

## CHAPTER

# 1

## Summary

Definition	Explanation
Private Company	A company where the shares are traded privately and having 1–50 shareholders.
Public Company	A company where shares are issued to the public and has a minimum of one shareholder.
Companies Act	Legislation that also identifies the different people involved in a company and what their rights and responsibilities are.
Registrar of Companies	All companies in South Africa should be registered with the Registrar of Companies and should comply with all the relevant provisions of the Companies Act.
Memorandum of Incorporation	Defined as a document that sets out the rights, duties and responsibilities of shareholders, directors and others within a company.
Income tax	Income tax is a tax levied on all income and profit received by the company.
Provisional Income tax	Payment made to SARS in order to meet their tax liability in two payments before the final assessment is received.
Dividends	Distribution of a portion of a company's earnings to its shareholders as declared by the Board of Directors.
Shares	Unit of ownership in a company.
Issue price	The price that is paid for a unit of share in a company.
Earnings	The after tax profit that a company produces during a specific financial period.
Shareholders	Owners of a company.
Director	An individual elected by the shareholders to oversee the management of the company.
Auditor	An individual elected by the company to audit the books of the company.
Limited liability	The company is liable for its own debts and in case of insolvency the owners are limited to the amount they have invested.
Separation of ownership	A separate legal entity and the owners of the company do not have to manage the business and/or run the company.
Retained income	Accumulation of profits from one financial year to the next.
Authorised share capital	The maximum stipulated amount for which shares can be issued.
Issued share capital	The value of the shares already issued by the company.
JSE	Based in Sandton, South Africa where shares are purchased and sold.
IFRS	Guidelines for the preparation of Financial Statements of companies to ensure a degree of consistency in the reporting of accounting practices across the world.
GAAP	A widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the Financial Accounting Standards Board.
Business entity	The owners' and the company's financial affairs should be kept separately.
Historical cost	All assets of the company are recorded at their cost price.
Going concern	The company will continue into the foreseeable future.
Matching	Expenses and income are recorded in the same accounting period.
Prudence	The financial results of the business should be shown on a conservative basis.
Materiality	Items that are important should be reflected separately.

## Bookkeeping

Transaction	Account debited	Account credited	Accounting Equation		
			A	E	L
Issue of shares	BANK	ORDINARY SHARE CAPITAL	+	+	0
Buying back shares	BUY-BACK OF SHARES	BANK	-	-	0
Interest on loan capitalised	INTEREST ON LOAN	LOAN	0	-	+
Provisional Income tax	SARS (INCOME TAX)	BANK	-	0	-
Income tax	INCOME TAX	SARS (INCOME TAX)	0	-	+
Dividends paid	DIVIDENDS ON ORDINARY SHARES	BANK	-	-	0
Dividends declared	DIVIDENDS ON ORDINARY SHARES	SHAREHOLDERS FOR DIVIDENDS	0	-	+
Directors' fees	DIRECTORS' FEES	BANK	-	-	0
Auditor's fees	AUDITOR'S FEES	BANK	-	-	0

## Careers

### Company Secretary

#### Job description

A Company Secretary forms an important link between the Board of Directors and various other departments in the company and he also ensures good relations with the shareholders and the public. A Company Secretary is responsible for the creation and maintenance of information systems to be used in decision-making and has to attend Board meetings at which policy is determined. At these meetings he acts in close co-operation with the chairman of the meeting. He has to make important contributions to the discussions and he has to remind directors of the legal, financial and tax implications of their proposals. In his preparation for meetings, he may have to assemble and collate information and present this information in a logical form to enable the Board of Directors to make decisions. After the meetings, the Company Secretary has to draft accurate minutes of the meeting and ensure that the board's policies and decisions are implemented.

**What is satisfying about this job?** You will be involved in all aspects of the company doing a variety of work, working office hours and earning a good salary.

**What is challenging?** Maintaining good relations between the company and its shareholders and being responsible for all administration of the company could be a challenge.

**Training** A National Senior Certificate meeting diploma/degree requirements for diploma/degree course through various educational institutions such as universities of technology or universities. Registration at the South African Institute of Chartered Secretaries and Administrators is compulsory after obtaining your formal qualification.