Business Studies: Grade 12

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1. A share is a unit of ownership in a company or financial assets.
2. If you own a share, you literally own a portion within a company.
3. Preference shares.
   Preference shares has medium amount of risk. Preference shares are paid out before ordinary shares because, although they don’t have voting rights, they are guaranteed a specific percentage dividend of the company’s profits in relation to ordinary shares and bonus shares. Hence preference shares are the best type of shares to purchase.
4.

	Definition	**Advantages**	**Disadvantages**
Preference shares	Shares paid out according to a fixed rate and before earnings on any other types of shares are paid out.	• There is less risk • If the business is liquidated they will always get their shares.	• Shares are paid at a fixed amount • If there are no profits there are no dividends paid.
Ordinary shares	Shares that are paid out according to the percentage ownership in the business, and after the earnings on preference shares are paid out.	• The more shares, the higher the dividend payout. • Ordinary shares can be traded on the JSE.	• There is higher risk • Dividends are paid after preference shares