



**Business studies**  
**Chapter 2**  
**Forms of business organisation**

Q. No.	Question	Mark
1.	Which of the following is an incorporated form of business (a) Company (b) Sole Proprietorship (c) Partnership (d) Hindu Undivided Family	1
2.	Which of the following is not the feature of sole trader ? (a) Limited liability (b) Individual ownership (c) Secrecy (d) Quick decision making	1
3.	Which of the following is the limitation of sole trader ? (a) Easy formation (b) Lack of continuity (c) Secrecy (d) Quick decision making	1
4.	Every partner is ..... (a) Principal (b) Agent (c) Principal as well as Agent (d) Principal or Agent	1
5.	Which of the following can be a partner? (a) Individual (b) Firm (c) Company (d) Cooperative society	1
6.	Which of the following is not an advantage of partnership? (a) More resources (b) Balanced decisions (c) Easy formation (d) All of the above	1
7.	Which is the maximum no. of partners in a partnership? (a) 10 (b) 50 (c) 100 (d) 200	1
8.	Which of the following is not an advantage of Hindu Undivided Family business? (a) Easy to start (b) Limited resources (c) Secrecy (d) Direct contact with customers	1
9.	Name the business which has separate legal entity. (a) Sole proprietorship (b) Partnership (c) Company (d) All business organisations	1
10.	Which of the following follows the principle "each for All and All for Each" ? (a) Sole proprietorship (b) Partnership (c) Cooperative society (d) All business organisations	1
11.	Minimum members required to form a cooperative society is ..... (a) 7 (b) 10 (c) 2 (d) 20	1
12.	Which of the following is not genetic industry? (a) Animal husbandry (b) Mining (c) Poultry farming (d) fish hatchery	1
13.	In which organization 'Perpetual Succession' is found? (a) Company (b) Partnership (c) Sole proprietorship (d) None of the above	1

14.	Maximum no. of members in a private company is ..... (a) No maximum limit (b) 200 (c) 50 (d) 20	1
15.	In which company transfer of share is allowed (a) Private company (b) Public company (c) Both (a) and (b) (d) None of these	1
16.	In which company transfer of share is not allowed (a) Private company (b) Public company (c) Both (a) and (b) (d) None of these	1
17.	Minimum no. of directors in a private company is ..... (a) 2 (b) 3 (c) 50 (d) 20	1
18.	Minimum no. of directors in a public company is ..... (a) 2 (b) 3 (c) 50 (d) 20	1
19.	The most important document to be filed with the Registrar for the registration of a company is ..... (a) Articles of Association (b) Memorandum of Association (c) Table A (d) Prospectus	
20.	In the absence of Articles of Association ..... is to be filed with the Registrar for the registration of a company. (a) Table B (b) Memorandum of Association (c) Table A (d) Prospectus	
21.	From the point of view of 'liability ' which of the following business organization is most suitable? (a) Sole proprietorship (b) partnership (c) Company (d) Hindu Undivided Family	
22.	From the point of view of 'formation ' which of the following business organization is most suitable? (a) Sole proprietorship (b) partnership (c) Company (d) Hindu Undivided Family	
23.	From the point of view of 'continuity ' which of the following business organization is most suitable? (a) Sole proprietorship (b) partnership (c) Company (d) Hindu Undivided Family	
24.	A partner whose association with the firm is unknown to general public is ..... (a) Nominal Partner (b) Secret partner (c) Sleeping partner (d) Active partner	
25.	The head of Hindu Undivided Family business is ..... (a) Partner (b) Kartha (c) Principal (d) Co-parcener	
26.	The capital of a company is divided into small units called ..... (a) Dividend (b) Share (c) Profit (d) Debenture	

27.	The Board of Directors is elected by ..... (a) Government (b) Shareholders (c) Employees (d) Promoters	
28.	Application for approval of name of a company is to be made to ..... (a) Registrar (b) SEBI (c) Government of India (d) Company Law Board	
30.	A prospectus is issued by a ..... (a) Public Company (b) Private Company (c) A One Person Company (d) A government Company	

**I. Short/ Long Answer Questions:**

Q. No.	Question	Mark
1.	How does a cooperative society show democracy and secularism?	4
2.	Mohan runs a garment shop in a mall. Two years back he had taken a loan of ₹ 10 lakh from HSBC bank for the renovation of his shop. However due to his poor health for the past one year his earnings have declined considerably as he is not able to devote sufficient time to the business. He now plans to sell off his shop.  In the context of the above case: (a) Identify the limitation of the business organization being discussed above. (b) Discuss briefly any other three limitations of the business discussed here.	4
3.	The outside liabilities of 'Flavours', a fast food restaurant are ₹ 15,00,000 at the time of dissolution, but its assets are worth ₹ 12,00,000 only. How will the debts be repaid if it is a sole proprietorship organization?	3
4.	Sumit is running an auto repair garage. He now wants to expand his business. After investing all his savings, he is still short of ₹ 2 lakhs. Banks and other lending institutions are hesitant to give him loan due to instability associated with this form of business organization.  In the context of the above case: (a) Identify the related demerits of sole proprietorship form of business. (b) How can converting the form of business to partnership help him in solving the financial problem?	4
5.	Parul is doing export business. Every time she would procure an order, she felt stressed about completing it on time. Few years ago Esha joined her business as a partner. As a result, Parul realized that her stress related to business had reduced. However she noticed that they differ in their choice and a lot of time is wasted in reaching a mutual consent.  In the context of the above case: (a) Identify and explain the related merits of a partnership being highlighted in the paragraph. (b) Also state the related demerits of a partnership being highlighted in the paragraph.	3

6.	<p>Praveen and Khan are well known builders in Noida. They enter into a partnership to build an NRI residential complex in Greater Noida.</p> <p>In the context of the above case:  (a) Identify and explain the type of partnership being discussed in the paragraph.</p>	2
7	<p>Niranjan and Nikhil decided to start a partnership firm together. They also decided to have a written agreement for the partnership.</p> <p>In the context of the above case:  (a) Identify and explain the document being discussed in the paragraph.  (b) What are the contents of the above document?</p>	4
8	<p>Lakshit owns an ancestral house in Shimla. He converts it into a lodge. After his death the lodge is inherited by his three sons in the order of their age, namely, lakshay, Luv and Lok who carry on with the business under the form of Joint Hindu Family business.</p> <p>In the context of the above case:  (a) Name the law under which governs the Joint Hindu Family business.  (b) Who among the three brothers has the right to exercise control over the family business?  (c) Comment upon the liability of the three brothers.</p>	4
9	<p>Amul is an Indian dairy cooperative based at Anand in Gujarat. It is managed by the Gujarat Cooperative Milk Marketing Federation. Amul made the country the world's largest producer of milk products. It has become the largest food producer in India and has entered to overseas market.</p> <p>In the context of the above case:  (a) What is a cooperative society?  (b) Why do you think Amul was promoted in the form of a cooperative society? Explain by giving the merits of a cooperative society.</p>	4
10	<p>Sparkles Ltd. was promoted in 2010 by a group of four friends. As the business of the company has grown, they are planning to convert it into a public company.</p> <p>In the context of the above case  (a) State any four privileges that the company will have to sacrifice after converting it into a public company.  (b) State any four benefits that the company will enjoy after converting it into a public company.</p>	4
11	<p>Smart Ltd. invited public to subscribe for its public issue of ₹ 10 lakhs through initial Public offer ( IPO). It received applications for shares of ₹ 8 lakhs .</p> <p>In the context of the above case  (a) Can the company proceed with allotment of shares? Why ? Why not ? Give reasons for your answer.  (b) Who are underwriters? What are their functions ?</p>	3