Week 1 Discussion

Student’s Name

Institution

Date

**Scenario 1 – Corporate Formation and Shareholder Liability**

Ronald Powers is the sole shareholder of R. P. Properties, Inc. The company is therefore, owed by an individual which means that Ronald Powers is liable for all he liabilities of the company. Under the Company Act cap 110, a shareholder of company is limited by shares and therefore, the shareholders of a company have a limited liability. This means that a shareholder is liable for the debts of a company only to the nominal value (National Paralegal College, 2015). In this case, it is evident that Ronald Powers can be sued or held liable for the debts accrued by the company. This is because Ronald Powers is the sole shareholder and therefore, it has 100% shares of the company (Millon, 2007). It means that he becomes responsible for all the mistakes made by the company. However, if the R.P property was incorporated then the Ronald Powers would have not been held liable for the debts owed by the company. I therefore, believe that a legal action against Ronald Power would succeed before the industrial court.

It is also evidence that Ronald Powers was collecting mortgages on behalf of clients (Lean, 2015). Based on the law, R.P. Properties was supposed to make necessary payment and failure to remit such payment make the company liable for the debts. However, the company mortgage owners have the legal obligation to sue the company and in this case, Ronald Powers would be personally liable for debts. This is because the company is owed by Ronald Powers and therefore, he is legal responsible for all the actions committed by the company.

**Discussion Question Part II**

The company will be called Metlink Enterprise. Metlink enterprise will be selling electronics devices through an online portal. It will be an e-commerce with a physical store in Alabama, where its head office will be located. Metlink Enterprise is to be a registered limited liability company. This is because limited liability company share liabilities and it is easier to raise capital, which is a major challenge in starting businesses. The main disadvantage of limited liability is the decision making process, which is very difficult and it takes long to make any major decisions. The profit is also shared among the shareholders.

# Bibliography

Lean, M. (2015). Liability of Corporate Shareholders: Piercing the Corporate Veil. *Journal of Law and legal Practice* , 2-34.

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