Revision Summary Chapter 20

The constituents of a company

• Members make important decisions regarding the company's activities via the passing of resolutions.

• An ordinary resolution requires a simple majority (that is, over 50 per cent) to pass. A special resolution requires not less than 75 per cent to pass.

• Resolutions of public companies must be passed at general meetings, but private companies can pass most resolutions via a written resolution without the need for a meeting.

• Every private company must have at least one director and every public company must have at least two directors. The company's articles normally vest day-to-day control of the company in the board of directors.

• The company secretary is an officer of the company responsible for carrying out the administrative tasks imposed by the Companies Acts.

• A company's auditor verifies that the annual accounts provide a true and fair view of the company's financial position.

• All companies (except dormant companies and companies classified as 'small' under the Companies Act 2006) are required to appoint an auditor each financial year and the law imposes restrictions on who can act as a company's statutory auditor.

• Creditors provide a company with capital, known as 'debt capital', or 'loan capital'.

• A prudent creditor will secure the loan, usually through the creation of a charge.

• A fixed charge is taken over a tangible, identifiable asset, and allows the creditor to seize the asset and sell it should the company default. The company may not deal with the charged asset.

• A floating charge is usually taken over a class of assets that is constantly changing. Companies are free to deal with the charged assets.