# Study @ Master

**Support Pack | Grade 12** 



## Accounting

### Ledger accounts and Accounting equation

This revision pack for **Accounting Grade 12** provides support for learners revising the most important concepts and principles covered in the CAPS curriculum. These include concepts relating to companies, the acquisition of Fixed assets, inventories, VAT, Manufacturing and cost accounts, and budgeting. Summaries of the GAAP principles, theory of Accounting, and the format of Debtors and Creditors control accounts are provided. Furthermore, a detailed table to summarise the interpretation of Financial Statements is provided.

You have permission to print or photocopy this document, and to distribute it electronically via email or WhatsApp.

Cambridge University Press Africa is a proudly South African publisher – we are providing this material in response to the need to support teachers and learners during the school shutdown and for the remainder of the 2020 school year.

For more information on our *Study & Master* CAPS-approved textbooks and valuable resource material, visit <a href="https://www.cambridge.org">www.cambridge.org</a>

We are all in this together!

## Revision 1 Companies: Concepts, ledger accounts and the accounting equation

### 1. Important concepts relating to companies

**Annual General Meeting or AGM:** a formal meeting that is held once a year

Limited liability: The concept whereby a person's financial liability is limited to the amount invested in the company.
The investor is not personally responsible for the debts and obligations of the company.

**Separation of ownership from control:** One group of people, the directors, is responsible for managing the money contributed by another group of people, the shareholders.

#### Private company:

Its Memorandum of incorporation prevents it from offering securities to the public and restricts the transferability of securities

**Public company:** When the public is invited to buy shares and these shares can be transferred freely

### **Companies Act**

Regulates all matters pertaining to companies

**Legal entity:** Has legal capacity to enter into agreements or contracts, assume obligations, incur and pay debts, sue and be sued in its own right, and to be held responsible for its actions

Johannesburg Stock
Exchange (JSE): A place where
shareholders can buy and sell
shares according to certain
rules

**Promoters:** The initial group of people who decided to start a company

**Directors:** A member of the board that governs and control a company

**Directors' fees:** Remuneration of directors

**Shareholders:** People who own shares in a company

### Persons / Institutions

Chief Executive Officer (CEO):

The managing director who controls the work of the other directors

### **Registrar of Companies:**

Shall exercise the powers and perform the duties assigned to the Registrar by the Companies Act

**Audit fees:** Remuneration of auditors

**Auditors:** People who are appointed and authorised to examine the accounting records of a company

**Issued shares:** The number of shares the company has actually sold

**Shares register:** A record that is kept of every shareholder and the number of shares he/she owns

**Buying back shares:** When a company buys back its own shares on the Stock Exchange

**Authorised shares:** The maximum number of shares a company's Memorandum of Incorporation permits it to issue

**Shares**A share indicates a single unit of ownership in a company

**Corporate governance:** Refers to a set of principles, systems and rules by which a company is governed

### Memorandum of Incorporation

(MOI): A document that sets out the rights, duties and responsibilities of shareholders, directors and others within and in relation to a company

#### Notice of Incorporation:

(or Certificate of Incorporation)
A formal announcement to the public, indicating the formation of a new legal entity

#### Registration certificate:

Issued to a company to state that it can commence with business

### **Documents**

**Prospectus:** A document issued to prospective buyers describing the main features of a company

**Income tax:** A tax that is levied by the government on the income of a company

**Provisional income tax:** A system that allows companies to provide for their final tax liability by paying at least two instalments during the year of assessment

**Tax return form:** Has to be completed in order to file income taxes with SARS every year

**Tax assessment form:** A form that SARS sends to the company to state the amount of income tax that is due

**Dividends:** The part of the profit that is paid out to shareholders

**Interim dividends:** Dividends paid to shareholders during the financial year

**Final dividends:** Dividends declared at the end of the financial year

**Total dividends:** The total amount of dividends for the financial period that is closed off to the *Appropriation* account

### 2. Comparing the differences between the two types of companies

Public company	Private company
One person may incorporate a public company.	One person may incorporate a private company.
The company name ends in 'Limited', abbreviated to Ltd.	The company name ends in 'Proprietary Limited', abbreviated to (Pty) Ltd.
The minimum number of directors is three.	The minimum number of directors is one.
The public is invited to buy shares.	The public is NOT invited to buy shares.
Shares can be transferred freely.	Shares can only be transferred after approval by the board.
Public companies must appoint an auditor, audit committee and company secretary.	Private companies appoint an audit committee only to the extent provided for in the MOI.
All public companies must have audited financial statements that should be presented to shareholders at the AGM within six months after the financial year-end.	Private companies only need to be audited if:  they have assets exceeding a value of R5 million  their public interest score exceeds 750 points  their public interest score is between 300 and 750 and the financial statements were internally compiled.
Public companies must appoint a social and ethics committee.	Private companies only need to appoint a social and ethics committee if their public interest score exceeds 750 points.
Public companies raise capital by issuing shares to the public.	Private companies raise capital by issuing shares to the owners.