**SUMMARY LESSON NOTES FOR THE WEEK: 23RD OF MARCH TO THE 27TH OF MARCH 2020**

**CLASS: F1**

**SUBJECT: COMMERCE**

**MODULE 3: Limited Liability Companies/Joint Stock Companies**

**LESSON: Limited Liablity Companies**

**Competences: After reading this lesson, students should be able to:**

**(a) Define a Joint Stock company,**

**(b) Explain the characteristics of Limited Liability Companies**

**(c) Explain the various types of Limited Liability companies**

**CONTENT**

**3.1 Introduction**

**3.2 Meaning of joint Stock Companies Or Limited Liability Companies**

**3.3 Characteristics of a Limited Liability Companies Or Joint Stock Company**

**3.4 Types of Limited Liability Companies**

**3.5 Revision Questions.**

**3.1 Introduction**

**Industrial revolution has led to the emergence of large scale business
organizations. These organization require big investments and the risk involved is very
high. Joint Stock Company form
of business organization has become extremely popular as it provides a solution to overcome the limitations of partnership business.**

**3.2 Meaning of Limited Liability company or Joint Stock Company**

**This is a group of persons who contribute money to form capital which is used to carry out industrial, commercial or tertiary activities with the objectives of maximising profits. Profits are usually distributed according to the amount of money contributed by each member.**

**It is equally defined as a business owned by people called shareholders. Each shareholder owns company stock in proportion to the number of their shares (certificates of ownership).**

**3.3 Characteristics of Limited Liability Companies Or Joint Stock Companies**

**The important characteristics of a Joint Stock Company are as follows:**

**I.) Incorporated association:**

**A company is called an incorporated association because it comes into existence only after registration.**

**II.) Minimum Number of Members:**

**Forming a public company at least 7 persons and for forming a private company at least 2 persons are required. If not registered it would be treated as illegal association.**

**III.) Separate legal entity:**

**A company is regarded as an entity separate from its members because a shareholder of a company**

**IV.) Continuity.**

**A joint-stock company has unending life quite independent of the life of its members. The death, insolvency, or exit of any shareholder has no effect on the life of a company.**

**V.) Transferability of shares:**

**The capital of a company is divided into parts, called shares. There shares of the company are transferable. In a public company this right of transfer is absolute. In a private accompany, however, some restrictions on the right of transfer of shares are imposed through its articles.**

**V.I) Limited liability:**

**The liabilities of a shareholder of a company are usually limited. For satisfaction of the debts of the company, the personal property of the shareholder cannot be used.**