

Ch-1. Forms of Business Organization

1.2 Sole Trading Concern -

1.2.2 Definition - According to Prof. James L. Lundy,
"The sole proprietorship is an informal type of business owned by one person."

1.2.3 Features :- Textbook pg. no. 3.

- 1) Minimum Government Regulations
- 2) Unlimited Liability
- 3) Freedom in selection of Business.
- 4) Secrecy
- 5) Individual Ownership
- 6) Direct contacts with customers and employees
- 7) Suitable for some special business
- 8) No sharing of profits and risks.

1.2.4. Merits

. pg. 3 & 4

- 1) Easy formation
- 2) Benefit of secrecy
- 3) Direct Motivation
- 4) Quick Decisions
- 5) Lower costs
- 6) Development
- 7) Flexibility in operations
- 8) Limited Govt. control
- 9) Credit standing
- 10) Efficiency.

1.2.5 Limitations

Pg 5

- 1) Limited Managerial Ability
- 2) Limited capital
- 3) Unlimited Liability
- 4) Not suitable for large scale business

- 5) Lack of stability
- 6) Absence of specialization
- 7) Unprofessional decisions

1.3. Joint Hind Family Business.

Act - Hindu Succession Act 1956.

1.3.4. Definition - "When a Joint Hindu Family conducts business inherited by it as per Hindu law, it is called Joint Hindu Family Firm. Thus in a Joint Hindu Family Firm, the business is passed on from one generation to another."

1.3.5 Features

Pg. 7, 8

1. Formation
2. Karta and co-parceners
3. Joint ownership
4. Membership
5. Management
6. Profit sharing
7. Quick Decision
8. Good Relations.

1.3.6 Merits Pg. 8

1. Easy to start
2. Prompt Decision
3. Good relation with employees
4. Flexibility
5. Secrecy
6. Co-parceners Liability
7. Good credit standing
8. Continuity and stability

1.3.7 Limitations of Joint Hindu Family Business:-

- 1 Limited Resources
- 2 Limited Managerial Skills
- 3 Unlimited Liability of Karta
- 4 Disintegration of Joint Family
- 5 Lack of motivation
- 6 Restricted Expansion
- 7 Unlimited co-parceners

1.4 Partnership Firm. - Act 1932

1.4.3 Definition -

According to Partnership Act 1932 (sec. 4),

"Partnership is the relation between the persons who have agreed to share the profits of a business carried on by all or any one of them acting for all."

1.4.4 Features - Pg. no. 10 & 11.

- 1 Agreement - Terms and conditions regarding internal management, profit sharing & role of partners.
- 2 Lawful Business
- 3 Sharing profits and losses
- 4 Number of partners - Minimum 2, maximum 10 for Banking Business & 20 for ordinary business.
- 5 Joint ownership
- 6 Unlimited Liabilities - Unlimited, Joint and several.
- 7 Dissolution - death, insolvency or insanity results into dissolution
- 8 Joint Management -
- 9 Principal - Agent Relationship

1.4.6 Merits of Partnership Firm

- 1 More Financial Resources
- 2 More manpower resources
- 3 Easy Formation. - Registration is compulsory in Maharashtra from 1985.
- 4 Simple Dissolution
- 5 Rational Decision
- 6 Secrecy
- 7 Personal Contacts
- 8 Division of Risk
- 9 Flexible organization

1.4.7 Demerits of Partnership Firm

1. Unlimited Liability
- 2 Limited resources
- 3 Disputes among partners.
- 4 Risk of implied authority - wrong decision of single partner may lead to losses & all partners will have to bear those losses.
- 5 No separate legal status
- 6 No Succession

1.4.8 Types of Partners -

- 1 Active / Actual / Ordinary / General Partner.
- 2 Sleeping / Dormant Partner
- 3 Nominal Partner
- 4 Minor Partner - limited liability
- 5 Partners in profit only - No right to take part in daily work
- 6 Limited Partners
- 7 Partner by holding out
- 8 Secret partner.

1.4.9 Types of Partnership Firm.

- 1 Partnership at will and Particular Partnership
- 2 General & Limited Partnership
- 3 Registered & Unregistered Partnership

1.5. Co-operative Society

Indian co-operative Society's Act 1912

Maharashtra State co-operative Society's Act 1960.

Principle is "each for all and all for each."

Definition -

According to Indian co-operative Society's Act, 1912, "Co-operative society is a society which has its objectives for the promotion of economic interests of its members in accordance with co-operative principles."

1.5.3 Types of co-operative Societies :-

- 1 Consumer's Co-operative Societies
- 2 Credit co-operative societies
- 3 Producer's co-operative Societies
- 4 Marketing co-operative Societies
- 5 Farming Co-operative Societies
- 6 Housing Co-operative Societies.

1.5.4 Features of co-operative Societies

- 1 Voluntary Association and open Membership -
Minimum 10 adult members, maximum
no limit
- 2 Equal voting rights - "One member - One vote"
- 3 Service motive
- 4 Limited Liability
- 5 Democratic Management - "Managing

committee" is an elected body of representatives of members of a co-operative organisation for day to day administration.

- 6 Independent Existence
- 7 Registration - Compulsory
- 8 Surplus profit
- 9 State Control.

1.5.5 Merits of co-operative societies

- 1 Easy Formation
- 2 Democratic Management
- 3 Limited Liability
- 4 Stability
- 5 Open membership
- 6 Tax concession
- 7 Less Operating Expenses
- 8 Supply of goods at cheaper rate
- 9 Self financing and charity

1.5.6 Demerits of co-operative societies

- 1 Lack of capital
- 2 Rigid Government Rules and Regulations
- 3 Incompetent Management
- 4 Lack of public confidence
- 5 Lack of motivation
- 6 Mutual disputes
- 7 Limited scope for expansion

1.6 Joint Stock Company - Indian Companies Act-1956.

Definition -

Indian Companies Act 1956 (Sec. 566), "A Company having a permanent paid up or nominal share capital of fixed amount, divided into shares, also of fixed value, held and transferable as stock, or divided and held partly in one way and partly in other and formed on the principle of having for its members, only the holders of those shares or that stock and not other persons."

Meaning - A Joint Stock Company is an incorporated association which is an artificial person, created by law, having a common seal, ensuring perpetual succession. It has a large number of shareholders with limited liability, who elect their representatives known as board of directors to run the business on their behalf.

1.6.4 Types of Company - (Distinguish Between 1.9.7)

1. Private Limited Company
2. Public Limited Company.

1.6.5 Features of Joint Stock Company

1. Artificial legal person
2. Seperate Legal Entity
3. Limited Liabilities
4. Common seal
5. Registration - Compulsory
6. Transferability of shares -

- 7 Separation between ownership and management
- 8 Membership - minimum 2 members & maximum 50 members in case of Private limited Company.
& Minimum 7 & maximum Unlimited members in case of Public Limited Company.
9. Registered office
10. Voluntary Association
11. Perpetual Succession

1.6.6 Merits of Joint Stock Company.

1. Large Capital
2. Democratic Management
3. Transferability of shares
4. Limited Liability
5. Expert services
6. Relief in Taxation
7. Public Confidence
8. Scope for growth and expansion

1.6.7 Demerits of Joint Stock Company

1. Difficulty in formation
2. Delay in decision
3. Excessive Government control
4. High cost of management
5. Undue Speculation
6. No personal contact
7. Lack of secrecy
8. No direct effort-reward relationship

Distinguish Between - Pg. no. 27, 28, 29, 30, 31)

- 1) Sole Trading Concern & Partnership Firm
- 2) Sole Proprietorship & Joint Hindu Family Firm
- 3) Partnership Firm & Joint Hindu Family Firm
- 4) Partnership Firm & Joint Stock Company
- 5) Co-operative Society & Joint Stock Company
- 6) Co-operative Society & Partnership Firm
- 7) Private Company & Public Company

Joint Hindu Family & Co-operative Society

- Ans- Points -
- 1) Meaning
 - 2) Membership
 - 3) Registration
 - 4) Legal Entity
 - 5) Management
 - 6) Liability
 - 7) Stability
 - 8) Business Secrecy