

# Change to PLC

6 marks

## IGCSE Paper 1

FGH is a private limited company. FGH has a tall hierarchical organisational structure. It is a book retailer which plans to take over one of its competitors for \$800m. If the takeover happens, FGH would have 6 500 bookshops across 20 countries. FGH's Managing Director said: 'We expect to reduce total costs by \$300m each year after the takeover. We will stop all off-the-job training of employees.' The Managing Director thinks FGH would benefit from becoming a public limited company but some of the other directors cannot decide if this is a good idea.

Identify and explain one advantage and one disadvantage to FGH of becoming a public limited company (6 marks)

Advantage : *Better access to capital i.e. raising share capital from existing and new investors to pay for the takeover*

Disadvantage : *Cannot control who buys the shares so easier to be taken over by other book retailers*