

Unit 2: Forms of Business organisation

1. Identify form of business organisation from following statements:

- I. Defined as an artificial person, existing only in the eyes of the law with perpetual succession and having a separate legal identity.
- II. Business organisation, which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks.
- III. Business is a business owned and carried on by the members of a Hindu Undivided Family, which is governed by the Hindu law.
- IV. Is a voluntary association of persons who get together to protect their economic interests.
- V. Is defined as an association of two or more persons who agree to carry on a business together and share the profits as well as bear risks collectively.

2. Identify the feature of Sole proprietorship from following statements:

- I. In the eyes of the law, no distinction is made between the sole trader and his business
- II. The right to run the business and make all decisions lies absolutely with the sole proprietor
- III. Hardly any legal formalities are required to start a sole proprietary business
- IV. The risk of failure of business is borne all alone by the sole proprietor
- V. Death, insanity, imprisonment, physical ailment or bankruptcy of the sole proprietor will have a direct and detrimental effect on the life of business
- VI. Owner is personally responsible for payment of debts in case the assets of the business are not sufficient to meet all the debts
- VII. Owner receives all the business profits, which become a direct reward for his risk bearing.
- VIII. Owner is held responsible for all the activities of the business.

3. Identify the merits of Sole proprietorship business from following statements:

- I. There is possibility of entering into business with minimal legal formalities
- II. Owner enjoys considerable degree of freedom in making business decisions.
- III. The need to share profits does not arise, as he/she is the single owner.
- IV. There is a personal satisfaction involved in working for oneself.
- V. A sole trader is also not bound by law to publish firm's accounts.
- VI. The knowledge that one is responsible for the success of the business instils in the individual a sense of accomplishment and confidence in one's abilities.

- VII. Sole decision-making authority enables the proprietor to keep all the information related to business with himself and maintain secrecy.

4. Identify the demerits of Sole proprietorship business from following statements:

- I. If the business fails, the creditors can recover their dues not merely from the business assets, but also from the personal assets of the proprietor
- II. Banks and other lending institutions may hesitate to extend a long term loan to a sole proprietor
- III. Death, insanity, imprisonment, physical ailment or bankruptcy of a proprietor affects the business and can lead to its closure
- IV. Due to limited resources, sole proprietor may not be able to employ and retain talented and ambitious employees
- V. Resources of a sole proprietor are limited to his/ her personal savings and borrowings from others
- VI. A poor decision or an unfavourable circumstance can create serious financial burden on the owner.
- VII. The owner has to assume the responsibility of varied managerial tasks such as purchasing, selling, financing, etc.

5. In Joint Hindu family business head of the family who is the eldest member and is called _____. All members have equal ownership right over the property of an ancestor and they are known as _____

6. After the death of the karta as the _____ takes up the position of karta, leaving the business stable.

7. Minors can also be members of the Joint Hindu family business .YES/ NO

8. Identify the feature of partnership form of business organisation from following statements:

- I. Every partner is both an agent and a principal.
- II. Partners share losses in the same ratio as they share profits
- III. Partnership comes into existence through a legal agreement wherein the terms and conditions governing the relationship among the partners are specified.
- IV. The activities of a partnership firm are managed through the joint efforts of all the partners.
- V. Personal assets of partners may be used for repaying debts in case the business assets are insufficient.
- VI. Death, retirement, insolvency or insanity of any partner can bring an end to the business.

VII. The minimum number of partners needed to start a partnership firm is two and the maximum number of members can be 50

VIII. Decisions are generally taken with mutual consent among partners

9. Partner is _____ of other partners as he represents them and thereby binds them through his acts. He is _____ as he too can be bound by the acts of other partners.

10. Identify the merits of partnership form of business from following statements:

- I. The risks involved in running a partnership firm are shared by all the partners.
- II. A partnership firm can be formed easily by putting an agreement between the prospective partners
- III. In a partnership, the capital is contributed by a number of partners.
- IV. A partnership firm is not legally required to publish its accounts and submit its reports.
- V. There is no compulsion with respect to registration of the firm.
- VI. The partners can oversee different functions according to their areas of expertise
- VII. Anxiety, burden and stress on individual partners is reduced as they know that losses will be shared

11. Identify the demerits of partnership form of business from following statements:

- I. It is difficult for any member of the public to ascertain the true financial status of a partnership firm
- II. A partnership firm is not legally required to publish its financial reports or make other related information public
- III. partnership firms face problems in expansion beyond a certain size
- IV. Partners are liable to repay debts even from their personal resources in case the business assets are not sufficient to meet its debts.
- V. There is a restriction on the number of partners, and hence contribution in terms of capital investment is usually not sufficient to support large scale business operations
- VI. Difference in opinion on some issues may lead to disputes between partners
- VII. Partnership comes to an end with the death, retirement, insolvency or lunacy of any partner.
- VIII. An unwise decision by some one may result in financial ruin for all others.

12. Identify the type of partner from following statements:

- i. Partner is one who allows the use of his/her name by a firm, but does not contribute to its capital
- ii. Partners who do not take part in the day to day activities of the business
- iii. If, through his/her own initiative, conduct or behaviour, he/she gives an impression to others that he/ she is a partner of the firm.

- iv. Partners take actual part in carrying out business of the firm on behalf of other partners.
- v. Partner whose association with the firm is unknown to the general public
- vi. A person who though is not a partner in a firm but knowingly allows himself/herself to be represented as a partner in a firm.

13. Put a or ✓
X mark in

		Active partner	Sleeping partner	Secret partner	Nominal partner	Partner by estoppel	P h o
1.	Capital contribution						
2.	Participate in management						
3.	Share profit/losses						
4.	Unlimited liability						

appropriate column

14. Can Minor become a partner in any firm YES/NO

15. On basis of duration ,partnership is divided in to two categories .Identify type of partnership on basis of following statements:

- i. Partnership formed for the accomplishment of a particular project
- ii. Partnership that can continue as long as the partners want and is terminated when any partner gives a notice of withdrawal from partnership to the firm.

16. On basis of liability, partnership is divided in to two categories .Identify type of partnership on basis of following statements:

- I. Partnership in which the liability of at least one partner is unlimited whereas the rest may have limited liability
- II. Partnership in which the liability of partners is unlimited and joint.
- III. Partnership in which Registration of the firm is optional
- IV. Partnership in which Registration of the firm is compulsory
- V. Partnership in which acts of all partners are binding on each other as well as on the firm

17. The written agreement which specifies the terms and conditions that govern the partnership is called the _____

18. Write any 8 things written in above agreement

19. It is advisable to have a written agreement because _____

20. Is registration of Partnership Optional OR Compulsory

21. There are few consequences of non - registration of Partnership. complete following statements

- i. A partner cannot file case against _____ or _____
- ii. A firm cannot file case against _____
- iii. A firm cannot file case against _____

22. The partners may get the firm registered with the Registrar of firms of the state in which _____

23. The application for registration of partnership should contain the few particulars. Write 6

24. Identify the feature of cooperative society from following statements:

- i. The cooperative society through its purpose lays emphasis on the values of mutual help and welfare.
- ii. The society can enter into contracts and hold property in its name, sue and be sued by others.
- iii. A person is free to join a cooperative society, and can leave anytime as per his desire.
- iv. In a cooperative society, the power to take decisions lies in the hands of an elected managing committee.
- v. The liability of the members of a cooperative society is limited to the extent of the amount contributed by them as capital

- vi. Membership is open to all, irrespective of their religion, caste, and gender
- vii. The right to vote gives the members a chance to choose the members who will constitute the Rationalised managing committee

25. Identify the merits of cooperative society from following statements:

- i. The registration procedure is simple involving a few legal formalities.
- ii. Irrespective of the amount of capital contribution by a member, each member is entitled to equal voting rights.
- iii. Government support them in the form of low taxes, subsidies, and low interest rates on loans.
- iv. A society, operates unaffected by any change in the membership.
- v. Cost of operating cooperative society is very less
- vi. The personal assets of the members are safe from being used to repay business debts

26. Give 3 reasons why it is economical to operate cooperative society

27. Identify the demerits of cooperative society from following statements:

- i. The members who offer honorary services on a voluntary basis are generally not professionally equipped to handle the management functions effectively
- ii. In return of the privileges offered by the government, cooperative societies have to comply with several rules and regulations related to auditing of accounts, submission of accounts, etc.
- iii. As a result of open discussions in the meetings of members as well as disclosure obligations, it is difficult to maintain secrecy
- iv. Internal quarrels arising as a result of contrary viewpoints may lead to difficulties in decision making.
- v. The low rate of dividend offered on investment acts as a deterrent in attracting membership or more capital from the members.
- vi. Cooperative societies are unable to attract and employ expert managers because of their inability to pay them high salaries.

28. Types of cooperative societies

		Consumer's cooperative societies	Producer's cooperative societies:	Marketing cooperative societies	Farmer's cooperative societies	Credit cooperative societies	Cooperative housing societies:
1.	Objective						
2.	Members						

3.	Working						
4.	Distribution of surplus						

29. Identify the features of joint stock company from following statements:

- i. The company being an artificial person cannot sign its name by itself. Therefore, every company is required to have its own seal which acts as official signature of the company.
- ii. Members may come and members may go, but the company continues to exist.
- iii. Like natural persons, a company can own property, incur debts, borrow money, enter into contracts, sue and be sued but unlike them it cannot breathe, eat, run, talk and so on.
- iv. Preparation of several documents and compliance with several legal requirements is required before it can start functioning.
- v. The members can be asked to contribute to the loss only to the extent of the unpaid amount of share held by them.
- vi. The risk of loss gets spread over a large number of shareholders.
- vii. Company's assets and liabilities are separate from those of its owners.

30. Identify the merits of joint stock company from following statements:

- i. A company can afford to pay higher salaries to specialists and professionals.
- ii. Only the assets of the company can be used to settle the debts, leaving the owner's personal property free from any charge.
- iii. As compared to the sole proprietorship and partnership forms of organisation, a company has large financial resources.
- iv. The share of a public limited company can be sold in the market and as such can be easily converted into cash in case the need arises.
- v. A company will continue to exist even if all the members die.

31. Identify the demerits of joint stock company from following statements:

- i. The Board of Directors as such enjoy considerable freedom in exercising their power which they sometimes use even contrary to the interests of the shareholders.
- ii. The Companies Act requires each public company to provide from time-to-time a lot of information to the office of the registrar of companies.
- iii. Communication as well as approval of various proposals may cause delays not only in taking decisions but also in acting upon them.
- iv. Demands posed by different stakeholders pose problems in managing the company as it often becomes difficult to satisfy such diverse interests.
- v. The functioning of a company is subject to many legal provisions and compulsions.
- vi. The formation of a company requires greater time, effort and extensive knowledge of legal requirements and the procedures involved.

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Basis	Public company	Private company
Members		
Minimum numbers of directors		
Index of members		
Transfer of shares		
Invitation to public to subscribe to shares		
Name ends with		
Two examples		