A corporation has four major characteristics, which include perpetual existence, transferability of ownership, centralized management, and limited liability. The characteristics are more likely to be common to both publicly-held and closely-held corporations, but the processes of their expressions are different.

The shareholders in the two cases are granted limited liability, which means they are not liable for the debt or the liability of the corporation above the amount of their investment. This is among the typical features that cause the corporate form to be more preferable compared to the partnership form or sole proprietorship (Picincu, 2018). Regardless of whether a corporation is a publicly or privately held corporation, the protection is not a conditional issue but an extremely significant element, making investments easier.

There is also another similarity between closely-held and publicly-held companies, and this is perpetual existence. Corporations exist despite the ownership transfer, being aware of the fact that a partnership is likely to disintegrate in case a partner dies or retires. This stability to the closely-held companies will guarantee that the company will not vanish even with the shift of time of the family members or the small group of owners (Wong). This is a prerequisite in the case of publicly-held companies, in which the perpetual existence is a requirement since the functioning of the company is not prohibited by the permanent purchase and sale of the company shares in the stock exchange. In both situations, existence is eternal and long-range.

Transferability of ownership depicts the greatest point of difference between the publicly-held and the closely held corporations. The close-held corporation ownership is normally limited and not tradable freely (Picincu, 2018). The owners, too, are at liberty to restrict the form and the individual with whom they can transfer the shares to a means of retaining control over the few. The publicly-traded corporations can very easily alter the ownership and transfer their ownership

without any hassle in the stock exchange mechanisms, where thousands of shareholders both purchase and sell the stocks in a day (Picincu, 2018). The accessibility of the access differs widely, but the notion functions just as well. It is also like that of liquidity, being broader in the case of the public corporations as opposed to the close-held corporations that require a stronger control.

Centralized management is also a feature of these two corporations. Here the decisions are made by a board of officers and directors, in contrast to the situation with the shareholders making the decisions. Close relatives may hold the board, and in the case of closely-held corporations, a few individuals, upon whom the shareholders themselves are personally dependent, may lead the board, which in any case will give them greater control over the management (Picincu, 2018). It is much more distant between the management and the shareholders in the situation of a publicly-owned corporation, where boards are elected as representatives of a mass, diversified group of shareholders. Their framework, however, is not the same since centralized direction is the factor that makes corporations operate efficiently without involving all the shareholders in the finer details of making the decisions of the day.

Among the four features, limited liability would be the most arguably important. Without this, there would be no investors ready to risk their own wealth by investing in corporations. The fact that it was limited liability makes it compelling since people could invest in the closely-held companies and also in the publicly-traded firms, and generate growth and innovation. The notion of eternal life, change of ownership, and centralization of management are also the right conditions that would have been less efficient in the absence of any of them, had the investor not been sure that they were exposed to the amount of financial risk as they had made an investment

in the enterprise. The protection offers assurance in the corporate framework, which has been in a position to respond to economic growth.

References:

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