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JOINT-STOCK COMPANY: GENERAL CHARACTERISTICS

Joint-stock company is a business entity in which shares of the company's stock can be bought and sold by shareholders. Each shareholder owns company stock in proportion, evidenced by their shares.

A joint-stock company is independently liable for its obligations with all its property. Shareholders are liable for the company's obligations and bear the risk of losses related to the company's operation. The name of the firm of a joint-stock company should contain the name and an indication that the company is a joint-stock company.

A joint-stock company can be incorporated by legal entities or individuals. If several persons incorporate a joint-stock company, they will enter into agreement among themselves to determine the procedure for joint operation regarding incorporation of the company. This agreement will not be deemed a constituent document of the company. An agreement to constitute a joint-stock company will be concluded in writing. If the company is established by individuals, it will be subject to notary witnessing. Persons incorporating a joint stock company bear joint responsibility for the obligations that arose prior to the company state registration. A joint stock company is liable for the obligations of its participants related to its incorporation only if the general meeting of shareholders subsequently approves their actions.

The charter of a joint-stock company shall be its constituent document. The charter of a joint stock company should contain information about the amount of the authorized capital, conditions regarding the categories of stocks issued by the company, their nominal value and number; the rights of shareholders, the composition and the competence of managing bodies of the company and the procedure for decisions approval by them. The charter of a joint stock company should also contain other data envisaged by the law.

The authorized capital of a joint stock company shall be formed from the value of the shareholders' contributions made as a result acquisition of shares by them. The authorized capital of a joint stock company shall determine the minimum amount of the company's property that secures interests of its creditors. It cannot be less than the amount established by the law.

The highest body of a joint-stock company is the general meeting of shareholders. All its shareholders, regardless of the quantity and type of shares owned by them, shall be entitled to participate in the general meeting. Shareholders (their representatives) taking part in the general meeting shall be registered, with indication of the number of votes which each participant has. In a joint-stock company, a supervisory board, which performs control over the activity of its executive body and protection of the rights of the company's shareholders, can be created.

There are a lot of advantages of Joint Stock Company:

— Limited Liability : Liability of members of Joint Stock Company is limited to the extent of shares held by them. This feature attracts a large number of investors to invest in the company.

— Transferability of Shares : In a joint stock company it is easy to transfer shares to anyone.

— Raising of Funds : It is easy to raise a large amount of funds as the number of persons contributing to the capital is more.

— Social Benefit : It offers employment to a large number of people. It facilitates promotion of various ancillary industries.

— Research and Development : It invests a lot of money on research and development for improved production process, improving quality of product, designing and innovating new products.

Therefore, a company whose authorized capital is divided into a definite number of shares of the same nominal value is a joint stock company.

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