**Plc and share capital explained – advantages and disadvantages**

A public limited company ('PLC') is a company that is **able to offer its shares to the public**. They don't have to offer those shares to the public, but they can.

Well over 95% of limited companies in the UK are "private" – it is by far the most common form of limited company.

However, you also need to know about **"public" limited companies.**

There are some specific requirements for a PLC which must be met:

* The minimum number of shareholders must be two (a private limited company only needs one shareholder)
* Accounts must be filed within 6 months of the year end (the limit is 9 months for a private company)
* The Company Secretary must be a qualified person (in a private company the secretary does not need to be qualified)
* The minimum number of Directors is two (just one needed for a private company)

The main advantages of a being public limited company are:

* **Better access to capital** – i.e. raising share capital from existing and new investors
* **Liquidity** – shareholders are able to buy and sell their shares (if they are quoted on a stock exchange
* **Value of shares** – the value of the firm is shown by the market capitalisation (based on the share price)
* The opportunity to more **easily make acquisitions** – e.g. by offering shares to the shareholders of the target firm
* To give a company a more **prestigious profile**

As always there are some disadvantages to being a PLC (as opposed to remaining as a private company). The main downsides are:

* Once listed on a stock exchange, the company is likely to have a much larger number of external shareholders, to whom company directors will be accountable
* Financial markets will govern the value of the company through the trading of the company's shares, and will represent the market's view of the company's performance over time
* Greater public scrutiny of the company's financial performance and actions

**Long term sources of finance – share capital for a plc**

**2 types of shares (Shareholders are part owners of a company)**

* + **Ordinary Shares (Equities):**
		- Ordinary shareholders have voting rights
		- Dividend can vary
		- Last to be paid back in event of collapse
		- Share price varies with trade on stock exchange
	+ **Preference Shares:**
		- Paid before ordinary shareholders
		- Fixed rate of return
		- Cumulative preference shareholders – have right to dividend carried over to next year in event of non-payment
	+ **New Share Issues** – arranged by merchant or investment banks
	+ **Rights Issue** – existing shareholders given right to buy new shares at discounted rate
	+ **Bonus or Scrip Issue** – change to the share structure – increases number of shares and reduces value but market capitalisation stays the same