Development and Legal Regulation of Entrepreneurial Activities

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Development of the entrepreneurship is priority area in Georgia as one of the countries with transitional economy that operates economic activities in the market, has established market infrastructure and implemented the reform of economic radicalization. Exactly this is the goal of economic reforms oriented at revival and development assistance of entrepreneurial activities. Entrepreneurial activities have always been highlighted in Georgia: historically it was emphasized by kings and feudal
lords and nowadays the state focuses attention on its development. The entrepreneurship is first of all the lifestyle and only after that the source for generation of profit in the United States of America and due to the above reason active business is especially assisted there. The entrepreneurship is considered to be the factor of improvement welfare of population in Germany. In the near future, we shall see that the entrepreneurship becomes the basis of economic development of Georgia and the guarantee of development of activities carried out by an entrepreneur and proprietor.

Fifteen years have passed from the first codification of corporate law in Georgia. The law on entrepreneurs laid the foundation for a new market economic system based on the private initiative and private property. The first commercial enterprises, whether Joint Stock or Limited Liability Companies were founded and developed in compliance with this law. In my opinion, the new Georgian economy was established by entrepreneurial entities founded under this law.¹

My attention attracted economic situation, development of entrepreneurship, trade and other relations of Biblical countries. The Lord grants riches, property, and wealth to a man and also talent to manage, take his portion and savour his work. All this is grace and blessing of the Lord.² It is true that the goal of authors of the Bible was not to deliver information reflecting the life of the countries and their population, but archaeological finds gave us an opportunity to get sufficient supporting materials for issues that are not directly considered in the Bible (period of the Old Testament) such as commerce, deals and relations in entrepreneurial activities, namely what ate, how dressed and what kind of relations used to establish the people of that period.

According to the Bible, in the period of the Old Testament the head of the household fulfilled the work that nowadays is considered to be professional occupation: the items meant for direct consumption were processed and produced. The architecture and buildings of that period distinguish themselves with a rather high level of taste. Fortifying of cities was especially important. Construction of strengthening, fortifying and residential objects was carried out in Egypt, Israel, Babylon and other countries. For example, Jerusalem built by Solomon, Cheops Pyramid and other pyramids, Babylon and etc. From the aforesaid we can mention for instance evidences reflecting the work of craftsmen and masters as well as development of construction, commerce and trade routes in the Biblical period that is activities operated by the first private entrepreneurs and group interest manufactures³.

The necessity to regulate development of entrepreneurial activities by certain norms gradually became evident in ancient times. Rather interesting is the origin and historical development of entrepreneurship. Taking into account historical development of entrepreneurial activities and
entrepreneur’s views, the entrepreneur is considered to be founder of business who better than anyone knows and can perform his work, opens new enterprises, creates working places, operates business and knows which sources are necessary for conduction of business, distributes these sources taking into account expenses, controls all charges, defines the scope of income, generates profit, acts basing on principals of Christian psychology, charity and welfare of the country.  

The Scotsman John Lee became the founder of the French Royal Bank and Mississippi Company, took in his hands the whole trade monopoly between France and Mississippi being a part of France in that period (XVIII century). His astounding success did not last for a long time; he became bankrupt as a result of one inconsiderate action: he issued shares that significantly exceeded the sum of his assets. R. Kantilion analyzed mistake made by John Lee and delivered characteristic of an entrepreneur acting under risk. The entrepreneurship became formed already in the XVIII century; there were defined significant differences existing between capital owner and trader. The first operates the capital, provides its turnover, creation of new working places and generation of profit. So the function of supplier of the capital was separated from the function of capital market, risk capital and entrepreneurial activities. It was the Era of Entrepreneurial Revolution. The roles of entrepreneur and owner of the capital were determined exactly in that period (Spyros Makridakis “Forecasting, Planning and Strategy of the 21st century”).

Development of business is rather closely connected with the subject of my research, that’s why I decided to begin my work with general consideration of business and entrepreneurship. Achievement of success in business is impossible without clearly defined and regulated relations. From this viewpoint, the Georgian entrepreneur faces many challenges. Entrepreneurial activity is connected with permanent establishment of new relations in the course of business and these relations must remain in the framework of law and legality. There are several ways for resolving these problems. One of the possible solutions is that the entrepreneur carefully studies the law at least to the extent that is necessary for everyday management of his company. Another way is to employ a highly skilled lawyer or consult competent law firms. Development of the human society began with natural exchange of foodstuff and simple household items in ancient times. Further began realization of these goods. Due to great demand in various products in the society, business was operated in various directions. Under legislation of Georgia and according to international norms, the subjects of commerce law, i.e. individual entrepreneur natural persons, co-owners of corporations and owners of corporate capital (shares) are entitled to operate any kind of business that is not forbidden by legislation.
The entrepreneurship/entrepreneurial activity is often called business. Obvious is that business is associated with entrepreneurship/entrepreneurial activity. The following terms are used in the legislation of Georgia and works of Georgian scientists: entrepreneurial law, commercial law, trade law, corporate law, business law and etc. Nowadays the following terms are generally used in the norms of international law, legislation of Georgia and works of Georgian and foreign scientists: corporate that is entrepreneurial law. Noteworthy is that the term “entrepreneur” and not “corporation” is used in the Law of Georgia “On entrepreneurs” dated the 28th of October 1994. The term “corporation” is not used and defined in legislative acts of Georgia. The word “business” is of American origin and has various meanings in the laws issued in English language. From linguistic viewpoint, the term “business” means professional occupation of businessman who carries out entrepreneurial activities aimed to generation of profit. In the majority of cases, the term “business” is elucidated as active, repeated, legitimate action based on establishment of business relations and aimed at generation of profit. Proceeding from all the above-mentioned, definition of business is wider than of entrepreneur due to multilateral direction of its development.

Rather interesting is legal regulation of entrepreneurship in foreign countries. Legal norms regulating foreign economic relations of entrepreneurial activity inside the country take significant place in the legal system of developed countries. One group of international law specialists considers these norms to be a part of private law. The second group thinks that these legal norms represent separate branch of the law that is called business law in many countries of the world; is known as the Law “On entrepreneurs” in Georgia. Natural persons and legal entities in the most countries of the world are entitled to operate business related activities regulated by legal norms.

Very interesting is to consider organizational and legal form of enterprises existing in the United States of America, the procedure of registration of these enterprises, documents required for registration and authorities carrying out the registration.

By legislation of the United States of America is envisaged entrepreneurial activities carried out by private entrepreneur (owner of enterprises that according to the official statistics belong to private enterprises and universal partnerships or limited liability companies) and corporation.

A natural person willing to be granted the status of entrepreneur must apply to local authority of any state and obtain a license for operation of certain type of business. General Limited Liability Partnership is founded basing on the agreement concluded between partners and does not represent a legal entity. Founder-partners are obliged to meet the following requirements: the first, equal distribution of income and losses
between partners; the second, joint control of business and active participation in activities carried out by the partnership; the third, all partners are jointly liable to creditors to the extent of their property.

General Limited Liability Partnership is founded as a rule by a highly skilled specialist in the field of law, architecture, finances and bookkeeping, medicine and other services. The partners of the General Limited Liability Partnership assume liability to creditors. Their liability and participation may be limited in proportion to their deposits. The enterprises of this organizational and legal form are generally founded for operation of construction and mounting business, acquisition and application of natural resources, conduction of real estate related and other kinds of activities. The difference existing in the aspect of liability is rather obvious and the goals of foundation of this legal enterprise are specified in the legislation; these goals are not so definitely prescribed in the legislation of Georgia. In spite of this fact, all legal forms are destined for conduction of any activities not forbidden by current legislation. In addition to the aforesaid, noteworthy are the following differences existing between the US legislation and legislation of other countries: the tax code prescribes that the taxes shall be paid not by an enterprise but by partners in proportion to their income; these taxes are payable by an enterprise in other countries and in Georgia. Legal status of corporations is regulated by legislation of the United States of America. For registration of corporation, the charter must be submitted and the application must be filed with the state secretary. The subject and purpose of cooperation specified by the charter may include any kind of activities allowed under the US legislation. Name of cooperation (association, club, institution, foundation, company, union, syndicate and other) shall be specified in the charter. Place of business, founders and legal address of the company, directors and their addresses shall be exactly indicated in the charter. The corporation is considered to be registered after registration of the charter of corporation by the state secretary. Emission of shares can be stipulated the charter of corporation. In such case obligatory is to specify the scope of capital, class of shares and nominal cost of shares in the capital. Management of corporation is carried out by general meeting. Labour capacity of manager of corporation can be defined by regulation of the board of directors. Manager of the corporation shall be appointed by general meeting of the corporation or on the grounds of resolution made by the board of directors. From the aforesaid are obvious certain differences existing between legislations of other countries and legislation of Georgia; however, especially noteworthy are the rules of registration. The function of the National Agency of Public Registry is granted to the secretary of the United States of America. The US legislation is rather interesting in this aspect and as much interesting is its application in practice.
In compliance with the French legislation, legal entities (Pengonnes morales) are divided into legal entities of private law and public law. Legal entities of private law are legal entities of commercial law, i.e. traders. A legal entity of public law operating commercial activities is regulated by the norms of commercial law. Definitions of legal entity and commercial trader are prescribed by the Commercial Code of France. According to the Commercial Code of France, commercial trader is a person who is involved in the entrepreneurial activities and makes it for his/her profession. For operation of these activities a person shall be registered by a judge of commercial or general court and incorporated into trade register. Commercial trader may be a member of Limited Partnership or owner of a private enterprise. Commercial trader is liable to creditors to the extent of her\his property. Status of legal entity of private law is generally determined by the Law of France “On commercial companies” issued in 1966 and Decree “On commercial companies” passed in 1967. Organizational and legal forms of entities of private law are determined basing on these normative acts: the first, the General Partnership; the second, Limited Partnership; the third, Joint Stock Company, the fourth, Joint Stock Commandite Company; the fifth, Limited Liability Company.

_General partnership_ (Societe en nom collectic) is a legal entity. Its members assume full and social liability to creditors; their liability is valid in the period of functioning of the company and within five years after its liquidation. The scope of minimal capital required for foundation of the company is not specified.

_Limited partnership_ (Societe en commandete simple) can be founded by legal entities and individual traders. Members of limited partnership are liable to creditors in proportion to their deposits. Information about members of the Company must be published.

_Joint Stock Commandite_ (Societe e commandite pan action) is a legal entity founded by no less than one trader and three shareholders.

_Limited Liability Company_ (Societe a responsadilite- SARL) assumes liability to its creditors to the extent of its property. Founders of a Limited Liability Company may be both natural persons and legal entities. If founder of the Company is a sole person, it is called “Sole Limited Liability Company”. Maximal number of founders must not exceed 50. If the number of founders exceeds 50, the Company must be transformed into Joint Stock Company within the period of two years. Supreme body of the Company is meeting of founders. Convocation of annual meeting and establishment of collective body - supervisory board are mandatory when the number of founders exceeds 20. The supervisory board is staffed by at least three persons.

_Joint Stock Company_ (Societe Anonyme - SA) is entitled to issue ordinary and preference shares. Its authorized capital is the same as in case of Joint Stock Commandite. The supreme authority of the Company is
meeting of partners. The Joint Stock Company is obliged to publish its balance, profit, losses and final annual results of the Company.

Authorized capital, increase or decrease in the number of founders is determined for almost all legal and organizational forms in France. The French legislation is more exacting in comparison with other countries; under exactingness is meant availability of many requirements and documents required for foundation of an enterprise of any legal and organizational form in France.\(^8\)

According to the legislation of Great Britain, natural persons are entitled to operate business related activities on individual basis or enter into a new association – partnership. A natural person does not need any additional registration to become a “trader”. Obtaining of a license is mandatory, if a natural person intends to operate business subject to licensing provided for in the legislation. Special law “On General Partnership” (Partnership Act 1890) is passed in the United Kingdom of Great Britain. Operation of such form of business is not associated with status of a legal entity. General partnership does not represent legal entity under the legislation of Great Britain; state registration is not required for its registration. Activities of partnership are determined by agreement made between partners. The partners are jointly liable to creditors; the sum of the liability shall be divided between partners. Organizational and legal form of Limited Partnership is envisaged by legislation of England (Limited Partnership Act 1907). The majority of private enterprises in Great Britain are companies. According to the legislation (Companies Act 1958), the companies are legal entities that may be founded by at least two persons. Member of the company may be natural person or legal entity. The following organizational and legal forms of an enterprise are provided for in the legislation: the first, a Company Limited by Shares; the second, a Company Limited by Guarantee; the third, an Unlimited Company; the fourth, Public Companies. The majority of companies are limited liability companies (Ltd). Legal nature of this enterprise is similar to the Limited Liability Company envisaged by legislation of Georgia.

An enterprise is considered to be a Public Company if its public status is directly defined in the articles of association–memorandum. Such companies are obliged to have authorized capital; they assume liability to creditors to the extent of this authorized capital. Amount of the authorized capital must not be less than 50 thousand pound sterling. Availability of authorized capital at the moment of foundation of the company is not binding for private companies and minimal rate of deposits to be paid to the authorized capital is not defined. It must be noted that both private and public companies enlisted here are legal entities operating as a rule a small-scale and medium-scale business.

The documents required for foundation of the aforesaid companies is memorandum and internal regulations. Trade name, address, subject of
activities and authorized capital of a company shall be mentioned in the memorandum with indication of shares belonging to each founder.

State registration is carried out by official person of registration authority - registrar of companies. Obligatory is payment of registration fee and symbolic (emblem) and submission of the articles of association, application and information about director and first secretary. After registration of the aforesaid information, the legal entity is considered to be registered and special certificate is issued.

In addition to the stated above, I have considered legal entities of Germany, their registration and origin of their competence. According to the German legislation, legal entities of private law are divided into associations or partnerships (Vereine) and institutions (Stiftugen). The law provides for the following legal and organizational forms: the first, Commercial Company (Partnership); the second, Limited Liability Company; the third, Joint Stock Company; the fourth, Cooperative. Under the legislation of Germany, commercial companies (partnerships) are not legal entities, but they are granted certain legal competence, they are entitled to act as a plaintiff and defendant in the court. Their activities are regulated by the Civil Code of Germany. The legislation of Germany foresees four types of commercial partnerships: the first, Limited Commercial Partnership and the second, Limited Partnership. Commercial Partnerships are joint ventures founded for achievement of common purposes. Liability of founders to creditors is not limited; they are jointly liable for all indebtedness of the company. Property of the company represents private and joint property of its founders.

Limited Partnership (association) assumes full liability to its creditors, but its commandites are liable to creditors only in proportion of their deposits.

Limited Liability Company is regulated by the law “On limited liability” passed in Germany still in 1892. These companies are very popular in Germany. The limited liability company represents legal entity and is granted full legal competence and authorities. The document required for foundation of the company is agreement made between partners. Agreement of partners must include the following information: trade name, place of business, subject of activities, amount of the authorized capital, monetary deposits of each founder partner. Governing organ of the Company is general meeting and director.

Entrepreneurial activities in Russian Federation are regulated by the Civil Code, the law on commercial company and other normative acts. The law provides for the following legal forms: the first, Private Entrepreneur; the second, General Partnership and Limited Partnership; Limited Liability and Additional Liability Company; the third, Public and Closed Joint Stock Companies; the fourth, Cooperative; the fifth, State and Municipal Enterprises;
The simplest legal form is private entrepreneur, who acts solely and does not represent a legal entity. The private entrepreneur assumes individual liability to creditors to the extent of his/her property. General partnership represents unification of several entrepreneurs and commercial organizations into one company for conduction of joint activities. Agreement concluded between partners represents precondition for foundation of a general partnership. Minimal amount of the capital is not determined by legislation. The majority of enterprises are limited liability companies that represent legal entities. Its founders may be physical persons and legal entities. The state or local self-government authorities may not be founders of a company.

Functioning of a Joint Stock Company is regulated by the “Civil Code and Federal Law of Russian Federation”On Joint Stock Companies”. The capital of a Joint Stock Company is divided into two types of shares: the first, open shares that can be purchased by any person and the second, closed shares that can be purchased by founders of the company only. The supreme governing body of the Joint Stock Company is meeting of shareholders that shall be convoked at least once per annum. Management of the Company may be executed also by the board of directors and council of founders.

Cooperative is founded for operation of joint activities. Members of cooperative personally take part in its work and contribute their shares to cooperative. According to legislation, the number of cooperative members must not be less than five. The document required for foundation of a cooperative is cooperative charter approved by members of cooperative. Management is carried out by general meeting and executive authority-administration.

The law has been more than once amended in Georgia from the day of its passing until now. Notwithstanding successful or unsuccessful outcomes of such changes, they are evidence of historical process of development of the corporate law in Georgia. Each epoch faces new challenges. As a result of many changes introduced into the law on entrepreneurs passed in 1994, the law became obsolete and many of its provisions became inadequate to contemporary requirements. Amendments are constantly made to this field and ignoring these changes is inadmissible in the process of codification of the corporate law. Correspondingly, fundamental changes were introduced into the Law of Georgia “On entrepreneurs” and came into effect from the 1st of January 2010.

Regulation of entrepreneurial activities and legal and organizational forms of enterprises, their foundation, rules of registration, rights and obligations of partners, as well as many other aspects connected with entrepreneurial activities are generally based on the Law of Georgia “On entrepreneurial activities” passed in 1994. This law regulates only legal
form of entities carrying out entrepreneurial activities and not relations established in the course of entrepreneurial activities. In compliance with article 1 of the Law of Georgia “On Entrepreneurs”, entrepreneurial activity is considered to be only legitimate, repeated, organized and independently operated business oriented at generation of profit. Proceeding from the above-mentioned, key signs of entrepreneurial activities are as follows: legitimate activities; repeated activities; independent operation of business; organized management. According to the theory of law, legitimate is considered to be any kind of activities that does not contradict to the current legislation and moral norms, customs and habits established and recognized in the society. Certain kinds of activities are directly forbidden under the legislation of Georgia, for example, illegal production and sale of pornographic and other products is forbidden and prosecuted according to the Criminal Code of Georgia. Correspondingly, legitimate is considered to be activity that is not directly forbidden by normative acts. The enterprise of any legal and organizational form is oriented at regular operation of activities foreseen by the charter and allowed by legislation within uncertain period of time. The legislation has recognized the following legal forms of enterprise: the first, Individual Enterprise; the second, Joint Liability Company; the third, Limited Partnership (LP); the forth, Limited Liability Company (Ltd); the fifth, Joint Stock Company (JSC); the sixth, Cooperative.

An Individual Entrepreneur being the owner of an individual enterprise shall be an individual whose entrepreneurial activities must necessarily be based on an organization established on an entrepreneurial basis and maintaining proper accounting records. Such an entrepreneur shall act in legal relations in his/her own name.

In spite of the fact that individual enterprise is not a legal entity under the Law of Georgia “On entrepreneurs”, an individual entrepreneur, i.e. natural person, shall act in his/her own name as an independent person. An individual entrepreneur conducts activities connected with individual enterprise solely and assumes personal liability to creditors to the extent of his/her property. According to the form of individual enterprise provided for in the legislation, it can be a small-scale or medium-scale enterprise. For the time being, the current legislation determines registration of an individual entrepreneur according to the place of residence. An individual entrepreneur must be incorporated into Entrepreneurial Register conducted by Service Agency of the Ministry of Justice of Georgia.

Besides, I would like to emphasize the essence and purpose of the registration of entrepreneurs. As a rule, state registration of entrepreneurs is carried out in all countries of the world. I have already mentioned the procedure of state registration in various European countries (France: by the law on commercial registration; Germany: by the Com-
mercial Code; USA: by separate laws on corporations and partners valid in various states). Different are also authorities carrying out registration (France: registration is carried out by the Secretary of Commercial Law; USA- by the State Secretary and etc.). According to the Law of Georgia “On entrepreneurs” passed in March 1995, the registration of enterprises in Georgia was carried out by courts. After amending the Law on Entrepreneurs on the 24th of June 2005, the registration of entrepreneurs was carried out by tax authorities. Nowadays the enterprises are registered by Tbilisi National Agency of Public Registry. The main purpose of registration is development and improvement of the society and granting of the status of entrepreneur by the state to associations or separate natural persons residing on its territory and destined for operation of commercial activities, generation of profit, purchase, sell and etc. Noteworthy is that information on registration systems and other related information is public both in Georgia and in all European countries.\(^{11}\)

Joint Liability Company shall be a company where two or more partners are united to conduct a business jointly, under one trade name, to carry out independent and repeated entrepreneurial activities and in which the partners are liable to creditors of the company as joint debtors directly and to the extent of their whole property. Joint Liability Company may be founded by two or more natural persons and legal entities that are united to conduct a business jointly under one trade name, to carry out independent and repeated entrepreneurial activities. The company is liable to its creditors to the extent of the property of each partner.

Limited Partnership is a company similar to the Joint Liability Company. The main difference is existence of two categories of partners in the limited partnership – commandite and complementary. Liability of limited partnership to its creditors is limited by payment of the guarantee. Proceeding from concept of the company, its founder must be at least one complementary - personally liable partner and one commandite, whose liability to creditors is limited by payment of the guarantee.

Limited Liability Company shall be a company that's liability to creditors is limited to the extent of its property. Partner of the company does not bear responsibility for obligations of the company. Taking into account concept of the limited liability company, the company is founded by joint capital of its partners. Deposits may be paid to the capital by monetary and non-monetary property. Liability of the company to its creditors is limited and the company is liable only to the extent of its property. Partners of the company do not assume personal liability to creditors. Under settlement of a debt is meant coverage by the property that the partners have contributed to the authorized capital. Founders may be both natural person/persons and legal entity/entities. Founder of the Company may be also the state.\(^{12}\) Manager of the company is director. The company may have several directors (financial, executive and so on).
The company is entitled to carry out any kinds of activities not forbidden under the legislation of Georgia; amount of the authorized capital is not specified by the law, it may be any sum or movable or real estate contributed by partners. At the end of each economic year the partners receive profit in proportion to their shares. This form of legal entity is the most popular in Georgia. The tendency to found a limited liability company is conditioned by various factors. In comparison with Joint Stock Company that has considerable capital, a Limited Liability Company has rather simple legal form and simplified structure of management. In addition to the aforesaid, the procedure of foundation a limited liability company is more liberal in comparison with a joint stock company and personal company. For a Limited Liability Company is typical so called “corporate coverage”. This means that the partner of a limited liability company does not assume personal liability to creditors of the Company. In case of a personal company, the partner is liable for obligations of the company to the extent of his/her property. The Limited Liability Company as a legal form of an enterprise was for the first time specified in the Law of Georgia in 1991 when the law “On fundamentals of entrepreneurial activities” was passed. According to this law, a Limited Liability Company was recognized as one of the forms of an enterprise. Noteworthy is that enterprises similar to the limited liability company existed in Georgia already at the end of the 80s years. The enterprise where one of the partners was foreign natural person or legal entity was called ”joint venture”. Definition of a limited liability company has been changed for several times in the Georgian legislation. Definition of a limited liability company in Article 44, first edition of the law (1994) was established as follows: a Company having limited liability to creditors of the Company to the extent of its property, liability of partners of the company is limited to the extent of their shares in the authorized capital. General and specific signs of the company must be jointly characterized in order to demonstrate legal nature of the limited liability company. General features typical for a limited liability company: legal personality, entrepreneurship, corporation, capital (authorized capital property), liability to the extent of its property, exclusion of liability of partners for obligations of the Company and other.

I have briefly considered and compared also legal forms of enterprises existing in other countries. Basing on this comparison, we can conclude that nowadays legal regulation of private enterprises and business related activities in Georgia, the form of functioning and legal form of enterprises, correspond to general principles foreseen for arrangement of an entity of private law, subject and form of their activities. Taking into account that Georgia is a country with transition economy, the methods of legal regulation of separate issues and the area of their practical implementation are different. In whole, generally similar is private organizational and legal form of enterprises of open and market economy deter-
mined by legislations of various countries, their legal nature, fields of activities, terms of establishment and payment of deposits, financial accounting and rules of settlement, governing organs of enterprises and liability to creditors. The above-mentioned main principles insignificantly differ from each other depending on economic, political, democratic state and development of the country. This approach is conditioned by similar economic and social conditions existing in the civilized countries of the world as well as by worldwide recognized international legal norms regarding national normative acts.

References


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Commercial Code of Germany.

New Testament


Bible, Ecclesiastes.


Bible, Old Testament.


Endnotes

2 Bible, Ecclesiastes
3 Bible, Old Testament
4 New Testament
7 Selected corporation and partnership statuses, rules and forms. St. Paul. Minn. 1994
8 Selected corporation and partnership statuses, rules and forms. St. Paul. Minn. 1994
9 Commercial Code of Germany
10 Lado Chanturia. Significance of Guidelines and Resolutions on Corporate Legislation of Europe for Codification of Georgian Corporate Law. P.447
12 Irakli Burduli. Authorized capital and its functions; p.208.