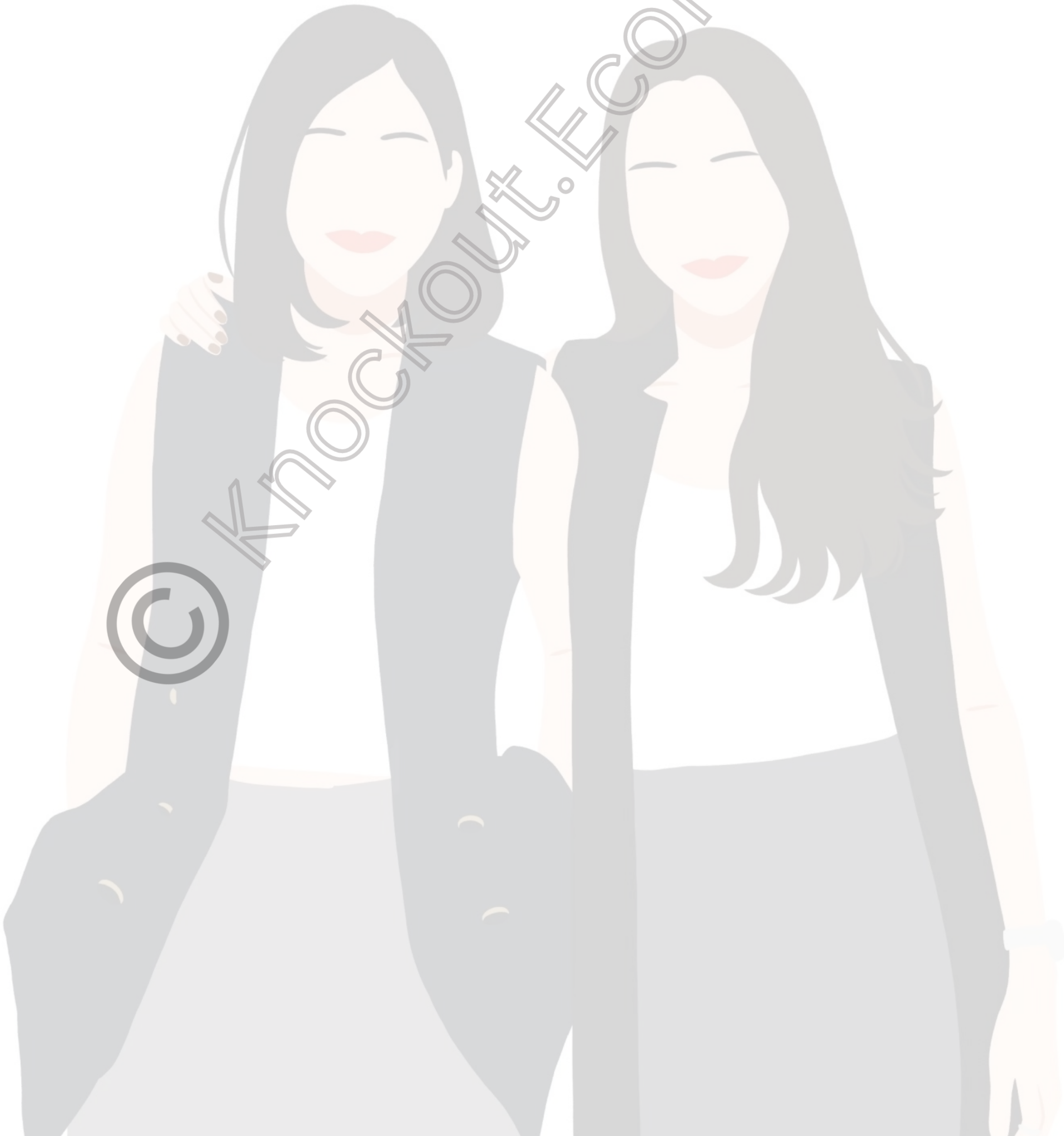
CHAPTER 27 forms of business : PLCs

Key terms

1. Barriers to entry: obstacles that make it difficult for new firms to enter a market
2. Private equity company: a business usually owned by private individuals backed by financial institution.
3. Public limited company: a company owned by shareholders where the shares can be traded openly on the stock market.
4. Stock market flotation or initial public offering (IPO): the process of a company going public- making shares available to the public for the first time.



Public limited company; a company owned by shareholders where the shares can be traded openly on the stock market.

Features

1. raise fund by selling shares in the stock market which has unlimited shareholder
2. It is run by board of directors
3. The owners are shareholders who can get dividends as a return.

Stock Market flotation

- A stock market flotation occurs when a company goes public.
- The process is called an initial public offering (IPO), meaning that a company's shares are offered to the public for the first time.
- The prospectus contain history of business, a list of directors, operation, how money is spent, company's future strategy, financial details, risks to investors, how to buy shares.

<u>**Advantages & Disadvantages of public limited company**</u>

Advantages	Disadvantages
• It can raise large amount of fund by selling shares in the stock market. • Being public limited companies are well recognized and reliable.	• It has high set up cost of being public limited company. • Original owners may lose control. • Public limited company has to publish business information.