

## **FORMS OF BUSINESS UNITS**

- 1.** - One has to be a member
  - Guarantee from fellow members
  - Members salary
  - Members saving /shares
  
- 2** -lack of political goodwill
  - corruption /insensitive public service
  - fear of transferring ownership into foreign lands
  - Need to keep investment opportunities
  
- 3.** -Will get advice an area of finances
  - Earn interest on investment
  - Receive loans at how interest rates
  - Receive credit facilities
  - Assisted in times of problems (benorelent)
  - Source of savings
  
- 4.**
  - (i) Minor partner
  - (ii) General partner
  - (iii) Active partner
  - (iv) Nominal/ Quasi partner
  
- 5.**
  - (i) Will have full control of the business.
  - (ii) No sharing of profits.
  - (iii) Easy decision making.
  - (iv) There are few legal formalities.
  - (v) Top secrecy.
  - (vi) Flexible.

6.
  - (i) If the partners mutually agree/decide to dissolve it
    - (ii) Incase of death/insanity/bankruptcy of a partner
    - (iii) Incase the court orders so
    - (iv) Incase completion of he intended purpose
    - (v) If the business engages in unlawful practices
    - (vi) Incase of retirement /admission of a new partner
    - (vii) Incase of continued disagreements among the partners
  
7. -Legal procedure is followed during formation
  - They are separate legal entities from the owners who formed it
  - Shareholders have limited liability
  - They have perpetual succession
  - They can raise large amount of capital hence large in size
  - Failure of the business does not necessarily refresh the failure of its owners
  
  
  
8. - Memorandum of Association
  - Articles of association
  - Declaration
  - Certificate of incorporation
  - Prospectus
  - Trading certificate
  
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**10.** - Too much political interference  
- Inadequate capital  
- Poor management skills  
- Embezzlement of public funds

**11.** i) The rights of each type of share holders eg. Voting rights  
ii) Methods of calling meetings  
iii) Rules governing elections of officials in the company  
iv) Rules regarding preparation and auditing of accounts  
v) Powers, duties and rights of the directors

**12.** i) She will earn profits  
ii) She will get better quality goods  
iii) She will earn interest on capital invested  
iv) She will enjoy credit facilities  
v) She will buy goods on fair prices  
vi) She will be assured of protection against malpractices

**13.** i) They train local people so as to create the necessary man power in the subsidiaries  
ii) They dominate international market because of their great influences  
iii) They assist developing countries financially  
iv) They home a guest influence in international trade  
v) They posses a lot of capital

**14.** -Permanent  
-Temporary/joint venture  
-General partnership (unlimited)  
-Limited partnership  
-Trading partnerships

## FORMS OF BUSINESS UNITS

1.
  - Has limited liability/shareholders debts do not go beyond their contribution
  - Separate legal entity/firm and share holders act as different entities
  - Perpetual succession-death of a member does not lead to dissolution
  - Earn dividends/shareholders earn dividends when the firm makes profits
  - Free sale of share/an investors may buy or sell shares as he wishes
  - Professional management-can employ highly qualified personnel leading to high profits
  
2. (i) Working Capital = CA - CL
 
$$\begin{aligned}
 &= 110,000 - 60,000 \\
 &= 50,000
 \end{aligned}$$
  
- (ii) C. Employed = FA + WC
 
$$\begin{aligned}
 &= 350,000 + 94,000 \\
 &= 444,000
 \end{aligned}$$


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3.

<b>PUBLIC</b>	<b>LTD</b>
i)Initial capital usually provided by the government ii)Enacted through legislation by an act of parliament iii)Managed by board of directors appointed by the government iv)Not profit geared v)Profit paid as divided to government	i)Initial capital raised through share capital contribution ii)Established by promoters through companies act iii)managed by board of directors elected by share holders iv)operate in order to make profit v)profit distributed to share holders

	as dividends
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4.
  - Shareholders contact a broker/agents notifying of intended sale
  - Share holders surrender the original share certificate to the broker/agent
  - Share holder sign transfer form
  - Shareholder give the price he expects for the shares
  - The broker/agents verifies ownership of the share/ownership is verified
  - The broker/agent gets buyer for the shares
  - Shares are sold/paid for

5. (i) Competition - There had been steady rise in the level of competition from commercial banks which have encroached into the traditional role of the savings and credit

co-operatives. Many micro-finance institutions have also joined the field to provide the same services as those of SACCO .

- (ii) Managerial challenges – Most of the co-operative societies have experienced managerial

which in some cases have nearly cause near collapse of some of the societies

- (iii) Delayed remittance – some employers have been delaying remitting members deductions to

the society. This has affected the society's cash flow affecting the society lending programs.

Members may take for long to get the loans as a result.

- (iv) HIV/AIDS – The scourge has affected many members. The society spend a lot of money in

assisting the families affected though, for example , offsetting or writing off of loans.

- (v) government policy – The government through the Ministry of co-operatives has been
  - regulating the sector. sometimes the government may design some policies that will affect the
    - members or society adversely e.g. 1/3 rule
- (vi) Political interference - especially during the elections of officials, some politicians support
  - their friends to be elected

6.
  - Reduction in government expenditure – Government ceases to have the obligation
    - of subsidizing losses made by the corporations
    - Increased efficiency – This is because privatized firms are subject to completion
    - Avoidance of political interference – No room for appoint of unqualified managers on political grounds
    - Attract foreign investors
    - Increased foreign exchange earnings
    - Allowance for wider participation
    - Increased innovativeness – carry out research into better methods of production,
    - organization and marketing

7.
  - At least two and a maximum of 50 members for a private company while at least seven
    - members are required for a public limited company and no maximum
    - Private limited companies are not allowed to advertise sale of share where as public limited companies are allowed
    - Unlike private limited companies, shares of public limited companies are quoted and can be sold through the stock exchange

- Whereas public limited companies must wait for a certificate of trading to commence, private limited companies are allowed to commence business upon receipt of certificate of incorporation
- Unlike public limited companies which must have at least two directors, private limited companies can be allowed to have only one director
- Whereas there is no age limit for directors of a private limited company, directors of public limited companies must retire at 75 years
- Unlike private limited companies, public limited companies must publish books of accounts in newspapers

8.
  - To restructure it for more efficiency and effectiveness to generate more profits
    - To eliminate unnecessary positions and reduce the staff in order to achieve economic number and quality
    - In order to improve on quality and quantity to increase customer's choice in terms of g/s available
      - To make it more competitive in service provisions hence lowering of prices to advantage customers
      - To appoint and employ directors without political influence but on merit
      - To improve on accountability of directors and to managers
      - To make it profit oriented and hence efficiency
      - To improve on customer service
9.
  - Bankrupt
    - Ultra- vires
    - Amalgamation

- Court order
- Decision by share holders
- Completion of intended purpose/ period

<b><u>10. PUBLIC LTD CO.</u></b>	<b><u>PUBLIC</u></b>
<b><u>CORPORATION</u></b>	
i) Formed under companies Act parliament	Formed by Act of
ii) Managed by board of Directors directors	Managed by Board of
Appointed by shareholders. minister/govt/	Appointed by the Parliament
iii) Initial capital contributed by shareholders by the	Initial Capital contributed Government
iv) Formed with an aim of making profit providing	Formed with an aim of Goods/services to the
public	
v) Profits made is shared among shareholders government	Profits made goes to the government

## **11.**

PUBLIC LIMITED COMPANY	PRIVATE LIMITED COMPANY
Formed by a minimum of 7 and no set maximum	Can be formed by between 2-50
Can start business only after getting a certificate of trading	Can start business soon after receiving the certificate of incorporation [Certificate of registration
Can be managed by one or two directors	Managed by a board of directors
Advertises and invites the public to subscribe for its shares	Does not advertise its shares to the public
Shares are freely transferable from one person to another	Restricts transfer of shares. Shareholders can only sell their shares with consent of other share holders

12.
  - SACCO will enable her to save
  - Profits made by the SACCO will be distributed to her and members as dividends
  - Katura can obtain a loan from the SACCO at low interest rates
  - Incase Katwa dies the outstanding loans are written off
  - Katwa can obtain different types/ categories of loans from the SACCO
  - Loans can easily be obtained as formalities/ procedures involved are few
  - SACCO's offer education to members