**Private Limited companies**

A company is a form of business that is created when individuals complete two documents. These are the Memorandum of Association and the Articles of Association.

The Memorandum sets out:

* The name of the company
* The overall purpose of the business
* Where the company is registered
* A general statement of the firm’s activities

The Articles of Association set out:

* The voting rights of the shareholders
* How profits are distributed
* How directors are elected
* The duties and powers of the director

These documents are sent to Companies House and the firm receives a Certificate of Incorporation. This means a new company has been created.

A **limited company** has special status in the eyes of the law. These types of company are **incorporated**, which means they have their own legal identity and can sue or own assets in their own right. The ownership of a limited company is divided up into equal parts called **shares**. Whoever owns one or more of these is called a **shareholder**.

When a business is starting up, its shareholders tend to be the business founders, although they may bring in outside investors if they need more funding. The shareholders of Ltd’s are family members. It cannot advertise these shares to the public.

Because limited companies have their own legal identity, their owners are not personally liable for the firm's debts. The shareholders have **limited liability**, which is the major advantage of this type of business legal structure.

1. What do you think are the advantages of being an LTD over a sole trader or partnership?
2. What do you think are the disadvantages of being an LTD over a sole trader or partnership?