for smaller companies.....
2. globalization benefits large companies.....
3. a multi-national can expand easily.....
4. a multinational can get around trade barriers.....
5. A multinational can reduce transport costs.....
6. A multinational can get financial support from governments.....

- a. by taking over small local firms
- b. because they can take advantage of economies of scale
- c. by taking advantage of incentives for foreign investment
- d. by producing goods inside countries which restrict imports
- e. because developing and marketing products worldwide may be too expensive for them
- f. by moving production near sources of raw material

18 Read the following definition of the World Trade Organization, taken from its website. Use the words in the box to form one word which fits in the same numbered gap in the text

1 predict 2 frame 3 oblige 4 prosper 5 account 6 virtual 7 settle

World Trade Organization

The World Trade Organization (WTO) exists to create the conditions in which trade between nations flows as smoothly, 1 and freely as possible. To achieve this, the WTO provides and regulates the legal 2 which governs world trade. The legal documents of the

WTO spell out the various 3..... of member countries. The result is assurance. Producers and exporters know that foreign markets will remain open to them, which in turns leads to more 4..... peaceful and 5..... economic world. 6..... all decisions in the WTO are taken by consensus among all member parliaments. Trade friction is channeled into the WTO's dispute 7..... process, where the focus is on interpreting agreements and commitments and ensuring that countries' trade policies operate in conformity with them.