**KYAMBOGO UNIVERSITY**

**FACULTY OF SCIENCE**

**DEPARTMENT OF COMPUTER SCIENCE**

**ENTREPRENEURSHIP SKILLS**

**COMPANY FORMATION**

A company comes into existence when a group of people come together with a view of forming an association to exploit the business opportunities by bringing together different resources.

**STAGES OF COMPANY FORMATION**

1. Promotion stage
2. Selection of Name
3. Incorporation (Registration Stage)
4. Raising the share capital stage

**Promotion Stage;**

This stage involves some activities such as discovery of the business opportunity, a detailed survey, assembling necessary requirements and financing of the proposition.

**Selecting company name;**

This is required for identification, for legal and business purpose. And has the words Private Limited or Limited based on what kind of business it is. The name shouldn’t be similar to the existing.

**Incorporation Stage;**

A company is said to be incorporated when it fulfils the formalities of registration and obtains a certificate of incorporation by submitting the Memorandum of Association, Article of Association, duly signed by all the directors.

**Raising the share capital stage;**

This stage involves entering into agreement with underwriters, applying to the stock exchange for listing of shares, issue of prospectus inviting the public to subscribe and allotting shares.

**DOCUMENTS OF COMPANIES**

**Memorandum of Association**

This contains the fundamental rules regarding the constitution and activities of the company. It defines the company’s reason for existence, lays down the area of operation and regulates the external affairs.

**Content of the Memorandum of Association;**

* The Name clause
* The Registered Office clause
* The Object clause
* The Capital clause
* The Liability clause
* The Association clause

**NOTE;** The Memorandum of Association must be signed by at least seven subscribers in the case of a public limited company and two in the case of a private limited company.

**ARTICLE OF ASSOCIATION**

This contains regulations regarding the internal affairs of the company. It should be printed, divided into paragraphs and serially numbered. Any alteration of the Article of association is done by passing a special resolution.

**Content of the Article of Association;**

* Division of shares
* Procedure of holding and conducting meetings
* Voting rights of members and rules regarding methods of voting
* Matters relating to appointment, powers, duties, qualification and remuneration of directors
* Methods to increase or decrease capital
* Rules regarding the common seal of the company
* Terms of appointment, renumeration and delegation of authority
* Declaration of dividends and rules regarding its payment
* Rules relating to accounts, audit charging of depreciation, creation of reserves, etc
* Methods of securing loans
* Procedure of winding up the company

**PROSPECTUS**

This is a document issued inviting the public to subscribe or purchase any shares or debentures of the company.

**Content of a prospectus;**

* Date of issue of the prospectus
* Name and registered office of the company
* Consent of the central government
* Voting rights, dividend, expenses on the issue
* Name of the stock exchange
* Punishment for fictitious application
* Refund of issue if 90% minimum subscription not received
* Name and addresses of leading managers
* Issue of allotment letter or refund within 10 weeks with interest
* Date of opening and closing of issues
* Terms of underwriting and risk factors
* Capital structure of the company
* Terms and particulars of the issue
* Restriction on the transfer of shares