

THE VOLATIVELY SUBJECTIVE NATURE AND VALUE OF STOCK – CZECH CASE STUDY

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Abstract: A joint-stock company is a legal fiction with a long history and with a successful present. Although the capital type joint stock aka Plc. is one of the most popular forms for business, its stock and share of its stock do not have a unanimously accepted objective nature and value. A holistic multi-disciplinary Meta-analysis reveals, thru the use of a Czech case study, that in contrast to the EU and Czech legislative and academic wording, a Plc can have personal features and that shares of stock can be a passive investment as well as instrument of control and even of the ownership.

Keywords: Shareholder company, nature of stock, value of stock.

1 Introduction

A joint-stock company is a legal fiction with a thousand years-long history. Typically, it is a legal entity oriented towards business in which different numbers of shares of the company's stock are owned by shareholders, but its centralized governance is separated from these shareholders (Duračinská, 2017). Thus, a joint-stock company has a different legal (juridical) personality from its shareholders, some shareholders can have more shares than others and can transfer their shares. Following the indicated legal fiction, a joint-stock company has its own separate legal personality, its own liability and perpetual existence even if all the shares are owned by one single shareholder who is a natural person (human being) or a legal entity (another company or corporation). Both legislation and academic literature points out that a company has members and not owners, and that nobody can own a company as, since the abolition of slavery, one person cannot own another.

In Western civilization, joint-stock companies started to emerge in the 13th century in continental law jurisdictions, namely in France, e.g. Société des Moulins du Bazacle (Sicard, 1953), and in Sweden, e.g. Stora (Groom, 2015). However, the true blooming of modern types of joint-stock companies began in common law jurisdictions in the 16th century, namely in the colony acquisitive England, e.g. the Company of Merchant Adventures to New Lands and East India Company (Irwin, 1991). The Amsterdam Stock Exchange soon became the place for trading shares, such as of the Dutch East India Company. In the following decades and centuries, the creation and existence of joint-stock companies separated from direct state participation and the role of the state became reduced to the registration and following recording process.

The post-Lisbon EU follows the Strategy Europe 2020 and, both at the EU level as well as the national level, fully recognizes the significance of joint-stock companies, while distinguishing between the typical capital style joint-stock company, called a public limited company, aka Plc, and its personal style parallel, called a private limited company, aka Ltd or LLC. Due to restricted space, further attention will be paid only to the capital style joint-stock company ("Plc") which often has the word "share" or "stock" in its legal description (shareholder company, Aktiengesellschaft, akciová společnost, etc.). Namely, the focus will be oriented towards a five year long period in re the stock, control and management evolution of a Czech Plc with over 511 shareholders and this real case study and its results will be confronted with the conventional perception of these phenomena as suggested by the legislation and the academic literature in the EU. The central leitmotif reflects the hypothesis that even the capital style joint-stock company, i.e. Plcs, can have personal features and, more specifically, the underlying hypothesis is that the legal fiction about its independence can be contrasted by the business reality even in the case of the involvement of more than one or a few shareholders. It is suggested that, despite a strong

legislative and theoretic academic wording and in contradiction to well-established law theories, after all shareholders might reach the status of true owners of a Plc and they are ready to pay (even some extra) for a stock in order to pass from a control level to the level of ownership. Indeed, the subjectively perceived nature and value of a stock can have a truly objective impact.

2 Sources and methods

A scientific, academic and practical exploration of the nature and value of stock and the ultimate meaning and objective consequences of the acquisition of a certain amount of shares in the light of a real Czech case study requires a deep and holistic understanding of the business as well as law setting. An open-minded and yet still sufficiently oriented approach needs to explore the general setting and move to a concrete situation in a given jurisdiction. A real Czech case study has to be explored, and both accounting and the actual paid value of the stock critically discussed in the context of the practical, as well as legislative and academic, understanding of the control and even ownership of a Plc. Such a combination of general theory on fundaments with a real life experience with stock valuation can be highly beneficial, bringing fresh ideas, provided that appropriate data and methods are used. The data in such types of presentations needs to mirror the cross-disciplinary and multi-jurisdictional nature (EU and Czech) of the topic and thus needs to be extracted from a multitude of resources. Primary resources, especially the inside data linked to the case study, have to be explored, along with secondary resources, such as legislation, standard settings and academic articles presented by authors from various EU member states.

The methods must reflect the nature of the topic and the underlying hypothesis that the nature and value of stock is highly subjective and that this has an objective impact. Namely, shares needed to pass a legislative milestone, set regarding the control and management of a Plc can be, for certain shareholders, extremely valuable, while basically worthless for other shareholders. In particular, when no dividends are paid and controlling power takes place, the accounting value of the shares is overshadowed by the subjective desire and drive for control, and ideally the ownership of the company. Therefore, methods have to work with the data generated by the indicated open-minded and multisource research. Indeed, the yield of data generated or indicated by research is to be processed by Meta-Analysis (Silverman, 2013), while using a holistic approach, a critical comparison of laws and confronting the concepts with the reality of the Czech case study. Due to the inevitable fact that economic, legal and technical aspects are involved, attention must be given to both qualitative and quantitative data and the deductive and inductive aspects of legal thinking (Matejka, 2013), as well as business and sociological aspects, must be respected. As a result, the quantitative research and data is complemented by qualitative research, along with a critical closing and commenting and refreshed by Socratic questioning (Areea, 1996). Ultimately, a vacuum becomes partially filled in with at least some suggestions about the extent and meaning of the subjective nature and value of stock and the objective impact of that.

3 General perception of the nature of stock and its Impact – legislative and academic overview

Separation of the legal personality of shareholders and separation of centralized corporate governance from shareholders is one of the fundamental features of a Plc (Duračinská, 2017), regardless of whether these Plcs are, or are not, listed on stock exchanges. The governance and management of a Plc is entrusted to directors, who are agents of shareholders, i.e. shareholders are principals (Kothari et al., 2010). These directors and their governance is supervised by the members of the supervisory board and ultimately by all shareholders during

annual meetings. This mechanism and its operation are regulated by several branches of law, and predominantly by the corporate law. The corporate law is conventionally classified as the Private law, but progressively it includes more and more mandatory provisions from the sphere of the Public law. These provisions are often enacted due to failures, abuses and even frauds committed while dishonestly taking advantage of the legal fiction of a Plc and of the above described features. Czech examples of the provisions trying to reduce these dark sides are liability (Cvik & MacGregor, 2016), bankruptcy, squeeze-out (Cvik & MacGregor, 2017) and other provisions. For the purposes of this paper it is critical to underline the fact that the directors of poorly performing or even unsound Plcs tend to either avoid any decisions or to make highly risky and controversial decisions (Duračinská, 2017).

These aspects and challenges project in perceptions of not only the nature but as well the value of the stock, namely shares of the Plc's stock. These perceptions are inherently subjective and each stakeholder approaches them from their own perspective and based on his or her expectations. Therefore, the drive to propose the accounting value, calculated based on historical costs, book value or combined assets value of the Plc, as the objective stock value, is controversial, by both listed and non listed Plcs. However, even the drive to propose the fair market value assessment is problematic, because in the same moment even the same bulk of shares can have a dramatically different value for different shareholders or outside investors. These differences are even bigger when we move in time or when we consider different sizes of blocks of shares. Financial theory and practice do not give generally accepted recommendations in this respect (Jackova, 2017) Indeed, this chronic unpredictability of value occasionally leads to empirical and other studies which bring concrete recommendations, such as e.g. that the share repurchases make prices more efficient and reduce idiosyncratic risk (Busch, 2016) and that IFRS firms have a lower rate of restatements compared to the GAAP (El-Gazzar & Finn, 2017). Both legislation and academia confronts the dichotomy of the GAAP, with the historical cost preference, and the IFRS with the fair market value preference. Regarding the listed Plcs, and perhaps even non listed Plcs, they are inclined to go for the IFRS, but this brings new questions about how to determine the fair (market value) and the straggle over the nature of stock and shares reappear. Indeed, the EU, its law and businesses face challenges which they often address rather intuitively. The following EU and Czech legislative and academic overview along with the Czech case study demonstrates this clearly. Discussion and semi-conclusions are dynamically across the paper and culminates in its conclusion.

3.1 The nature and value of stock and their impact according to the EU and Czech laws

Post-modern global society is marked not only by a very intense competition and digitalization (Pelikánová, 2012) and increasingly more complex and dynamic organizations (Piekarczyk, 2016), but as well by an exponential growth in the focus on accounting standards, such as the US GAAP and the IFRS. They both encompass conservative financial accounting, and this even regarding financial instruments, namely a special type of tradable financial asset called a security. A security can be either a debt security (such as bonds) or an equity security (such as common stock) or a derivative (such as options). The law and accounting standards have slowly to move to the recognition that the nature and value of equity securities are very particular and include both features of passive as well as active investment. Indeed, the transfer of a stock demonstrates the complexity of the overlap of business and law (Vivant, 2016) and brings to the surface many controversial topics, often related to the legal personality fiction and corporate veil doctrine in the context of Plcs. As a matter of fact, transferring the stock means transferring a virtual interest and perhaps even control on somebody else with the consideration taking usually a monetary form. In contrast to relatively commercial deals, in the case of a stock ownership and transfer many stakeholders are directly or indirectly involved. The law must address these features and

provide an appropriate legal framework facilitating the administration and disposition with stock, while simultaneously fitting in the general legal and strategic doctrines, such as the EU doctrine of the famous four freedoms of movement, including the movement of capital, in the single internal market (Cvik & Pelikánová, 2016) and the digitalization proclaimed by Europe 2020 (Pelikánová, 2014). The EU law, and in the harmonization wave as well as the Czech law, attempt to provide a legal framework effectively and covering Plcs, their stocks, shareholders and even stockholders and balance the involved, often contradictory interests. Plcs can be created both based on the EU law as well as national laws of the EU member states, and the legislative proposed accounting method aims rather towards the IFRS than US GAAP. Hence it is relevant to present a cursory overview of key EU and Czech legislative documents.

Table 1: Overview of selected EU and Czech legislative acts covering Plcs and their stock

EU law	Czech national law
Regulation 2137/85 on a statute for European Economic Interest Groupings (EEIGs) Regulation 2157/2001 on a statute for a European Company (Societas Europea or SE) Regulation 1435/2003 on a statute for a European Cooperative Society (SCE)	Act No. 89/2012 Coll., Civil Code Act No. 90/2012 Coll., Business Corporation Act (Act. 513/1991 Coll., Commercial Code)
Directive 2012/30/EU on the formation of Plcs and their capital (the minimum capital EUR 25 000) Directive 2009/102/EC (the 12 th Company Law Directive) on setting up a single-member company in a Ltd (but EU countries may decide to extend it to Plcs).	
Regulation (EC) 1606/2002 requiring IFRS for all listed companies Regulation (EC) 1126/2008 on adopting IFRS	Act No. 563/1991 Coll., on accounting
Directive 2009/101/EC on the coordination of safeguards Directive 2013/34/EU on the annual financial statements	

Source: Prepared by authors based on their own research via eurlax

Despite its importance and impact on the operation and control of a Plc and on the investment sphere of the shareholder, the nature of the stock of a Plc, i.e. shares of the given Plc, is not well defined and described in the EU legislative acts. Indeed, the post-Lisbon EU has both supranational and intergovernmental natures and has normative and other characteristics centered around the concept of the single internal market with significant institutional features and a competing interest group (Damro, 2012). However due to the internal and competence challenges of the EU, although a Plc. is critical for the single internal market, its nature and stock valuation are not directly, explicitly and mandatorily stated in the EU legislation. The current EU strategy, Europe 2020: A strategy for smart, sustainable and inclusive growth COM(2010) 2020 final ("Europe 2020") is strongly impacted by both formal and informal institutions (Pasimeni & Pasimeni, 2016) and attempts to develop the technological (Pelikánová & MacGregor, 2015) and other potentials of a European economy (Balcerzak, 2016) and systematically pushes for harmonization, if not unification and international standardization, see the EU embracement of the IFRS. However, it must be underlined that it has but little to do with increasing competitiveness (Erixon, 2010) and improving the understanding of principal business forms. The implementation of the Europe 2020 underlines persistent differences between EU member states (Çolak & Ege, 2013) due

to different social, political and economic traditions (Pelikánová, 2017), insufficient efforts of many European economies, especially the most important ones (Balcerzak, 2015), and the fact that smart, sustainable and inclusive activity, especially innovative activities, of businesses are far from being a spontaneous, market-based process (Pohulak-Žołądowska, 2016). The effectiveness and efficiency of the goals of the Europe 2020 and their implementation remains highly questionable (Staničková, 2017). The above table and the below quotation demonstrates that the EU law is perhaps closer to find an approach to the valuation (IFRS) than to the nature of stock.

Namely in the EU legal system, the Regulation 2157/2001 on SE states only in Art.1 “The capital of an SE shall be divided into shares. No shareholder shall be liable for more than the amount he has subscribed.” and in Art.33 “Shareholders who have contributed their securities to the formation of the SE shall receive shares in the holding SE.” No further information on the nature is provided and the EU legislative wording focuses in more depth only on the valuation, especially on the valuation of shares of stock of listed companies, see above in the Table. As a matter of fact, the EU requires since 2005 all exchange-listed firms, including Plcs., to adopt the IFRS in their consolidated financial statements (Beisland & Knivslå, 2015) and softly push for the same by other subjects, including not listed Plcs.

In the Czech legal system, more legislative information is provided about the nature of shares and stock. Since the Czech Commercial Code was abolished, the legal regime of Plcs, stock and shares is included in the Civil Code and in the Act on Business Corporations. The Czech Civil Code extends the definition of the item (re) via Art. 489 et foll. even to rights. Therefore, a Plc is an independent legal entity having its own legal (juridical) personality and its stock/shares are a subject matter of absolute property rights. The Act on Business Corporation deals specifically with Plcs and defines them in Art. 243 “A Plc. is a company with a registered capital divided in a certain number of shares.” It includes even the definition of share via Art. 256 “A share is a security (stock) or an intangible recorded (security) to which are linked rights of a shareholder as a participant member to participate on the management, on the profit and on the wind-up proceeds of a Plcs, as stated by this Act and the Bylaws of the concerned Plc.” The regulation of Czech Plcs is extensively developed and there are many provisions in the Act on Business Corporation specifying the nature, form and regime of Plcs, stocks and shares. Hence, it can be suggested that the Czech law passed the Rubicon, and recognizes both the legal independency of a Plc and its capacity to have a legal (juridical) personality and the ownership potential of stocks and shares. However, this leads to the dilemma about how to address one of the most fundamental legal principles applicable in the 21st century, namely that one law subject cannot own another law subject. Boldly, slavery was abolished and thus one person cannot own another person. This is the point of view of law. However, in the economic and business perspective, there is not any doubt that the single (or even majority) shareholder is a true master of his Plc. and can (and should be) labeled not only as the owner of shares but as well as the owner of the Plc. Is such a Plc really an independent person with its own will? Are not shares the building blocks to its ownership? The below points how the academia is tackling this *prima facie* non reconcilable dilemma and what happens in the real business life, see the part about the Czech case study.

3.2 The nature and value of stock and their impact according to the EU and Czech academic literature

Although academia and the academic press consistently state that the continental law jurisdiction is rather formalistic, while common law jurisdictions are more pragmatic (Pelikánová, 2012), there is no doubt about the fact that Plcs integrally belong in all modern Western civilization jurisdictions and they are a popular academic topic. Indeed, corporations and companies are indispensable for business conduct in the 21st century and both in the EU and in the Czech Republic, their most popular forms are Ltds and Plcs. The number of small and

medium sized enterprises (“SMEs”) in various EU member states often exceeds 90% and directly affects employment, welfare, etc. (Brozek, 2017). A significant part of these SMEs represent Plcs, often described as the paramount of capital independence. However, no Plc can be considered as an isolated entity, i.e. each Plc needs to take into account inside and outside specifics and develop a well balanced relationship with all relevant stakeholders (Gubova et al., 2017). Academia does not miss the chance to underline that, due to the legal fiction of the separate legal (juridical) personality, each and every Plc potentially faces the eternal principal-agent problem linked to the fiduciary duties, duty of loyalty and duty of due care and centered around the threshold criteria of the business judgment rule, see e.g. *Smith v. Van Gorkom*, 488 A.2d 858 (Del. 1985) and §102(b)(7). Indeed, the doctrine of the business judgement rule is linked with the evaluation of an admissible risk that is borne by the statutory body, directors, when adopting the right, proper and educated decision and the management of the Plc (Smalik & Lukacka, 2016). It is important for directors to make right decisions, to consider all risks and uncertainties while respecting the individual conditions of each Plc. (Jackova, 2017), and this even in the hot context of the setting of directors compensation (Kothari et al., 2016) and of the new preference of managers to rather focus on the avoidance of losses than on acquiring gains (Mandal et al., 2018). It cannot be overstated that the asymmetric information from an agency-based perspective creates moral hazards and conservatism in financial reporting (Thijssen & Iatridis, 2016). The fundamental aim of a Plc governance is to create a sustainable balance (Gubova et al., 2017) between shareholders and directors, as well members of the supervisory board, employees and other stakeholders of the Plc (Duračinská, 2017). To make it even more complex, one shareholder can be, at one and the same time, a director (or a member of a supervisory board), an employee and a creditor. In addition, directors and members of supervisory boards are predominantly selected by shareholders, thus a majority shareholder can become the only decision maker in this respect. Naturally this is the case, as long as the law governing the Plc does not provide otherwise, e.g. see Czech or German compulsory rules about the involvement of employees in the supervisory boards of certain Plcs. At the same time, academia underlines the particularity of each Plc. Undoubtedly, each Plc. is unique with distinctive features which vary based on asset structure, development phase, investment, market position, etc. (Jackova, 2017). Each Plc. follows its unique business model, which (hopefully) ensures its financial, and other, stability (Megova & Palka, 2016). Well, the questions are, who at the very end determines it, how much is one ready to pay for such a power and to what extent this power needs to consider other stakeholders and their interests emerge. One of the six cultural dimensions analyzed by Hofstede, namely individualism v. collectivism, comes into play and manifestly influences the approach to the nature of stock and its valuation (Todea & Buglea, 2017) as well as to the corporate social responsibility (Celeda & Bilkova, 2016).

Well, this chronic academic hesitation and incapacity to address the nature of the Plc, its stock and shares can be confronted with the academic readiness to go for a consent regarding the valuation. Indeed, similar to the legislative trend towards the IFRS, the prevailing academic trend is to expand the use of fair value and so make financial information useful for firm valuation (Kothari et al., 2010) and support stock market development (Othman & Kossentini, 2015). The below case study supports this view, but could hardly support another view pushed by academia, namely calling for more academics among the directors of Plcs (Huang et al., 2016).

4 Particular perception of the nature of stock and its impact – Czech Case Study

The presented Czech case study concerns one Czech non listed Plc. and the evolution of its shares prices and of its management during the period 2011-2016. This target Plc has a seat in the Czech Republic, is governed by the Czech national law and allowed authors of this paper to access its internal data and use

them in the academic press, provided the anonymity of the Plc. is maintained. The main business activity of the Plc. was and remains agricultural production, including the production of raw agriculture outcomes for their processing and further resale. The Plc. managed 1 500 hectares of arable land and is a beneficiary of a repetitive annual dotation (subsidy) in the amount of CZK 11 000 000 yearly. It had and still has seven directors and important legal documents must be signed by the chairman of the board of directors, or by the vice-chairman of the board of directors or by the CEO or an agent having a power of attorney from one of them. According to the Bylaws, shares are transferable only upon the consent provided by directors. In 2012, the registered capital was CZK 101 000 000 and consisted of shares in name in the value as described in Table 2.

Table 2: Capital (share) structure of the Plc. during the entire period 2012

Number of shares	Nominal value per share in CZK	2012 value of shares in CZK
2870	1 000	2 870 000
1493	10 000	14 930 000
1664	50 000	83 200 000
2012 value of all shares (2012 registered capital)		101 000 000

Source: Prepared by authors based on the accounting and other data provided by the target Plc.

In 2011, one of the target Plc.'s shareholders decided to purchase via shares purchase agreements ("SPA") from minority shareholders in order to pass the threshold and become the majority shareholder of the concerned Plc. This active shareholder was a business corporation with 7.6% shares successfully active in the same field as the Plc. (agricultural production) in the neighborhood, i.e. the active shareholder was a majority shareholder of prospering agricultural production Plc. a few kilometers away which regularly paid dividends in the amount of 11% of the nominal values of shares. Seven directors and three members of the supervisory board of the Plc. had 22% shares and the remaining 70.4% shares were held by 500 minority shareholders. Hence the total number of shareholders was 511 and all directors and members of the supervisory board were shareholders. Although the target Plc. had a history of non-payment of dividends and of non-investment, it took out several loans. The turnover and profit kept declining also. This deplorable situation and the success of its own similar (if not identical) business contributed to the decision of the active shareholder to pass the majority control threshold and to change the business model, management and even long term strategies. In other words, the active shareholder wanted to transpose the experience from the similar Plc in the neighborhood and be in each of them the majority shareholder, if not the only shareholder (and thus, de facto, the owner). This active shareholder took a coordinated individual approach and sent an offer to other minority shareholders of the target Plc. in 2011 and, based on it, managed to purchase 8% of the shares for 20% of their nominal value (!!!). Many minority shareholders made the prompt decision to accept the active shareholder's offer based on their knowledge of the poor performance of the Plc, the lack of investment and thus no prospects, while not getting any dividends. For three months, the directors did not perceive this as a threat and did not fight against it. After several months, it became a general knowledge of all shareholders, including the directors, that the active shareholder was not merely buying a few extra shares, but instead he wanted to "get" the target Plc. and the remaining shareholders started to speculatively demand a higher price while being ready to wait out a few months or years (this attitude kept reinforcing over time and led to the increase of the price paid to 50% of the nominal value in 2016). This process continued progressively on during the entire observed period and the prices went from 20% of the nominal value in 2011, then over 25% in 2012, to 50% in 2016. At the end of this period, the active shareholder managed to increase his participation from 7.6% to 65%. Further, there are no indices

about the termination of this process, i.e. the active shareholder kept purchasing shares even in 2017 for the growing prices, i.e. despite the passing of the 50% majority line. Manifestly, the drive for the control and perhaps even the total ownership (achievable by 90% or 95% participation by the squeeze-out procedure) is a crucial factor in determining the price of the shares. The accounting value, historical cost or current balance sheet have very little to do regarding the determination of the price to be paid for shares. Interestingly, this share purchase process was not interrupted or modified by the law changes. Until 31st December 2014, the share purchase and buy-outs were regulated provisions of the Act No. 513/1991 Coll., Commercial Code. However, the re-codification of the Czech Private law brought the Act No. 89/2012 Coll., (new) Civil Code which abolished the Commercial Code and moved the special Plc regulation into the Act No. 90/2012 Coll., Business Corporation Act, while the general regulation of natural and artificial persons is included in the (new) Civil Code. Even more interestingly, this trend was even not interrupted or modified after the active shareholder reached the 50% threshold in 2014. However, the management of the Plc. changed dramatically at this point. Namely, a noticeable modernization and revitalization of the agro-technical equipment and employment of modern technologies was launched. Further, in 2015, the Plc. under the management determined by the active shareholder purchased 17 hectares of arable land. Even in other aspects, the new progressive business strategy since 2014 is noticeable. Although at the end of 2016 the situation of the Plc. was not completely financially stable, the general perception and assessment of the Plc. is better than in 2011.

This is the background of the subjective perception of the nature and value of the stock of the Plc. and the objective impact was obvious. Namely, the contractual sales price of shares during the period 2011-2016 was determined by the interplay of the demand and supply and the general willingness of minority shareholders to sell their shares. Naturally, the accounting value is to be determined based on the Czech law, namely based on the registered capital. Table 3 provides a highly relevant information about the registered capital, accounting value and average contractual price for shares.

Table 3: Registered capital, accounting and contractual prices of Plc's shares in 2012 – 2016

Yr	Reg. Capital in CZK 1000	Acc. value of shares in the nomin. value CZK 1000 (2 870 pc.)	Aver. contr. price for a share in the nomin. value CZK 1000	Acc. value of shares in the nomin. value CZK 10 000 (1 493 pc.)	Aver. contr. price for a share in the nomin. value CZK 1000	Acc. value of shares in the nomin. value CZK 50 000 (1 664 pc.)	Aver. contr. price for a share in the nomin. value CZK 50 000
2012	104 122	1 030	250	10 309	2 500	51 545	12 500
2013	106 591	1 055	300	10 553	2 800	52 767	12 800
2014	114 533	1 134	420	11 341	3 100	56 709	14 000
2015	114 195	1 130	500	11 306	5 000	56 532	25 000
2016	115 397	1 142	500	11 425	5 000	57 127	25 000

Source: Prepared by authors based on the data provided by the target Plc.

Due to the maintenance of the same number and type of shares of the stock of the Plc., the slowly increasing registered capital and the determination of the active shareholder to increase his participation, control and perhaps even the ownership led to the fact that both accounting and contractual prices of all three types of shares grew during 2012-2016, but this growth has a dramatically different intensity. The accounting value grew slowly and in the same proportion of all nominal values, while the contractual price grew faster and contractual prices shares in the nominal value of CZK 1000 seem to react faster. This trend continues even after 1st January 2017 when the active shareholder has a rather comfortable majority of 65%.

5 Conclusion

A real Czech case study demonstrates that a rigid insisting on the legal fiction of a Plc. fully independent along with the perception of shares as a generic instrument of passive investment has very little in common with daily reality. Certainly, a Plc. has its own legal (juridical) personality, but the nature and value of stocks as vehicles of many forms of participation is deeply subjective and ephemeral. This has a strong objective impact and deeply influences both the management of the Plc. and valuation of shares. The agency issue along with asymmetric problem plus other representative management challenges lead to both managerial moral hazards (Thijssen & Iatridis, 2016) and a managerial inclination to rather avoid losses than acquiring gains (Mandal et al., 2018). The accounting value determined by the amount of registered capital is detached from the readiness to pay a contractual price and even if the IFRS with its recognition of fair value prevails in the EU, the subjective nature and value of stock remains not perfectly reflected by legislation and academia. After all, the personal and subjective aspect is omnipresent, even in the strongly capital Plc. Considering the priorities of Europe, it is high time to pass the Rubicon and lift the veil, see and say what the true nature and value of a stock of a modern Plc., able to succeed locally and globally, has.

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Primary Paper Section: A

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