

The Terms and Aspects Differences between a Public and Private Company

For those who are involved in business might have heard about public and a private company. The main difference between the two forms of the company is the public disclosure. The initial directors and management hold a private company. On the other side, the public company means that the company is opened for anyone who is interested in investing in the company.

However, to make the investors aware of which companies are opened for investment, the company needs to go public. They need to share their stock information such as quarterly earnings report through an Initial Public Offering (IPO). Once IPO is sold, the investors are now a part of the company and share the company's asset and profit. The share amount is determined by the IPO or the stock that has been bought by the investors.

Both public and a private company has different terms and law for its investors and shareholders. As a company holds many shareholders and decisions, the regulations are strictly applied especially on holding and sharing the assets.

The Law of Indonesian Private Company

Everything regarding private company can be seen on Undang-Undang Dasar No. 40 the year 2007 on Private Company (Undang-Undang Perseroan Terbatas or UUPT). A private company is a limited company who has never sold their share to any investors before.

Since a private company does not sell their share or stock, they don't have an obligation to hand a yearly report to the Badan Pengawas Pasar Modal (BAPEPAM). In terms, there are private investors in a private company. Private investors who have less investment are known as the minority shareholders.

With a principle of "one share one vote," the shareholders may have the privilege of selling their shares with a specific norm. However, the directors' board does not have to ask for a confirmation from private shareholders regarding any merger, consolidation, or acquisition of the company.

The Law of Indonesian Public Company

The regulations on Indonesian public company are written in Undang-Undang No. 8 the year 1985 on Capital Market (Undang-Undang Pasar Modal or UUPM). There are two types of public company. The first type is the private company which converts to a public company because the investor numbers have met the minimum requirements. The second type is the company who has been actively selling their share through a capital market.

The company should be registered at the Indonesian Stock Exchange (ISE) and have the obligation of reporting to the BAPEPAM. In its terms, the investors who have less investment are known as independent investors. If the company decides to do a merger, consolidation, or acquisition, each of the independent investors should have a part in the decision.

Converting from a Private to a Public Company

Though both public and private company may have investors, the public company typically grows larger in assets when it has a bigger number of investments. In Indonesia, a private company can convert to a public company only if it has these requirements:

1. It should have at least 300 private investors
2. It should have at least Rp3.000.000.000 submitted assets

To actively sell the share, a company should make a general offer in Indonesia. The share should be offered to at least 100 investors in a particular range of time. A company may sell the share through mass media to reach the number. However, the articles on Undang-Undang no. 8 the year 1995 on Capital Market states that the qualification of share-selling would involve not less than Rp1.000.000.000 of the asset.