

# Company Law

Complete the text using the words in the box:

<b>bankruptcy</b>	<b>corporations</b>	<b>creditors</b>	<b>issue</b>	<b>liability</b>
<b>losses</b>	<b>partnership</b>	<b>registered</b>	<b>shares</b>	<b>sole trader</b>
<b>financial</b>	<b>premises</b>	<b>capital</b>	<b>prospectus</b>	<b>files</b>

## TYPES OF BUSINESS

The simplest form of business is the individual proprietorship or (1).....: for example, a shop (US = store) or a taxi owned by a single person. If several individuals wish to go into business together they can form a (2) .....; partners generally contribute equal capital, have equal authority in management, and share profits or (3) ..... . In many countries, lawyers, doctors and accountants are not allowed to form companies, but only partnerships with unlimited (4) ..... for debts - which should make them act responsibly.

But a partnership is not a legal entity separate from its owners; like sole traders, partners have unlimited liability: in the case of (5) ....., a partner with a personal fortune can lose it all. Consequently, the majority of businesses are limited companies (US = (6) .....), in which investors are only liable for the amount of capital they have invested. If a limited company goes bankrupt, its assets are sold (liquidated) to pay the debts; if the assets do not cover the debts, they remain unpaid (i.e. (7) ..... do not get their money back.)

In Britain, most smaller enterprises are private limited companies which cannot offer (8) ..... to the public; their owners can only raise capital from friends or from banks and other venture capital institutions. A successful, growing British business can apply to the Stock Exchange to become a public limited company; if accepted, it can publish a (9) ..... and offer its shares for sale on the open stock market. In America, there is no legal distinction between private and public limited corporations, but the equivalent of a public limited company is one (10) ..... by the Securities and Exchange Commission.

## FOUNDING A COMPANY

Founders of companies have to write a Memorandum of Association (in the US, a Certificate of Incorporation), which states the company's name, purpose, registered office or premises and authorised share (11) .....

(12) ..... (always with an 's' at the end) - is the technical term for the place in which a company does its business: an office, a shop, a workshop, a factory, a warehouse, etc. Authorised share capital means the maximum amount of a particular type of share the company can (13) .....

Founders also write Article s of Association (US = Bylaws), which set out the rights and duties of directors and different classes of shareholders. Companies' memoranda and articles of association, and annual (14) ..... statements are sent to the registrar of companies, where they may be inspected by the public. ( A company that (15) ..... its financial statements late is almost certainly in trouble.) In Britain, founders can buy a ready-made "off-the-shelf" company from an agent, that is, a company formed and held specifically for later resale; the buyer then changes the name, memorandum, and so on.

***In: Ian MacKenzie: Financial English. LTP 1995, p.14.***