



CHAPTER 02

FORMS OF BUSINESS ORGANISATIONS

MULTIPLE CHOICE QUESTIONS

- In which type of business organisation, the owner does not share his/her profit.
a. Partnership b. **Sole proprietorship** c. Cooperative society
d. Joint Hindu family
- Which is not a limitation of Sole proprietorship.
a. Limited resources b. **Easy formation** c. Limited life of business
d. Limited managerial ability
- Which is not a feature of sole proprietorship
a. Unlimited liability b. **Limited managerial ability** c. Ease of formation
d. Quick decision making
- In which form of business organization, minor can also be members
a. Joint Stock Company b. Cooperative Society c. **HUF business**
d. Sole Proprietorship
- The prospectus is issued by
a. Private co. b. **Public co.** c. Partnership d. HUF
- The oldest form of business organization of India
a. **HUF business** b. Partnership c. Public co. d. One person co.
- Application for approval of name of a company is to be made to
a. SEBI b. **Registrar of Companies** c. Government of India
d. State Government
- What is the size of minimum subscription as per SEBI
a. **90%** b. 92% c. 85% d. 80%
- The maximum no. of members in a partnership business is
a. 7 b. 20 c. 10 d. **50**
- The Act which governs the formation of a partnership business is Indian Partnership Act
a. **1932** b. 1956 c. 1949 d. 1912
- A sleeping partner is otherwise known as
a. Nominal partner b. **Dormant partner** c. Partner by estoppel
d. Limited partner
- The minimum number of members required to form a cooperative society is
a. Five b. **Ten** c. Twenty d. Two
- Which of the following business organisation has service motive
a. Sole Proprietorship b. Joint Hindu Family c. **Cooperative Society**
d. Company
- In a cooperative society, the power to take decisions lies in the hands of-
a. **Elected Managing Committee** b. Karta c. Board of directors
d. Members
- This type of cooperative society is set up with the aim of eliminating middlemen

- a. Producer's Cooperative Society b. Marketing Cooperative Society
 c. **Consumer's Cooperative Society** d. Farmer's Cooperative Society
16. The cooperative society is required to be registered under the Cooperative Society Act
 a. 2013 b. **1932** c. 1956 d. 1912
17. Name the business organisation which has a legal status independent of its members.
 a. HUF b. Sole proprietorship c. **Joint Stock Co.** d. Cooperative Societies
18. Who undertakes the management & control of the affairs of the company on behalf of its owners
 a. **Board of Directors** b. Departmental Heads c. Managing Directors d. Vice president
19. The directors take all decisions on behalf of the shareholders, keeping in mind their own benefit. Identify the demerit stated above.
 a. Delay in decision making b. Numerous regulations c. Lack of secrecy d. **Oligarchic management**
20. Which form of organisation is suitable if direct control over operations & absolute decision-making power is required in business
 a. Joint Stock Co. b. Cooperative society c. **Sole proprietorship**
 d. HUF

SHORT ANSWER QUESTIONS

21. Identify the form of business organisation related to the following statements.
 a. One man one vote
 b. An artificial person created by law

ANSWER

- a. Cooperative society – Form of business organisation formed for the benefit of its members
 b. Joint stock company – Artificial person created by law having perpetual succession and a common seal
22. "Partnership is the result of mutual agreement"
 a) Identify the agreement b) Point out its four contents

ANSWER

- A) Partnership deed
 B) Name of the firm
 1. Names and address of partners
 2. Nature of business
 3. Principle place of business
 4. Duration of partnership, if any
 5. Amount of capital contributed by each partner
 6. Profit sharing ratio
 7. Amount of salary, if any, payable to partners
 8. Number of drawings, if any, permissible for each partner
 9. Rate of interest on capital or drawings, if any
 10. Provisions regarding admission and retirement of partners
 11. Maintenance of books of accounts and audit
 12. Arrangement for settlement of debts
 13. Rights, duties, powers and obligations of all partners
 14. Provision regarding dissolution etc..... (any four points)
23. Distinguish between a Nominal partner and a Secret partner

ANSWER

A nominal partner is one who allows to use his name in the partnership business but does not contribute capital, does not take part in the day-to-day activities of business, is not eligible to share the profit or loss of the partnership business but have an unlimited liability towards the public

A secret partner is one who contribute capital to the partnership business, take part in the day-to-day activities of the business, have a share in the profit and loss of the business, have unlimited liability but his association with the partnership business is unknown to the public

LONG ANSWER QUESTIONS

24.State any four privileges enjoyed by a Private Company

ANSWER

1. A private company can be formed by only two members whereas seven people are needed to form a public company.
2. There is no need to issue a prospectus as public is not invited to subscribe to the shares of a private company.
3. Allotment of shares can be done without receiving the minimum subscription. A private limited company can start business as soon as it receives the certificate of incorporation
4. A private company needs to have only two directors as against the minimum of three directors in the case of a public company. However, the maximum number of directors for both types of companies is fifteen.
5. A private company is not required to keep an index of members while the same is necessary in the case of a public company. **(Any four points)**

25.Point out any five differences between private company and public company

ANSWER

	Basis	Private Company	Public Company
1	Number of Members	Minimum: 2 Maximum: 200	Minimum;7 Maximum: No limit
2	Minimum Paid up capital	1 lakh	5 lakhs
3	Invitation to public	Not possible	Possible
4	Minimum subscription	Not required	Required
5	Issue of prospectus	Not needed	Needed
6	Commencement of business	After its incorporation	After getting the certificate of incorporation
7	Share transfer	Restriction	Not restricted
8	Name	Ended with Private limited	Ended with limited
9	Legal formalities	Less	More
10	Number of Directors	Two	Three

26. "Self- help through mutual help" is a feature of which form of business. Explain its any four features.

ANSWER

Cooperative society

Features:

a. Voluntary association: Any one can become a member in a cooperative society according to his own free will and he is free to withdraw his membership at any time.

b. Open membership: Membership is open to all irrespective of caste, sex, colour, income or status in the society.

c. Legal status: Registration of a cooperative society is compulsory; therefore, society has a separate identity from its members.

d. Limited liability: The liability of the members of a cooperative society is limited to the extent of the amount contributed by them as capital.

e. Control: In a cooperative society, the power to take decisions lies in the hands of an elected managing committee (in a democratic way, one man one vote)

f. Service motive: Its emphasis the value of mutual help and welfare. **(Any four points with explanation)**

27. "An artificial person having a separate legal entity, perpetual succession and a common seal" a) Identify the form of business b) Explain its features.

ANSWER

A) Joint stock company

B) Features:

1. Separate legal entity: A company has a separate legal existence apart from its members. It can own property, open a bank account, enter contract with members etc...

2. An artificial person: Law has recognized a company as an artificial legal person. As a person, the company can sell and purchase the property belonging to it. A company can sue and be sued like a person.

3. Perpetual succession: A company has continuous existence. Its existence is not affected by the death, insanity, insolvency, transfer of shares by the shareholders.

4. Limited liability: The liability of shareholders is limited to face value of shares held by them.

5. Transferability of shares: Shares of Joint Stock Companies are freely transferable from person to person except in the case of private company.

6. Separation of ownership from management: The Board of Directors are entrusted with the task of management not the shareholders. The BOD is elected by shareholders in democratic way (one share one vote).

7. Common seal: A company is an artificial person created by Law. All documents and certificates issued by such a company must be authenticated by the company seal. Such a common seal is the official signature of a company.

8. Compulsory registration: A company has to be registered under the Companies Act, 2013 or any of the previous company law. It is mandatory.

9. Formation: The formation of a company is time consuming, expensive and complicated process. It involves the preparation of several documents and legal formalities.

THE VILLAGE INTERNATIONAL SCHOOL