

2024 SUBJECT WORKBOOK

Grade 12



BUSINESS STUDIES

A joint initiative between the Western Cape Education Department and Stellenbosch University.



BROADCAST SESSIONS

GRADE 12

Business Studies Telematics Presentations

Session	Date	Time	Topic
1	6 May 2024	16:00 – 17:00	Investments: Securities
2	17 July 2024	15:00 – 16:00	Presentation & Data response
3	24 July 2024	15:00 – 16:00	Forms of Ownership

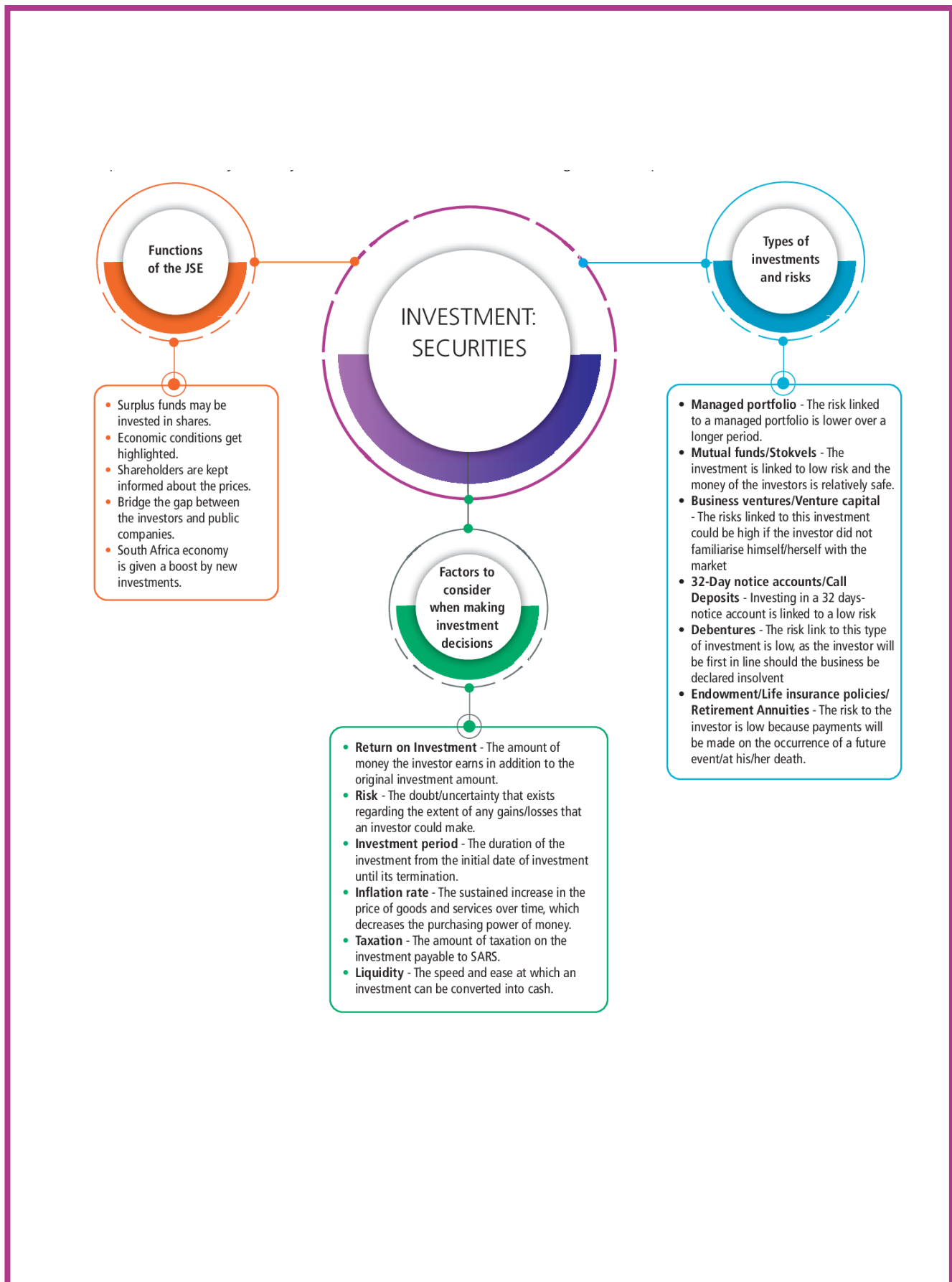
SESSION 1: INVESTMENTS SECURITIES

Introduction

Investment securities is an important way of acquiring/accumulating wealth for both an individual and businesses. Various investment opportunities are available for investors to invest their capital in. Some investors are interested in growing their wealth. Other investors are interested in generating an additional income to supplement their retirement earnings. It's important for investors to consider the risk associated with each investment type.

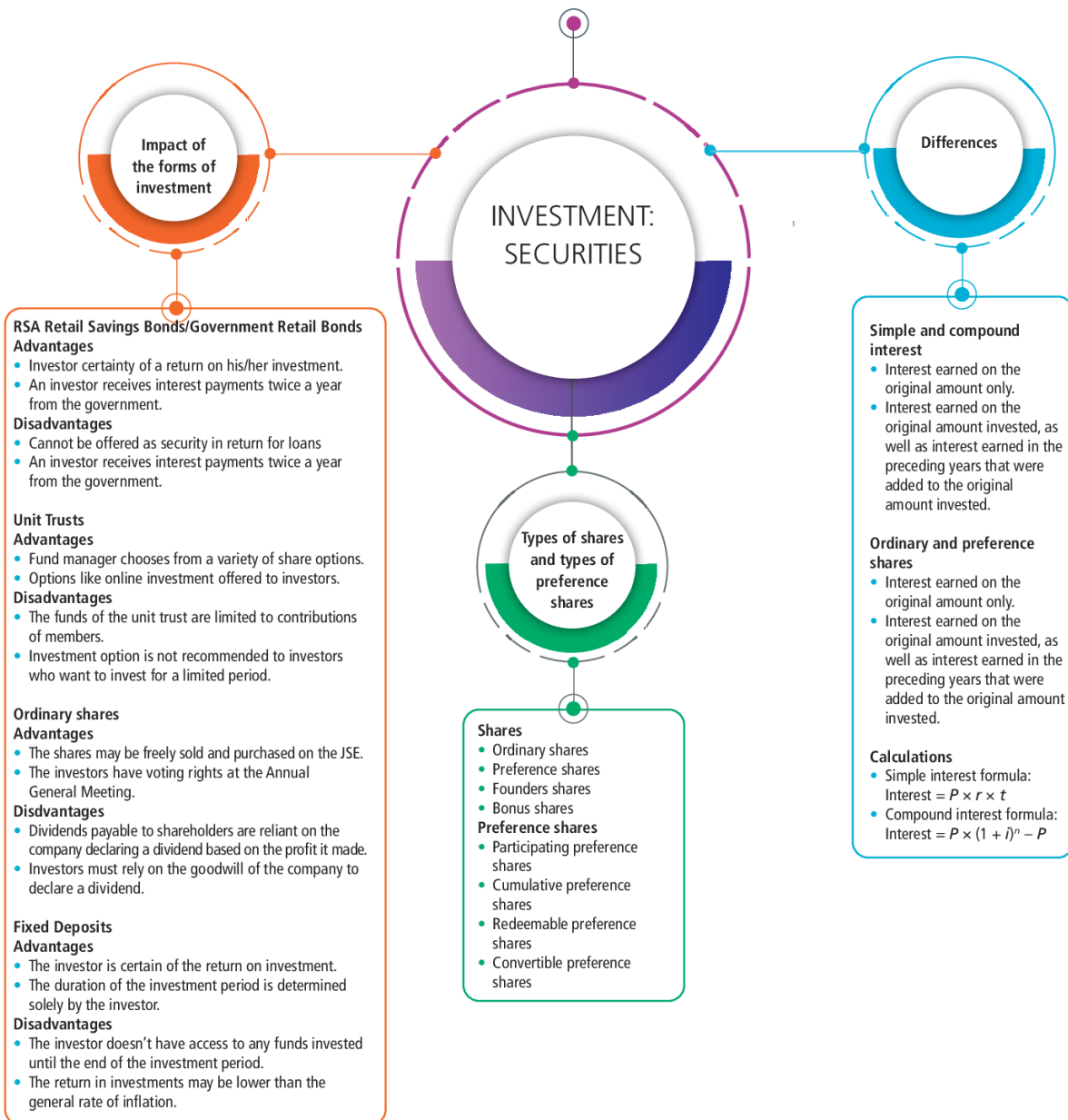


INVESTMENT: SECURITIES





INVESTMENT: SECURITIES





INVESTMENT: SECURITIES

1.1 Complete the following statements by using the word in the list below. Write only the word(s) next to the question number (1.1.1 – 1.1.5) in your notebook.

deflation rate; Johannesburg Securities Exchange ; risk;
return on investment; liquidity; tax; South African Reserve Bank;
political; inflation rate; grants

- 1.1.1 Investors prefer investments in which the return on investment is higher than the ...
- 1.1.2 The speed at which an investment may be converted into cash is known as ...
- 1.1.3 The ... serves as a barometer of economic conditions in South Africa.
- 1.1.4 The investment in preference shares has a lower ... linked to it, as investors will only have access to the company's assets when it is declared bankrupt.
- 1.1.5 Investors must consider the ... payable to government when deciding on a particular investment.

SECTION A – COMPULSORY QUESTION 1

1.2 Complete the following statements by using the words provided in the list below. Write only the word(s) next to the question numbers (1.2.1 to 1.2.5) in the ANSWER BOOK.

Redeemable preference shares; Fixed deposit; Debentures; Retirement annuities; Bonus shares; Ordinary shares; Compound; Non-cumulative preference shares; Unit trust; Capital Gain

- 1.2.1 The Investors of ... will not receive payments for past dividends that were not paid out due to poor finances. (2)
- 1.2.2 It is easy to cash in on ... when an investor needs money. (2)
- 1.2.3 Making monthly payment to an Insurance company with the expectancy of receiving a pre-determine amount on a date in the future is called ... (2)
- 1.2.4 The instrument which allow companies to borrow money from the public. (2)
- 1.2.5 ... interest is calculated on the original amount and the interest earned in the preceding years. (2)

(5 x 2) (10)



INVESTMENT: SECURITIES

Discuss the functions of the Johannesburg Securities/Stock Exchange (JSE). (8)

- Serves as a barometer / indicator ✓ of economic conditions in South Africa. ✓
- Keeps investors informed on share prices ✓ by publishing the share prices daily. ✓
- Acts as a link ✓ between investors and public companies. ✓
- Shares are valued and assessed ✓ by experts. ✓

REMEMBER:

- Function of the JSE: "Raises primary capital by encouraging new investment possibilities", is regarded as ONE fact for two marks. Bullets 9 & 11 of the Core Notes.
- Write the Functions of the JSE in full sentences to obtain two marks for each fact.

2.2 Identify the types of business investment opportunities that were used by CT Plumbers in EACH statement below:

2.2.1 CT Plumbers invested R50 000 for six months at 12% interest with a financial institution.

2.2.1

2.2.2 CT Plumbers received dividends for their portion of ownership in Blue Range Ltd. (4)

2.2.2

REMEMBER:

- DO NOT confuse the TYPES of investment opportunities with the FORMS of investments.
- Not everyone may have an opportunity to invest, but they may have access to some form of investment.



INVESTMENT: SECURITIES

2.3 Discuss the following factors that should be considered when making investment decisions:

2.3.1 Liquidity (4)

2.3.2 Return on investment (4)

2.3.3 Period of investment (4)

REMEMBER:

- Investment decision factors must be linked to the decisions to invest. Research examples of Types of investment opportunities and Forms investments that are relevant to each investment decision.
- **DO NOT** confuse the meaning of Liquidity with Liquidation (a Business Strategy) which is covered in Paper 1.
- **DO NOT** confuse the meaning of Return on investment with Period of investment.

LIQUIDITY:

An amount could be invested in a type of investment ✓ that can easily be converted to cash. ✓ It is used to describe the ease and speed ✓ with which investors can convert an investment into cash. ✓

(4)

RETURN ON INVESTMENT:

Refers to income from the investment ✓ namely interest / dividends / increased capital growth on the original amount invested. ✓ High risk investments ✓ yield higher returns. ✓

((4)

PERIOD OF INVESTMENT:

This refers to the duration of the investment ✓ which may influence the return on investment. ✓

The longer the investment period ✓ the higher the returns. ✓

(4)



INVESTMENT: SECURITIES

2.4 Evaluate the impact of the following forms of investment:

2.4.1 Fixed deposits (8)

2.4.2 RSA Retail Savings Bonds (8)

2.4.3 Unit Trusts (8)

REMEMBER:

- DO NOT confuse Fixed Deposit with either the RSA Retail Savings Bonds or Unit Trusts as a form of investment.
- When distinguishing between RSA Retail Savings Bonds and Unit Trusts, focus on the minimum amounts required to invest.
- ORIGINALITY: National Treasury has launched RSA Retail Savings Bonds Top-Up, allowing individuals to invest as little as R500. It will cost R500 to open the account, but after that, retail investors can top up their investment with R100 at any time.

FIXED DEPOSITS:

POSITIVES / ADVANTAGES	NEGATIVES / DISADVANTAGES
The <u>period</u> of investment ✓ can be over a short / medium / long <u>term</u> . ✓	The investor cannot <u>withdraw</u> their funds ✓ before the <u>maturity date</u> . ✓
Investors can <u>choose</u> ✓ the investment <u>period</u> that suits them. ✓	May not outperform the effect of <u>inflation</u> ✓ over <u>long term</u> . ✓

RSA RETAIL SAVING BONDS

POSITIVES / ADVANTAGES	NEGATIVES / DISADVANTAGES
<u>Guaranteed</u> returns ✓ as interest rate is <u>fixed</u> for the whole investment period. ✓	Investors need to have valid <u>SA</u> identification ✓ which may discourage <u>foreigners</u> to invest. ✓
Interest can be <u>received</u> ✓ <u>twice</u> a year. ✓	A <u>minimum</u> of R1 000 must be invested ✓ which may be difficult for some small investors to <u>accumulate</u> . ✓

National Treasury has launched RSA Retail Savings Bonds Top-Up, allowing individuals to invest as little as R500. It will cost R500 to open the account, but after that, retail investors can top up their investment with R100 at any time.



INVESTMENT: SECURITIES

UNIT TRUST

POSITIVES / ADVANTAGES	NEGATIVES / DISADVANTAGES
Managed by a <u>fund manager</u> ✓ who <u>buys shares on the JSE.</u> ✓	Not good for people who want to <u>invest</u> ✓ for a <u>short</u> period. ✓
Easy to <u>cash in</u> ✓ when an investor <u>needs</u> money. ✓	Not good for people who want to <u>avoid</u> ✓ <u>risks</u> at all costs. ✓

2.5 Distinguish between simple interest and compound interest.

(8)

SIMPLE INTEREST	COMPOUND INTEREST
Interest earned on the <u>original</u> amount ✓ and <u>not</u> on the interest accrued. ✓	Interest earned on <u>original</u> amount invested ✓ <u>as well as</u> interest earned in previous period(s). ✓
Yields <u>less</u> return ✓ on investment. ✓	Yields <u>high</u> return ✓ on investment. ✓

2.6

Zinzi inherited R100 000 and wants to invest it in a fixed deposit for three years. Capsa Bank offered her 8% simple interest per annum and Fedbank offered her 8% compounded interest per annum.

Calculate the amount of interest that Zinzi will receive after three years if she invests with Capsa Bank.

$$\begin{aligned}
 \text{Interest} &= P \times r \times t = R\ 100\ 000 \times 0.08 \times 3 \quad \checkmark \\
 &= R\ 8\ 000 \times 3 \quad \checkmark \\
 &= R\ 24\ 000 \quad \checkmark\checkmark
 \end{aligned}$$



INVESTMENT: SECURITIES

2.7

Zinzi inherited R100 000 and wants to invest it in a fixed deposit for three years. Capsa Bank offered her 8% simple interest per annum and Fedbank offered her 8% compounded interest per annum.

Calculate the amount of interest that Zinzi will receive after three years if she invests with Fedbank.

OPTION 1:

$$\text{Year 1: } R\ 100\ 000 \times 0.08 \times 1 = R\ 8\ 000.00 \checkmark$$

$$\text{Year 2: } R\ 108\ 000 \times 0.08 \times 1 = R\ 8\ 640.00 \checkmark$$

$$\text{Year 3: } R\ 116\ 640 \times 0.01 \times 1 = R\ 9\ 331.20 \checkmark$$

$$\text{Total interest: } R\ 8\ 000 + R\ 8\ 640 + R\ 9\ 331.20 = R\ 25\ 971.20 \checkmark \checkmark$$

ESSAY TYPE QUESTION

The Johannesburg Securities Exchange (JSE) plays an important role in growing the South African economy. The JSE offers investors opportunities to earn simple or compound interest on their investments. Different forms of investment impacts investors differently. Ordinary shareholders are entitled to certain rights related to their investments.

Write an essay on investment in which you include the following aspects:

- Outline the functions of the JSE.
- Distinguish between simple interest and compound interest.
- Evaluate the impact of the following forms of investment:
 - » Fixed deposits
 - » Unit trusts
- Advise investors on the rights of ordinary shareholders.



INVESTMENT: SECURITIES

THIS IS HOW YOU CAN BEAT ESSAYS!

1. You must write the word **INTRODUCTION**.

- Then write **TWO** short and **FACTS** about any one or combination of the questions in the 4 bullets.

2. Start with the four bullet points numbered (2-5). You can just rewrite these bullet points as your headings, numbered 2- 5 Leave at least 4 to 5 lines open per heading/bullet

- Give 3 to 4 facts per bullet.
- You can then use the extra facts/knowledge you have about a bullet as an Introduction/ and or Conclusion

3. You must **write** the word **CONCLUSION**.

- Then write **ONE** short **FACT** about any one or combination of the questions listed in the "bullets".

SESSION 2: PRESENTATION & DATA RESPONSE

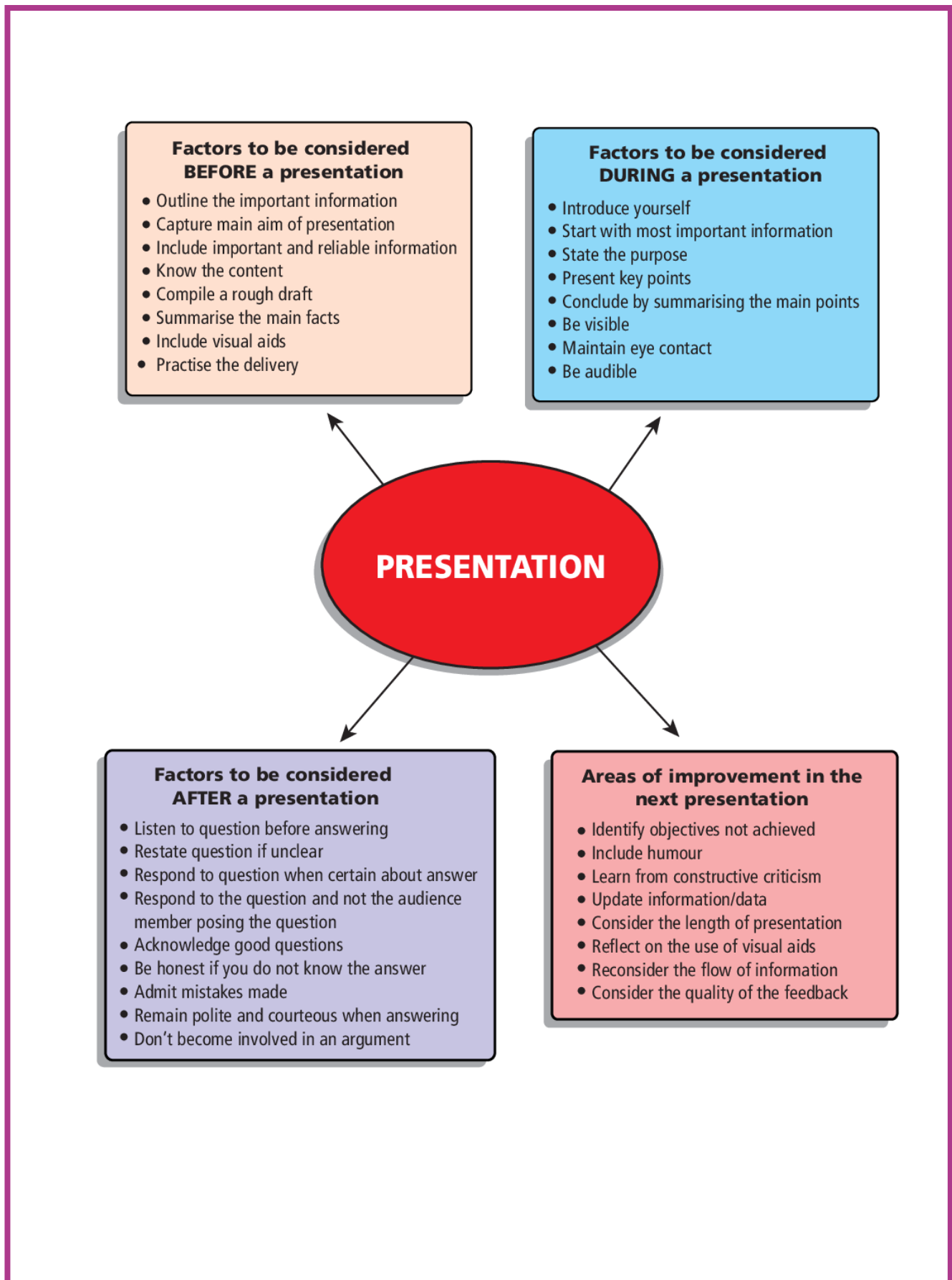
INTRODUCTION

In the contemporary corporate landscape, effective communication and data interpretation are integral components of success. Business leaders must convey ideas persuasively, whether addressing a team or presenting to stakeholders. Moreover, the ability to interpret data is critical for making informed decisions, steering companies towards growth.

Presentation & Data Response skills empower professionals to communicate complex information clearly, fostering collaboration and ensuring that strategic choices are grounded in a thorough understanding of relevant data. Ultimately, this proficiency is a linchpin for achieving excellence and innovation in the dynamic realm of business.

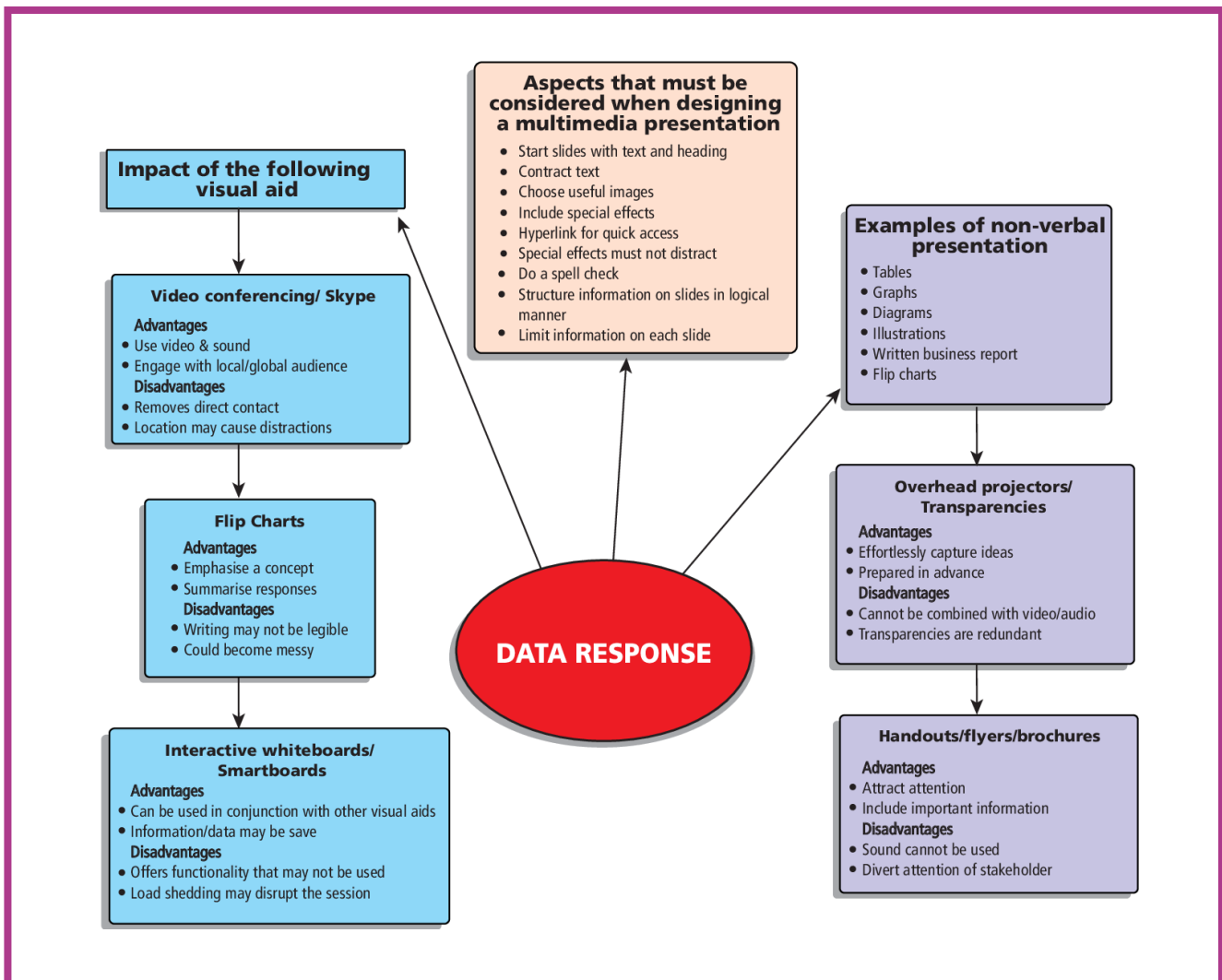


PRESENTATION & DATA RESPONSE





PRESENTATION & DATA RESPONSE



1.1 Indicate which of the following statements refers to factors that must be considered **before, during, or after** the presentation:

- 1.1.1** Prepare yourself for possible clarity questions that your audience may ask.
- 1.1.2** Include information that is important and reliable.
- 1.1.3** Maintain eye contact with the audience during your whole presentation.
- 1.1.4** Respond only to a question when you are certain that you understand the question that was asked.
- 1.1.5** Link your conclusion to the purpose of the presentation.
- 1.1.6** State the purpose of the presentation.
- 1.1.7** Refrain from becoming involved in a debate/argument with the person/s posing the questions.
- 1.1.8** Be familiar with the background of your audience.
- 1.1.9** Don't be afraid to admit mistakes made during the presentation.
- 1.1.10** Use visual aids to enhance the effectiveness of your presentation.

(10 × 1) (10)



PRESENTATION & DATA RESPONSE

QUESTION 1

1.1 List FIVE examples of non-verbal presentations. (5)

1.2 Read the scenario below and answer the questions that follow.

ZUKI SPORTS INC (ZSI)

Zuki Sports Inc was invited to motivate the national soccer team. ZSI requested Thembi, the sales manager, to use slides that were projected on a screen during her presentation.

1.2.1 Identify the visual aid used by ZSI. Motivate your answer by quoting from the scenario above (3)

1.2.2 Discuss the impact of the visual aid identified in QUESTION 1.2.1. (6)

1.3 Advise presenters on areas of improvement in their next presentation. (6)
[20]

Examples of non-verbal presentations

- Tables ✓
- Graphs / bar graph / line graph / histogram / pie chart ✓
- Diagrams ✓
- Illustrations / Pictures / Photographs / Screenshots ✓
- Written business reports ✓
- Flip charts ✓
- Handouts
- Slideshows/Transparencies ✓

NOTE: Mark the first FIVE (5) only

IMPORTANT!

ONE mark

BULLETS 2, 4 & 8 count only for

- Learners should not list more than one example from a category.
- **FOR EXAMPLE** = Bar graph, Line graph, Histogram, Pie chart = 1 x ✓

1.2.1 Type of visual aid from the scenario

Data projector/PowerPoint ✓✓ (2)

Motivation:

ZSI requested Thembi, the sales manager, to use slides that were projected on a screen during her presentation. ✓ (1)

NOTE: Do not award marks for the type of visual aid if the motivation was incorrectly identified.

IMPORTANT!

Remember to write out the quote in full sentence!

“ZSI requested Thembi, the sales manager...” X



PRESENTATION & DATA RESPONSE

1.2.2 Impact of data projector/PowerPoint

ADVANTAGES

- Programs help to convey ideas. ✓
- Easy to combine with audio & videos. ✓
- Simple slides will keep the attention of the audience. ✓

DISADVANTAGES

- Not usable if there is no electricity. ✓
- Audience can lose interest if it is unprofessional. ✓
- Less useful for the visually impaired. ✓

NOTE: In this example, the facts presented are **simplified**, as they are extracted from the one-pager summaries. Learners are encouraged to include an adequate number of facts to meet the total requirement for the question.

IMPORTANT!

- Do not only rely on the one-pager summaries.
- The WCED Core Notes should always remain the main source when studying!

1.3 Areas of improvement in the next presentation

- Identify the objectives not achieved and revise the objectives if necessary. ✓✓
- Infuse humour, at the appropriate time in your presentation. ✓✓
- Learn from constructive criticism to improve your next presentation. ✓✓
- Any other relevant answer related to areas of improvement in the next presentation.

Max (6)

ESSAY TYPE QUESTION

Presenters realise the importance of including a multimedia presentation when designing a presentation. Many presenters prefer to use interactive whiteboards and handouts when doing a presentation. Presenters must reflect on their previous presentations so that they can improve in the next presentation.

Write an essay on presentations in which you include the following aspects:

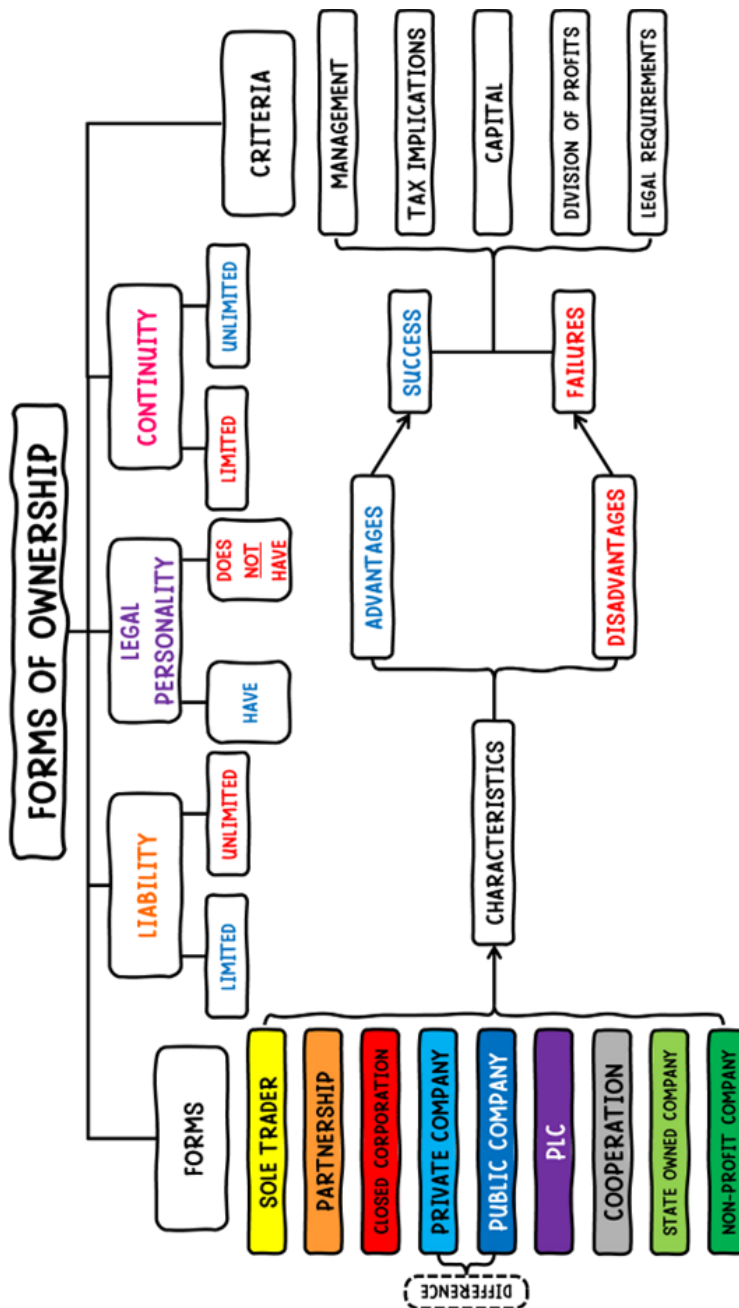
- Outline the factors that must be considered before a presentation.
- Explain the aspects that must be considered when designing a multimedia presentation.
- Discuss the impact of the following visual aids:
 - » Interactive whiteboards/smartboards
 - » Handouts/flyers/brochures
- Suggest areas of improvement for the next presentation to businesses.



SESSION 3: FORMS OF OWNERSHIP

INTRODUCTION

There is more than one possible form of ownership that is suitable for a business, however, the owner(s) of the business must consider various criteria to choose the best option. Entrepreneurs must consider various factors that may contribute to the success and/or failure of a business. Sometimes businesses may need to change their form of ownership as they develop and expand over time.





SESSION 3: FORMS OF OWNERSHIP

SOLE TRADERS

CHARACTERISTICS

- Owned and managed by one person only.
- Easy & cheap to establish = few legal formalities.
- No legal personality = Unlimited liability for all the debts of the business.
- No continuity = Depends on the life of the owner.
- Profit is added to the rest of the owner's taxable income.
- Limited potential for expansion

ADVANTAGES

- Owner can make quick decisions = does not have to consult others & no conflict
- It has a simple management structure.
- Easy to START/END the business
- Only a few legal formalities
- Owner is entitled to all profits.

DISADVANTAGES






- Owner does not have enough knowledge or experience, the business may fail.
- Owner = personally liable for all the debts and losses.
- Not a legal entity and has no continuity
- Growth = restricted due to a lack of capital.
- Owner is responsible for providing all the capital needed.

CRITERIA	SUCCESS	FAILURE
MANAGEMENT 	<ul style="list-style-type: none"> Make quick decisions without consulting others NO conflict in decision-making. May apply his/her own creativity in decision-making. 	<ul style="list-style-type: none"> Rely on own experience & skills Can make incorrect decisions Must do all the administration, management and decision-making.
TAXATION 	<ul style="list-style-type: none"> If the owner makes LESS than a specific yearly amount, they DONT have to pay income tax, and the business's profits also remain untaxed. 	<ul style="list-style-type: none"> If the profits become VERY HIGH, the owner might have to pay MORE taxes from their own money.
CAPITAL 	<ul style="list-style-type: none"> Owners provide all the money, so spending and managing capital will be done carefully.. 	<ul style="list-style-type: none"> The owner is responsible for any capital borrowed.
DIVISION OF PROFITS 	<ul style="list-style-type: none"> Owner receives all profits which can lead to capital growth. 	<ul style="list-style-type: none"> No profit affect owner's income and livelihood.
LEGAL REQUIREMENTS 	<ul style="list-style-type: none"> It is easy/inexpensive to start. There are limited regulatory requirements regarding the name of the business. 	<ul style="list-style-type: none"> Personal debts and business debts are one. The business has no continuity because it depends on the life of the owner.



SESSION 3: FORMS OF OWNERSHIP

PARTNERSHIPS

ADVANTAGES	CRITERIA	SUCCESS	FAILURE
<p>CHARACTERISTICS</p> <ol style="list-style-type: none"> Starting needs only a written partnership agreement = NO formal legalities. Business name = NO legal requirements. Partners pool capital OR can borrow from financial institutions. Partners share unlimited liability for business debts. Profit sharing follows partnership agreement. Auditing partnership's financial statements is optional. Partners jointly manage responsibilities and decisions. Partners, not partnership, pay income tax individually. Partnership lacks legal personality and continuity. 	<p>MANAGEMENT</p>  <p>Partners <u>involved</u> in management <u>share ideas</u>.</p> <p>Not all partners must manage = they can <u>appoint capable managers</u>.</p> <p>Partnership is <u>TAX-FREE</u> = Partners pay <u>INDIVIDUALLY</u>.</p> <p>TAXATION</p>  <p>Multiple partners contribute capital = <u>increasing funding</u> potential.</p> <p><u>Shared responsibility</u> ensures <u>cautious spending</u>.</p> <p>CAPITAL</p>  <p>Share profits based on: (1) contributions (2) partnership agreement = <u>reducing misunderstandings</u></p> <p>DIVISION OF PROFITS</p>  <p>LEGAL REQUIREMENTS</p>  <p>Quick & cheap set up = <u>partnership agreement</u>.</p> <p>Higher motivation stems from <u>personal assets</u> being at risk.</p> <p>Business <u>name</u> lacks required regulations.</p>	<p>Decision-making is <u>time consuming</u> as all partners must <u>agree</u>.</p> <p>Differing <u>personalities</u> and <u>opinions</u> can lead to <u>conflicts</u>.</p> <p><u>Withdrawal</u> of <u>extra cash</u> by partners to cut taxes could lead to partnership <u>cashflow issues</u>.</p> <p>Not all partners might have <u>enough capital</u> for business <u>needs</u>.</p> <p>Some partners <u>contribute expertise</u> rather than <u>cash</u>.</p> <p>Work done might <u>not match</u> profits, causing potential <u>unhappiness</u>.</p> <p>If one partner <u>dies/retires</u> = <u>new agreement</u> must be drawn up.</p> <p><u>Verbal</u> agreements = lead to <u>conflicts</u>.</p> <p>Partners can <u>individually sue</u> or face lawsuits = <u>NO legal status</u>.</p>	
<p>DISADVANTAGES</p> <ol style="list-style-type: none"> Partners face <u>unlimited liability</u>, risking personal assets. Differing partner personalities can cause <u>conflicts</u>. Lack of <u>continuity</u>: partner changes require new partnerships. Uneven capital contributions among partners. Shortage of <u>capital</u> and <u>cash</u> flow can occur. 			



SESSION 3: FORMS OF OWNERSHIP

PRIVATE COMPANY

ADVANTAGES	CRITERIA	SUCCESS	FAILURE
<p>1. Legal personality = shareholders enjoy limited liability.</p> <p>2. Offer potential for long-term growth.</p> <p>3. Companies pay tax at a fixed rate.</p> <p>4. A skilled Board of Directors make decisions.</p> <p>5. New Act imposes personal liability on Directors in reckless/fraudulent business.</p>	<p>MANAGEMENT</p> <p>TAXATION</p> <p>CAPITAL</p> <p>DIVISION OF PROFITS</p> <p>LEGAL REQUIREMENTS</p>	<ul style="list-style-type: none"> Competent <u>skilled director</u> improves management. Director <u>accountability</u> to shareholders enhances management. Pays <u>fixed tax rate</u> on profits. <u>Tax rebates</u> for CSI projects. Not evading tax helps them get government <u>tenders</u> and renew <u>licenses</u>. Raise capital by <u>issuing shares</u> to shareholders. <u>No shareholder limit</u> allows raising significant capital. High profits <u>boost</u> company <u>success</u> and <u>share value</u>. Profits can fuel business <u>growth</u> through <u>reinvestment</u>. Companies Act <u>simplifies</u> formation <u>procedures</u>. <u>Limited liability</u> encourages <u>risk-taking</u> and business <u>growth</u>. <u>Auditing</u> assures <u>proper</u> management. 	<ul style="list-style-type: none"> Director <u>fees</u> raise <u>expenses</u> = <u>lowering net profit</u>. Large management <u>structure</u> = <u>delays decision-making</u>. <u>Double taxation</u> (with shareholders paying secondary tax) <u>discouraging</u> new investors. <u>Limited</u> share <u>sales</u> prevent significant business <u>growth</u>. Capital is <u>restricted</u> due to private shareholder <u>contributions</u>. Shareholders might <u>sell shares</u> during <u>low dividends</u> = <u>drop</u> in share <u>prices</u>. <u>Inconsistent dividend payouts</u> can <u>discourage new investors</u>. <u>Non-compliance</u> may lead to <u>license withdrawal</u> by CIPC. Required annual financial statement <u>audits</u> can be <u>expensive</u>.
<p>CHARACTERISTICS</p> <ol style="list-style-type: none"> Name must end with (Pty) Ltd. Min 1 Shareholder and NO Max limit of shareholders. Min 1 Director required by law. Must register with CIPC through a Memorandum of Incorporation (MOI). Raise capital by issuing shares to shareholders, NOT to the public. Investors invest capital to earn dividends from profits based on NUMBER of shares held. The company has legal personality and unlimited continuity. Auditing financial statements is optional. 	<p>DISADVANTAGES</p> <ol style="list-style-type: none"> Starting a company requires substantial capital. More shareholders mean fewer dividends. Must prepare annual financial statements Financial statements require qualified review = extra cost. Pays tax on the profits & declared dividends = double taxation. 		



SESSION 3: FORMS OF OWNERSHIP

PUBLIC COMPANY

CHARACTERISTICS

1. Name must end with ltd.
2. Min. 1 Shareholder is needed to start a public company.
3. Min. 3 Directors & Shareholders required by law.
4. Must register with CIPC through a Memorandum of Incorporation (MOI).
5. The company has legal personality and unlimited continuity.
6. Can issue a Prospectus to the public to raise capital.
7. Shareholders have limited liability.
8. Directors can be personally liable for reckless/fraudulent actions.
9. Public companies is required to hold Annual General Meetings.
10. Auditing financial statements is mandatory for transparency.
11. Investors invest capital to earn dividends from profits based on NUMBER / TYPE of shares held.

ADVANTAGES

1. Shareholders can appoint knowledgeable directors.
2. Shares can be freely bought and sold.
3. Shareholders can freely transfer shares.
4. Public access to information motivates share purchases.
5. Additional funds raised by issuing shares or debentures.

DISADVANTAGES

1. Compulsory and costly financial audits.
2. Mandatory financial disclosure to shareholders.
3. Expensive and complex setup due to legal requirements.
4. Legislative delays and potential disagreements.
5. Public financial information can aid competitors.

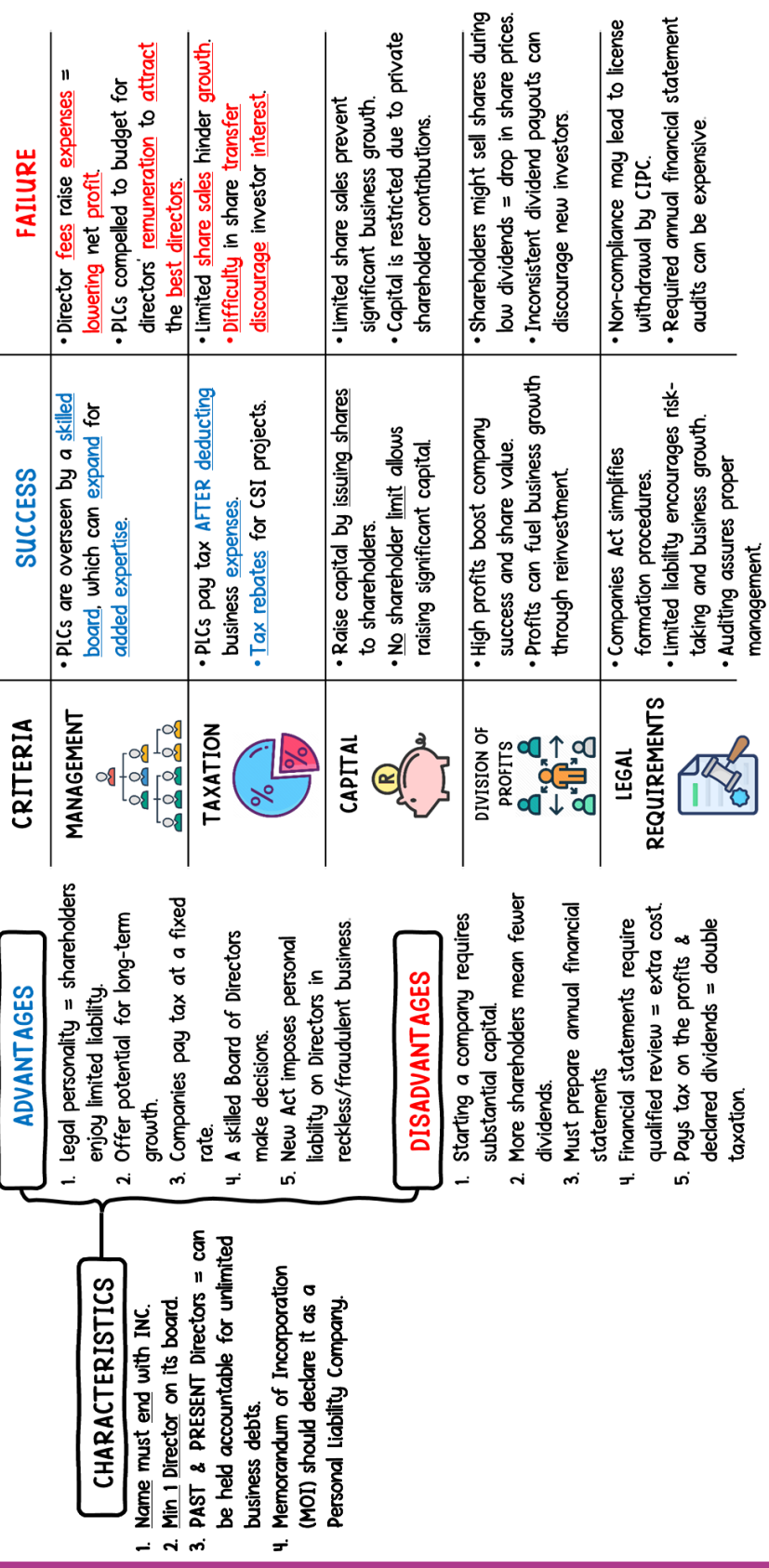
CRITERIA	SUCCESS	FAILURE
MANAGEMENT 	<ul style="list-style-type: none"> • <u>Skilled board</u> enhances decision-making. • <u>Shareholders vote</u> for capable directors at <u>AGM</u>. 	<ul style="list-style-type: none"> • Director <u>fees</u> raise <u>expenses</u> = <u>lowering</u> net <u>profit</u>. • Large management <u>structure</u> = <u>delays</u> <u>decision-making</u>.
TAXATION 	<ul style="list-style-type: none"> • Pays <u>fixed tax rate</u> on profits. • <u>Tax</u> rebates for CSI projects. • Not evading tax helps them get government <u>tenders</u> and renew <u>licenses</u>. 	<ul style="list-style-type: none"> • <u>Double taxation</u> (with shareholders paying secondary tax) <u>discouraging</u> new investors.
CAPITAL 	<ul style="list-style-type: none"> • Shares listed on <u>JSE</u> for <u>wider</u> investor reach. • Can <u>increase capital</u> by selling <u>shares</u> and <u>debentures</u> to the public. 	<ul style="list-style-type: none"> • Share prices <u>change</u> all the time and they may <u>lose value</u>. • <u>MORE shares</u> = <u>MORE dividends</u> paid out = <u>LESS</u> retained <u>profits</u>.
DIVISION OF PROFITS 	<ul style="list-style-type: none"> • High profits <u>boost</u> company success and <u>share value</u>. • Profits can fuel business <u>growth</u> through <u>reinvestment</u>. 	<ul style="list-style-type: none"> • Shareholders might <u>sell shares</u> during <u>low dividends</u> = <u>drop</u> in share <u>prices</u>. • <u>Inconsistent dividend payouts</u> can <u>discourage</u> <u>new investors</u>.
LEGAL REQUIREMENTS 	<ul style="list-style-type: none"> • Must <u>comply</u> with the Companies Act. • <u>Limited liability</u> encourages <u>risk-taking</u> and business <u>growth</u>. • <u>Auditing</u> assures <u>proper</u> management. 	<ul style="list-style-type: none"> • <u>Non-compliance</u> may lead to <u>license withdrawal</u> by CIPC. • Required annual financial statement <u>audits</u> can be <u>expensive</u>.



SESSION 3: FORMS OF OWNERSHIP

PERSONAL LIABILITY COMPANY

Characteristics, Advantages & Disadvantages of a PLC are the same as the Private Company except for...



ADVANTAGES

- Legal personality = shareholders enjoy limited liability.
- Offer potential for long-term growth.
- Companies pay tax at a fixed rate.
- A skilled Board of Directors make decisions.
- New Act imposes personal liability on Directors in reckless/fraudulent business.

DISADVANTAGES

- Starting a company requires substantial capital.
- More shareholders mean fewer dividends.
- Must prepare annual financial statements
- Financial statements require qualified review = extra cost.
- Pays tax on the profits & declared dividends = double taxation.

CHARACTERISTICS

- Name must end with **INC**.
- Min. 1 Director on its board.
- PAST & PRESENT Directors = can be held accountable for unlimited business debts.
- Memorandum of Incorporation (MOI) should declare it as a Personal Liability Company.



SESSION 3: FORMS OF OWNERSHIP

NON-PROFIT COMPANY

CRITERIA	SUCCESS	FAILURE
MANAGEMENT 	<ul style="list-style-type: none"> • Min 3 Directors required for effective management. • Additional directors can be appointed for diverse skills required. 	<ul style="list-style-type: none"> • Large management structure can slow down decision-making. • Directors remain responsible for company losses & costs.
TAXATION 	<ul style="list-style-type: none"> • Possible tax exemption eligibility based on specific criteria. • Potential for tax rebates through active community project involvement. • Unlimited founders can invest additional capital. • Easy to raise funds due to tax rebates for donors. 	<ul style="list-style-type: none"> • Must meet certain requirements to be tax exempted, e.g. operations must be exclusively for charity • Taxed on income for non-business related activities • Primary capital source = donations, thus limiting growth. • May struggle to raise funds if donations are misused.
CAPITAL 	<ul style="list-style-type: none"> • Profits of the company are used to finance other needs of the company. 	<ul style="list-style-type: none"> • Discourage potential investors from investing in the company as this is a non-profit company.
DIVISION OF PROFITS 	<ul style="list-style-type: none"> • Financial statements are audited resulting in good use of resources. 	<ul style="list-style-type: none"> • Formation procedures are time consuming / complicated / expensive, as many legal documents need submitted.
LEGAL REQUIREMENTS 		

- ADVANTAGES**

 1. Surplus income aids goal advancement.
 2. Donors receive **tax deductions**.
 3. Can obtain **grants/financial aid**.
 4. **Non-profit income** often tax-exempt.
 5. The company has legal **personality and unlimited continuity**.
 6. Offers social services to communities.

DISADVANTAGES

 1. Need professional assistance to set up this organisation
 2. Assets not distributed to members if organization closes.
 3. Creating a non-profit company takes **time / effort / money**.
 4. Obtaining grants = slow & **iring** process.
 5. NOT allowed to pay **bonuses** to members.

- CHARACTERISTICS**
1. Name must end with NPC.
 2. NPCs exist to provide **service** and **NOT** to **make a profit**.
 3. Funded by **donations** and **foreign funding**.
 4. All profits must be dedicated to primary objectives.
 5. Must register with CIPC through a Memorandum of Incorporation (MOI).
 6. Qualifying NPCs = granted **tax-exempt status**.



SESSION 3: FORMS OF OWNERSHIP

COOPERATIVES

CHARACTERISTICS

- Name must include 'Co-operative limited'.
- Min 5 Members to initiate.
- Min 3 Directors to manage.
- Decisions are democratically made through member voting.
- Objective = to generate mutual benefits for its members.
- Co-operatives prioritize service over profit.
- Members collectively own, manage, and equally share profits of the business.
- As legal entities it can (a) possess land & (b) operate bank accounts.
- Registration with the Registrar of Co-operative Societies is mandatory.

ADVANTAGES

- Limited liability = business responsible for debts.
- Democratic management is upheld with equal voting rights for each member.
- Simpler formation processes compared to companies.
- Meeting specific criteria = can secure financial aid from the Dep. of Trade & Industry.
- Profits shared based on individual transaction volumes.

DISADVANTAGES

- Capital of Co-ops are limited.
- Financial statements must be audited.
- Shares are not freely transferable.
- Decisions are often difficult to reach and time-consuming.
- Skilled business leaders are often scarce in co-operatives.

CRITERIA	SUCCESS	FAILURE
MANAGEMENT 	<ul style="list-style-type: none"> Can appoint their <u>management</u>. Members = <u>one vote each</u> & decisions are made <u>democratically</u>. 	<ul style="list-style-type: none"> <u>Decisions</u> are often <u>difficult</u> to reach. Not all directors are <u>capable</u> of <u>good management</u>.
TAXATION 	<ul style="list-style-type: none"> <u>Dividends</u> declared by a company to a cooperative will be <u>exempted</u> from <u>dividend tax</u>. 	<ul style="list-style-type: none"> Taxed at the <u>same rate</u> as <u>companies</u> = which may be <u>high</u>.
CAPITAL 	<ul style="list-style-type: none"> Raises its capital by <u>issuing</u> shares to members Meeting specific criteria = can secure <u>financial aid</u> from the <u>Dep. of Trade & Industry</u> <u>Each member</u> has an <u>equal</u> share in the co-op. 	<ul style="list-style-type: none"> Capital of a co-operatives are <u>limited</u> and therefore it is <u>difficult</u> to <u>grow</u>.
DIVISION OF PROFITS 	<ul style="list-style-type: none"> Must <u>register</u> with the <u>Registrar of Cooperatives Societies</u>. Formation process is <u>easier</u> than companies 	<ul style="list-style-type: none"> <u>Motivated</u> by <u>service</u> rather than <u>profit</u> = <u>less profit</u> for members.
LEGAL REQUIREMENTS 	<ul style="list-style-type: none"> Formations process is <u>timeous</u>. 	



SESSION 3: FORMS OF OWNERSHIP

ESSAY TYPE QUESTION

Partnerships have been very popular as a form of ownership. The extent to which owners are liable for the debt, made more entrepreneurs considering private and public companies as a form of ownership. Lately more companies are converting to public companies as it is more likely to be successful.

Write an essay on forms of ownership in which you include the following aspects:

- Outline the characteristics of a partnership.
- Explain the differences between *limited liability* and *unlimited liability*.
- Differentiate between a *private company* and a *public company*.
- Advise businesses on how the following criteria contribute to the success and/or failure of a public company:
 - » Legislation
 - » Management.

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1. Read the FOUR statements of the Preamble
 - Each statement refers to a question.
 - **DO NOT** rewrite any of these statements in the essay.
2. Read the questions.
 - The cognitive verb indicates HOW your essay will be marked.
 - Remove the cognitive verb to create headings that will be used in the body.
3. Use the 6 point plan to develop the framework of your essay.
 1. Introduction:
 2. Bullet / Heading 1:
 3. Bullet / Heading 2:
 4. Bullet / Heading 3:
 5. Bullet / Heading 4:
 6. Conclusion:

TIPS!