

**Kovryhina O. K.**, seeker  
for the first (bachelor's) level of higher education,  
National Aviation University, Kyiv, Ukraine  
Scientific advisor: Kmetyk Kh.V., PhD in Law

## **FORMATION OF AUTHORIZED CAPITAL, THE SIZE OF THE MINIMUM AUTHORIZED CAPITAL OF BUSINESS ASSOCIATIONS**

Authorized capital is an important concept in the field of law and business, as it determines the minimum amount of funds that an entrepreneur should contribute to incorporate its enterprise. The authorized capital determines the limits of the company's financial capabilities, creditworthiness and risks, and also affects the level of trust on the part of potential investors and partners.

In addition, a change in the size of the authorized capital may affect the change in the rights and obligations of the members of the business associations, so entrepreneurs should carefully analyze the risks and prospects when making the decision to change the size of the authorized capital.

The authorized capital is a sum of the contributions of the founders of the enterprise, which acts as the minimum value of the enterprise's assets and guarantees the interests of the creditors of this enterprise [1].

Contribution to the authorized capital is property or non-proprietary values contributed by the founders of the enterprise during its creation or later in connection with an increase in the authorized capital. According to Part 1 of Article 13 of the Law of Ukraine "On Business Associations", contributions to the statutory (compounded) capital of a business association could be: money; securities; other things or property or other alienable rights that have a monetary value, unless otherwise established by law [3].

To be precise, authorized capital could consist of anything, money, securities, real estate, equipment, materials, goods, intellectual property rights and other tangible assets. A non-proprietary contribution may consist of works and services, the right to provide services, or the use of certain objects.

It is forbidden to use budget funds, funds received on credit and as collateral, promissory notes, or property of the state (communal) enterprises, which in accordance with the law (decision of the local self-government body) is not subject to privatization to form the statutory (compound) capital of a business association and property that is in the operational management of budgetary institutions, unless otherwise provided by law [3].

An important condition is that contributions to the authorized capital should be made in full and within the period established in the charter of the enterprise, otherwise there may be problems with the legal status and activities of the enterprise.

Depending on the form of business and the type of enterprise, the contribution to the authorized capital may have different requirements regarding the assessment, order of contribution, minimum size, etc. Business associations include joint-stock companies, limited liability companies, additional liability companies, general partnerships, and limited partnerships. Therefore, in order to specify, it is necessary to consider the requirements for the authorized capital of various forms of business associations.

The authorized capital of a joint-stock company is formed from the sum of the nominal value of all issued shares of such a company. Shares must be of the same nominal value. The minimum amount of the authorized capital of a joint-stock company is 200 amounts of the minimum wage, based on the amount of the minimum wage effective on the day of creation (registration) of the joint-stock company. At the time of writing these theses, the minimum authorized capital of a joint-stock company would be UAH 1,340,000. The authorized capital can be increased or decreased. A joint-stock company can also be state-owned, this is when 100% of the shares in the authorized capital are owned by the state [2].

Based on Articles 52, 65 of the Law of Ukraine “On Business Associations”, regarding limited liability companies and additional liability companies, the minimum size of their authorized capital is not limited. The authorized capital of the specified forms of business associations can be of any size, which is determined by the founders. This allows founders to flexibly adjust their business model and respond to market needs.

In conclusion, it is worth noting that determining the size of the authorized capital may affect some aspects of the company’s activities, such as financial stability and creditworthiness. A larger authorized capital can ensure greater financial stability and long-term operation of the business associations, but at the same time, it can force the founders to invest more money in the initial capital of the business associations.

### *References*

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2. Про акціонерні товариства: Закон України від 17 вер. 2008 р. № 514-VI. URL: <https://zakon.rada.gov.ua/laws/show/2465-20#Text> (date of access: 05.04.2023).

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