4 Forms of Business Organisation - I

Tanvi, Gayatri, Yash & Omkar are cousins. They gather together in Diwali vacation at Uncle's home in Pune. They visited local market for shopping, with Uncle and Aunty.

Tanvi : Let's read the name board of the shops.

Yash : Yes, good idea. Let me start, 'Vijay Toy Shop', Proprietor Mr. Deshpande. Uncle, what is the meaning of proprietor?

Uncle : Proprietor means owner.

Gayatri : 'Sachin and Nitin Firms'. Uncle, why Proprietor word is not mentioned on this name board?

Uncle : Because it is a Partnership firm.

Yash : Uncle, what is the difference between such business?
Uncle : It is on the basis of capital, owner & other factors.

Let us study the different types of business organisation. It is very interesting to study the nature of different businesses.

4.1 PRIVATE SECTOR ORGANISATION

4.1.1 INTRODUCTION :

Private sector includes all different types of individual or corporate enterprises. Private sector enterprises are owned and managed by the private entities. These private sector enterprises are mostly characterized by certain common characteristics like private initiative, profit motive, ownership and management in private hands etc. Now-a-days, the private sector in the form of corporate industrial units are normally owned by the shareholders and managed by professional managers, where they are not only guided by profit motive but also by expansion, consolidation, arousing social consciousness, social responsibilities, social welfare etc.

4.1.2 Meaning

The private sector is the part of the economy that is run by individuals or a group of individuals to earn profit.

Private Sector Organisation

- Sole Proprietorship
- Partnership
- Joint Hindu Family Firm
- Co-operative Society
- Joint Stock Company

The importance of private sector in Indian economy can be witnessed from the tremendous growth of Indian BPOs, Software companies , Private banks and financial service companies. The manufacturing industry of India is flooded with private Indian companies. In fact, they dominate the said industry.

Manufacturing companies covering the sectors like automobile, chemicals, textiles, agro-foods, computer hardware, telecommunication equipment, and petrochemical products were the main drivers of growth.

Activity

- Prepare a list of your favorite advertisements on television.
- Write the name of the producer / organisation of every product from the list.
- Identify the sector of the organisation.

4.2 SOLE TRADING CONCERN (STC) / Sole Proprietorship

4.2.1 Introduction

In the history and development of commerce, there are various forms of business organisations. It begins from Sole Trading Concern. Sole Proprietorship is the oldest and simplest form of the organisation.

The word 'Sole' means single and 'Proprietorship' means owner. Thus, the name itself suggest that there is only one owner. A sole trader is an independent owner of a business. The proprietor has all the rights and responsibilities of the business and any profit or loss made. e.g. : Grocery Shop, Beauty Parlour, Gift Shop etc.

4.2.2 Meaning

In this form of business, an individual invests his own capital, uses his own skill and undertakes the business activities. He manages affairs of the business, enjoys profits and bears losses on his own. This form of commercial organisation is also known as proprietorship, the sole trader, individual entrepreneurship, proprietorship concern or sole trading concern.

4.2.3 Definition

1) **According to Prof. J. Hansen,** " Sometimes known as one man business, it is a type of business unit where one person is solely responsible for providing the capital, for bearing the risk of the enterprise and for the risk of ownership."

2) **According to Prof. James Lundy,** "The sole proprietorship is an informal type of business owned by one person."

4.2.4 Features :

1) **Individual Ownership :** There is only one owner in sole trading concern. He invests all the capital required for the business. He owns all the assets of the business. He also remains responsible for all the liabilities of the business.

2) **No Sharing of Profit and Risk :** A proprietor is a single owner of the business. There is nobody to share his profits or losses. He enjoy the profit of the business as well as he bears all risks alone.

3) **Self-employment :** A sole trading concern is the best suitable form for self-employment. Any unemployed person can start business with small capital and earn for his livelihood. He gets a source of income by starting his own business.

4) **Local Market Operations :** Large amount of capital and expert managerial ability is required for large scale business. A sole trader has limited capital and limited managerial ability. Hence, generally a sole trader operates in local market.

5) **No separate Legal Status :** A sole trading concern does not enjoy separate legal status. In the eyes of Law, the sole trader and his business are considered one and the same.

6) **Minimum Government Regulations :** There is no separate act or law to govern the activities of sole trading concern. The registration of sole trading concern is not compulsory. Rigid legal formalities are not required for formation. Only the tax laws and labour laws have to be followed.

7) **Unlimited Liability :** Sole Trader has unlimited liability. Unlimited liability implies that, there is no distinction between personal property and business property of sole trader. If business assets are not sufficient to pay off liabilities of business then personal properties of sole trader may be attached to business properties.

Activity

- Visit a local shop near your house
- Find out a sole trading concern in your area.
- Observe and study the characteristics / features of sole trading concern with reference to text book.

4.2.5 Merits :

1) **Easy Formation :** The formation of Sole Trading Concern (STC) is very easy and simple. Minimum legal formalities are required for its formation.

2) **Quick decisions :** Sole trader takes quick business decisions. He may or may not consult anyone. Sole trader is not answerable to anybody. Many times, quick decisions in business proves to be very profitable. Sole trader can take quick actions and get more benefits.

3) **Maximum Secrecy :** The sole trader is owner and manager of his business. So he may not disclose his business secrets and plans with any third person. There is no need to publish books of accounts of Sole Trading Concern (STC). So maximum secrecy can be maintained.

4) **Direct Motivation :** Sole trader is the owner and manager. He enjoys the whole profit of business. He has direct motivation to earn more profit. He always tries to work hard for more profits.

5) **Flexibility :** Being the only decision - maker of business, sole trader can make quick changes as per the situation. He can expand his business. He may change the line of his business any time. He can change his business policies, if required.

6) **Lower Cost :** The sole trader is sole manager of his business. He controls the activities of business. He always try to minimize the wastage, which results into lower cost of operation.

7) **Efficiency :** As sole trader enjoys the whole profit of his business, he tries to maximize his profits by reducing wastages in his business. He avoids wastages like wastage of money, time, material and efforts.

4.2.6 Demerits :

1) **Limited Capital :** As sole trader is a single owner, his capacity for raising capital is limited He may raise capital from his friends, relatives and banks etc. Such sources are also limited. So there is financial difficulty for expansion and development of the business.

2) **Limited managerial skill :** A sole trader has to manage and control the business. He may or may not posses qualification and experience. He may not have expert managerial and organizing ability. Due to limited capital, he may not appoint managerial staff.

3) **Unlimited liability :** The liability of sole trader is unlimited. There is no distinction between personal assets and business assets. So he cannot be separated from his business. His business liabilities need to be paid by selling his private property, if required.

4) **Lack of Stability :** Existence of sole trading concern is totally dependent on the existence of sole trader. Death, insanity or insolvency of the sole trader affects the existence of the business.

5) **Lack of Specialization :** Division of work leads to specialization. But sole trader is involved in all activities of his business such as buying, selling, accounting etc. He has to play multiple roles. So it is said that , 'He is jack of all trades, master of none'.

6) **Not suitable for large scale operation :** Sole trader conducts his business on small scale. Generally, he operates in local market. Sole trading concern is 'one man show', Business can not be extended beyond a certain limit. Sole Trading Concern (STC) is not suitable for large scale business.

4.3 PARTNERSHIP FIRM

4.3.1 Introduction :

Partnership is an important component of private sector organisations. 'Partnership' form of organisation evolved because of limitations on capital raising capacity and managerial inability of proprietary concern.

The need of adding more individuals in business arises due to expansion of existing proprietary concern at next level. Addition or admission of new individual into existing business gives birth to partnership firm.

4.3.2 Meaning

A business organisation owned and managed by more than one person where all partners shares in profits and losses of the business as well as liability is known as partnership business.

4.3.3 Definition

1) **Section 4 of Indian Partnership Act, 1932 defines partnership as -**

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

2) **Prof. L. H. Haney defined Partnership as -**

"Partnership is the relation existing between persons competent to make contracts, who have agreed to carry on a lawful business in common with a view to private gain."

❑ **Important Terms :**

Partner : Persons who have entered into partnership agreement with one another are individually, called "Partners"

Partnership Firm : Persons who have entered into partnership with one another are collectively called as "a firm"

Firm Name : The name under which partnership business is carried on is called as 'Firm - name".

Partnership Deed or Agreement : The terms and conditions of partnership business mentioned in writing is termed as deed or agreement.

4.3.4 Features :

1) **Agreement :** Partnership is an outcome of an agreement between two or more persons who are conducting partnership business for earning profit. The agreement between partners may be oral or written. It is always advisable to have written agreement between all partners.

2) **Joint Ownership :** The partnership firm is jointly owned by the partners. The partners have to use the partnership property only for business purpose and not for personal use.

3) **Joint Management :** Every partner has right to take active participation in the management of the business. However, one or more partners may agree to manage business on behalf of other partners in the firm.

4) **Lawful Business :** Every partnership firm must undertake lawful business only. The partnership should not engage in any business which is forbidden by law of land. The partnership firm cannot be formed to carry out any unlawful business. e.g. partnership formed to smuggle goods, sale of illegal arms etc.

5) **Liability :** The liability of each partner is unlimited, joint and several.

   Unlimited liability arises when the assets of the firm are not sufficient to pay off claims of the creditors. The private properties of the partners are attached to satisfy such claims.

   Joint liability indicates that each and every partner is jointly liable with other partners for the debt of the firm, whether incurred by himself or by other partners as agents of the firm

   Several liability indicates that each and every partner is individually and separately liable for the debts of the firm, whether incurred by himself or by other partners as agents of the firm.

6) **Number of Partners :** A Partnership firm must have minimum two persons at any time during the entire life of the partnership firm. Maximum partners permitted are 50.

7) **Principal - Agent Relationship :** Every partner is the joint owner of the business and partners take part in the management of the firm. Thus, every partner assumes two roles in business - A) to each other within firm they are acting as 'Principal' B) while dealing with outsider or while representing firm they act as an 'Agent' of the firm.

8) **Restriction on Transfer of Interest :** No partner of firm can transfer or sell their interest or share in the firm to outsider without the prior consent of all other partners in the firm.

9) **Registration :** Registration of partnership is not mandatory as per the provisions of Indian Partnership Act, 1932. However, in Maharashtra (from April, 1985) and in some other state registration of partnership is compulsory as per their respective state provisions. If Partners so desire, they can register their firm with the 'Registrar of Firms' of their respective States. The firm as well as partners enjoys several benefits after registration of the firm.

10) **Sharing of profits and losses :** The partners agree to share profits and losses among themselves in certain proportions. Such profit-loss sharing depends upon amount of capital introduced, services offered, goodwill of the partner and other terms of agreement. If agreement is silent on profit-loss sharing then all partners are assumed as equal partners.

11) **Termination of Partner :**

A partner may resign on his own by giving notice to other partners in writing. The partners may also be removed from the firm for fraudulent activities.

12) **Dissolution :**

The firm can be dissolved at any time, if the partners agree to do so. The partnership firm gets automatically dissolved in case of death, insolvency or insanity of any one of the partners unless provided in the partnership agreement about continued existence of the firm in such situations.

The partnership firm automatically gets dissolved when total number of partners in the firm is reduced to one partner.

Activity

- Find out partnership firm in your area. Visit and discuss with partners about how their partnership firm works?

4.3.5 Merits :

1) **Easy Formation :** It is very easy to form partnership business. Only two persons are required to form partnership business. The partners can sign the agreement and get the firm registered. Even procedure for registration is very simple and quick.

2) **Capital :** The partnership business has more capital as compared to sole trading concern. As partnership business has more numbers of partners they can collect more capital. The capital contribution ratio of all partners is mentioned in agreement.

3) **Business Secrecy :** The partnership firms enjoy secrecy as firms are not subject to publish books of accounts annually. Due to this, competitors cannot easily come to know about secrets and confidential information of the partnership firm.

4) **Continued Existence :** The Partnership can have continued existence. Even after the death, insolvency or insanity of one of its partner, the partnership can be carried on by existing partners provided that there should be provision in partnership agreement. However, new partnership deed needs to be redrafted.

5) **Flexibility of operation :** There is more flexibility in partnership business. Partners may expand or diversify business activities as and when required. Partners can change line of business as per changing business situations. If required they may close down the business..

6) **Decision Making :**There is quick decision making in partnership as few partners are involved in decision making process. The decisions are taken after detailed discussion among partners. The quality of decision making is better than sole trading concern.

7) **Effort -Reward Relationship :** There is direct relation between efforts and rewards in case of partnership business. Each and every partner puts in best efforts and thus rewards are shared among them. If partnership agreement provides, active partners may get higher share in profit as compared to other partners in the organisation.

8) **Goodwill :** Goodwill means valuation of partnership business in terms of money. The partnership enjoys good amount of goodwill in the market. This goodwill in the market is due to quality service, better services to customers, ethical working of partnership business. Normally, in case of admission of a new partner, partner has to bring certain amount of goodwill in the business.

9) **Specialization :** In partnership business, some partners may be good at different skill such as finance, technology, marketing which brings in specialization in partnership business. This specialization also brings higher efficiency in the organisation.

4.3.6 Demerits :

1) **Problem of Continuity :** The partnership business may face problem of continuity unless provided for continuation of business in the event of death, insolvency or insanity to any partner in the partnership firm. If partnership agreement does not have provision of continuation of partnership business in case of death, insolvency and insanity, business is liable for dissolution.

2) **Absence of Legal Status :** In partnership business, there is no separate legal existence of partnership firm. In the eyes of law both are same. Law does not make any distinction between partners and firm. So there is absence of separate legal status for partnership firm. In the event of death, insolvency or insanity partnership firm is liable for dissolution.

3) **Disputes :** Disputes are common in partnership business as more than one individuals are involved in various activities. Some partners may or may not agree on some points which leads to disputes among partners. Sometimes disputes may lead to the dissolution of the firm.

4) **Non - Transferability of Interest :** No partner of business can transfer his share in business to the outsider without the consent of all partners in the firm. In general, there is non-transferability of interest in partnership business.

5) **Limitations on number of Partners :** The Indian Partnership Act limits maximum number of partners. No partnership firm can go beyond maximum prescribed limits of 50 partners. This restricts maximum number of partners admitted in business. Such restrictions may affect partnership firm while capital contribution and even in case of management of partnership business.

6) **Difficulty in Admission of Partner :** In partnership business, there is often difficulty in admission of new partner. Admission of new partner may affect profit sharing ratio of existing partners. Therefore existing partner may object admission of new partners in business. Existing partners may not have full faith on incoming partner. This leads to difficulty in admission of new partner.

7) **Unlimited Liability :** Unlimited liability arises when the assets of the firm are not sufficient to pay off claims of the creditors. The private property of the partners is attached to satisfy such claims.

8) **Risk of Implied Authority :** There is often risk of implied authority in partnership business. Partners may take undue advantage of managing business on behalf of others which leads to risk of implied authority. For Example, partners may sign some agreements in his own capacity which may be against the interest of the firm or partners may take loans or advances without consent of other partners.

9) **Limited Capital :** In partnership business, there is less capital as compared to joint stock company. There are restrictions on number of members which leads to limited capital raising capacity of business. Limited capital restricts the expansion of business.

10) **Problem of Secrecy :** Though books of accounts and financial matters relating to business are not required to be published, partnership firm lacks business secrecy. Some partners may share confidential information of business to competitors or third parties for getting financial benefits from them.

4.3.7 Types of Partners

In partnership business according to nature of work or role of partners there are different types of partners .

Types of partners are as follows

Types of Partners

1) Active partner
2) Dormant Partner
3) Nominal Partner
4) Secret Partner
5) Minor as partner
6) Partner in profits only
7) Sub - Partner
8) Partner with Limited Liability
9) Quasi Partner

1) **Active Partner :** An active partner is one who takes active participation in the day-to-day working of the business. Active partner may act in different capacities such as manager, organizer, adviser and controller of all the affairs of the firm.

Active partner contributes to capital, shares profits or losses and has unlimited, joint and several liability. He is also known as working partner, ordinary partner etc. This partner may get some extra benefits for his services rendered other than share in the profit.

2) **Dormant Partner :** A dormant partner is one who contributes capital, shares profits and contributes to the losses of the business but does not take part in the working of the concern.

A person may have money to invest but they may not be able to devote time for the business such a person becomes a dormant partner.

Dormant partner also known as a sleeping partner and these partners are liable for the liabilities of the business like other partners. He cannot bind the business, i.e. firm, to third party, by his acts.

3) **Nominal Partner :** A nominal partner is one who only lends his name to the firm.

He neither contributes to capital nor shares profits of the business. Due to his presence in firm, the business may get more credit in the market or may promote its sales. A nominal partner is liable to those third parties who give credit to the firm on the assumption of that person being a partner in the firm.

4) **Secret Partner :** The partner who is not known to third parties is termed as Secret partner.

His membership in the firm is kept secret from outsiders. Secret partner contributes to capital, shares profits of the firm, assumes unlimited liability and he is liable for the losses of the business. He can take part in the working of the business.

5) **Minor as Partner :** A minor is person who has not attained 18 years of age or age of majority as per the provisions of Indian Contract Act, 1872. A minor cannot enter into a contract according to the Indian Contract Act because a contract by a minor is void. However, a minor may be admitted for the benefits of an existing partner with the consent of all partners.

The minor is not personally liable for liabilities of the firm, but his name in the partnership property and profits of the firm will be liable for debts of the firm. After attaining 18 years age, he should give public notice about the continuation in the firm.

6) **Partner in profits only :** When a partner agrees to share only profits of the firm and would not be liable for its losses, he is know as partner in profits only. Such partners share capital of the firm and may not take active participation in the management of the firm. However, such partners are liable for all debts of the firm.

7) **Sub - Partner:** When a partener agrees to share their own profit derived from the firm with a third person is known as sub - partner. A Sub-partner cannot represent himself as a partner in the original firm.

8) **Partner with Limited Liability :** This type of partner exists in a limited partnership. The liability of the partner is limited to the extent of capital contributed by him in the firm. He is a special partner and generally does not take active part in the working of the firm.

9) **Quasi Partner :** Quasi Partner is partner in partnership firm who retired from firm but left his capital with the firm. Quasi partner does not take active participation in the firm but shares profit of the firm. Such partner is liable for the debts of the firm. Many times such partners receives certain rate of interest on his capital.

4.3.8 Types of Partnership Firms

Types of Partnership Firms

- General Partnership (Under Indian Partnership Act, 1932)
  - 1) Partnership at will
  - 2) Partnership for particular period
  - 3) Partnership for particular venture
- Limited Liability Partnership (Under Limited Liability Parntership Act, 2008)

A) **General Partnership :** In General Partnership, every partner has equal rights.

General partnership comes into existence according to provisions of ‘Indian Partnership Act, 1932’.

1) **Partnership at will :** When there is no provision in partnership agreement regarding time period for partnership then it is known as 'Partnership at will'. Such partnetship can be easily dissolved. Any partner can give notice of his intension to leave partnership at any time.

2) **Partnership for Particular Period :** When Partnership is formed for a specific time such partnership is known as 'Partnership for Particular Period'. For e.g., 6 months, 1 year. Such Partnership firm dissolves after expiry of particular period.

3) **Partnership for Particular Venture :** When partnership firm is formed for particular venture or business, such partnership is known as 'Partnership for Particular Venture'.

   For example, construction of dams, roads or bridges, selling of seasonal products etc.

B) **Limited Liability Partnership :** Limited liability partnership comes into existence as per the provisions of 'Limited Liability Partnership Act, 2008'. There are two kinds of partner as follows:

- **Designated Parnter :** Every Limited liability partnership should have atleast two Designated Partners. Among two partners one partner must be the resident of India.

- **General Parnter :** In limited liability partnership all other partners are General Partners.

  The Limited Liability Partnership offers some personal liability protection to the participants. Individual partners in limited liability partnership are not personally responsible for the wrongful acts of other partners, or for the debts or obligations of the business.

4.4 JOINT HINDU FAMILY BUSINESS (JHFB)

4.4.1 Introduction

There are various forms of business organisation worldwide. But there is a unique form of business which has been originated in India. It exists in India only. It is known as 'Hindu Undivided Family Business' (HUF), Joint Hindu Family Firm (JHFF).

4.4.2 Meaning

School of thought under Hindu law

1) **Mitakshara :** According to this school only male member of the family can inherit the family business. Hence the sons, grandsons, and great grandsons become joint owners of the family property. A son gets equal rights along with his father in the ancestral property. He has a right to ask for a division of the family property. This school is popular in India except Assam, Bengal and some part of Odisha.

2) **Dayabhaga :** According to this school both male and female member will be co-parceners in the Hindu undivided family e.g. after death of husband his property and business passes on to his wife or other successor.

4.4.3 Definition

Under Hindu Law, an HUF is a family which consists of all persons lineally descended from a common ancestor and includes their wives and unmarried daughters. An HUF cannot be created under a contract.

4.4.4 Features

1) **Exists only in India :** Joint Hindu family Business exists only in India. It is guided by the Hindu Succession Act 1956.

2) **Formation :** The formation of Joint Hindu Family Business (JHF) is simple. It is formed as per operation of Hindu law. Every member become the member by birth and not by any agreement . The senior most member is called as 'KARTA'. Remaining members are called as 'Co-parceners'.

3) **Membership :** There is no limit on membership. One become a co-parcener by virtue of birth, legal adoption or marriage into the family.

4) **Joint Ownership :** The property of joint hindu family business is jointly owned by the KARTA and the co-parceners. The business is jointly owned by three generation of the family. KARTA is the custodian of the joint property.

5) **Good Credit Standing**

The joint hindu family business is conducted for a longer period of time. It enjoys goodwill in the market. It assures the creditor about repayment of the loan . The liability of KARTA is unlimited so banks and other financial institution are ready to grant the loans.

6) **Management :** The Joint Hindu Family Business is managed by KARTA. The co-parceners have no right to participate in management of family business. However, KARTA may consult the member of the family while taking any business decision.

7) **Profit sharing :** Joint hindu family business is not formed by any contractual agreement. There is no specific ratio of the profits and losses shared by KARTA and co-parceners. So the sharing ratio keeps on changing depending upon births and deaths in the family.

4.4.5 Merits :

1) **Easy Formation :** Joint hindu family business is easy to start as registration and agreement is not required for its formation. There is no restriction on minimum and maximum numbers of members. It comes into existence as per Hindu Law.

2) **Protection of Co-parceners Interest :** Co-parceners have right to demand partition. KARTA takes utmost care of their interest

3) **Quick and Prompt Decision :** The KARTA is senior most family member. KARTA has experience and knowledge of the family business. KARTA takes all business decisions. KARTA can take right and quick decisions at the right time on the basis of his experience.

4) **On The Job Training :** The members of joint hindu family business get training of the business skill automatically. They also observe the management of KARTA. They learn many business tactics.

5) **Co-parcener's Liability :** The liability of co-parceners is limited upto the extent of their share in the Joint Hindu Family Business. Hence the personal property of co-parcener is not used for the payment of joint hindu family business liability.

4.4.6 Demerits :

1) **Unlimited Liability of Karta :** KARTA always faces the risk of unlimited liability. If the business assets are not sufficient for the payment of business liabilities, then the personal property of KARTA is used for the payment of business liabilities.

2) **Limited Financial and Managerial Resources :** The funding of joint hindu family business are limited. Ancestral property is used as a capital of joint hindu family business.

KARTA may or may not possess expert managerial skill. So, there is limited scope for expansion.

3) **No separate legal status :** In the eyes of law, the JHF business and the family member are one and same. The business does not have separate legal status.

4) **Partition of Business :** The numbers of members are more in JHF Business. There can be conflicts and disputes. The co-parceners may be dissatisfied with the management of karta. This can lead to partition of business.

5) **No direct relation between effort and rewards :** KARTA is the manager of this business. He uses his knowledge and skill for running business successfully. The rewards of the business is distributed among all co-parceners. The hardworking as well as inefficient co-parceners share the profit.

4.5 Co-operative Society

Amul - the taste of India

- It all started 65 years ago when poor farmers who worked hard, day in and day out were exploited by the local traders and given small incentives.
- Angered by unfair and manipulative practices followed by local traders, the farmers under the leadership of Tribhuvandas Patel approached Sardar Vallabhbhai Patel to resolve their grievances.
- Empathizing with the farmers, Sardar Vallabhbhai Patel advised them to be self sustaining entrepreneurs and work for themselves. The farmers took the advice seriously and formed their own cooperative societies.
- The Amul Corporative was created by Dr Verghese Kurien, who is also known as the Father of the White Revolution in India. Amul placed India at the top of milk producing nations.
- Amul was founded in 1946 in Anand, Gujarat with a mission to stop the exploitation of the farmers by middlemen.
- It was Sardar Valabhbhai Patel, Tribhuvandas Patel and Dr. Verghese Kurien who took certain measures to stop the exploitation of the farmers.
- Today , the brand has enabled farmers to be entrepreneurs and earn their own living. Its process is transparent which ensured that there is no exploitation.
- The Amul brands has proved that it is not just a product but a co-operative movement that represents the economic freedom of farmers. The brand has given farmers the courage to dream, to hope and to live.
- Amul in all its sense has proved that it is “amulya i.e. priceless” for our nation and that we must preserve it.
- In 1999, Amul was awarded the “Best of All”, “Rajiv Gandhi National Quality Award” for maintaining the utmost level of quality in its plants.
- Amul has been awarded by the Guinness World Record for the longest running advertisement campaign.

4.5.1 Introduction :

India is an agricultural country and has laid the foundation of world's biggest cooperative movement. The cooperative movement was started by the weaker sections of society for protecting its members and their rights. After independence cooperatives became an integral part of Five-Year Plans.

The cooperative plays very important role in India because it is an organisation for the poor, illiterate and unskilled people. India has seen a huge growth in cooperative societies, mainly in the farming sector since 1947. The country has network of cooperatives at the local, regional, state and national levels.

4.5.2 Meaning

A Co-operative organisation is a voluntary association of individuals formed in order to achieve certain economic objectives. The nature of co-operative organisation is service oriented. **'Each for all and all for each'** is the principle of co-operative society.

4.5.3 Definition

1) **According to The International Labour Organisation:**

   ''A cooperative organisation is an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled organisation, making equitable distributions to the capital required and accepting a fair share of risk and benefits of the undertaking.''

2) **According to Indian Co-operative Society's Act, 1912,**''Co -operative Society is a society which has its objectives for the promotion of economic interest of its members in accordance with cooperative principles''.

4.5.4 Features of Co-operative Society

1) **Voluntary Association and Open Membership :** Any person can become the member of co-operative society. There is no discrimination on the basis of caste, religion, gender etc. for membership

2) **Democratic Principle :** The management of co-operative society is based on democracy. All the decisions are taken on majority basis. **'One Member One Vote'** is the rule for voting. According to the rules and regulations of Co-operative Society Act, meetings are arranged by the society.

3) **Management :** The management of co-operative society is in the hands of Managing Committee of members. They are elected representatives of shareholders. All the important business decisions are taken by managing committee members. The committee members look after day-to-day administration of society.

4) **Registration :** Registration of co-operative society is compulsory. Every co-operative society must follow rules and regulations of Indian Co-operative Society's Act 1912 and the respective State Co-operative Society's Act. Minimum 10 members are required for registration of co-operative society. There are number of legal documents required for registration.

5) **Separate Legal Status :** After registration, every co-operative society is considered as a separate legal entity before the law. Therefore it can enter into the contract, purchase property, open a bank account in it's name etc. The shareholders and managing committee

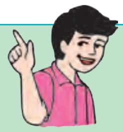
members are not responsible for the transactions of co-operative society. But they are answerable to the court on behalf of the society.

6) **Limited Liability :** The shareholders of co-operative society have limited liability. It is limited upto the unpaid value of the share purchased by them. Therefore, their private property is not used for payment of society's liability.

7) **Number of Members :** Minimum 10 members are required for the formation of co-operative society. There is no limit for maximum number of members as per Co-operative Society's Act.

8) **Equal Voting Rights :** Every member gets equal rights in co-operative society as a shareholder. In co-operative society membership is open to all. All members have equal voting rights irrespective of number of shares held by them.

9) **Service Motive :** A Co-operative society provides various services to its members. Its main objective is to provide services to the society. Goods are available at lowest rates for its members. In a co-operative bank, loan and overdraft facility is available at the lowest interest rates for its shareholders only.



Activity

- Visit nearest co-operative organisation. Find out features of co-operative society applied to such co-operative organisation.

4.5.5 Merits :

1) **Democratic Management :** Each member of co-operative society enjoys equal voting right. The principle of voting is 'One member - one vote'. The number of shareholders are large. They are scattered over the region. Thus shareholders elect their representatives. They are called as 'Managing Committee' members. They look after the day-to-day management of the society.

2) **Open Membership :** The membership of co-operative society is voluntary and open to all. i.e. any person of any caste, creed, religion etc. can purchase shares of co-operative society and become the member of it. There is no compulsion to join or to leave the organisation.

3) **Less Operating Expenses :** The cost of operation is low in co-operative society. No middlemen are involved. There are no advertisement expenses. Managing committee members provide honorary services. Various concessions, reliefs and privileges related to registration fees, stamp duty, income tax etc. are given by Government.

4) **Limited Liability :** The liability of the shareholders of co-operative society is limited. It is limited upto the extent of unpaid amount on shares held by them. Thus, member's private property cannot be used even if the assets of the society are insufficient to pay the debts of the third party.

5) **Tax Concession :** Co-operative society plays an important role in the economic and social development of the country. The government gives many concessions to them, like exemption of payment of income-tax upto a certain limit. This helps to increase the profit of the society.

6) **Self - Financing and Charity :** As per the latest amendment act of co-operative society, a society can pay maximum 15% dividend to its members. Therefore, remaining surplus is used as self-financing. Some amount of profit is utilized for charity purpose, social activities and for the growth of co-operative society.

4.5.6 Demerits :

1) **Limited Capital :** The face value of the shares of co-operative society is very less. The shareholders belong to the weaker section of the society. Therefore, they cannot purchase more shares of the society, so capital is limited. Due to low rate of dividend people are not interested to invest in shares of co-operative society.
2) **Inefficient Management :** The management is in the hands of managing committee. They are the representatives of shareholders. They may not possess managerial skill. Due to limited amount of capital/financial capacity they are not able to appoint professional managers. The managing committee members are not professionals so, there is inefficient management.
3) **Lack of Public Confidence :** There is a huge political interference in co-operative society so, people do not invest their money in co-operative society. Most of the Co-operative societies are lead by political leaders so there is lack of public confidence.
4) **Limited Scope for Expansion :** There is limited capital in co-operative society. They cannot take risky projects due to inefficient management. Therefore, there is less scope for expansion.
5) **Lack of Motivation :** Managing committee members work on honorary basis. Therefore, they are not motivated to work hard.

4.5.7 Types of Co-operative societies :

1) **Consumers Co-operative societies :** Consumer's Cooperatives are formed by the consumers to obtain their daily requirements at reasonable prices.

   These societies protect lower and middle class people from the exploitation. The profits of the society are distributed among members in the ratio of purchases made by them during the year. e.g. Super Bazaar, Apana Bazaar

2) **Producer's Co-operatives :** Producer's Cooperatives are voluntary associations of small producers and artisans who join hands to face competition and increase production. These societies are of two types

   a) **Industrial Service Co-operatives :** In this type, the society undertakes to supply raw materials, tools and machinery to the members. The producers work independently and sell their industrial output to the co-operative society. The output of members is marketed by the society.

   b) **Manufacturing Co-operatives :** In this type, producer members are treated as employees of the society and are paid wages for their work. The society provides raw material and equipment to every member.

   The members produce goods at a common place or in their houses. The society sells the output in the market and its profits is distributed among the members.

3) **Marketing Co-operatives :** These are voluntary associations of independent producers who want to sell their output at remunerative prices. The output of different members is pooled and sold through a centralized agency to eliminate middlemen. The sale proceeds are distributed among the members in the ratio of their outputs.

4) **Co-operative Farming Societies :** These are voluntary associations of small farmers who join together to obtain the economies of large scale farming. In India farmers are economically weak and their land- holdings are small.

   In their individual capacity, they are unable to use modern tools, seeds, fertilizers, etc. They pool their lands and do farming collectively with the help of modern technology to maximise agricultural output.

5) **Housing Co-operatives :** These societies are formed by low and middle income group people in urban areas to have a house of their own. Housing cooperatives are of different types. Some societies acquire land and give the plots to the members for constructing their own houses. Other societies themselves construct houses and allot them to the members who make payment in installments. They also arrange loans from Financial Institutions and Government Agencies.

6) **Credit Co-operatives :** These societies are formed by poor people to provide financial help and to develop the habit of savings among members. They help to protect members from exploitation of money lenders who charge exorbitant interest from borrowers.

   Credit cooperatives are found in both urban and rural areas.

JOINT STOCK COMPANY

4.6.1 Introduction :

You must have heard about Reliance Industries Ltd., Tata Steel Limited, Steel Authority of India Ltd., Maruti Udyog Ltd. etc. Who are the owners of such large organisation? Such organisations are spread all over the world. How are they formed and managed? Let us learn about this form of organisation.

After Industrial revolution, there were drastic change in traditional forms of business. In this period, a new form was introduced which is named as Joint Stock Company. It required more capital and other resources than Sole Trading concern or Partnership Firm.

4.6.2 Meaning :

A Joint Stock Company is a voluntary association of persons who generally contribute capital. They carry on a particular type of business, which is established by law. The total capital of Joint Stock Company is known ‘Share Capital’. It is divided into small units called ‘Shares’. Every member holds some shares. These, members are called as ‘Shareholders’.

In India, every joint stock company is registered as per “The Companies Act, 2013”.

4.6.3 Definition :

1) “A Joint Stock Company is a voluntary association of individuals for profit having capital divided into transferable Shares, the ownership of which is the condition on membership.”

- Prof. L. H. Haney

2) "A Company is s person, artificial invisible, intangible and existing only in the eyes of law. Being a more creature of law it possesses only those properties which the charter of its creatton confers upon it, either expressly or as incidental to its very exitence."

- Chief Justice Marshal

3) According to **The Companies Act 2013, Section 2 (20)**, the term "Company" to mean "a Company incorporated under the Companies Act 2013 or any previous Company law."

4.6.4 Features of Joint Stock company :

1) **Voluntary Association :** Person of any caste, religion can become the member of Joint stock company. There is no restriction regarding number of shares purchased by one person. After the death, shares of any shareholder, are transferred to his nominees. There is no restriction on transfer of shares.

2) **Registration :** Registration is compulsory according to the Companies Act, 2013. An application in prescribed format must be submitted to the Registrar of Company. Necessary registration fees are paid by the promoters. 'A Certificate of Registration.' (Incorporation Certificate) is issued to the company after registration. A private limited company can immediately start its business after getting Incorporation Certificate. A public limited company must obtain 'Certificate of Commencement of Business' (Trading Certificate) to start its business.

3) **Registered Office :** The address of registered office of company is mentioned in Memorandum of Association. All the important document of a company are kept in the registered office. e.g. Register of shareholders, Annual Reports, Minutes Book, Memorandum and Articles of Association, Prospectus, Statutory Report etc.

4) **Artificial Legal Person :** A company is an artificial person created by law. It can enter into contract with third parties after registration. e.g. It can buy or sell asset, borrow money, open an account in bank etc. Therefore, only law can create joint stock company and only law can wind up it.

5) **Separate Legal Status :** There is a separate legal existence of joint stock company. It is a separate legal entity apart from its members.

6) **Common Seal :** A company is an artificial person. It does not have a physical existence like a human being. Therefore it is necessary to make provision for the signature of the company. Every joint stock company has a common seal. It is used as a signature of joint stock company. A seal has name of the company engraved on it. It is considered as the important property of the company. Therefore, a seal is kept in the custody of company secretary. A seal is affixed on all important documents of the company but the document must be signed by a company secretary and by minimum two directors.

7) **Limited Liability :** The liability of all shareholders is limited upto the extent of unpaid face value of shares held by them. Therefore, private property of shareholders is not used for the payment of company's liabilities.

8) **Transferability of Shares :** The total share capital of a company is divided into small shares. To become the member of the company it is compulsory to purchase a share. The shares of public limited company are freely transferable. It means a shareholder can buy or sell shares without permission of the company. The shares of private limited company are not freely transferable.

9) **Separation of Ownership and Management :** Shareholders are the owners of joint stock company. They elect their representatives to look after day to day business activities. These representatives are called as 'Directors'. The directors appoint professional managers and other employees for the day to day working of the company. These employees work on salary basis. Therefore, the ownership of Joint Stock Company is with shareholder and the management is in the hands of directors. So there is separation of ownership and management.

10) **Perpetual Succession :** It has a separate legal existence. Its existence does not depend upon its members. The death, retirement, insanity insolvency of any member or employee does not affect the existence of the company. So, joint stock company enjoys perpetual succession.

11) **Membership :** In Public limited company minimum number of members are seven there is no limit for maximum number of members. In private limited company, minimum number of persons are two and maximum are 200 as per Companies Act 2013. Every shareholder is co-owner of joint stock company.

4.6.5 Merits of Joint Stock :

1) **Large amount of Capital :** A joint stock company issues shares to the public. The face value of shares is comparatively low. So it can collect huge amount of capital. It can also accept deposits from the public and issue debentures to raise funds.

2) **Professional Management :** Management of the company is in the hands of directors. They are elected representatives of shareholders. Due to large financial resources, a company can appoint highly qualified professionals, by paying attractive salary. So the knowledge of experts is used for day to day management of the company.

3) **More Scope for expansion :** A joint stock company collects large amount of capital. Attractive salaries are paid to professional managers. Proper authorities are given to take business decisions. Shareholders are interested in getting highest rate of dividend. As a result, company can undertake big and risky projects.

4) **Public Confidence :** A joint stock company enjoys public confidence. There is less interference of Government. Every Joint Stock Company in India is governed as per the provisions of 'The Companies Act 2013'. As per the Act the company has to get its annual accounts audited by a practing Chartered Accountant.

5) **Relief in Taxation :** A joint stock company plays important role in the economic development of the country. It requires to pay taxes by flat rate. Certain exemptions and concessions are given to the joint stock companies, which opens branches in economically backward regions for e.g. tax holidays upto 5 years.

6) **Expert Services :** A joint stock company can appoint experts for managing business activities like Legal Advisers, Management Experts, Auditors, Consultants etc.

7) **Perpetual Succession :** A joint stock company enjoys continuous and stable life. The death, retirement, insolvency or insanity of its members does not result into dissolution of the Company.

8) **Limited Liability :** The liability of a member of a company is limited to the extent of the unpaid amount of shares held by him Shareholders are not liable for the debts of the company & there is no need to use their personal property for the purpose.

4.6.6 Demerits of Joint Stock Company

i) **Rigid Formation :** Registration of joint stock company is compulsory. It requires number of legal documents. It is necessary to pay heavy registration charges. A public company cannot start its actual business without getting Commencement Certificate. Hence, procedure of formation is complicated, expensive and time consuming.

ii) **Lack of Secrecy :** In order to protect the interest of investor, it is compulsory to publish books of accounts every year. All the important documents of joint stock company are available for inspection at registered office. The competitors can take undue advantage of internal information of a joint stock company. Hence, there is no secrecy in joint stock company.

iii) **Delay in Decision Making process :** As an owner of the company, every shareholder has right to participate in management of the company. Therefore, all important business decisions are taken in the share holders meetings. The procedure of conducting the meeting is very lengthy and time consuming. It is necessary to prepare notice of meeting, copy of agenda, proxy forms etc. All these documents must be sent minimum 21 days before the meeting. Therefore there is always delay in decision making.

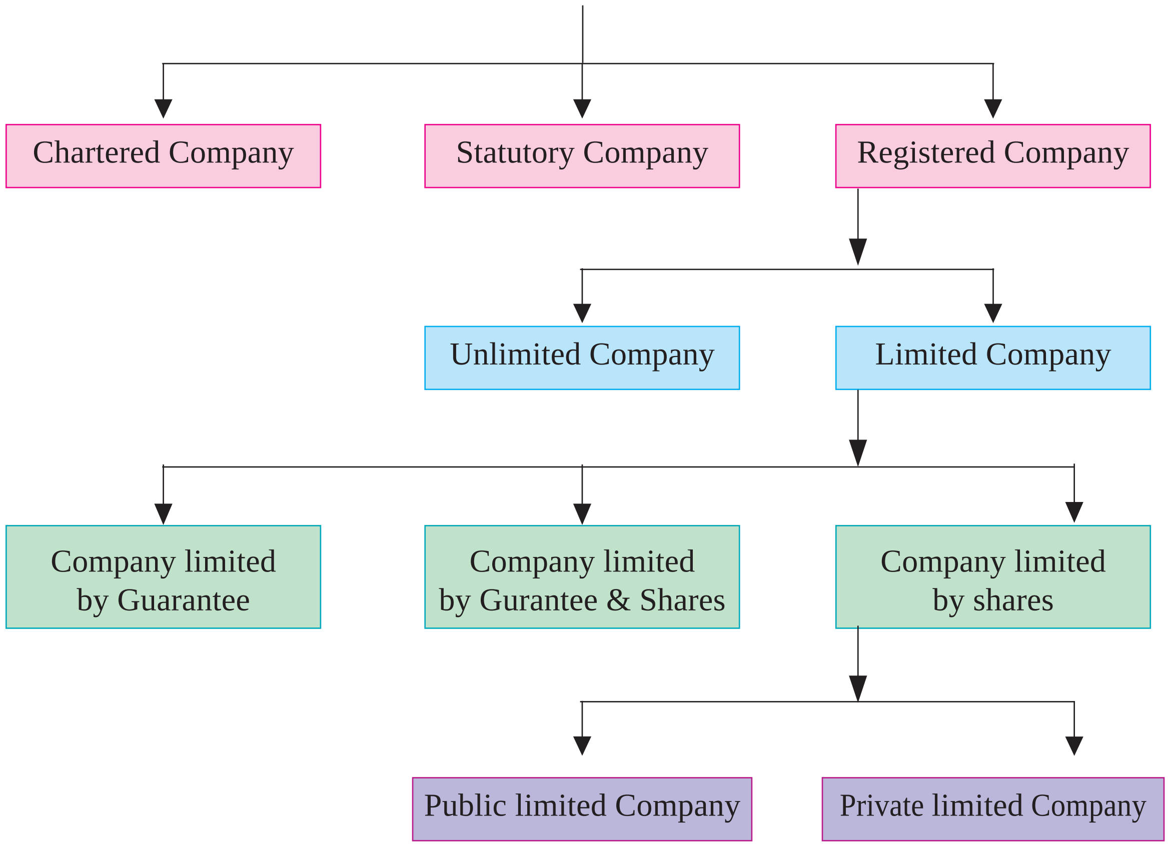
iv) **No Personal Contact :** There are large number of employees in joint stock company. Employees feel that their efforts should be appreciated by their superiors. But it is not possible in a large organisation like joint stock company. The employees are demotivated to work hard. Similarly, Manager and Directors of the company are not able to establish personal contact with their customers. Customers likes & dislikes are not taken into consideration many times.

v) **High Cost of Management :** A joint stock company is a commercial organisation. It is ready to spend huge amount for the advertisement. The manager gets best salary and other benefits. It requires huge amount for operational expenses. So the cost of management is very high in joint stock company.

vi) **Reckless Speculation :** Company is managed by directors. Few unscrupulous directors use confidential informaion for reckless speculations and their personal gains. This results in sudden fluctuation in the prices of shares in Stock Exchange. It adversely affects public confidence.

4.6.7 Types of Companies (For brief idea)

Types of Companies



- **Company Limited by Shares**

  There are two types of Company Limited by Shares

A) Private Limited Company : According to Companies Act, 2013,

"A private company is a company which by its articles, restricts the right to transfer its shares, if any, limits the number of its members to 200 and prohibits any invitation to the public to subscribe for any shares or debentures of company."

Features -

1) Number of its members minimum 2, maximum 200.
2) Must have a minimum paid up share capital of one lakh rupees.
3) Prohibits any invitation or acceptance of deposits from persons other that its members, directors or their relatives.
4) Ban on inviting to the public to subscribe for any shares or debentures of the company.
5) Restriction on the right of members to transfer its shares if any.

It is important that all the above said conditions should be in order to remain a private company. If any one of the condition is not fulfilled, the company. shall be considered as public company. In the case of private company it must add the words **'Private Limited'** at the end of its name. A private company may be a company limited by shares or a company limited by guarantee or an unlimited company.

B) Public Company :

According to Company Act 2013, "A public company is a company which is not a private company and has minimum paid up capital of 5 lacs rupees and have the right to transfer the shares of a company."

Features -

1) There should be minimum seven members.
2) Has a minimum paid up share capital of Rs. 5,00,000/- or such higher paid up capital as may be prescribed.
3) Has no restriction on the transfer of its shares.
4) Does not prohibit any invitation or acceptance of deposits.

There are minimum 7 members required for formation of public company. There is no restriction on the maximum number of members. The public limited company must have at least 3 directors. The public limited company has "Limited" at the end of its name.

Activity

- Find out the categories of the following companies into public company and private company. Bank of Baroda, Bajaj Appliances, Hindustan Machines Tools, Tata Motors.

Distinguish between and comparative study chart.

1) Private and Public Company

Sr. No.	Point of difference	Private Company	Public Company
1)	Meaning	A private company is a company which by its Articles restricts the right to transfer its shares, if any & limit the number of its members to 200.	A public company means a company which is not a private company.
2)	Number of Members	Minimum – 2 Maximum – 200	Minimum 7 Maximum – unlimited
3)	Statutory Meeting	This meeting is not compulsory.	It is compulsory
4)	Transfer of Shares	Shares are not freely transferable.	Shares are freely transferable
5)	Capital	Minimum paid up capital is Rs. 100,000.	In public limited minimum paid up capital it is Rs. 500,000
6)	Issue of prospectus	In private company, statement in lieu of prospectus is issued.	A prospectus is compulsory.

7)	Commencement of business	A Private Company can start its business activities immediately after getting the 'Incorporation Certificate'.	It can start its business only after getting 'Commencement Certificate'
8)	Number of Directors	There are minimum 2 directors.	There are minimum 3 directors
9)	Name of the Company	It is compulsory to add aword '**Private Limited**' after the name of the company	It is compulsory to add aword **'Limited'** after the name of the company.

2) Sole trading Concern, Partnership Firm, Joint Hindu Family Business, Co-operative Society and Joint Stock Company

Sr. No.	Points of difference	Sole trading Concern	Partnership Firm	Joint Hindu Family Business	Co-operative Society	Joint Stock Company
1)	Meaning	It is owned and controlled by one person.	In this form two or more Partners come together to undertake a business activity and share profits.	The ancestral business is conducted by family members of Joint Hindu Family.	It is a voluntary association of individuals to provide services to its members.	It is an incorporated association of individuals for profit having capital divided into transferable shares, the ownership of which is the condition of membership.
2)	Number of Members	Only one member.	Minimum Two partners & maximum 50 partners are there	There is no limit for number of members.	Minimum 10 and maximum no limit for number of members.	Private company Minimum 2-maximum 200. Public Company Minimum 7 and there is no limit of maximum number of members.
3)	Registration	It is not required.	It is not compulsory in India, but it is compulsory in Maharashtra.	It is not required.	It is compulsory.	It is compulsory.

4)	Liability	Liability of Sole trader is unlimited.	Liability of partner is unlimited, joint and several.	Liability of Karta is unlimited and liability of coparceners is limited.	Liability of shareholders is limited up to the extent of unpaid amount on share held by them.	Liability of shareholders is limited up to the extent of unpaid amount on shares held by them.
5)	Capital	Comparatively limited capital.	Due to contribution of all partners, capital is more.	Ancestral property is used as capital.	Comparatively more capital than sole trading concern. Partnership Firm and JHFB.	Huge Capital.
6)	Secrecy	There is maximum secrecy.	Secrecy is shared by partners.	Secrecy can be maintained because it is family business.	Less business secrecy.	Less business secrecy.
7)	Management	A sole trader is the only manager of his business.	All partners in a partnership firm have equal managerial rights.	The Karta is the manager of the business who is assisted by co-parceners.	Managing Committee is the managing body of co operative society.	Board of Directors looks after the management of the company.
8)	Stability	There is lack of stability, as the business may be affected due to death, insolvency of sole trader.	There is lack of stability, as the business may be affected due to death, insolvency of Partners.	It is comparatively more stable since after the death of KARTA, the next senior most family member becomes KARTA and continues business activity.	It is a stable business due to independent legal status.	It is stable business due to independent legal status.
9)	Government Control	There is minimum govenment interference.	There is minimum government interference.	There is limited government interference.	There is is strict government control.	There is strict Government control.

10)	Act / Law	There is no separate Act to govern the activities of sole trading concern.	Indian partnership Act. 1932 is applicable in India.	The Hindu Succession Act 1956 and The Hindu Law is applicable.	The India Co-operative Society's Act 1912 and the respective State Co-operative Society's Act.	The Companies Act, 2013 is applicable.
11)	Formation	Comparatively easy.	Few legal formalities are required for formation	Comparatively simple and easy.	Formation is comparatively cheaper but time consuming due to many legal formalities.	Formation is complicated, costly and time consuming as there are many legal formalities.
12)	Voting Rights	----------	-----------	----------	The principle of 'One Member-One Vote' is followed.	The principle of 'One Share - One Vote' is followed.

SUMMARY

❑ Private Sector Organisation :

Private sector enterprises are owned and managed by the private entities i. e. individual or a group of individuals.

Examples,

1) Sole Trading Concern
2) Partnership Firm
3) Joint Hindu Family Business
4) Joint Stock Company
5) Co-operative Society

❑ Sole Trading Concern (STC) :

The sole proprietorship is an informal type of business owned by one person.

Features:

1) Individual Ownership
2) No Sharing of Profit and Risk
3) Self employment
4) Local Market Operations
5) No separate Legal Status
6) Minimum Governnemt Regulations
7) Unlimited Liability

Merits:

1) Easy Formation
2) Quick Decision
3) Maximum Secrecy
4) Direct Motivation
5) Flexibility
6) Lower Cost
7) Efficiency

Demerits:

1) Limited Capital
2) Limited Managerial Skill
3) Unlimited Liability
4) Lack of Stability
5) Lack of Specialization
6) Not Suitable for Large Scale Operation

❑ Partnership Firm :

Section 4 of Indian Partnership Act, 1932 defines partnership as:

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

Features:

1) Agreement
2) Joint Ownership
3) Joint Management
4) Lawful Business
5) Liability
6) Number of Partners
7) Principle Agent Relationship
8) Restriction on Transfer of Interest
9) Registration
10) Sharing of Profits and Losses
11) Termination of Partner
12) Dissolution

Merits:

1) Easy Formation
2) Capital
3) Business Secrecy
4) Continued Existence

5) Flexibility of Operation
6) Decision Making
7) Effort Reward Relationship
8) Goodwill
9) Specialization

Demerits:

1) Problem of Continuity
2) Absence of Legal Status
3) Disputes
4) Non-Transferability of Interest
5) Limitation on number
6) Difficulty in Admission of Partner
7) Unlimited Liability
8) Risk of Implied Authority
9) Limited Capital
10) Problem of Secrecy

❑ Types of Partners :

1) Active Partner
2) Dormant Partner
3) Nominal Partner
4) Secret Partner
5) Minor as Partner
6) Partner in Profit only
7) Sub Partner
8) Partner with Limited Liability
9) Quasi Partner

❑ Types of Partnership Firms :

A) General Partnership
   1) Parntership at will
   2) Partnership for particular period
   3) Partnership for particular Venture

B) Limited Liability Partnership

❑ Joint Hindu Family Business :

"When a Joint Hindu Family (JHF) conducts business inherited by it as per Hindu Law. It is called Joint Hindu Family Firm".

Features:

1) Exists in India only

2) Formation
3) Membership
4) Joint Ownership
5) Good Credit Standing
6) Management
7) Profit Sharing

Merits:

1) Protection of Co-parceners Interest
2) Easy Formation
3) Quick and Prompt Decision
4) On The Job Training
5) Co-parceners Liability

Demerits:

1) Unlimited Liability of Karta
2) Limited Financial and Managerial Resources
3) No Separate legal Status
4) Partition of Business
5) No Direct Relation Between Risk and Rewards

❑ Co-operative society

A Co-operative organisation is a voluntary association of individuals formed in order to achieve certain economic objects.

Features:

1) Voluntary Association & Open Membership
2) Democratic Principles
3) Management
4) Registration
5) Separate Legal Status
6) Limited Liability
7) Number of Members
8) Equal Voting Rights
9) Service Motive

Merits:

1) Democratic Management
2) Open Membership
3) Less Operating Expenses
4) Limited Liability
5) Tax Concession
6) Self Financing and Charity

Demerits:

1) Capital
2) Inefficient Management
3) Lack of Public Confidence
4) Limited Scope for Expansion
5) Lack of Motivation

❑ Types:

1) Consumers Co-operative Societies
2) Producers Co-operatives
   a) Industrial Service Co-operatives
   b) Manfacturing Co-operatives
3) Marketing Co-operatives
4) Co-operative Farming Society
5) Housing Co-operatives
6) Credit Co-operatives

❑ Joint Stock Company

Joint Stock Company is registered as per The Indian Companies Act 1956 and 2013.

Features:

1) Voluntery Association
2) Registration
3) Registered Office
4) Artificial Legal Person
5) Separate Legal Status
6) Common Seal
7) Limited Liability
8) Transferability of Share
9) Seperation of Ownership and Management
10) Perpetual Succession
11) Membership

Merits:

1) Large amount of Capital
2) Professional Management
3) More Scope for Expansion
4) Public Confidence
5) Relief in Formation
6) Expert Services
7) Perpetual Succession

Demerits:

1) Rigid Formation
2) Lack of Secrecy
3) Delay in Decision Making Process
4) No Personal Contact
5) High Cost of Management
6) Reckless Speculation

❑ Career Opportunities

◆ Self Employment Opportunities

1) Sole Trading Concern
2) Partnership Firm
   i) Deliver Groceries
   ii) Interior Decorating
   iii) Event Coordinating
   iv) E- Commerce
   v) Repair Work

❑ Business Opportunities

i) Travel Agency
ii) Mobile Recharge Shop
iii) Garment Tailor
iv) Wedding Consultants.

https : // www.youthkiawaaz.com /2016/09 amul-india-success-story/

https://en.wikipedia.org/wiki/Lis_of_coopratives

EXERCISE

Q.1 A) Select the correct option and rewrite the sentence.

1) A sole trading concern ensures .... business secrecy.
   (maximum, minimum, limited)

2) The members of Hindu undivided family business are called ....
   (Partner, coparcener, parceners)

3) The head of Joint Hindu Family Business is called as ....
   (KARTA, owner, manager)

4) Registration of partnership firm is .... in Maharashtra.
   (voluntary, compulsory, easy)

5) The liability of the shareholders in Joint Stock Company is ....
(limited, unlimited, restricted)

6) A Joint Stock Company is an artificial person created by ....
(Law, Articles, Memorandum)

7) Registration of a Joint Stock Company is ....
(compulsory, free, not required)

8) Liability of member of a Co-operative Society is ....
(limited, restricted, maximum)

9) Indian Co-operative Society's Act was passed in ....
(1912, 1913, 1911)

10) .... acts as a signature of the company.
(Common seal, Common sign, Common image)

B) Match the pairs.

Group 'A'		Group 'B'	
A)	Private Company	1)	Karta
B)	Public Company	2)	Local Market
C)	Common Seal	3)	1932
D)	Partnership Act	4)	Maximum 200 members
E)	Joint Hindu Family Firms	5)	One Man Show
		6)	Minimum Seven members
		7)	Minimum 10 members
		8)	Signature of Company
		9)	Maximum 100 members
		10)	Manager

C) Give one word / phrase / term.

1) An elected body of representatives of co-operative Society for its day to day administrations.
2) The owner is the sole manager and decision maker of his business.
3) One man show type of business organisation.
4) The members of the Joint Hindu Family firm.
5) A Partner who gives his name to partnership firm.
6) There is free transferability of shares in this company.
7) A partnership agreement in writing.
8) The motto of the co-operative Society.
9) An organisation which is service oriented.

D) State True or False for the following sentences.

1) Sole trader is the decision maker of the business.
2) Sole trading concern operates in local markets.
3) Sole proprietorship is useful for small business.
4) The liability of KARTA is unlimited.
5) The maximum number of members is unlimited in Joint Hindu Family Firm.
6) Joint Stock company can raise huge amount of capital.
7) There is a separation of ownership & management in Joint Stock Company.
8) Board of Directors manage the business of Joint Stock Company.
9) Partnership agreement may be oral or written.
10) In partnership firm, the liability of every partner is limited, joint & serveral.
11) The main motto of co-operative society is to render services to its shareholders.
12) The membership of a co-operative society is compulsory.

E) Find the odd one.

1) Sole proprietorship, Joint Hindu family, Non- Governemt Organisation (NGO) Partnership firm.
2) Active Partner, Shareholder, Nominal parmer, Secret partner.

F) Complete the sentences.

1) Private sector enterprises are owned and managed by the ....
2) There is only one owner in ....
3) A partner who takes active participation in the day to day working of the business is known as ....
4) When there is no provision in partnership agreement regarding time period for partnership then it is known as ....
5) The management of JHF business is handled by the ....
6) The management of co-operative society is based on ....
7) The rule for voting in co-operative society is ....
8) The rule for voting in Joint stock company is ....
9) The face value of the shares of co-operative society is very ....
10) Consumer's co-operatives are formed by the ....
11) Registration of Joint stock company is compulsory according to the Companies Act ....

G) Complete the following table.

	A	B
1)	Minimum 2 and maximum 200	....
2)	Minimum 10 and maximum no limit	....
3)	....	Minimum 7 and maximum unlimited
4)	Form of business organisation having only one member	....
5)	Minimum 2 and maximum 50	....

(Public company, Private Company, Co-operative Society, Partnership Firm, Sole Trading concern)

H) Answer in one sentences.

1) What is sole Trading concern?
2) What is partnership firm?
3) What is the meaning of Joint stock Company?
4) What is JHF business?
5) What is co-operative Society?
6) What is minor partner?
7) What is Quasi Partner?
8) What is partner-in-profits only?
9) What is general partnership?
10) What is the meaning of Private Company?
11) What is Public Company?

I) Correct the underlined word and rewrite the following sentences.

1) In public company, shares are not freely transferrable.
2) In Private Company, there are minimum 3 (Three) directors.
3) Registration of Joint stock Company is not compulsory.
4) There is less secrecy is sole trading concern.
5) In partnership firm minimum three member are required.
6) In Joint Hindu Family business the senior most member of family is called as co-parcener.
7) Indian Partnership Act 1940 is applicable in India.

Q.2 Explain the following terms/concepts.

1) Sole Trading Concern.
2) Partnership Firm.
3) Joint Hindu Family Business.
4) Co-operative Society.

5) Joint Stock Company
6) Karta
7) Managing Committee
8) Nominal Partners

Q.3 Study the following case/situation and express your opinion.

1) Mr. Raghunath is running business from last 30 years. This business is ancestoral business of Mr. Raghunath. Kiran and Naman, two sons of Mr. Raghunath are helping him along with their wives.

   i) Find out type of business.

   ii) Who is Raghunath?

   iii) What Kiran & Naman are called?

2) Mr. Sawant a Chartered Accountant by profession and Mrs. Tambe, an Architect by profession running a firm namely 'ST Firms' in Nagpur.

   i) Identify the form of business organisation in the above examples.
   ii) Is it a registered organisation?
   iii) What is the Profession of Mr. Sawant?

Q.4 Distinguish between

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

Q.5 Answer in brief.

1) State any four features of Sole Trading Concern.
2) State any four types of partners.
3) Describe any four types of Co-operative Society.
4) State any four merits of Joint Hindu Family Business.
5) State any four demerits of Joint Stock Company.

Q.6 Justify the following statements.

1) The Liability of a 'Sole trader' is Unlimited.
2) Karta is the sole manager of 'Joint Hindu Family Business'.
3) The main objective of co-operative society is to provide services to its members.
4) A Joint Stock Company can raise huge capital.
5) The liability of Co-parceners is limited in 'Joint Hindu Family Business'.
6) Sole proprietorship is useful for small business.

7) Co-operative society follows democratic principles.
8) There is separation of ownership and managment in Joint Stock Company.
9) Shares of Private limited company are not freely transferable.
10) All partners are joint owners of partnership firm.
11) Active partners take active part in day to day management of partnership firm.

Q.7 Attempt the following.

1) Explain various types of Co-operative Society.
2) Explain the features of Joint Stock Company.
3) Describe the features of Co-operative Society.

Q.8 Answer the following.

1) Explain features of Sole Trading Concern.
2) Explain different types of Partnership.
3) Explain different types of Partners.
4) Explain the five features of Joint Stock Company.
5) Explain the merits of Co-operative Society.
6) Explain the demerits of Partnership firm.
7) Explain the merits of Joint Stock Company.
8) Explain the features of partnership firm.
9) Explain the types of co-operative societies.
10) Explain the demerits of Joint Stock Company.

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Just to Know

- One Person Company (OPC) : The concept of One Person Company in India was introduced through the Companies Act, 2013 to support entrepreneurs who on their own are capable of starting a venture by allowing them to create a single person economic entity.
- Special Purpose Vehicle (SPV) : A Special Purpose Vehicle (SPV) is a separate legal entity created by an organisation. The SPV is a distinct company with its own assets and liabilities, as well as its own legal status. Usually, they are created for a specific objective, often which is to isolate financial risk.