

SECTION A - FORMS AND STRUCTURES OF AND SOURCES OF FINANCE FOR BUSINESS ORGANIZATIONS

A1. Forms of business (enterprise) organization

- (a) There are four types of businesses in Korea: partnership, limited partnership company, limited company (*yuhan hoesa*), joint stock company (*chusik hoesa*). Since the majority of businesses take the form of a *chusik hoesa*, we will mainly address the issues relating to *chusik hoesa* in our discussion below.
- (b) Korea has a business registration system for *chusik hoesa*. All *chusik hoesa* must be registered with commercial registry office.
- (c) Minimum capital requirement for a *chusik hoesa* is KRW50,000,000 and the par value of each stock must be KRW5,000 or more (however, for listed companies and registered companies, the par value of stock may be KRW100 or more).
- (d) Although most *chusik hoesa* are privately owned, some have government ownership as well. A *chusik hoesa* maintains its accounting books in accordance with generally accepted Korean accounting principles. For *chusik hoesa* that are government owned, these businesses must adhere to budget accounting standards as determined by the government. Directors and management have liability in case they willfully or through gross negligence cause damage to the company. In addition, directors would be liable as joint and several guarantors if they have agreed to jointly and severally guarantee the company's obligations. Once a *chusik hoesa* is established, the role of regulatory authorities is minimal (except as to those regulatory matters relating to the particular business or operation of the company; such as securities regulations, fair trade regulations, etc.)

A2. Control and influences

- (a) Political, social, financial or cultural control and influences may exist with respect to a particular company. However, this would not be so merely because such a company is a *chusik hoesa*. For example, there may be controls for *chaebol* companies because they are *chaebol* companies, and not because they are a *chusik hoesa*.

