

The Companies Act and Directors' Duties



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Module 1 – The Companies Act and Directors (20 minutes)

This module explains the important concepts used in the Companies Act and sets out some of the tasks that a director must complete before commencing his/her duties

On completion of this module the trainees should be able answer the following questions:

- ▶ What is the Companies Act?
- ▶ Who is a “director”?
- ▶ Who is a “prescribed officer”?
- ▶ Who may not be a director?
- ▶ What should you do before you commence your duties as a director?
- ▶ What are “governing documents”?
- ▶ What are the rules relating to conflicts of interest?
- ▶ May a director delegate power and duties?
- ▶ May a director rely on others?
- ▶ How do you resign as a director?

Module 2 – Directors: Standards of conduct (20 minutes)

The Companies Act codifies high standards of corporate governance and accountability. This module explains the standards of conduct expected of directors by the Companies Act.

On completion of this module you should be able answer the following questions:

- ▶ What standard of conduct is expected of directors?
- ▶ What is meant by “good faith” and “proper purpose”?
- ▶ To whom are your duties owed?
- ▶ What is meant by care, skill and diligence?
- ▶ What does the “business judgement rule” say?
- ▶ What are the consequences if directors breach their duties?
- ▶ May the company indemnify directors for breach of duty?
- ▶ May the company take out insurance to cover directors?



COMPLY!

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Module 3 – Directors' duties (20 minutes)

In module 2, we discussed the standards of conduct required when a director conducts his/her duties. This module explains some of the practical duties that the Companies Act requires directors to execute to these standards.

On completion of this module, you should be able to answer the following questions:

- ▶ What practical duties does the Companies Act require from a director?
- ▶ What are “personal financial interests”?
- ▶ How should directors disclose a personal financial interest?
- ▶ What are the consequences for not disclosing financial interests?
- ▶ What are a companies' Companies Act statutory obligations?
- ▶ When must documents be filed with the CIPC?
- ▶ What records must be kept?
- ▶ What is the Solvency and Liquidity Test?
- ▶ When must the Solvency and Liquidity Test be performed?
- ▶ What steps can you take to ensure correct application of the Solvency and Liquidity Test?
- ▶ When and how may the CIPC require a company to cease trading?
- ▶ When must the business rescue procedures be followed?
- ▶ Who may apply to place a company under business rescue?
- ▶ Who should you contact if you have any questions?



COMPLY!