An the company is a separate legal entity

Business, Management

An advantage of a limited company is that the company is aseparate legal entity distinct from the four members, which means that themembers' liability is limited by shares or guarantee (Marshall and Oliver, 1998). If the company is wound up in the future or is in debt, the maximum theshareholders will lose is the value of their shares, and they are not liablefor the cost of winding up. Shareholders face less risk as compared to traditionalpartnerships when the company makes business ventures, and are safe from beingpersonally liable for losses. Furthermore, only the company will be liable onits contracts, and the shareholders will not be bound and personally liable forthese contracts, unlike a traditional partnership, where partners arepersonally liable for contracts.

Next a limited company has more opportunities in raising capital. The company can raise finance capital by creating a floating charge, which is asecurity with an underlying group of assets. This allows them to obtain capitalsecured with dynamic or circulating assets that the business can use as normal. The business can have a stable financial position and a good gearing ratiowithout having to make bank loans which involve complicated procedures andinterest payments. In contrast, the business is likely to face difficultyin raising finance as traditional partnership because the partners own theassets jointly and thus cannot create floating charges.

A limited company enjoys perpetual succession, which means thatthe continuation of an incorporated firm's existence is unaffected by the deathof any of its owners or the transfer of its shares to a new entity(BusinessDictionary. com, 2017). This action ensures that the business runs forthe long term, and gives the directors the chance to evolve their

business andmake long term plans and goals. On the other hand, a traditional partnershiphas to dissolve the partnership if the death, retirement or bankruptcy of a partnerhappens. This implies uncertainty in the long-term existence of thepartnership. Transforming the company to a limited company will allow itsmembers' shares to be freely transferable.

Members can sell their shares andleave the company as a shareholder if they wish to do so. Potential investorscan easily become shareholders without much hindrances. If any of the fourdecide to leave the business, they can privately sell their shares to anotherfriend without much difficulty. However, in a partnership, a partner may onlyassign their interest, and cannot transfer their investment in the business tosomeone else. Leaving the partnership would also mean dissolution of thepartnership. One disadvantage of incorporation is that the company must beregistered and has to submit documents and accounts to the Registrar, meaningthe resources have to be spent complying with standards and legal requirements. This is not necessary in a partnership.

An incorporated company also faces thecost of an annual audit to give assurance stakeholders like suppliers andinvestors, while a partnership does not need to do so. As a limited company, privacy is forsaken as certain company accounts and documents will be madeavailable to the public to inspect. On the other hand, in a partnership, onlymembers have access to these documents. A limited company is thus subject to ahigher level of scrutiny on its business operations. Another disadvantage isthat company members cannot be involved in managing the company unless they

aredirectors, which means potential shareholders cannot control the day to dayoperations of the business unless they are made director, unlike a partnershipwhere every partner has the right to participate in management.

It is alsoharder to withdraw capital in a company, unlike a partnership where this can bedone more freely. 2. As a private limited company, the name of the company must beregistered when it is being set up, and must end with either ' limited' or'Ltd'. The Registrar will not consider the name if it is offensive orconstitutes a criminal offence. If a name of company includes sensitive words, the approval of the Secretary of the State is required (Companies Act 2006). This pertains to implying a certain status or function, using words that mayindicate connection to the government or authority like the words " British" or" National". The name of the company cannot be the " same as" another registeredname, which is when the only differences to an existing name are certainpunctuations, special characters, or similar or frequently used words andcharacters (GOV. UK, n/a).

Misleading words that the company is of another typeor legal form are also forbidden. For example, choosing the name " ElectricWimbledon". In this case, they may not be allowed name the company WimbledonLimited as the name has already been listed on the Company House Index.

Interestingly, said company has since gone into liquidation in 2016. However, this may still mislead the public, if they are unaware of the liquidation. Thus, the Registrar may not consider the name until a certain time period has passed.

The exceptions of the ‘ same as’ rule do not apply here as the 4 partners didnot intend to be part of the same group as the liquidated Wimbledon Ltd. Theyshould consider using names like “ Wimbledon Tennis Equipment Ltd” or even” Wimbledon Tennis Supplies Ltd”. This may still be considered sensitive as itmay indicate connection to the actual Wimbledon Tennis Championships, which isled by The All England Lawn Tennis & Croquet ClubLimited. 3. Andy will owe directors’ duties to the company.

Firstly, Andy hasthe duty to “ declare interest in proposed transaction or arrangement”. Heshould inform the other directors of his position as a partner in the otherfirm, and make known their interest in supplying Wimbledon Limited withequipment. He can do this by notice in writing or at a board meeting. When theother directors are aware of this, they can make more informed decisions about choosingsuppliers, or perhaps reduce Andy’s authority in related decisions. Andy also owes the duty to “ avoid conflict of interest” and to” promote the success of the company”. This means that Andy should not use hisinfluence as a director and recommend the equipment supplier firm to beWimbledon’s supplier if it is not the ideal choice for Wimbledon. For example, perhaps the prices of the firm are higher than those of other suppliers, ortheir goods lack quality. Wimbledon will lose out in the long run if theychoose this company and it may hinder their overseas expansion.

If Andy pushesfor this supplier despite knowing that other suppliers more suited forWimbledon’s strategy and goals, he has knowingly failed to promote the successof the company and has breached his duties. Andy also

owes duty not to acceptbenefit from third parties. If he accepts for example, a higher bonus from theequipment supplier for Wimbledon to use them, he has breached his duty.   If Andy is found to have breached his duty, the company i.

e. theother directors may bring a claim against him and will bring the proceedings inthe name of the company. Since the directors are members, they may also bring aclaim against him in the name of the company. Andy will be responsible for thedamages to the company, and he may be personally liable for these losses.

Thecontract between Wimbledon and the equipment may be deemed void. Andy may beremoved from office if all the other shareholders vote in favour and pass aspecial resolution. Andy may face an injunction if the breach was discoveredearly. It is thus advisable for Andy to keep his duties as a director, anddisclose any necessary information.   4.

One of theroles of a director is concerned with management which means that the directoris charged with instituting systems that facilitate the daily operations of theorganization. This means that the director makes the operational and strategicdecisions that are used to drive the organization forward. The director also superintends the activities ofthe other leaders in the organization to ensure quality and consistency. Thedirector is also tasked with the duty of ensuring that the company meets thedifferent statutory obligations required (Brefigroup. co. uk, 2017). Another roleof the directors is that they hold the organization’s board meetings tofacilitate the decision-making processes, make future plans and report toshareholders on

performance. In this respect, the director of the company actsas the agent of the company on behalf of the stakeholders and make bindingdecisions.

They delegate tasks to management and ensure that proper books ofaccount are kept. Lastly, the directors of the company are also responsible forensuring that the organization meets the needs of other stakeholders likeemployees, the community, and perhaps even national interest(Venturechoice. com, 2017). It is through these different duties that thesuccess of the director regarding how they run the company is achieved. When it comes to the shareholders, the principal role is toappoint the directors of the organization who in turn are charged with therunning of the organization of affairs. Another important role is that offinancial investment and with this role, they are entitled with the votingrights to determine the appointed directors (Venturechoice.

com, 2017). Theshareholders also arrange for meetings (annual general meetings) with thedirectors, and in such meetings, the directors brief them on the progress thatis made in the company. Shareholders can review the company accounts and raiseany doubts about directors' decisions (InBrief. co. uk, 2017).

Majorbusiness decisions must be approved by shareholders through specialresolutions. The shareholders use the meetings as a way of gauging theperformances that organization is realizing vis a vis the established goalsthat are pursued. They have to ensure that director's do not go beyond theirpowers. Where the shareholders are not content with the performance

generatedby the directors, they can remove them or in other circumstances, they canrefuse to re-elect them.

The shareholders speak in the management of thecompany through their votes and they do this to ensure that their investmentgoals in the company are achieved.