

CHAPTER

6

Summary

- A CC is a separate legal entity with limited liability.
- It comprises of 1 to 10 owners, known as members.
- The Founding Statement is required to register to CC and the name ends with CC.
- The members' interest in the business is expressed in a percentage.
- The contribution made by the member(s) is known as the members' contribution. The member can contribute cash, an asset, or even render services and ask for it to be regarded as members' contribution.
- The members can increase and decrease their contribution at will.
- Members are allowed to borrow monies from the company (Loan to ... which is an asset) and lend the company monies (Loan from ... which is a liability).
- CCs also pay Income tax
- Member profits are known as DISTRIBUTION TO MEMBERS and any amount owing is entered in the DISTRIBUTION PAYABLE TO MEMBERS.
- Differences between the Company and CC Financial Statements:

	Company	Close Corporation
Income Statement	Sales Cost of sales Gross profit Other operating income Gross operating profit Operating expenses (Directors' fees included) Operating profit Interest income Interest expense Income tax Net profit	Sales Cost of sales Gross profit Other operating income Gross operating profit Operating expenses (services rendered included) Operating profit Interest income (interest on Loan to members included) Interest expense (Interest on Loan from members included) Income tax Net profit
Balance Sheet	Non-current asset Fixed deposit Financial assets	Non-current asset Fixed deposit Financial assets (include Loan to members)
	Equity Shareholders' Equity ordinary share capital and retained income	Equity Members fund members contribution retained income
	Non-current liabilities Loan	Non-current liabilities Loan Loan from member
	Current liabilities Trade and other payables notes Shareholders for dividends	Current liabilities Trade and other payables notes Distribution payable to members