

Abstract

Shares with and without par value in the companies limited by shares

Dividing share capital into shares with par value is a traditional approach which has been applied in company law in the Anglo-Saxon and the Continental legal systems. This rule is regarded as a part of the capital formation and maintenance rules which gradually developed mainly in the 19th century in connection with the aim to ensure the protection of creditors and shareholders.

Par value originally served as an indicator of the amount which a shareholder was liable to contribute to the company as consideration in exchange for its share. At the same time it served as an indicator of the shareholder's liability. At the end of the 19th century in the United States, there was growing criticism against par value ascribed to shares, which eventually led to the establishment of the concept of no-par value. The removal of the traditional approach and the establishment of the concept of no-par value has become a certain trend or phenomenon, spreading into other jurisdictions in the 20th century, e.g. Australia, Singapore, New Zealand, Hong Kong.

The aim of this thesis is to evaluate the future of the rule according to which share capital is divided into shares with a fixed nominal value, or more precisely, to evaluate the sustainability of the concept of par value under current social and economic conditions.

Chapter One provides an outline of the development of modern companies and the appearance of the idea to assign par value to shares. Chapter Two deals with the beginning of criticism of the concept of par value and the shortcomings which were ascribed to it. Chapter Three illustrates different views on the concept of par value and the concept of no-par value at the beginning of the 20th century in the United States. Chapter Four then describes selected jurisdictions which have gone through the recodification of company law with the aim of its modernisation. This Chapter also reflects on the considerations raised in these jurisdictions regarding putting the concept of no-par value into legislation. Chapter Five outlines the European regulation of company law and its view on the concept of no-par value. The current view of the concept of par value and no-par value and their relative positive aspects, as well as the distinction between true and untrue shares having no-par value and the sustainability of the concept of par value within the European context, is dealt with in Chapter Six. The last Chapter presents a summary of relevant findings regarding the application of these concepts and answers the question of the benefit of the concept of par value for the future.

In the final passages of the thesis the author summarises some of her findings. The author considers that the concept of par value does not fulfil its original purpose in the present

conditions. For the current business environment it represents an administrative burden in connection with other capital formation and maintenance rules, or more specifically, it cuts down the flexibility of companies carrying out their business. In the author's view so called untrue shares having no-par value which are part of European legislation do not bring any essential change compared with shares having par value. Development of company law in the sense of its modernisation and adaptation to contemporary requirements, would be served by the concept of true no-par value shares. However, the author does not suppose that the concept of true no-par value shares has room for wider application within the European context.

Keywords

shares with par value

shares without par value

share capital

company limited by shares