

## SS2 LESSON

SUBJECT: BOOKKEEPING

TOPIC: COMPANY ACCOUNTS

### INTRODUCTION:

A company can be defined as a business owned by an association of people and operated as a legal person on behalf of its owner's with the usual motive of profit maximization e.g. Nestle plc, Cadbury plc, etc.

### Kinds of Companies

- (1). Unlimited Companies
- (2). Company Limited by Shares
- (3). Company Limited by Guarantee.

### Types of Companies

Limited liability companies that have profit as their motive of operation are of two types, namely; private and public.

**PRIVATE COMPANIES:** A private company is defined by section 28 of the company Act 1948 as a company which its articles:

- (a). Restricts the rights to transfer its shares
- (b). Limit the number of its members to fifty
- (c). Prohibits any invitation to the public to subscribe to its shares
- (d). The private company end their names with the word "Limited". Examples in Nigeria are Newswatch Communications Ltd, Vigeo Ltd etc.

**PUBLIC COMPANIES:** These are companies which invite the public to subscribe to its shares. The minimum number of shareholders required to form a public limited company is seven. There is no restriction on the maximum number of shareholders. The name of the company must end with "PLC or Public Liability Company". Examples are Lever Brothers PLC, Nestle PLC, Total PLC, etc.

### FORMATION OF A COMPANY

In the formation of a limited liability company, the following procedures must be followed:

- (1). The first step is to get the promoters. They are individuals who conceive the idea of the

company and undertake to fulfill all legal requirements of the venture.

(2). The following documents will be filed with the Registrar Companies. These are memorandum and article of association and statement of nominal capital.

(3). The documents are stamped and logged with the Registrar of Companies for verification.

(4). When the registrar of companies receives and approves the necessary documents, the registrar issues a certificate of incorporation.

#### ASSIGNMENT:

Explain the following terms:

(1). Memorandum of Association

(2). Articles of Association

(3). Prospectus

(4). Certificate of incorporation.