



EMSC4 LESSON 1

UNIT STANDARD: 13994

At the end of the Lesson you should be able to:

1. Identify and discuss different types of businesses and its legal implications.

Types of businesses

- Service business – offer/render service to customers e.g. petrol stations, hair salons, doctors, etc.
- Trading business – selling goods and services, e.g. Pick n Pay, Shoprite, Spar, etc.
- Manufacturing business – changes/transforms raw materials into finished goods, e.g. Dairy Belle, Sasol, etc.

Forms of business ownerships are compared

Item	Sole trader	Partnership	Close corporation	Private company	Public company
Ownership	1 person	2 to 20	1 to 10	1 to 50	7 to infinity
Registration	Trading license	Any relevant certificate	CIPC	CIPC	CIPC
Documents	ID	ID	ID, CK1 or CIPRO certificate CK2, CK7,	ID, MOI, Cert Inn., Cert Comm.	Promoter, Cert Inn. , Cert Comm. Prospectus, MOI
Bank account	Owner (FICA)	Partners (FICA)	Members (FICA)	Directors (1)	Directors (2)
Source of income	Owner	Partners	Members and financial institutions	Shareholders and financial institutions	Shareholders and financial institutions

Legal person	Not a legal person	Not a legal person	Legal person	Legal person	Legal person
Liability	unlimited	unlimited	Limited	Limited	Limited
Taxation	Owner and business	Owners and business	Separate (double taxation)	Separate (double taxation)	Separate (double taxation)
Name	No restrictions	No restrictions	End with the word "CC"	End with the word "Pty"Ltd	End with the word "Ltd"
Dissolution	Death Insolvency Retirement	Death Insolvency Retirement Change in number of partners Change in capital contributed	Insolvency Court ruling Agreement by members	Insolvency Court ruling Agreement by shareholders	Insolvency Court ruling Agreement by shareholders

ABBREVIATIONS ON FORMS OF BUSINESS OWNERSHIP AND ITS LEGAL IMPLICATIONS

1. CIPC – Companies and Intellectuals Property Commission.
2. CIPRO – Companies and Intellectual Properties Registration Office.
3. CK7 – Form used for reserving name when applying for close corporation.
4. CK1 – Certificate to commence business for a close corporation.
5. CK2 – Form recording any changes in the ownership of a close corporation.
6. Cert Inn. – Certificate issued by CIPRO for a company to confirm registration.
7. Cert Comm. – Certificate issued by CIPRO for a company to start operating.
8. Legal person – Separate from owners (e.g. ability to own assets, enter into contracts, etc.)
9. MOI – Memorandum of Incorporation lodged with CIPC when registering a company.
10. Promoter – A person acting on behalf of a public company that is to be formed.
11. Prospectus – Invitation to the public to buy shares.
12. Pty LTD – Proprietary Limited
13. Ltd – Limited

Activity 1

Read the following case study and answer the questions below.

Mr. Rhulani has just retired from his work and is due to receive his severance package. He wants to start a business so that he can financially support his family. His interest is a business that will be easy to start and operate on his own. He started renovating his garage and he is eager to start operating the business as soon as possible.

Questions

1. What form of business can Mr. Rhulani start considering his interest? (2)
2. How many people can own this form of ownership? (2)
3. Mention two characteristics of a public company. (4)
4. Mention two advantages of a sole trader. (4)
5. Name any other forms of ownership that you know. (3)
6. Identify the following form of ownership MAXSTEEL PTY Ltd and motivate your answer. (3)

TOTAL: [18]

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