

Introduction to the Corporate Entity

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Many people considering starting their own business here about various business entities, but don't really understand them. Here is an introduction to the corporate entity.

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Working for yourself is a great thing. It gives you freedom, time and a sense of pride and accomplishment. While it is undisputed that small businesses form the backbone of our economy, many of these small businesses can lead into trouble. While everyone believes they will be an unmitigated successes, the statistics reveal a majority of businesses will fail within two years. This means protecting yourself from the outset an important step.

Incorporating is a way to protect yourself if a business effort fails. Corporations are the oldest form of business entity, which means the laws surrounding them are well-established. In the eyes of the law, a corporation in a legal individual. This results in something known as the corporate shield against liability. If a corporation gets sued for business activities, the parties suing are restricted to recovering against the business. They cannot also name the shareholders. Let's look at a practical example.

Microsoft if a publicly traded corporation, to wit, you and I can buy shares on the stock exchange. This effectively means that we are owners of the corporation, although our ownership interest is admittedly small. If Microsoft gets sued, we cannot be named in the lawsuit. If the suing parties win, they cannot recover against us personally, to wit, they can't come for our home or bank account. The only option they have is to go after the bank accounts and assets of Microsoft, the corporation.

There are two exceptions where a corporation does not provide a shield against action to its shareholders. If I start a corporation and then pursue criminal activities, I get no protection. This is what happened to the individuals at Enron. Second, a corporation does not provide protection if I misuse it. This occurs when I intermingle my personal finances with it, conduct no real business and so on. This second situation is very hard to prove for a suing party.

As to the nuts and bolts of a corporation, the process is fairly simple. The corporation is formed by filing Articles of Incorporation with the Secretary of State for your location. The corporation is guided by something called its bylaws, which essentially state how corporate business will be conducted. The owners of shares in a corporation are known as shareholders. When corporate business is undertaken, a board of directors meets to discuss it and pass resolutions. The board members are elected by the shareholders.

When starting a business, it is important that you take steps to protect yourself. A corporation is a solid choice. Gerard Simington is with www.findanattorneyforme.com - an online attorney directory.