
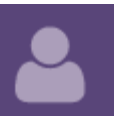

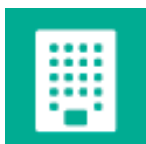





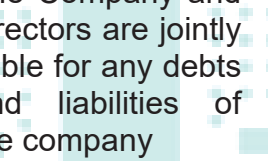

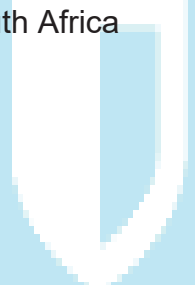




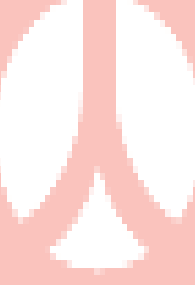
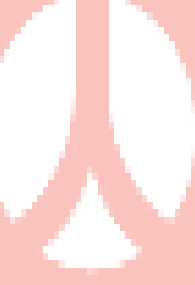
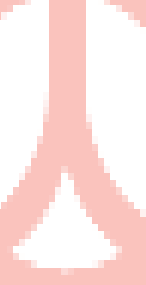







## FORMS OF BUSINESS OWNERSHIP – COMPANIES (Revision)

	Company Type	Ownership	Profit Distribution	Liability	Annual Obligations	Additional Notes
<b>1</b>	 <p><b>Non Profit Company (NPC)</b> e.g. Church</p> <p>Non Profit Companies are set up for the benefit of the public. Their aim is not to make a profit but to provide a service</p>	<p>Must be incorporated by at least 3 persons for public benefit.</p> <p>A minimum of three directors</p>	<p>Income and property of the Non Profit Company may not be distributed</p> <p>Only reasonable compensation for services rendered by them may be taken.</p>	Limited. The owners are <b>not</b> personally liable for the debts of the company	Annual Audits	A company is a legal person. The <b>assets</b> and <b>liabilities</b> of a company belong exclusively to the company and not to the shareholders.
<b>2</b>	 <p><b>Private Company (PTY Ltd)</b> E.g. Franchise Business, Private School.</p> <p>This is the most popular form of business ownership. Most companies are owner managed.</p>	<p>Directors minimum of 1</p> <p>Shareholders 1 – 50</p> <p>The director and shareholder may be the same person.</p>	<p>Private Companies may not offer shares to the public in order to raise funds</p> <p>Share certificates are issued to the shareholders as legal proof of ownership of the number of shares.</p>	Limited	No annual audits required <b>if</b> the directors are the only shareholders.	Companies that have a customised MOI can either impose or waiver requirements such as audits
<b>3</b>	 <p><b>Public Company (Ltd)</b> E.g. Tiger Brands.</p> <p>Only Public Companies may be listed on the Johannesburg Stock Exchange (JSE)</p>	<p>Minimum 3 Directors</p> <p>Minimum of 7 Shareholders – unlimited</p>	<p>Public companies may offer shares to the public to raise funds</p> <p>Profits that are shared are called dividends</p>	Limited	<u>Must be audited</u> and must produce <u>Financial Statements</u> to the shareholders annually	Act will require Audit, Social and Ethics committees. Public Companies raise funds by offering shares to the public.

	Company Name	Ownership	Profit Distribution	Liability	Annual Obligations	Additional Notes
4	 <p><b>Personal Liability Company (Incorporated, Inc.)</b> E.g. Doctors and lawyers</p>	 <p>Minimum 1 Director</p>	  <p>As per MOI</p>	 <p><b>Unlimited Liability</b> as per MOI.</p>	 <p>No annual audits required by law, but may be included in the MOI</p>	 <p>The Company and directors are jointly liable for any debts and liabilities of the company</p>
5	 <p><b>State Owned Company (SOC Ltd)</b> E.g. Eskom In most countries, the State (Government) set up companies to provide goods and services to the population. These services include transport, water and sanitation and energy.</p>	 <p>Government of South Africa</p>	 <p>State Income</p>	 <p>Limited</p>	 <p>Annual Audits</p>	
6	 <p><b>External (Foreign) Company</b> E.g. Mercedes Benz (Germany), Cotton On (Australia) The majority of foreign companies undertaking transactions or making investments in South Africa are <b>not</b> required to register as external companies.</p>			 <p>Limited</p>		 <p>An external company must have at least 1 office in South Africa. Unnecessary formalities encourage foreign companies to do business in South Africa</p>

**FORMS OF BUSINESS OWNERSHIP – CO OPERATIVES, CLOSE CORPORATIONS AND SOLE PROPRIETORS**

	<b>Type of Business</b>	<b>Ownership</b>	<b>Profit Distribution</b>	<b>Liability</b>	<b>Annual Obligations</b>	<b>Additional Notes</b>
<b>A</b>	 <p><b>Co-operatives</b> are also registered with the CIPC. E.g. Eco – City In Ivory Park, Midrand. Co-operatives usually start with a social need. There are people who can provide the labour, others the raw materials and then others capital goods. These people come together and form a co-operative to fulfil the social need.</p>	<p>Co ownership. No limit to the number of members. All are active working members. Equal Rights and responsibilities. Democratic, self-determination.</p>	<p>Equitable (Equal) share of surplus. Paid out to each member called “patronage”.  Equitable share of net surplus/deficit</p>	Equitable Liability of each member		<p>Co-operatives can be organised in ANY sector. They can be organised by many different people for many different reasons. Members have access to the financial records.</p>
<b>B</b>	 <p>Under the new Companies Act, new <b>Close Corporations</b> are not allowed to be registered. Close Corporations registered prior to the new Companies Act may still exist and continue to</p>	1 – 10 members	Each member is allocated a percentage % of the CC’s profit as agreed upon.	Limited Liability	No Audits required by law	Close Corporations have to comply with the new Act with regards to name reservation, liquidations, deregistration and restoration
<b>C</b>	 <p><b>Sole Proprietors</b> e.g. Garden Service</p>	Sole (One) owner	Owner takes all the profits	<b>Unlimited Liability.</b>		The owner is taxed personally in the form of Income Tax which is higher than company tax.

## D THE FRANCHISE

A **Franchise** is an **agreement** whereby **one person** with an **excellent product (franchiser)** **sells the right to use the business name** and **sells its product or service to another person (franchisee)** in **accordance with various stipulations** e.g. **corporation image** and **product/service quality**. A franchise can be registered as a **Company**.

### Characteristics of a franchise

- 5.1 The **franchisee** owns a **business** and **pays a certain percentage (%) of the sales (royalties)** to the **Franchiser**.
- 5.2 **Entrepreneurial and management assistance** is given by the **Franchiser** to the **Franchisee**.
- 5.3 It is **very expensive** to buy a **franchise**.



Date: \_\_\_\_\_

1. Paste an example of a franchise advertisement or logo

2. Tabulate 2 advantages and 2 disadvantages of owning a franchise.



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