UNIT 4

Public Limited Company (PLC):

A Public Limited Company (PLC) is a type of business structure in which the company's shares are traded on a stock exchange, and its ownership is distributed among a large number of shareholders.

Private Limited Company:

A Private Limited Company is a type of business structure that limits the liability of its owners and restricts its shares from being publicly traded. This form of business is commonly used in many countries and provides a separate legal entity distinct from its owners (shareholders).

Difference between Private Limited Company & Public Company

	Private Limited Company	Public Company
Ownership	**Private Limited Company (Pvt Ltd):** A private limited company is privately held and owned by a small group of individuals or entities. The number of shareholders is limited, often to a maximum of 50. Shares of a private company are not traded on the stock exchange.	A public company, on the other hand, is owned by a large number of shareholders and the shares are freely traded on the stock exchange. There is no limit to the number of shareholders in a public company.
Share Transferability	• **Private Limited Company:** In a private limited company, the transfer of shares is usually restricted and requires the approval of existing shareholders. This restriction helps maintain control over	**Public Company:** Shares of a public company can be freely bought and sold on the stock exchange without the need for approval from other shareholders. This liquidity makes it easier for investors to enter or exit their positions

	ownership and decision-making.	
Capital Raising:	Private companies typically raise capital through contributions from a small group of investors, loans, or retained earnings. They cannot raise capital by issuing shares to the public.	**Public Company:** Public companies can raise capital by issuing shares to the public through an initial public offering (IPO) and subsequent offerings on the stock market. This allows them to access a larger pool of investors and raise substantial funds for expansion
Regulatory Compliance	Private companies usually have less stringent regulatory requirements compared to public companies. The reporting and disclosure obligations are generally limited, and they are not required to publish their financial statements for public scrutiny.	Public companies are subject to more extensive regulatory requirements. They must adhere to strict reporting standards, disclose financial information regularly, and comply with regulations set by the securities exchange where their shares are listed
Minimum Capital Requirements	There is often no minimum capital requirement for private limited companies, and they can be formed with a relatively small amount of capital.	In some jurisdictions, there may be minimum capital requirements for public companies, especially at the time of their initial public offering (IPO)

Meaning of Share :

Share is a part of share capital which is divided into number unit each such unit is known as Share.

Share capital:

Share capital refers to the total value of shares issued by a company. It represents the equity of the company, and shareholders contribute to the share capital by purchasing shares. Share capital is an important component of a company's capital structure and plays a crucial role in determining its financial health and stability.

Shareholder:

A shareholder, also known as a stockholder, is an individual, institution, or entity that owns shares or stocks in a corporation.

Board of Directors :

A Board of Directors is a group of individuals elected or appointed to represent the interests of shareholders or stakeholders and oversee the management and strategic direction of a company or organization. The specific duties and powers of a board can vary depending on the organization's structure, size, and legal requirements.

Stock Exchange

The term "Stock Exchange" refers to a marketplace where financial instruments, primarily stocks and other securities, are bought and sold. These exchanges provide a platform for companies to raise capital by issuing stocks and for investors to buy and sell these stocks.

Listed company:

A "listed company" refers to a company whose shares are traded on a stock exchange. When a company decides to go public, it undergoes an initial public offering (IPO) and issues shares that can be bought and sold by the public on a stock exchange. Once the shares are listed on a stock exchange, the company is considered a listed company.

Sensex :

"Sensex" refers to the S&P BSE Sensex, which is the benchmark stock index of the Bombay Stock Exchange (BSE) in India. It represents the performance of the 30 largest and most actively traded stocks listed on the BSE. The full name of Sensex is the S&P BSE Sensex, where S&P stands for Standard & Poor's, and BSE is the Bombay Stock Exchange.

Bombay Stock Exchange (BSE):

This is one of the major stock exchanges in India, located in Mumbai. It facilitates trading in stocks, commodities, and debt instruments.

National Stock Exchange :

The National Stock Exchange of India Limited (NSE) is the leading stock exchange in India. It was established in 1992 and is headquartered in Mumbai. NSE plays a crucial role in the Indian financial market, providing a platform for buying and selling a wide range of financial instruments, including equities, derivatives, debt instruments, and exchange-traded funds.

Annual report:

An annual report is a comprehensive document that a company or organization publishes at the end of its fiscal year. This report provides a detailed overview of the company's financial performance, operations, and activities throughout the year. Annual reports are typically intended for shareholders, investors, regulatory bodies, and other stakeholders interested in the company's performance and financial health.

The contents and disclosures of Annual Report:

1. **Letter to Shareholders/Chairman's Letter/CEO's Letter:**
   - A message from the company's leadership, summarizing the year's achievements, challenges, and future goals.
2. **Business Overview:**
   - A description of the company's business, industry, and market conditions.

3. **Financial Highlights:**
    - Key financial metrics and summaries, such as revenue, net income, earnings per share, and other relevant financial ratios.
4. **Management Discussion and Analysis (MD&A):**
    - An in-depth analysis of the company's financial performance, results of operations, and its future outlook. This section often discusses significant events, trends, and risks.
5. **Financial Statements:**
    - The core financial statements include the Balance Sheet, Income Statement, Cash Flow Statement, and Statement of Changes in Equity.
6. **Notes to the Financial Statements:**
    - Explanatory notes that provide additional details and context to the financial statements. This includes accounting policies, contingencies, and other relevant information.
7. **Auditor's Report:**
    - An independent auditor's opinion on the fairness of the company's financial statements.
8. **Corporate Governance:**
    - Information on the company's governance structure, board of directors, committees, and adherence to corporate governance principles.
9. **Executive Compensation:**
    - Details about the compensation of the company's executives, including salaries, bonuses, stock options, and other benefits.
10. **Shareholder Information:**
    - Information on stock performance, dividends, and details about the company's stock.

- **Balance Sheet:**

- The balance sheet is a snapshot of a company's financial position at a specific point in time, usually at the end of a reporting period, such as a quarter or a year.
- It follows the accounting equation: Assets = Liabilities + Equity.
- The balance sheet is divided into two main sections: Assets and Liabilities + Equity.
- **Assets:** Represent what the company owns and include current assets (e.g., cash, accounts receivable) and non-current assets (e.g., property, plant, equipment).

- **Liabilities:** Represent what the company owes and include current liabilities (e.g., accounts payable, short-term debt) and non-current liabilities (e.g., long-term debt).
- **Equity:** Represents the residual interest of the owners in the company after deducting liabilities from assets.

The basic balance sheet equation is:

Assets=Liabilities+EquityAssets=Liabilities+Equity

 Statement of Profit and Loss (Income Statement):

- The income statement provides a summary of a company's revenues, expenses, and profits or losses over a specific period, such as a quarter or a year.
- It follows the formula: Revenue - Expenses = Net Income (Profit) or Net Loss.
- The income statement is divided into two main sections: Revenues and Expenses.
- **Revenues:** Represent the money earned by the company through its primary operations, such as sales of goods or services.
- **Expenses:** Represent the costs incurred by the company in generating revenue. Expenses include operating expenses, interest, and taxes.
- **Net Income (Profit) or Net Loss:** This is the result of subtracting expenses from revenues. A positive result indicates a profit, while a negative result indicates a loss.

Content analysis based on an annual report :

Content analysis based on an annual report involves examining and extracting valuable information from the text to gain insights into a company's performance, strategies, and overall health. Textual analysis can provide a deeper understanding of the language used, key themes, and potential areas of concern or success.