

# [A corporate association](https://assignbuster.com/a-corporate-association/)

The aim of this assignment is to compare and analysis a Public Limited Company (incorporated under the Companies Acts) to an Incorporated Society (under the industrial and provident societies Act). Notably in law a company is a corporate association having a legal identity in its own right, therefore it is distinct from the people who own it. As a result the property and other assets owned by the company belong to the company and not to its members/owners

Organisations which choose to acquire corporate status in order to raise funds for expansion (or for other purposes such as improvements) become owned by the shareholders, who may be the original owners or may be individual or institutional investors holding equity predominantly as an investment and potentially with minimal long term commitment to the organisation they have invested in.

Therefore there is the potential for a separation to occur between the roles of owner (shareholder) and controller (director) and this can lead to the possibility of conflicting aims and objectives isrespectof the priorities over the enterprise. Therefore government legislation through the companies act and the Industrial & Provident Societies Act was brought into protect the interests of shareholders as to how organisations conduct their businesses.

Notably in larger organisations, and in particular public limited companies, the division between ownership and control means that controllers have theresponsibilityof representing the interests of the organisation's shareholders and creditors, however the priorities andgoalswill not always correspond. Arguable the sole duty of any organisation is to its shareholders, therefore the Companies Act and the Industrial ; Provident Societies Act aim to regulate organisations dealing with shareholders. By definition a public limited company, is a company registered under the Companies Act as a public company.

Its name must end with the initials 'plc'. It must have an authorised share capital of at least i?? 50, 000, of which at least i?? 12, 500 must be paid up. For the purposes of this report, Manchester United will be used as an example of plc. In order to protect the consumer and the subsequent shareholders who invest in organisation, the government created the Companies Act, which aims to regulate how organisations conduct business and the dealings with their shareholders/members. The following is abstract from the act:

Act to amend the law relating to company accounts; to make new provision with respect to the persons eligible for appointment as company auditors; to amend the Companies Act 1985 and certain other enactments with respect to investigations and powers to obtain information and to confer new powers exercisable to assist overseas regulatory authorities; to make new provision with respect to the registration of company charges and otherwise to amend the law relating to companies; to amend the Fair Trading Act 1973; to enable provision to be made for the payment of fees in connection with the exercise by the Secretary of State, the Director General of Fair Trading and the Monopolies and Mergers Commission of their functions under Part V of that Act; to make provision for safeguarding the operation of certain financial markets; to amend the Financial Services Act 1986; to enable provision to be made for the recording and transfer of title to securities without a written instrument; to amend the Company Directors Disqualification Act 1986, the Company Securities (Insider Dealing) Act 1985, the Policyholders Protection Act 1975 and the law relating to building societies; and for connected purposes. [16th November 1989]1

A main contrast in company law between the public limited companies and registered societies, the former being those which are permitted to offer their securities (whether shares or debentures) to the public and the latter being those which are not so permitted. In view of the shareholders, the distinction is significant as the plc has the opportunity to sell shares to the public and therefore will be concerned with the rules governing this process. Notably the regulations for the plc in this respect are set out in the Financial Services and Markets Act 200 ('FSMA'). Therefore due to the fact that plc are permitted to offer their shares to the public, and in the case of Manchester United, will be regulated by the companies act. Therefore as Manchester United has it shares listed on the public market, the organisation incurs obligations, which supplement those to be found in the companies act.

The most significant to Manchester United is whether the organisation chooses to have it shares traded on the main market of the London Stock Exchange, in this scenario the shares must be admitted to the 'Official List' of securities, which list is maintained by the Financial Services Authority, acting in the capacity of Notably the companies' act embodies the legislation, which requires the mandatory presence of employee representatives on the boards of large public companies. Arguable a key regulation in the companies dealings with shareholders, as employees of large companies are often shareholders within the company which employees them. Therefore it can be argued that the employees on the board shall best represent the opinions of the shareholders to their benefit.

Before a company can be formed, a number of legal documents must be completed - most important are the Memorandum of association and the Articles of Association. When these are completed, they are sent to the Registrar of Companies, who will then issue the business with a Certificate of Incorporation, which allows the business to trade as a Public Limited Company. This is the other, much larger, type of joint-stock company and, just like a private limited company, a PLC is an incorporated business, is run by the Board of Directors on behalf of the shareholders and has an A. G. M. at which shareholders vote on certain key issues relating to the company.

The main difference between a PLC and a private limited company is that a PLC can sell its shares on the Stock Exchange to members of the general public and can, therefore, raise significantly morefinancethan a private limited company. If a private limited company wishes to become a PLC, then it must change its Memorandum and Articles of Association and re-submit them to the Registrar of Companies. If the company is considered to have acted legally and for the best interests of its shareholders, then it will be issued with a new Certificate of Incorporation and also with a Certificate of Trading, which will allow it to sell its shares on the Stock Exchange. The price of the shares will then fluctuate according to investors' perceptions of the PLC.

It is often the case with a PLC that the owners of the company (shareholders) will wish the PLC to make as much profit as possible, so that the shareholders will receive a very handsome dividend per share. However, the Board of Directors and the management will often wish to devote some of the PLC' s resources to growth and diversification (such as the introduction of new products) and this will clash with the shareholders' desire for maximum profits. This is known as thedivorceof ownership and control. The PLC has to publish its annual accounts (known as disclosure of accounts) and therefore is extremely vulnerable to investors' and bankers' perceptions about its progress and success.

Following on from this, a PLC is also at risk from a takeover from an outside body, if they manage to accumulate over 50% of the shares in the PLC In contrast to the public limited company and the regulations of the Companies Act, there are corporations, which are not created under the Companies Act. A typical example is an industrial ; provident society. In definition, an industrial ; provident society is an organisation conducting an industry, business or trade, either as a co-operative or for the benefit of the community, and which is registered under the Industrial and Provident Societies Act 1965. Co-operative societies are run for the mutual benefit of their members; with any surplus usually being invested back into the organisation to provide improve services and facilities.