Advantages and disadvantages of public and private companies

Public companies have the advantage over private companies in access to capital to grow the business. But private companies can react more quickly to challenges and opportunities without going through exhaustive decision making processes.

Advantages and disadvantages of public companies.

Public company is able to raise funds and capital through the sale of its securities it is important historically. To ease of raising capital public companies may issue their securities as compensation for those that provide services to the companies, such as their directors, officers and employees. The basic advantage of public facilities is that the tax paid by the people is used in developing facilities for the people who paid the taxes. Public companies are typically established fair market value in the stock exchange where it is determined by price of security and sold where security is traded.

The cost of being public is huge and the benefits are questionable if you are a microcap. A public company has to meet the requirement to publicly disclose much financial information which could be useful to competitors. Public companies spend more for certified public accountants and other bureaucratic paper work required of public companies by government regulation. Public companies need a huge capital to get the capital market for purchasing equipment and plant expansions. Because of security regulations public companies requires doing more of paperwork. Public companies have an additional cost for administrative overhead and personnel needed to meet regulatory requirement. It could be quite expensive for stockholders for mailings.

Advantages and disadvantages of private companies

Private companies are less expensive as it requires very less paper work and very limited shareholders. As it is the private companies information are secured, so that's the way they are dealing more with government agency, because private companies works sensitive with government. The business is kept confidential as it is a private company which is less interacting with media or press. Shareholders have very less liability, as they have agreed upon business stability but the business is not disturbed by the death of shareholders.

While private companies may also issue their securities as compensation for services, the recipient of those securities often have difficulty selling them on the open market. Private companies have high taxes, less dividends and the often deter small-medium sized business owners.

Ans) 2 The small private companies are directed on the attentions to contral according to the commander theory it is excercised by the people. The power to deploy the resources are pointed by the persons or a group of persons. The person who has such power can command over this resources. By using commander notion we cannot appear into the reasonable interpretation of principle and functions of accounting without using false abstraction, such as the entity or fund.

A sole proprietor is a commander. So the proprietor have control over the resources of their firm as they are emphasies by the ownership aspect. Control is an economic function whereas ownership have to work in the legal relationship. Profit is generated from the resources have ability to command over this resources by the proprietors. According to commander theory the supporters are undue and placed on the proprietor as owner rather than as manager.

But in large companies shareholder have very less command over its resources as they are part of owners, managers have very limited control over resources.

The focus of accounting for such companies affects the functions of accounting which is carried out for commanders. For the benefit of the people accounting records are maintain, financial statement are prepared and are analysed by people on and behalf of people. And financial statement reports by commander to commander. The commander of the firm undertakes accounting procedures, accept owner or entity or fund.

In the balancesheet the report of which is showing the resources which is entrusted to the commander and control but does not own. Balancesheet is prepared on behalf of commander is a statement which shows the sources from hwere the commander has rececived resources and the application of those resources. In the accounting practice commander theory is not directly effected. Proprietary and entity theories appears on the oppostie view which is the notion of economic control, and the use of procedures related to propietrary and entity view are simaltaneouly emphasised by the commander theory. In determining the nature of asset and in determining what entities become paramount by the notion of ‘ control’ which is included in consolidation account.

The objective of financial objective is dependent for small enterprise which value upon to pursued decision making, practical and control. The bring the value in control and not easily measurable, and small business frequently taking action such as if the company needs more new capital for business but they will refuse to bring new stockholders. To access the financial infornmation from the external financing inevitably brings with it and arranged its over coming difficulties between those enterprise and the financiers concerned. The information of a report that of a small enterprise must required to support the debt financing.

Financing and profit distribution decisions made in small enterprise might be strongly influnced by a desire to avoid such accountibility.

Ans) Proprietary theory emphasies for the small business whereas entity theory for large business. Proprietary theory views the firm as an renewal of its owner's but by keeping in mind as an accounting purpose the entity does not exist seperately from its owner's. For this outlook it is supported by the various participant in the business sectors. In large companies shareholders who has very limited holdings but they are not seen as owner of the company but looks as an investors. So they believe that they are working for company and as an shareholders. For the benefit of the company they reinvest their dividends as belonging to the company.

As from the owner's perspective financial statement are prepared for the advantage of the owner's. And for controlling shareholders assets of the company is seen as asset of company whereas liablities of company are viewed as a liabilities. As an wealth of the company increases with increases in revenue and decreases with more expenses. The proprietary theory affects the only in each sole company for increasing profit instead of entire companies.

As per the entity theory they maintain financial statement under the joint financial statement as per the view of the business entity. For the accounting purpose legal entity are separately considered from owner. In the interest of the entity consolidated statement are intended to all parties of the entity. The person who are having ownership interest in the consolidated entity are considered separately and distinct as an controlling and non-controlling shareholders of the entity. No preference, no emphasis is given to any members of these entity group such as controlling shareholders non-controlling shareholders and consolidated entity. All profit or loss assets or liabilities equity are merged into one group of entity under the entity theory and they are united for one entity as not for separate controlling and non-controlling shareholders who are involved in the joint net income and the ownership of business group.

If a company decides to transform itself into a public company from a private company their is no magic or formula which qualifies a private company to transform into a public company but the factors which determine a public company can hire plenty of shareholders from any market which can sells its product or services. And company should keep in mind a good regional and national market is in a boom situation you can transform into the public company. The best way to know that it is beneficial or not for company whether it should transform to public company is their management team can grow your company or not and their profit margin because it affects on the accounts of the company.

Ans4) “ Yes, I do agree with this statement. Proprietary view of accounting keeps in mind as an interest of all accounting concepts, procedures and rules are formulated to the owner’s. Owner’s of the company seeks to acheive their purpose and to maximise their profit or wealth. As per the proprietary view for the small business really control by their owner’s and generally are not necessary to prepare general-purpose financial statement for a business.

General purpose financial statment is only prepared when it is needed by its users for its financial statement which is opposed to get those requirement of only a exacting group such as an management, creditors, investors or regulatory bodies. And this whole prupose of financial statement is based on GAAP (Generally accepted accounting principle).

Small business does not require to prepare general purpose financial statement and they do not really make an extension of their owner’s because their profit will be maximise and will not be managed properly. On presenting accounting standards for small business entities they have their levels for satisfaction or dissatisfaction which are hurdles and burden on imposing the financial statement to the prepare’s and their standards become weaker. Small business entities cannot bear to maintain financial statement as it is costly and burdensome which casues the overall cost to continue to increase.

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