



Private Limited Companies (LTDs)

- Private Limited Companies are very different from partnerships and sole traders
- They have the following features:
 - A company owned by at least **2 shareholders**
 - Shares are sold **privately** to friends and family who invest money into the business. They receive **DIVIDENDS** in return
 - Shareholders have **LIMITED LIABILITY**
 - Shareholders vote for a **board of directors**, who run the business
 - The company must have the word “**limited**” or the letters “**LTD**” in it’s name
 - Examples include:





What is Limited Liability?

- **Limited liability** is the opposite of unlimited liability
- This means that the owners (**shareholders**):
 - Are only responsible for the business' debts up to the amount of money they have put in to the business
 - E.g. if you have put £1,000 then that is the most you will lose
 - Do not personally have to pay off these debts using their own money
 - This means that their own possessions are not at risk



Should We Be an LTD?



Yes!

1	Can get money by selling shares
2	Firm is bigger
3	Shareholders have limited liability
4	Can employ specialists
5	Death/illness doesn't affect the company
6	Shares can be sold to family members

No!

1	Shares can't be sold on the stock market
2	Accounts are not private
3	Incorporates – must be a separate legal company
4	Expensive to set up
5	Have to share profits – by paying DIVIDENDS
6	Not all decisions are made by managers



What are Dividends?

- LTDs are owned by more than 1 person
- This means that profits have to be shared
- This is done by giving each shareholder a share of the profit:
 - Profit will be shared according to how many shares each shareholder has
 - This means that the more money they have put in the more profit they will get
 - The owners may decide to keep some profit in the business – rather than share it out
- **Dividend** is the name given to the amount of profit each shareholder gets

