

## Week7/8 : Company Accounts – Introduction

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### Private Limited Company

Private Limited Companies can be registered with only 2 shareholders but up to a maximum number of 50.

The name of the company should have SDN BHD (in **Malaysia**), or LTD (in **UK**) after its name.

The company can not offer to sell shares (raise capital) to the public.

## Week 7/8 : Company Accounts – Issue

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### *Sources of finance of limited liability company*

#### Ordinary shareholders

##### Investment:

Since they are the owners of the company, they are able to vote the suitable members to seat on board of directors to lead and manage the company. The investment made is not refundable once it is paid.

##### Return on investments:

They receive dividends out of accumulated profits (retained earnings). The *dividends* are not fixed and are determined by board of directors.

# Week 7/8 : Company Accounts – Issue

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## Preference shareholders

### Investment:

Since they are not the owners of the company (do not carry the voting right), their investment is refundable or convertible to ordinary share.



### Return on investment:

They can only receive fixed rate of *dividend* out of its nominal value of the preference share.

## Week7/8 : Company Accounts – Issue

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### Debenture holders

#### Investment:

They purchase fixed interest debenture issued by the company. Once invest made, they will be informed that the company will repay their investment at a future pre-determined date.

#### Return on investment:

Debenture holders will receive semi-annual fixed *interest* on certain date in every financial year until the debenture is called back.

# Week 8

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## Share Capital

This is the amount of share capital that the company is able to raise. This is broken into two main types:

### Authorised Share Capital

This is the maximum amount of share capital the company is legally authorised to raise. It can consist of Ordinary shares and preference shares.

### Issued Share capital

This is the actual amount of share capital that the company had actually raised .

## **Company accounts- continued**

Reserves are the means by which the company is able to increase the retain the profits of the entity. Reserves can be broken into two main types:

### **Capital reserves and revenue reserves**

Capital reserves cannot be used for the purposes of appropriating dividends. Generally, capital reserves consists of Share premium, Capital redemption reserve, Revaluation reserve, Foreign exchange reserve.

Revenue reserves can be used to appropriate dividends as and when necessary.