

## Week 5 : Company Accounts – Introduction

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### *The business is a separate entity*

The law recognizes a *limited company* as a legal entity, quite separate from its owners. Different liabilities of shareholders and board of directors and management.

*It is important to know - The greatest amount ordinary shareholders can lose when a limited company goes into bankruptcy is their investment [paid-up capital]. **Limited liability for its owner!!***

*On the other hand, the owners in partnership and sole proprietorship are fully responsible for all their liabilities. **Unlimited liability for their owners!!***

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### *Characteristics*

- 1] Companies Act gives protection for shareholders who invest in a company which is registered as having limited liability. Examples of such acts are as follows:

Country

Malaysia

UK

Companies Act

Companies Act, 1965

Companies Acts, 1985 & 1989

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### *Characteristics*

- 2] Investment of ordinary shareholders (owners) is called *paid-up ordinary share capital*, and the shareholders are paid a share of the profits called *dividends*.
- 3] The company has perpetual succession as it will continue to exist even if ordinary shareholders change.
- 4] Directors are appointed to conduct the business, and managers are executives who are employed to carry out the operation of the company.

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### Public Limited Company

Public limited companies can be registered with only 2 owners. There is no limit on the maximum number of owners.

The name of the company should have ***BHD*** (in **Malaysia**), or ***PLC*** (in **UK**) after its name.

The company may offer to sell shares (raise capital) to the public. This company raises capital from the public.

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### **Private Limited Company**

Private Limited Companies can be registered with only 2 shareholders but are subject to a maximum number of 50 shareholders.

The name of the company should have SDN BHD (in [Malaysia](#)), or LTD (in [UK](#)) after its name.

The company cannot offer to sell shares (raise capital) to the public.