

## Tutorial 3 – Sahaboolea Zuhair - SE32

1. a)

Advantages of sole proprietorships:

- It is simple and inexpensive to set up.
- The business owner has complete control over all activities.
- It is simple and inexpensive to establish.
- The business owner has complete control over all activities.
- It is the least regulated form of ownership.
- The business and the owner are not taxed separately, which means the owner does not pay personal tax on top of the business tax.

Disadvantages of sole proprietorships:

- The owner is fully and completely liable for all debts and actions of the business.
- The owner is fully and completely liable for all of the business's debts and actions.
- The owner's personal assets, such as the car, house, and land, are subject to seizure if the business's debts must be paid.
- There are no partners to assist with making important decisions and sharing responsibility.
- Long work hours and a large number of responsibilities.

b) 2 sole proprietors in Mauritius:

1. TIPO GRILLADE CO LTD at Port Louis.
2. Selven snack at Pamplemousses

2 reasons why they might be sole proprietors:

1. The owners of both these businesses above are seen working at their premises most of the time themselves.
2. They both own 100% shares on the CBRD records website. (See screenshots)

### Information about TIPO GRILLADE CO LTD

| OFFICE BEARERS |           |                                   |                                    |                |
|----------------|-----------|-----------------------------------|------------------------------------|----------------|
| #              | Position  | Name                              | Address                            | Appointed Date |
| 1              | DIRECTOR  | KURMALLEE MOHAMMAD ZAINUL ABEDEEN | 50 PAUL TOUREAU ST CROIX MAURITIUS | 02/02/2018     |
| 2              | SECRETARY | OZER BIBI FATEMAH ZOHRA           | 50 PAUL TOUREAU ST CROIX MAURITIUS | 02/02/2018     |

  

| SHAREHOLDERS |                                   |               |                 |                 |
|--------------|-----------------------------------|---------------|-----------------|-----------------|
| #            | Name                              | No. of Shares | Type of Shares  | Currency        |
| 1            | KURMALLEE MOHAMMAD ZAINUL ABEDEEN | 100           | ORDINARY SHARES | Mauritius Rupee |

#### Information about SELVEN CHINAN SNACK LTD

| No result to display |               |               |  |                 |
|----------------------|---------------|---------------|--|-----------------|
| OFFICE BEARERS       |               |               |  |                 |
| #                    | Position      | Name          | Address                                | Appointed Date  |
| 1                    | DIRECTOR      | CHINAN SEEVAM | RITOO ROAD ST JULIEN DHOTMAN MAURITIUS | 21/09/2022      |
| SHAREHOLDERS         |               |               |  |                 |
| #                    | Name          | No. of Shares | Type of Shares                         | Currency        |
| 1                    | CHINAN SEEVAM | 100           | ORDINARY SHARES                        | Mauritius Rupee |

#### ii) 3 main steps to start the business:

1. Assuming they already have a business concept in mind, the first step would be to create a business plan.
2. Determine the business form, sole proprietorship, partnership, company, or corporation, based on the nature and scope of the business.
3. Choosing the appropriate location, whether it is a home-based business, a rented space, or a purchased space.

#### iii) 2 more important steps for sole proprietor would be:

1. Registering the company with the Mauritius Corporate and Business Registration Department (CBRD).
2. Register with SME Mauritius, as this membership provides many benefits for small and medium-sized business owners, such as grants for website development.

2. The main reason that unlimited liability can be viewed as a major disadvantage for a sole proprietor is that the owner is solely responsible for the debts of the business. If the snack or the grill fails in the future and stops selling food and owes money to contractors, the bank may seize the proprietor's personal assets, such as his car or house, to settle his debts after the business's assets have been liquidated and are insufficient. Given the recent covid experience, unlimited liability poses a significant risk.

3. If one of the sole proprietors wants to expand the business but cannot do so alone, they could form a partnership. As a result, partners in a new partnership would share the costs of the business, the responsibilities (which would make them less tired), and the liabilities (debts). Although the profit per partner would be lower, the overall profit margin of the expanded business could be significantly higher.

4.

• The state Trading Corporation is neither a C nor a S corporation. It is a private corporation that is partially owned by the government (more than 50%), allowing the government to engage in commercial activities in the same way that any other private corporation would, as opposed to being a public entity. In most cases, it operates as a C-corporation, except that it does not pay taxes and instead pays dividends to the government as its shareholder and funds subsidies for the Mauritian people. All profits are used to fund the STC's operations, investments, and the two aforementioned activities.



#### Notes to Financial Statements for the Financial Year ended 30 June 2020

##### **(xvi) Provisions**

Provisions are recognised when the Corporation has a present obligation as a result of a past event, and it is probable that the Corporation will be required to settle that obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation.

##### **(xvii) Pricing**

Prices of commodities sold by the Corporation are fixed by Government in accordance with the Consumer Protection Regulations and by STC. In order to adhere to Government policy of selling products of basic necessity namely Rice, Flour and LPG for domestic consumption at affordable prices, the Corporation meets any shortfall on these products.

##### **(xviii) Segment Reporting**

A segment is a distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of:-

- (a) evaluating the entity's past performance in achieving its objectives; and
- (b) making decisions about the future allocation of resources. For this purpose, the Corporation reports as separate segments each distinguishable activity or group of
- (c) activities for which financial information should be reported. Thus, the operating result of each product in which STC deals is reported at Note 21.

##### **(xix) Tax**

The Corporation is exempted from payment of tax under section 22 of the State Trading Corporation Act 1982.

**(xx)** The Cash Flow Statement is prepared using the indirect method.



## Message from the Chairman

### Introduction

I have the privilege to present you the Annual Report of the State Trading Corporation (STC) for the financial year ended 30th June 2020. The STC is a State Owned Organisation and is the trading arm of Government. STC is entrusted with the procurement and supply of essential commodities as per direction of the Government through the Parent Ministry. STC operates under the aegis of the Ministry of Commerce and Consumer Protection.

### Overview

It has been a very trying year, where the STC and indeed the world had to face an unprecedented challenge and difficulties caused by the pandemic of COVID 19. The turnover of the STC has been further impacted and now amounts to MUR 23.9 billion for the year. The Corporation has ended this financial year with a deficit of MUR 917.2 million after financing of subsidy from its own funds, payment of

dividend to Government and making a provision for payment of damages as per order of the privy Council... Our reserves at 30 June 2020 stood at MUR 2.9 billion.

Subsidy for the financial year on domestic Liquid Petroleum Gas (LPG), Wheat flour, Ration rice amounted to MUR 1.8 billion out of which an amount of MUR 758.6 million has been directly funded by STC.

In spite of the difficult situation, the STC has paid a Dividend of MUR 500 million to its shareholder, the Government. STC has not resorted to loans for its infrastructure spending.

### Board activities

Board met on 22 occasions at the seat of the STC. There was also much work necessarily done virtually and by Circularised Resolution during the confinement period.

During the year, Mr F Chuttan was replaced by Ms Dr N Luckheenarain then by Mr J.P. Rangan, as Director, representative of the Parent Ministry.

Mr D Kawol left the STC Board on 20th June 2020.

The subcommittees of the Board functioned satisfactorily during this past year.

I emphasise that the procurement of goods and services by the STC are subject to the Public

• Because it is neither a C-corporation nor an S-corporation, the MBC is similar to the STC. It is still a wholly owned government corporation. The only distinction is that it does not engage in commercial activities in order to make a profit. The national licensing fee for the population accounts for 60% of its profit, while ads on its channels, television, and radio account for 40%. According to the MBC Act of 1982, the profits are managed by the director. To be used solely for the operation of the MBC and its expenses, as well as any future investments aimed at improving the MBC's functions. To summarize, STC and MBC operate similarly to C-corporations but are state-owned.

- (a) the appointment, dismissal, discipline, pay and leave of, and the security to be given by, employees;
- (b) the establishment and maintenance of a superannuation scheme, medical benefits and loan funds and the contributions payable thereto and the benefits recoverable therefrom.

**17. Delegation of powers**

Subject to such instructions or rules of a general nature as it may give or make, the Board may delegate to the Director-General such of its powers under this Act as may be necessary to assist in the effective management of the day to day business and activities of the Corporation, other than the power -

- (a) to borrow money;

- (b) to raise loans; or
- (c) to enter into any transaction in respect of capital expenditure which exceeds 100,000 rupees.

**18. Repealed by [\[Act No. 29 of 2000\]](#)**

**19. Right of reply**

- (1) Any person who alleges that his honour, character, reputation or goodwill has been adversely affected by -
  - (a) any matter which has been broadcast by the Corporation, or
  - (b) any political broadcast during any election campaign, may, without prejudice to any right he may have under any other enactment, make a written application in the prescribed form to the Chairman for a right of reply within 5 days of the matter broadcast or within 48 hours of the political broadcast, as the case may be.

such purposes as, in the opinion of the Board, will best promote the interests of the Corporation.

**24. Estimate**

- (1) The Corporation shall, at least 3 months before the end of every financial year, submit to the Minister an estimate of the revenue and expenditure of the Corporation for the next financial year.
- (2) Subject to subsection (3), the Minister shall, before the beginning of the financial year, signify in writing his approval of the estimate.
- (3) Where the Minister signifies his approval under subsection (2), he may -
  - (a) approve part only of the expenditure under any item;
  - (b) direct the Corporation to amend the estimate in respect of any item in such manner as he thinks fit.

**25. Licence fees**

Every person shall, in relation to television broadcasts by the Corporation, pay to the Corporation or to such other person as may be prescribed a licence fee in accordance with the Mauritius Broadcasting Corporation (Collection of Licence Fees) Act 1984.

Amended by [\[Act No. 56 of 1984\]](#)

**26. External Broadcasting services**

- (1) The Minister may, after consultation with the Board, direct the Corporation to provide external broadcasting services to such countries in such languages and at such times as may be specified by the Minister and the Corporation shall comply with the direction.
- (2) The expenses incurred by the Corporation in providing the external broadcasting services mentioned in subsection (1) shall be met from the Consolidated Fund.

**27. Emergency powers**

5.

**THE MAURITIUS CO-OPERATIVE AGRICULTURAL FEDERATION LTD.**

The government of Mauritius founded the MCAF Ltd to act as the spokesman of small sugar cane planters who were facing a lot of difficulties, which they could not solve or discuss neither individually nor at a level of primary societies (Cooperative Credit Societies). Co-ops are controlled by their members. Members have control over setting policies for the co-op and making decisions for the cooperative. Member economic participation: Members contribute to the capital of the co-op democratically and equitably.

6.

- A horizontal merger occurs when the merging companies are in direct competition with one another. For example, before Fiat acquired Ferrari, Fiat saw Ferrari's success in LeMans races and the potential for new technologies developed by Ferrari for the automobile industry.
- A vertical merger is typically between two companies that have a supplier-customer relationship. That is the same industry, but at different stages of production. A merger of a construction company and a cement manufacturing company is one example.
- A conglomerate merger occurs when one company acquires another that is not necessarily a competitor, is not in the same industry, or has a supplier relationship. This is usually done to diversify the acquiring company's or group's business.
- A concentric merger is one in which the companies do business in the same sector but are not competitors or have a mutual relationship, such as supplier-customer.

#### **Horizontal merger -**

- In Mauritius, a horizontal merger would occur if Leal Co Ltd, which imports some German motor brands such as BMW and Mini Cooper, acquired CFAO, which imports Mercedes and Volkswagen, as well as German motor vehicles. The merger would be advantageous because they would save money on shipping costs because they both import from Germany. Staff expertise would also be advantageous because they both have German automobile staff expertise. Another benefit would be increased servicing profits because they would both have mechanics and workshops that could service German engines.

#### **Vertical Merger -**

- An example of a vertical merger would be if Manser Saxon, a construction company, merged with UBP. Manser Saxon is a construction company, and UBP supplies the majority of raw materials needed for construction, such as rock sand and cement. Manser Saxon would not have to rely on suppliers for raw materials, resulting in lower purchasing costs. It would also ensure that Manser Saxon does not purchase raw materials from competitors.

#### **Conglomerate merger -**

- A conglomerate merger is one that involves two companies that are not related horizontally or vertically. That is, they are from different industries and have little in common. In Mauritius, one example of such a merger could be Afrasia Bank merging with Lux Hotels in order to diversify their business and enter a new market entirely. Customers who open a bank account with Afrasia Bank will receive benefits at Lux hotels, which will undoubtedly increase sales for both companies by creating an incentive.

### **Concentric merger -**

- In Mauritius, a concentric merger could occur if toys'r'us, a toy company for children, merged with island kidz, a children's clothing store company. They are not related in any way, but they both sell children's supplies and accessories.