

supervisory control of the affairs of the company. A manager's duties to the company are generally more burdensome than those of the employees, who basically owe a duty of confidentiality to the company. A company's auditors are appointed at general meetings. The auditors do not owe a duty to the company as a legal entity, but, rather, to the shareholders, to whom the auditor's report is addressed.

- 5 The duties owed by directors to a company can be classified into two groups. The first is a **duty of care** and the second is a **fiduciary duty**. The duty of care requires that the directors must exercise the care of an ordinarily prudent and diligent person under the relevant circumstances. The fiduciary duty stems from the position of trust and responsibility entrusted to directors. This duty has many aspects, but, broadly speaking, a director must act in the best interests of the company and not for any collateral purpose. However, the courts are generally reluctant to interfere, provided the relevant act or omission involves no fraud, illegality or **conflict of interest**.
- 6 Finally, a company's state of health is reflected in its accounts¹, including its **balance sheet** and **profit-and-loss account**². Healthy profits might lead to a **bonus** or **capitalisation issue**³ to the shareholders. On the other hand, continuous losses may result in insolvency and the company going into **liquidation**.

¹ (US) financial statements

² (US) profit-and-loss statement or income statement

³ (US) stock dividend

2 Key terms: Roles in company management

- 2.1 Some of the important roles in company management are discussed in Reading A above. Which roles are mentioned?
- 2.2 Here is a more comprehensive list of roles in company management. Match the roles (1–10) with their definitions (a–j).

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|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 auditor | a person appointed by a shareholder to attend and vote at a meeting in his/her place when the shareholder is unable to attend |
| 2 company secretary | b director responsible for the day-to-day operation of the company |
| 3 director | c person elected by the shareholders to manage the company and decide its general policy |
| 4 liquidator | d person engaged in developing or taking the initiative to form a company (arranging capital, obtaining personnel, making arrangements for filing corporate documentation) |
| 5 managing director | e person appointed by the company to examine the company's accounts and to report to the shareholders annually on the accounts |
| 6 official receiver | f company's chief administrative officer, whose responsibilities include accounting and finance duties, personnel administration and compliance with employment legislation, security of documentation, insurance and intellectual property rights |
| 7 promoter | g member of the company by virtue of an acquisition of shares |
| 8 proxy | h officer of the court who commonly acts as a liquidator of a company being wound up by the court |
| 9 receiver | i person appointed by creditors to oversee the repayment of debts |
| 10 shareholder | j person appointed by a court, the company or its creditors to wind up the company's affairs |