

Advantages and disadvantages of a public limited company

[Business](#), [Company](#)



The business organisation that I have decided to study during the course of the assignment is 'Tesco'. Tesco is a public limited company and there are numerous benefits and constraints when forming a public limited organisation. Many organisations start off as a private limited company and later become a PLC to raise capital in order to expand and develop the company which can play a pivotal role in the competitive retail market. Tesco is under the control of several shareholders who have purchased the company shares through the stock exchange.

The advantage of a limited company is that shares can be sold to the general public unlike a private limited company and can help to raise substantial amounts of capital easily and are able to advertise in newspapers and on television whereas private limited companies are unable to do this. Majority of shareholders are interested in investing capital into a company which is successful or has the potential to be successful in the near future.

Shareholders in a limited company have limited liability, so that if the company was to have financial difficulties or to go into liquidation than the shareholders will only have the risk of losing what they initially invested into the organisation and their personal asset such as their home or furniture is not ceased in order to pay off the debts of the organisation. They also have a separate legal entity to the organisation they have invested capital in which means the company exists in law separately from its actual owners. The organisation itself is sued rather than the shareholders.

Another major advantage for a public limited company is that banks and other forms of financial institutions are more willing to loan money out to the

organisation because they are more certain that the money borrowed will be retrieved easily along with interest rates charged. Large organisations such as Tesco are more likely to borrow large amounts of money which means more interest for the loan provider. A public limited company can continue to exist even if the original founder of the company is no longer available, in other words the company is not dependant on the founder.

A public limited company can also benefit from economies of scale because organisations such as Tesco's need to purchase large amounts of goods of the same type in order to meet the needs of their customers. This means they may be entitles to cheaper borrowing and bulk purchasing from their suppliers. Along with advantages there are also many disadvantages in forming a Public limited organisation. There are two legal requirements which the company needs to meet before it can begin trading under the name public limited. One of which is the Article of association and the other is the memorandum of association.