

**2.1 Evolution of Business Organization**

- A. Sole Trading Concern
- B. Joint Hindu Family Business
- C. Partnership Firm
- D. Limited Liability Partnership
- E. Co-operative Society
- F. Joint Stock Company

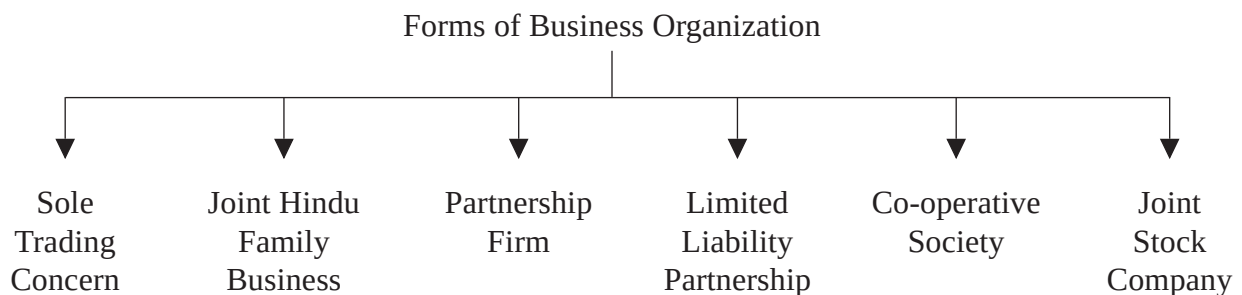
**2.2 Meaning, Definition and Features of Joint Stock Company****2.3 Types of Companies****2.4 Distinction between****INTRODUCTION:**

Industrial revolution took place in England in 1760. Before industrial revolution, production was done manually using local resources. Limited capital was needed and often production was done at home. The industrial revolution brought about radical change in the field of industry and commerce. Production was now on a large scale with the help of machines and that too, in anticipation of demand. Local markets turned into regional, national and international markets. Revolution in transport and other commercial activities were the major effects of Industrial revolution. To meet the new challenges of business, Joint Stock Company form of business organization evolved.

**2.1 EVOLUTION OF BUSINESS ORGANIZATION:**

In view of above given developments the Sole Trading Concern, Joint Hindu Family Business and Partnership Firm proved inadequate to face the challenges posed by changing needs of commerce and industry. Thus a new form of business organization namely, the Joint Stock Company emerged.

Different types of business organizations are discussed below:



### **A) SOLE TRADING CONCERN:**

A Sole Trading Concern is a form of business organization. It is owned, managed and controlled by one person. It is also called as 'One Man Business'. A person who conducts the business is called 'Sole Trader'.

- **Features:**

- 1) There is no separate Law or Act governing Sole Trading Concern, but it has to follow all the laws of Land.
- 2) Sole Trading Concern has only one owner.
- 3) Capital contributed by sole trader is very small.
- 4) There is no division of profit or loss as there is a single owner.
- 5) All decisions of business are taken by sole trader.
- 6) The proprietor (sole trader) can ensure maximum business secrecy.
- 7) The liability of sole trader is unlimited.
- 8) This business does not enjoy a separate legal status.
- 9) Sole Trading Concern is not suitable for large scale business operations.

### **B) JOINT HINDU FAMILY BUSINESS:**

When a Hindu Undivided Family conducts business, inherited by it as per Hindu Law, it is called a Joint Hindu Family Business. It exists only in India. It is governed by Hindu Succession Act 1956.

- **Features:**

- 1) Membership in the Joint Hindu Family Business is by birth only. Every child born in the family becomes a member.
- 2) The Head of the Family is known as 'Karta'.
- 3) Other members of the family are called as 'Co-parceners'.
- 4) Number of members - There is no limit on minimum and maximum number of members.
- 5) All Family members are engaged in the business.
- 6) The Liability of Karta is unlimited.
- 7) The Liability of co-parceners is limited.
- 8) Karta is the manager, controller and co-ordinator of the business.
- 9) Karta being the sole decision maker, can take quick decisions.
- 10) The profit sharing ratio keeps on changing depending upon the births and deaths in the family.

### **C) PARTNERSHIP FIRM:**

The business organization which is owned, managed and controlled by two or more persons is called Partnership Firm. The owners are called Partners and the organization is called a Firm. Registration of Partnership firm is compulsory in Maharashtra state. This form of organization is governed by Indian Partnership Act 1932.

- **Features:**

- 1) This business is started by an agreement between two or more persons.
- 2) Number of partners- Minimum- Two  
Maximum- Fifty for general business.
- 3) The liability of partners is Unlimited and it is joint and several.
- 4) Capital is contributed by partners.
- 5) Partnership firm does not enjoy separate legal status.
- 6) In Partnership Firm partners, cannot transfer their shares without the permission of other partners.
- 7) All partners are joint owners as well joint managers of business.
- 8) No separation of ownership and management in Partnership firm.
- 9) Partners share profit and losses in the agreed ratio as mentioned in partnership deed.

#### **D) LIMITED LIABILITY PARTNERSHIP (LLP):**

Limited Liability Partnership has a combination of features of both partnership and Joint Stock Company. As the name suggests partners have limited liability which means that personal assets of the partners are not attached for paying off the debts of LLP.

Now a days it has become very popular form of business. All limited liability partnerships are governed by the Limited Liability Partnership Act of 2008.

- **Features:**

- 1) The Limited liability partnership is a separate legal entity i.e. a body corporate. The LLP and the partners are distinct from each other.
- 2) Number of partners- Minimum- two.  
Maximum- unlimited.
- 3) No requirements of minimum capital contribution.
- 4) It is simple to form and easy to operate.
- 5) The liability of each partner is limited to his share as written in the agreement.
- 6) It has a low cost of formation.
- 7) There is no restriction on joining and leaving the LLP except as stated in the partnership agreement.
- 8) Double taxation is avoided. There is no tax on share in profit.

#### **E) CO-OPERATIVE SOCIETY:**

A Co-operative Society is a voluntary association of persons formed to achieve certain economic objectives. The nature of co-operative organization is service oriented. The registration of a co-operative society is compulsory in the state of Maharashtra, under the Maharashtra State Co-operative Societies Act 1960.

- **Features:**

- 1) Registration is compulsory.
- 2) The membership of co-operative society is open to all.
- 3) Number of members- Minimum- ten  
Maximum- no limit.
- 4) The liability of a member in a co-operative society is limited.
- 5) It differs from other forms of organization as its aim is not maximization of profit but to provide services to its members.
- 6) The organization enjoys independent legal status different from its members.
- 7) The management of co-operative organization is democratic in nature. There is equality in voting right. They follow the principle of 'One member one vote'.
- 8) There is control and supervision by the state government on the working of co-operative organization.

A Sole Trading Concern, Joint Hindu Family Business and Partnership Firm could not meet the requirements of large scale business organization. All of them have limited funds, no stability, unlimited liability and lack of managerial ability, so the Joint stock Company was established.

#### **F) JOINT STOCK COMPANY:**

A Joint Stock Company is a more formal form of business organization. It is capable of satisfying requirement of modern industry. It is most convenient form of business organization for the conduct of large scale business activity.

This form of organization started in India in the 18<sup>th</sup> century. At present, in India we come across different types of Joint Stock Companies such as public, private, government, statutory etc.

#### **2.2. MEANING DEFINITION AND FEATURES OF JOINT STOCK COMPANY:**

Company means a group of individuals who are associated for a lawful common purpose or goal. The goal may include economic as well as non-economic objectives such as business, charity, research, sports, art, entertainment etc. Capital is invested by a large number of persons. In simple words:- A company is a voluntary association of persons for carrying some business and sharing the profit therefrom.

Joint Stock Company can collect huge capital for the business. The capital of company is divided into small number of indivisible units of fixed amount. These units are known as 'shares'. A person who purchases shares is called a 'shareholder'. Shareholder is a part 'owner' of the company. The ownership of the company is with shareholders while its day to day administration is in the hands of directors who are the elected representatives of shareholders. The directors are collectively known as 'Board of Directors'. The portion of profit of the company, distributed among the shareholders is known as 'Dividend'.

#### **□ Definitions of Joint Stock Company:**

- i) According to Section 2(20) of the Companies Act 2013  
"Company means a company incorporated under this Act or under any previous company law."

It means every organization would get the status of a company if it is incorporated under the relevant law as a company before or after the enactment of the Companies Act 2013.

ii) According to Prof. H. L. Haney

“A Joint stock company is a voluntary association of individuals for profit, having its capital divided into transferable shares, the ownership of which is the condition of membership.”

The above definitions reveal some of the most important features of the company.

Thus to conclude we can say that-

A joint stock company is an incorporated association, which is an artificial person created by law, having a separate name, a separate legal entity and perpetual succession. The liability of its member is limited. A joint stock company may have common seal.

### ❑ Features of Joint Stock Company

#### Features of Joint Stock Company



- 1) Voluntary Association
- 2) Incorporated Association
- 3) Separate Legal Entity
- 4) Artificial Person
- 5) Perpetual Succession
- 6) Common Seal
- 7) Limited Liability
- 8) Separation of Ownership and Management
- 9) Transferability of shares
- 10) Number of Members
- 11) Capital
- 12) Government Control

- 1) **Voluntary association :** A Joint Stock Company is a voluntary association of persons. Membership of the company is open to all. A person at his own wish can become or leave membership of the company subject to the provisions of Articles of Association of the company.

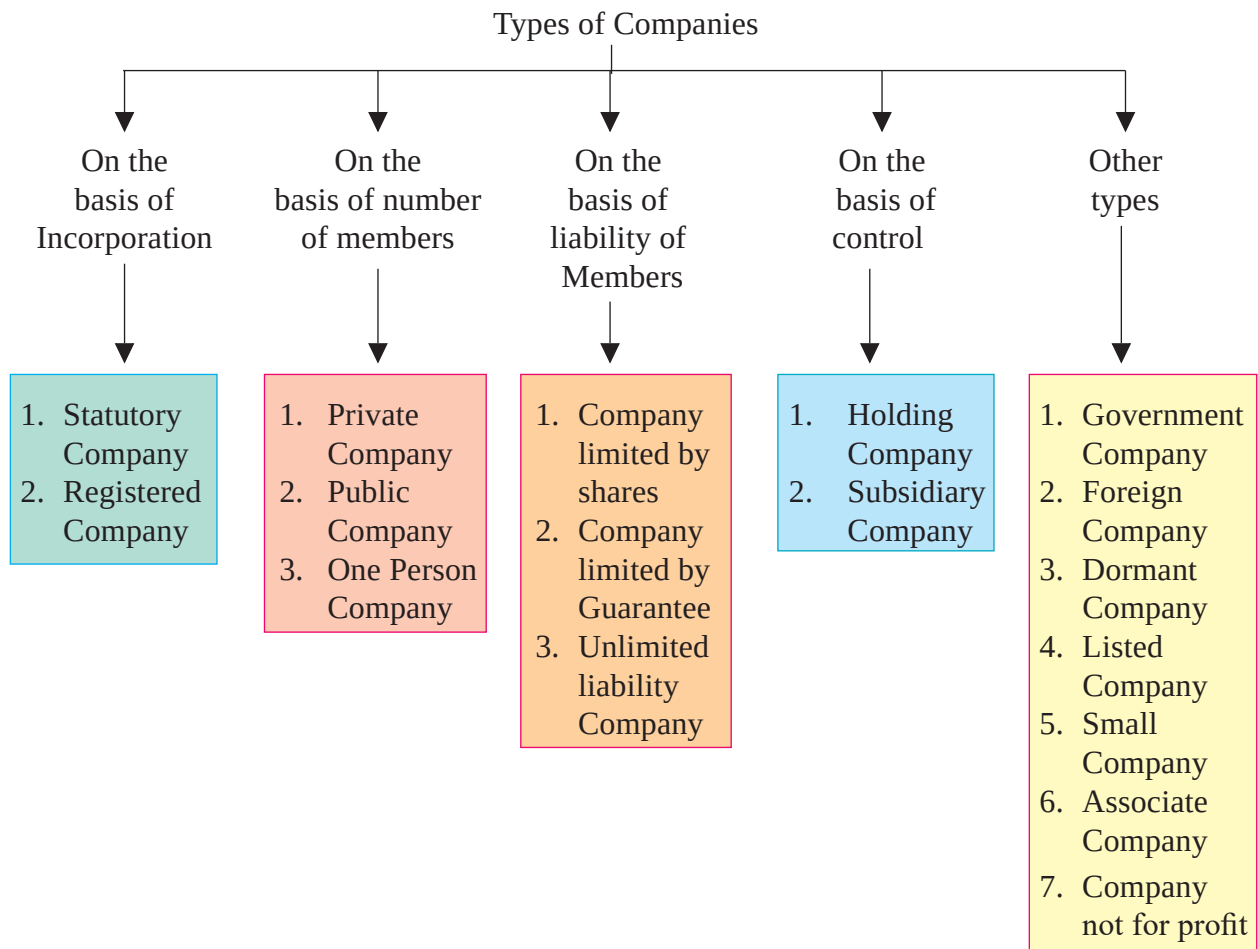
**Articles of Association:** It is the document which describes the rules related to internal management of company.

- 2) **Incorporated association :** A Joint Stock Company is an association of persons formed and registered under the Companies Act. Registration or incorporation is compulsory. An association obtains the status of a Joint Stock Company only after its registration under the Companies Act.

- 3) **Separate legal entity :** A Joint Stock Company is a legal entity i.e. it enjoys separate legal status. Its existence is different from its members and directors. The members are the owners and are liable in limited way for the acts of their company and are conferred with rights and duties.
- 4) **Artificial person :** A Joint Stock Company is an artificial person created by law. It is created by a legal process and has its own independent personality. It enjoys certain legal rights like a person for e.g. enter into contracts, purchase and sell assets and property, appoint persons as employees etc. But it cannot act on its own like a natural person as it is an artificial person.
- 5) **Perpetual succession :** A Joint Stock Company has perpetual succession i.e. continuous existence. Its existence is not affected by death, insolvency or retirement of any of its members. A Joint Stock Company enjoys a very long and stable life unless it is wound up by following legal procedure.
- 6) **Common seal :** A Joint Stock Company is an artificial person without physical existence like a natural person. Hence, it is not in a position to sign its name. However, it has a device in the form of common seal. This common seal acts as its signature. It is affixed on all the important documents and contracts of the company. Usually two directors and the Secretary sign the documents as witness after the seal is affixed.
- 7) **Limited liability :** The liability of shareholders of a joint stock company is limited. It is limited up to the unpaid part of face value of shares held by a shareholder. Shareholder is liable to pay only the unpaid amount on his shares, if any. Shareholder is not concerned with debts and liabilities of the company. Personal property of the shareholders cannot be used for repayment of debts of a company.
- 8) **Separation of ownership and management :** In a company, ownership is separated from management. Shareholders are real owners of the company, however they are unable to manage the day to day affairs of the company because
  - a) They are large in number.
  - b) They are scattered and
  - c) They keep changing because shares are transferable. So they elect the Board of Directors to look after the management of the company. All policy decisions are taken by the Board of Directors.
- 9) **Transferability of shares :** The shares of public company are freely transferable. A shareholder can sell shares as and when he desires. Membership comes to an end once the shares are sold. Shares of private company are not freely transferable.
- 10) **Number of members :** A Joint Stock Company is usually owned by a large number of persons. A private limited company must have minimum 2 members and maximum 200 members. A public limited company must have minimum 7 members and there is no limit on the maximum number of members.
- 11) **Capital :** A Joint Stock Company can raise huge capital, due to large number of members. Huge amount of capital can be collected by the company in the form of shares, debentures, bonds, public deposits etc. It can also obtain loans from banks and financial institutions.
- 12) **Government control :** A Joint Stock Company has to work under Government control and supervision. Registration is compulsory for all companies. A registered company must follow the regulations given in company law. A company has to file a copy of statement of profit

and loss, balance sheet and other financial statements with the registrar. It has to maintain proper books of accounts. These accounts must be audited. If a company does not fulfill these statutory obligations, it is penalized. This control is essential to protect the financial interest of small investors.

## 2.3 TYPES OF COMPANIES:



The following are the important types of companies

### A) ON THE BASIS OF INCORPORATION:

- 1) **Statutory Company** : These companies are incorporated by a special Act passed by the central or state legislative. e.g. Reserve Bank of India, State Bank of India, Unit Trust of India, Life Insurance Corporation etc.
- 2) **Registered Company** : These companies are incorporated under the Companies Act 2013 or any previous company law.

### B) ON THE BASIS OF NUMBER OF MEMBERS:

- 1) **Private Company** : (Section 2(68))

Private company means a company having a minimum paid up capital as may be prescribed and which by its Articles -

- i) Restrict the right of members to transfer its shares if any.
- ii) Restrict the number of its members up to 200.
- iii) Prohibits any invitation to the public to subscribe for any securities or deposits of the company.

**Securities:** *are financial instruments like shares, bonds, debentures etc. issued by the company.*

All the above said conditions, should be fulfilled for a company to be called as private company. If any one of the condition is not fulfilled by the company, it shall be considered as a public company. The minimum number of members for private company is 2.

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.

**2) Public Company :** According to Section 2(71) public company means a company which is not a private company. A public company -

- 1) Has no restriction on the transfer of its shares.
- 2) Minimum number of members should be seven.
- 3) Has to have a minimum paid up share capital as may be prescribed by its Articles.
- 4) Does not prohibit any invitation or acceptance of deposits from the public.

**3) One Person Company :** According to Section 2(62) a one person company is a company which has only one person as member.

It is private limited company and it has to fulfill and comply with all the formalities of private company unless otherwise specified in the Act or rules.

The concept of One Person Company was introduced through the Companies Act 2013. It is operated by a single promoter who has Limited Liability. It is a better form of business organization than the sole proprietorship because the liabilities of the member is limited to the extent of his capital in the company.

One Person Company can have one or more directors. There is no need to hold Annual General Meeting.

## C) ON THE BASIS OF LIABILITIES OF MEMBERS:

**1) Company limited by shares:** Section 2(22) : These types of companies have a share capital and the liability of each member is limited to the unpaid part of face value of shares purchased by member. During the existence of the company or in the event of winding up, a member can be called upon to pay the unpaid remaining amount on the shares purchased by him / her.

A company limited by shares may be a public company or a private company. These are the most popular types of companies.

**2) Company limited by Guarantee:** Section 2(21) : These types of companies may or may not have a share capital. Each member promises to pay a fixed sum of money specified in the Memorandum in the event of liquidation of the company for the payment of the debts and liabilities of the company.



Generally, such companies are not profit making companies because they are formed for the purpose of promotion of art, science, culture, charity, sports, or some other similar purpose.

- 3) **Unlimited liability company:** Section 2(92) : A company not having any limit on the liability of its members is termed as an unlimited company. The members are fully liable to cover the debts of the company.

The unlimited company can be either a private or a public company or a one person private company.

#### D) ON THE BASIS OF CONTROL:

- 1) **Holding company:** Section 2(46)

A Holding company is a company which holds more than one half of the total share capital of another company or has powers to appoint or remove all or a majority of directors of another company.

- 2) **Subsidiary company:** Section 2(87)

A Subsidiary company is just the opposite of a holding company. It is a company which is controlled by a Holding company. Such control is possible because the Holding company purchases more than one half of the share capital of Subsidiary company or has powers to appoint or remove all or a majority of its directors.

#### E) OTHER TYPES:

- 1) **Government company:** Section 2(45) : Government company means any company in which not less than 51% of the paid up share capital is held by

- 1) the central government or
- 2) State government or governments or
- 3) Partly by Central Government and partly by one or more State Governments or
- 4) Subsidiary company of a government company.

Government Company may be a private company or a public company. In fact it is a company registered and incorporated under the Companies Act 2013. e.g. Hindustan Machine Tools Limited, Steel Authority of India Limited., Bharat Heavy Electrical Limited, Coal India Limited, Oil Natural Gas Corporation Limited etc.

- 2) **Foreign company:** Section 2(42) : Foreign company means a company incorporated outside India, but having a place of business in India. e.g. Nestle India Limited, Bata India Limited, Whirlpool corporation, etc.

- 3) **Dormant Company :** If company is registered for a future project or has not made any significant accounting transactions in last two years or has not filed financial statements or annual returns in last two years, after making application u/s 455 can be called as Dormant Company.

- 4) **Listed company:** Section 2(52) Listed company means a company which has any of its securities listed on any recognized stock exchange. A public limited company may be a listed company or unlisted company. The listed companies will also have to follow SEBI's guidelines and the provisions of the Companies Act.

**SEBI:** Securities and Exchange Board of India is established to protect the interest of the investors in securities and regulate the securities market.

**5) Small company :** As per Section 2(85) of the Act, small company means a company other than a public company -

- 1) Paid up share capital of which does not exceeds ₹ 50 lakh or such higher amount as may be prescribed or
- 2) Turnover of which as per its last profit and loss account does not exceed ₹ 2 crores or such higher amount as may be prescribed.

Private company, One Person Company and company other than public company can be a small company.

**6) Associate company:** Section 2(6) An Associate Company is one over which another company exercise a significant degree of control which is less than the degree of control exercised over a subsidiary company.

Associate company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company.

For the purpose of this clause 'significant influence' means control of at least 20% of total capital or of business decisions under an agreement.

**7) Company not for profit:** Under section 8 such companies are registered.



### Activity:

Identify the type of following companies:

- 1) Bajaj Auto Limited
- 2) Coal India Limited
- 3) Microsoft India
- 4) Kirloskar Foundation

## 2.5 DISTINCTION

### 1. Private Company and Public Company

| Sr. No. | Points              | Private Company                                                                                                                                   | Public Company                                                    |
|---------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| 1)      | Definition          | 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. | A public company means a company which is not a private company.  |
| 2)      | Number of Members   | Minimum- 2<br>Maximum- 200                                                                                                                        | Minimum- 7<br>Maximum- No limit                                   |
| 3)      | Number of Directors | In a private company a minimum number of 2 directors are essential.                                                                               | In a public company a minimum number of 3 directors is essential. |

| Sr. No. | Points                       | Private Company                                                                       | Public Company                                                               |
|---------|------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| 4)      | Right to transfer the shares | Shares in private company are not freely transferable.                                | Shares are freely transferable.                                              |
| 5)      | Issue of prospectus          | Cannot issue a prospectus.                                                            | Can issue a prospectus.                                                      |
| 6)      | Ending word/s                | It is compulsory to add the word 'Private limited' after the name of private company. | It is compulsory to add the word 'Limited' after the name of public company. |

## 2. Comparative Study of forms of organization

| Sr. No. | Points            | Sole Trading Concern (STC)                                  | Joint Hindu Family Business (JHFB)                                               | Partnership Firm (PF)                                                                 | Joint Stock Company                                                                                    | Co-operative Society                                                                          |
|---------|-------------------|-------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| 1)      | Meaning           | A business organization owned and controlled by one person. | A business organization owned and run by family members of a joint Hindu Family. | A business organization owned and run by two or more persons collectively or jointly. | An incorporated association which is an artificial person created by law, having perpetual succession. | It is voluntary association of individuals which is formed for providing services to members. |
| 2)      | Registration      | Registration is not necessary.                              | Registration is not necessary.                                                   | Registration is not necessary, but compulsory in Maharashtra state.                   | Registration is compulsory.                                                                            | Registration is compulsory.                                                                   |
| 3)      | Number of members | Minimum- 1<br>Maximum- 1                                    | There is no limit on minimum and maximum number of members.                      | Minimum- 2<br>Maximum- 50 for general business.                                       | Private Company Minimum- 2<br>Maximum- 200. Public company Minimum- 7<br>Maximum- No limit             | Minimum- 10<br>Maximum- No limit.                                                             |
| 4)      | Liability         | Unlimited liability of Sole Trader.                         | Karta- Unlimited Liability<br>Co-parceners- Limited Liability.                   | Liability of partners is unlimited, Joint and several.                                | Limited Liability of members.                                                                          | Limited Liability of members.                                                                 |

|    |                    |                                                                                 |                                                                                  |                                                                                                  |                                                          |                                                                                   |
|----|--------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------|
| 5) | Stability          | Lack of Stability. Business may be affected due to death, insolvency of trader. | Lack of stability. Business may be affected due to death, insolvency of members. | Lack of stability. Business may be affected due to death, insolvency of partners.                | Stable business.                                         | Stable business.                                                                  |
| 6) | Capital            | Comparatively limited Capital.                                                  | Comparatively limited Capital.                                                   | Comparatively more than STC and JHFB but less than Joint Stock Company and co-operative society. | Huge capital.                                            | Comparatively more than STC, JHFB, partnership but less than joint stock company. |
| 7) | Secrecy            | Ensures maximum business secrecy.                                               | More business secrecy.                                                           | Secrets are shared by the partners.                                                              | Less business secrecy.                                   | Less business secrecy.                                                            |
| 8) | Management         | A sole trader alone is responsible for the management of business.              | Karta alone is responsible for the management of business.                       | All partners are equally liable for management of their business.                                | Board of directors constitute the management of company. | Managing committee is the managing body of co-operative society.                  |
| 9) | Government Control | There is minimum government control over the working.                           | There is less government control over the working.                               | There is limited government control over the working.                                            | There is more government control over the working.       | There is more government control over the working.                                |

## SUMMARY

### ❑ There are different forms of business organization such as:

- 1) Sole Trading Concern      2) Joint Hindu Family Business    3) Partnership Firm.
- 4) Limited Liability Partnership    5) Joint Stock Company      6) Co-operative Society

### ❑ Joint Stock Company:

A Joint Stock Company is registered association which is an artificial legal person, having an independent legal entity with a perpetual succession, a common capital comprised of transferable shares and carrying limited liability. Having a common seal is optional for a company.

Joint Stock Company is a formal form of business organization, developed after industrial revolution i.e. 1760.

□ **There are different types of companies as stated below:**

**A) On the basis of Incorporation:**

- 1) Statutory Company.
- 2) Registered Company.

**B) On the basis of Number of members:**

- 1) Private Company.
- 2) Public Company.
- 3) One person Company.

**C) On the basis of liability of members:**

- 1) Company limited by shares.
- 2) Company limited by guarantee.
- 3) Unlimited company.

**D) On the basis of control:**

- 1) Holding Company.
- 2) Subsidiary Company.

**E) Other Kinds:**

- 1) Government Company.
- 2) Foreign Company.
- 3) Dormant Company.
- 4) Listed Company.
- 5) Small Company.
- 6) Associate Company.
- 7) Company not for profit



**EXERCISE**

**Q.1 A. Select the correct answer from the options given below and rewrite the statements.**

- 1) A sole proprietorship has ..... owner/owners.  
a) one                      b) two                      c) five
- 2) The head of Joint Hindu Family Business is called as .....  
a) Proprietor              b) Director              c) Karta
- 3) Indian Partnership Act was passed in the year .....  
a) 1923                      b) 1932                      c) 1956
- 4) The members of Hindu Undivided Family Business are called .....  
a) Karta                      b) partners                      c) co-parceners

- 5) The liability of shareholders in the public limited joint stock company is ..... .  
 a) Limited                      b) Unlimited                      c) Collective
- 6) The minimum number of members required for a co-operative society is ..... .  
 a) 10                              b) 20                              c) 50
- 7) The ..... is / are elected representative of shareholders who manage affairs of company.  
 a) Secretary                      b) Directors                      c) Auditors
- 8) State Bank of India is the example of ..... Company.  
 a) Chartered                      b) Statutory                      c) Foreign

**B. 1. Match the pairs:**

| Group 'A' |                             | Group 'B' |                     |
|-----------|-----------------------------|-----------|---------------------|
| a)        | Sole Trading concern        | 1)        | 1932                |
| b)        | Joint Hindu Family Business | 2)        | Partner             |
| c)        | Partnership Act             | 3)        | Artificial person   |
| d)        | Joint Stock Company         | 4)        | 1923                |
| e)        | Co-operative Society        | 5)        | Karta               |
|           |                             | 6)        | Natural person      |
|           |                             | 7)        | Single Ownership    |
|           |                             | 8)        | Equal voting rights |
|           |                             | 9)        | Multiple ownership  |
|           |                             | 10)       | Minimum 9 members   |

**B. 2. Match the pairs:**

| Group 'A' |                               | Group 'B' |                                      |
|-----------|-------------------------------|-----------|--------------------------------------|
| a)        | Private company               | 1)        | 51% share capital held by Government |
| b)        | Public company                | 2)        | Bank of England                      |
| c)        | Government company            | 3)        | Maximum 200 members                  |
| d)        | Statutory Company             | 4)        | Minimum 7 members                    |
| e)        | Limited Liability Partnership | 5)        | Maximum 100 members                  |
|           |                               | 6)        | Minimum 5 partners                   |
|           |                               | 7)        | 40% share capital                    |
|           |                               | 8)        | Minimum 5 members                    |
|           |                               | 9)        | Life Insurance Corporation           |
|           |                               | 10)       | Minimum 2 partners                   |

**C. Write a word or a term or a phrase which can substitute each of the following statements.**

- 1) The owner who is the sole manager and decision maker of his business.
- 2) The senior most family member of Joint Hindu Family Business.
- 3) The members of Joint Hindu Family Business.
- 4) An artificial person created by law.
- 5) The persons who have entered into an agreement of partnership.
- 6) A person who purchases shares of Joint Stock Company.
- 7) The official signature of Joint Stock Company.
- 8) Name a company that is created by a special legislation of parliament or state assembly.

**D. State whether the following statements are True or False.**

- 1) A joint stock company is voluntary association of persons.
- 2) A joint stock company is a formal form of business organization.
- 3) Registration of Joint Stock Company is compulsory.
- 4) A Joint Stock Company is a natural person.
- 5) A Joint Stock Company does not enjoy independent legal status.
- 6) The liability of shareholder of public limited company is limited.
- 7) A joint stock company has long and stable life.
- 8) There is no separation of ownership and management in Joint Stock Company.
- 9) Board of Directors manage the Company.

**E) Complete the sentences.**

- 1) A company is a creation of law, hence it is called as ..... .
- 2) A company which is incorporated under a special Act is called as ..... .
- 3) A Company which has only one member is called as ..... .
- 4) A listed company must follow the provisions of Companies Act and .....

**F) Select the correct option from the bracket.**

| Group 'A'                     | Group 'B'                       |
|-------------------------------|---------------------------------|
| 1) Private company            | -----                           |
| 2) Public company             | -----                           |
| 3) -----                      | Member have unlimited liability |
| 4) Incorporated Outside India | -----                           |

(Foreign Company, Minimum 7 members, Maximum 200 members, Unlimited Liability Company)

**G) Answer in one sentences.**

- 1) How many member/s can be there in a one person company?
- 2) What is a Holding company?
- 3) What is meant by foreign company?

**H) Correct the underlined word and rewrite the following sentences.**

- 1) Statutory companies are registered under the Companies Act.
- 2) A Subsidiary Company holds more than half of the total share capital of another company.
- 3) A private Company must have minimum 7 Members.
- 4) A public Company can have maximum 200 Membesrs.

**Q.2 Explain the following terms/concepts.**

- |                                 |                      |                       |
|---------------------------------|----------------------|-----------------------|
| 1) Dormant company              | 2) Holding company   | 3) Foreign company    |
| 4) Company limited by guarantee | 5) Associate company | 6) Limited Liability  |
| 7) Perpetual Succession         | 8) Listed company    | 9) One person company |
| 10) Government company          |                      |                       |

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

- 1) Two promoters got 'Super Drinks Pvt. Ltd.' incorporated on 18<sup>th</sup> Jan, 2018. The company has 100 members as on 31<sup>st</sup> Mar, 2019.
  - a) What is the maximum number of members this company can have?
  - b) Can this company invite general public to subscribe for its shares?
  - c) Can the shareholders of the company sell their shares to outsiders?
- 2) Kali VFX Ltd. was incorporated on 1<sup>st</sup> Jan, 2019 as a public limited company.
  - a) How many minimum number of members must be there in this company?
  - b) Can the members of this company sell its shares to outsiders?
  - c) How many maximum number of members can this company have?
- 3) SunsetPrintersPvt.Ltd.wasincorporatedon5<sup>th</sup>Dec,2015asperthe provisions of Companies Act 2013. Mr. Manoj was the only subscriber to the Memorandum and Articles of Association and he was also the only member of the company.
  - a) Is this company a One Person company?
  - b) Will the liability of Mr. Manoj be limited or unlimited?
  - c) Will the company close down on the death, insanity or insolvency of Mr. Manoj?
- 4) On 1<sup>st</sup> Jan, 2018 Mr. John bought 100 shares of TIPS Paints Ltd. The face value of each share was ₹ 10. Mr. John paid the full amount of Rs. 1000. In Dec, 2018 the company suffered a loss of ₹ 10 crores.
  - a) Can the company ask Mr. John to pay any further money to the company?
  - b) Which feature of Joint stock company is referred to in this example?
  - c) Explain the feature briefly.

**Q.4 Distinguish between the following:**

- 1) Sole Trading concern and Joint Hindu Family Business.
- 2) Sole Trading concern and Partnership Firm.
- 3) Partnership Firm and Joint Stock Company.



- 4) Joint Stock Company and Co-operative society.
- 5) Private company and Public company.

**Q.5 Answer in brief.**

- 1) How is LLP different from a partnership firm ?.
- 2) Explain the different types of companies on the basis of liabilities of members.
- 3) What are holding and subsidiary company?

**Q.6 Justify the following statements.**

- 1) Registration of Joint Stock Company is compulsory.
- 2) A Joint Stock Company is an artificial person.
- 3) The liability of shareholder of company is limited.
- 4) The ownership and management are separated in Joint Stock Company.
- 5) The Joint Stock Company collects a huge capital from public.
- 6) There is more Government control and supervision over the working of Joint Stock Company.

**Q.7 Answer the following questions:**

- 1) State the features of sole trading concern.
- 2) State the features of Joint Hindu Family Business.
- 3) State the features of Partnership firm.
- 4) State the features of co-operative society.
- 5) State the features of Limited Liability Partnership.
- 6) Define Joint Stock Company and explain its features.
- 7) Define a 'company'. Explain the types of companies on the basis of liability of members.
- 8) Explain any four types of companies.

