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SCHOOL: STRONG TOWER ACADEMY

SUBJECT: FINANCIAL ACCOUNTING

CLASS: SS2

TOPIC: COMPANY FORMATION

Meaning of company

A company is a business owned by an association of people and operates as a legal entity to carry out business with the motive of making profit.

TYPES OF COMPANIES

Private company

Private Limited Liability Company is owned by 2-50 shareholders. Shareholders are not allow to invite public to subscribe for their shares

Public Company

A public limited liability company is owned by minimum of 7 shareholders and no limit in the number of shareholders. The shareholders can invite public to subscribe for their shares

Memorandum of association

This contains the external rules of the company, it contains the following:

1. Name of the company
2. Nature /objective of the business
3. Amount of authorized capital

Articles of association

This is a document which contains the internal regulation of the company.it contains the following:

- The rights and responsibilities of the shareholders
- Duties and power of directors
- Appointment of directors

SHARE CAPITAL:

- I. Authorized /nominal/registered capital
- II. Issued capital
- III. Called-up capital
- IV. Paid-up capital
- V. Uncalled –up capital

- VI. Call in arrears
- VII. Call in advance

Quoted companies

These are companies whose shares can be bought or sold on the stock exchange market

Unquoted companies

Unquoted companies are companies that previously traded on stock exchange but no longer do, this may be as a result of its capitalization falls to be point that it no longer meet up with the listing requirement.