CENTRE : DDU KAUSHAL KENDRA

NAME OF THE PROGRAMME : B.VOC(LOGISTICS AND SUPPLY CHAIN MANAGEMENT

PROGRAM CODE : 3UABVOC(LSCM)

COURSE CODE : 17LSCM202

NAME OF THE PAPER : CORPORATE FINANCE

SEMESTER : II

FACULTY NAME : MRS.A.VIDHYA

DESIGNATION : GUEST FACULTY

TOPIC :PUBLIC CORPORATION

CONTENT

- DEFINITION OF PUBLIC CORPORATION
- BENEFIT
- MEANING
- FEATURE
- ADVANTAGE
- DISADVANTAGE
- COMPARE

DEFINITION

PUBLIC CORPORATION

- A company whose shares are publically traded and are usually held by a large number(100-1000) of shareholders.

- British term public limited company.

- A government owned company such as airline and public trasit company.

OR

- A corporation created to perform a government function or to operate under government control. such as –municipal water company , hospital.

BENEFIT

- Corporation's liability for damages or debts is limited to its assets, so the shareholders and officers are protected from personal claim, unless they commit fraud.
- Tax advantage especially in states where there is no corporates.

MEANING

- A public corporation is a corporate body created by the special Act of the parliament.
- Such Act defines the power, duties, privileges and pattern of management of these organisations.
- Such an organisation is a statutory body to serve the general public.
- A public corporation is clothed with the power of the government, but possessed with flexibility and initiative .
- A public corporation enjoys complete autonomy in management

FEATURE

- It is a corporate body created by the special act in the state.
- It enjoys the status of a legal entity and as such it can enter into contract in its own name.
- It is completely owned by the government and as such no private individuals are entitled to purchase shares of these organisations.
- A public corporation is managed by a board of directors. The members of the board are from all walks of industry and commerce. The chairmen of these corporations are appointed by the government.

- The entire capital is financed by the government. It was set up with a capital of its own use and re-use revenue from the sale of goods.

- A public corporation is primarily meant to render service and making profit is its secondary considerations.

- The employees of corporation are subject to service conditions laid down by the corporation. Civil service rules for the government do not apply to the employees of the corporation..

ADVANTAGE

- A public corporation is able to manage its affairs with independence, initiative because it is an autonomous set up.
- It is relatively free to adapt to changing circumstances because of its autonomy nature.
- It maintains continuous existence in spite of changes in the government.
- It leads to high morale among the executives and other employees because of least government interference.

- It can utilize the service of competent persons because it has its own cadres of employees.
- The board of directors consists of experts from business, labour and consumers. So a board of director can give better advice for the operation of the corporation.
- Since public corporations are accountable to the parliament, they are intended to render maximum service to the public instead of maximum profit.

DISADVANTGE

- The management structure in a public corporation is usually decentralized so therefore the managers are in most cases not the business owners. Since they are managers, they may not be motivated towards the company's goal and vision as the entrepreneur that created the business.

- Taking a company public is very expensive due to legal fees, meeting up with the demand of governmentagencies and regulatory bodies and also the cost of undertaking an IPO (Initial Public Offer) adds to the burden.

- Whenyou take your company public, you now have to serve three bodies. You will now have to serve your customers, government agencies or regulatory and the investors. This might be too cumbersome or stressful for some entrepreneurs tohandle

- Public Corporations are subjected to more legal restrictions than other type of entities.
- When you take a company public, your company becomes subjected to stiff accounting rules and principles.
- When you form a public corporation, your business affairs and financial statements can't be kept secret any longer. It must be published to the public at large.
- Public corporations are subjected to heavy corporate tax. They pay both federal and state tax. Public corporations are also subjected to double taxation. They are taxed based on their earnings and the shareholders are taxed based on their dividend

DIFFERENCE BETWEEN A PUBLIC CORPORATION AND PRIVATE CORPORATION

- A public company is developed by investors under the sanctions of the security exchange commission, and a private corporation is a business established by a person's with no public offering to join as investors.

Maximum number of members

There is no limit on the maximum number of member of a public company, but a private company cannot have more than fifty members excluding past and present employees.

Commencement of Business

A private company can commence its business as soon as it is incorporated. But a public company shall not commence its business immediately unless it has been granted the certificate of commencement of business.

Invitation to public

A public company by issuing a prospectus may invite public to subscribe to its shares whereas a private company cannot extend such invitation to the public.

Transferability of shares

There is no restriction on the transfer of share In the case of public company whereas a private company by its articles must restrict the right of members to transfer the share.

Number of Directors

A public company must have at least three directors whereas a private company may have two directors.

Statutory Meeting

A public company must hold a statutory meeting and file with the register a statutory report. But in a private company there are no such obligations.

Statutory Meeting

A public company must hold a statutory meeting and file with the register a statutory report. But in a private company there are no such obligations.

Restrictions on the appointment of Directors

A director of a public company shall file with the register a consent to act as such. He shall sign the memorandum and enter into a contact for qualification shares. He cannot vote or take part in the discussion on a contract in which he is interested. Two-thirds of the directors of a public company must retire by rotation. These restrictions do not apply to a private company.

Managerial Remuneration

Total managerial remuneration in the case of public company cannot exceed 11% of net profits, but in the case of inadequacy of profit a minimum of Rs. 50, 000 can be paid. These restrictions do not apply to a private company.

Further Issue of Capital

A public company proposing further issue of shares must offer them to the existing members. A private company is free to allot new issue to outsiders.

Name

A private company has to use words 'private limited' at the end of its name. But a public company has to use only the word 'Limited' at the end of its name.


Thank You!