



BUSINESS STUDIES

BOOKS - SHREE RADHEY PUBLICATION

BUSINESS STUDIES (HINGLISH)

FORMS OF BUSINESS ORGANISATIONS

Case Study

1. Monoj is running a general store under the name 'Daily needs' in a local market. He takes

all decisions about business himself. Without any interference from others and get all the profit as a reward for bearing the full risk. In the context of above case.

(i) Identify and define the form of business organisation in which Manoj has formed his business.

(ii) State any four features of that form.



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2. Sir Ran started a confectionery business few years back. Due to continuous losses in business he decided to close the business. He owes Rs. 4 lacs to supplier firm who he had been taking goods on credit. His business funds are insufficient to repay the debts. Can supplier recover the funds from the personal assets of Sir Ram as his business assets are insufficient to repay the debts, why or why not.



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3. Mr. Sumit Grover owns an ancestral house in Goa. On the advice of his friend, he converted it into a hotel after renovation. The hotel was running smoothly and revenue from the hotel helped to increase his income. On his death the property (hotel) was inherited by his three sons. Eldest son- Raj, Second-Sameer and Youngest son-Rahul who continued the business as Joint Hindu Family Business.

(i) Name the law which governs the Joint Hindu Family Business.

(ii) Who among the three brothers has right

to control the business.

(iii) What will be liability of three brothers.



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4. A, B and C are partners in a firm manufacturing autoparts. Their firm is not registered. In order to increase the earnings of the B decided to use low quality raw materials without the knowledge of A and C, As a result many accidents were reported by the consumers and a case has been filed against

the firm.

(a) Is this wrong act of B is binding on the A and C?

(b) State the feature related to this.

(c) Can consumers file case on unregistered firm?

(d) Can A and C file case on B?



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5. X, Y, Z have mutually decided to set up small factory in rural area. They decided to hide the

association of X with the factory to outsiders, and Y will not take part in day to day activities of business due to his health issues. However, Z will take active part in all activities. Whenever they have problems in getting credit or financial help they use the name of their friend 'P' with his consent.

(i) Briefly explain the various types of partners, mentioned in the above paragraph.



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6. A new cooperative store has been set up in Delhi through registration under Delhi Cooperative societies act. It was set to procure essential consumer commodities in bulk from various whole sellers and manufacturers to supply the same at reasonable price to public and its members.

In context of above case.

- (i) Identify the type of cooperative society being described in above lines.
- (ii) State any three features of that society.



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7. Bharat Pvt. Ltd. Was promoted 2005 by a group of five friends. As business of the company has grown considerably over the years, its management is now planning to convert it into a public company and raise funds through public subscription of funds for expansion projects.

State any four privileges that company will have to forego to convert in public ltd. company.



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8. ABC Ltd. Took a loan of Rs. 50 lac from a Bank its growth and expansion plans. The company was unable to repay because of heavy losses. The company asked its shareholders to come forward and contribute towards repayment of loan. The shareholders to come forward and contribute towards repayment of loan. The shareholders refused as they had already paid the full amount due on their shares. Bank filed a case against ABC

Ltd. The court said that company could not call shareholders to repay loan as they have no unpaid amount of shares. It was the duty of ABC Ltd. to use company's assets to repay loan.

(a) In the above case what kind of liability is enjoyed by the shareholders of ABC Ltd.?

(b) Which feature of company protected shareholders, i.e., owner of business not to pay?



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9. Youngistan Pvt. Ltd., the famous group of promoters submitted an application to the registrar of the company for the approval of the name for shoe manufacturing company. They choose 'Niky Ltd.' as the name of the company so as to increase the sales because Nike was a well known and well established brand.

(a) Who selects the name of the company?

(b) Would the proposed name be accepted by the registrar? Give reason.



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10. Bhuvan Ltd. Issues 5,00,000 shares of Rs. 10 each for public subscription. Application along with money was received for 4,00,000 share. Can company allot these shares? Explain.



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Exercise Multiple Choice Questions

1. From the following business enterprises is which only the person get full profit and he

alone bears risk:

- A. (a) Joint Hindu Family
- B. (b) Cooperative Society
- C. (c) Partnership
- D. (d) Sole Proprietor

Answer: D



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2. Who among the following can only be beneficiary of business and does not has unlimited liability?

- A. (a) Secret Partner
- B. (b) Minor Partner
- C. (c) Active Partner
- D. (d) Sleeping Partner

Answer: B



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3. Who elects the board of Directors?

A. (a) Employees

B. (b) Debentureholders

C. (c) Government

D. (d) Shareholders

Answer: D



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4. Who are called the Real owner of the company?

A. (a) Employees

B. (b) Debentureholders

C. (c) Shareholders

D. (d) Creditors

Answer: C



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5. Who becomes 'Karta' in Joint Hindu Family Business?

- A. (a) By voting of members
- B. (b) Senior most male members
- C. (c) Most Educated member of family
- D. (d) Any member can become

Answer: B



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6. Which document is called as charter of the company?

A. (a) MoA

B. (b) AoA

C. (c) Prospectus

D. (d) Registration certificate

Answer: C



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7. Which document is an invitation to general public?

A. (a) MoA

B. (b) AoA

C. (c) Prospectus

D. (d) Certificate of incorporation

Answer: C



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8. Which type of company is not allowed to subscribe its share to general public?

A. (a) Public Ltd. Company

B. (b) Private Ltd. Company

C. (c) One person company

D. (d) None of these

Answer: B



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9. Which clause of Memorandum defines powers and limitations of a company ?

- A. (a) Name clause
- B. (b) Objective clause
- C. (c) Liability clause
- D. (d) Domicile clause

Answer: B



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10. Directors take approval from where before issue of shares in capital market:

- A. (a) Government
- B. (b) SEBI
- C. (c) Chamber of Commerce
- D. (d) None of these

Answer: B



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11. Who is called Parent of company.

A. (a) Directors

B. (b) Registrar

C. (c) Promoter

D. (d) Shareholder

Answer: D



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Exercise Very Short Answer Questions

1. Name the enterprise involving single ownership.



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2. Name the Head of Joint Hindu Family Business.



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3. What is perpetual succession?





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4. Is liability of sole proprietor limited or not?



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5. Name the person who keeps his identity secret from outsiders.



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6. Name the partnership firm which is formed to carry on a special task or project.



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7. Name the basic document prepared in partnership firm.



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8. Which form of business is suitable for a tailoring shop



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9. Is registration of partnership firm compulsory?



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10. What are different options to expand sole proprietorship business?



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11. Name the form of business enterprise where there is separation of ownership and management.



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12. Who elect the Board of Directors in Joint Stock Company?



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13. Name the smallest unit in which the capital of a company is divided.



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14. What is the liability of Karta in Joint Hindu Family Business?



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15. What is the maximum number of partners in partnership firms?



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16. Name the stages of formation of a company.



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17. Name the document called 'Doctrine of Indoor Management'.



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18. Which document is called as charter of the company?



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19. Name the document which invites the general public to subscribe to the shares and debentures of the company.



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20. Which clause of memorandum defines the powers of the company?



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21. What is minimum subscription?



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22. Is it compulsory for a Private Ltd. Company to issue prospectus?



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23. Give any two privileges of Private Ltd. Co. over Public Ltd. Company.



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24. Which form of organisation is considered to be the simplest form of organisation?



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25. Which form of business gives all the rights even to the minor member?



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26. Which feature of partnership binds all the partners to the agreement signed by one partner?



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27. In case of heavy loss, creditors can claim the recovery of their dues from the personal assets of sole proprietor. Which feature of sole proprietor is highlighted here?



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28. Name the form of business enterprise where there is separation of ownership and management.



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29. Which form of business is the simplest form of business? Which form of business is the most complex form?



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30. Teachers of your school formed a society to buy land and construct flats for its members. Identify this form of business.



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31. Are partners by estoppel help liable for the debts of the firm?



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32. In Private Ltd. Company can the allotment of shares be done without receiving minimum subscription?



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33. Which certificate is called the birth certificate of the company?



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34. It is an invitation to the public to apply for shares or debentures of the company or to make deposits in the company. Name it.



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35. How many signatories to memorandum of association are required in case of private and public companies?



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36. Who are usually the first directors of the company



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37. When does a company come into existence?



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38. Name the document which authorises a public company to start its business.



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39. Name the document by which a company becomes a distinct legal entity.



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40. What is Table A?



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41. What is meant by a 'Statutory Declaration'?



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42. Name and describe any two contents of the document containing the bye-laws of the company.



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43. Which form of business is suitable for following types of business and why?

1. Beauty parlour
2. Small retail outlet

3. Hotels

4. Shopping malls

5. Medium size trading concern.



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44. Name the following:

1. A person who lends his name and goodwill for the benefits of a partnership firm.
2. A person who contributes capital but does not take part in the business of the firm.
3. A document containing terms and conditions

of partnership.

4. A partnership set up for a specific project.

5. A person who contributes capital, participates in the business but whose identity is not disclosed to outsiders.



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45. Name the documents to be submitted during the incorporation stage.



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46. Name the following:

(a) A person who lends his name and goodwill to benefit a partnership firm.

(b) A business organization with the least legal formalities.

(c) An organization where members associate together to promote mutual goals and welfare of consumers.

(d) A type of industry to which manufacturing battery operated cars, belongs to.



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47. Name the type of cooperative society set up:

(a) To help the small producers in selling their products.

(b) To provide easy credit on reasonable terms to the members.

Also, distinguish between the two on the basis of: (i) Members (ii) Aim.



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1. According to Partnership Act, 1932, it is not compulsory for a partnership firm to get itself registered, then why do partners prefer to get the firm registered?



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2. "One man control is the best in the world if that man is big enough to manage everything." Explain the statement.



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3. Bhuvan wants to set up a private limited company. As an advisor of Bhuvan, guide him and explain the steps of formation of a private limited company.



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4. Name and describe any two contents of the document containing the bye-laws of the company.



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5. Name the document which defines the powers, objectives and scope of a company.

Explain the contents of that document.



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6. The business assets of a firm are worth Rs. 70,000 but the debts remain unpaid are worth Rs. 1,00,000. What course of action can the creditors take in the following cases,

(i) The organisation in sole proprietorship firm.

(ii) The organisation in partnership firm with A and B. two partners sharing profit equally.



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7. How can one identify from the name of the company that whether it is a private company or a public company?



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8. All the members of a company sitting in a general meeting were killed by a bomb . Was the company wound up ?



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9. A company got its Certificate of Incorporation on 24th August 2010 and on the certificate the date is written as 22nd August 2010. Company allotted some shares on 23rd August. Is the allotment valid or not?



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10. Bhuvan Ltd. Issues 5,00,000 shares of Rs. 10 each for public subscription. Application along with money was received for 4,00,000 share. Can company allot these shares? Explain.



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11. If company's assets are not sufficient to pay its debt then can the balance be recovered from private assets of its members?



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12. A company got registered with an illegal object. Can the registration be questioned?



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13. Abdul is a single owner of a shoe manufacturing business. His business was suffering from continuous losses. To revive his business and to expand, he took a loan of '20' lakhs from 'Progressive Finance Co.' In spite of

starting new range of products and great effort by Abdul, business continued to suffer losses, This resulted in the declining assets and mounting debts. Abdul started defaulting on his repayment schedule. Finance company served him final notice to repay the loan and settle the account. He proposed the finance company took over the business assets and clear their dues. Finance company took over the assets of the business in part settlement of their dues as the assets were not sufficient to settle the debts and they claimed the remaining amount from Abdul from his

personal assets. Abdul refused to do so on the ground that loan was taken for the business and not by him for personal use.

1. Name the form of business organization followed by Abdul.

2. Is the finance company justified in asking for remaining amount from Abdul's personal assets? Justify your answer by giving suitable feature of the business organization.



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14. A, 'B', 'C', 'D' and 'E' are partners in partnership firm. The firm has different types of partners. Mr. A has contributed capital and participates in the management of firm. He shares profits and losses and is liable to an unlimited extent to the creditors of the firm. Mr. B has contributed capital and shares its profits and losses. He also has unlimited liability but he does not take part in day to day activities of business.

Association of Mr. C is not known to the general public but in all other respects he is

like an active partner.

Mr. D has allowed the firm to use his name as he enjoys good reputation among clients but he does not either contribute capital or take part in the management.

Master 'E', 15 years of age is entitled to the benefits of partnership with mutual consent of all their members. He is not eligible to take part in management of firm and shares only profits and not losses of the firm.

(i) How many partners do the firm has?

(ii) Who is the active partner and what is the nature of his liability in the firm?

(iii) Who is the sleeping partner in the firm and what is the nature of his liability?

(iv) What kind of partner is Mr.C and what kind of liability does he have in the firm?

(v) How does the partnership relationship of Mr. C differs from Mr. D? How do they differ in their liability?

(vi) Is Mast. E a legal partner? Can be held liable for the liability of the firm?



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15. In which form of organisation is a trade agreement made by one owner binding on the others? Given reasons to support your answer.



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16. The business assets of an organisation amount to ₹ 50,000 but the debts that remain unpaid are ₹ 80,000 .

What course of action can the creditors take if
:

(a) the organisation is a sole proprietorship firm

(b) the organisation is a partnership firm with Anthony and Akbar as partners , who share profits and losses equally . Which of the two partners can the creditors approach for repayment of debt ? Explain giving reasons .



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17. Kiran is a sole proprietor. Over the past decade, her business has grown from

operating a neighbourhood corner shop selling accessories such as artificial jewellery bags, hair clips and nail art to a retail chain with three branches in the city. Although she looks after the varied functions in all the business. She is wondering whether she should form a company for better management of the business. She also has plans to open branches countrywide.

(a) Explain two benefits of remaining a sole proprietor.

(b) Explain two benefits of converting it to a joint stock company.

(c) What role will her decision to go nationwide play in her choice of form of the organisation?

(d) What legal formalities will she have to undergo to operate business as a company?



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18. Rajiv is the sole owner of a shirt manufacturing factory. He took loan of Rs. 30 lac from Jain finance company for expansion of his business. In beginning business was

running well but later on he started facing losses and due to continuous losses he was not able to repay the loan. After receiving many reminders from finance company, Rajiv planned to close the business. He sold all his machines and other assets and collected Rs. 20 lac. The finance company refused and plan to file a case against him in court. In court, Mr. Rajiv gave the argument that he has sold all his business assets and loan was taken by him for business and not for personal use. So finance company must settle the account by taking Rs. 20 lac. The court did not agree with

the argument of Rajiv and gave the decision in favour of finance company and order Rajiv to pay full loan amount by selling his personal asset.

(a) Name the form of business carried by Rajiv?

(b) State the feature of sole Proprietorship which is kept in mind by court while taking decision.

(c) Is Rajiv's argument of saying he and business are separate entity is correct.



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19. Sharma brothers inherited some ancestral property, They decided to form a Hindu undivided family consisting of four male members. Mr. Raman Sharma was eldest brother so he became 'Karta'. The business took a loan of Rs. 20 lac from Canara Bank, which was to be returned within 5 years. Due to poor financial position of the business, they were unable to repay the loan. Brothers sold the ancestral property for Rs. 10 lac and paid the amount to Canara Bank. The bank filed a case for recovery of balance amount. Mr.

Raman Sharma pleaded the court that the loan was taken for the purpose of Business, so all members of business are liable to repay. The court said all members are responsible only to the extent of their share in business and business property is already sold, but you being Karta will have to repay whole amount even by selling your personal property.

(a) In this case who has unlimited liability.

(b) Was the decision of court to claim only from Raman is justified?



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20. The business assets of a firm are worth Rs. 70,000 but the debts remain unpaid are worth Rs. 1,00,000. What course of action can the creditors take in the following cases,

(i) The organisation in sole proprietorship firm.

(ii) The organisation in partnership firm with A and B. two partners sharing profit equally.



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21. A company got its Certificate of Incorporation on 24th August 2010 and on the certificate the date is written as 22nd August 2010. Company allotted some shares on 23rd August. Is the allotment valid or not?



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22. Mrs. Indu started a voluntary association of 10 peoples, who are also consumers. She collected the capital by selling shares to

members and opened a retail shop so that they can eliminate middlemen and get the goods at low price.

(a) State the type of organisation mentioned in above case.

(b) State any 2 merits organisation.



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23. What values are involved in:

(a) Cooperative organisation.

(b) Partnership.



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24. A company attached its drainage system with a near by Canal. So that the waste directly go in canal without affecting the local area. What values are missing?



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25. A Firm Manufacturing Spice adultrate spices and sell at low price to various

restaurants, hotels and shops. What values are being violated?



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26. The partner of a partnership entered into a contract with an outsider favouring him personally, ignoring the interest of partnership firm. What value is ignored?



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27. Explain four differences between the corporate documents forming the 'Doctrine of Indoor Management' and 'Doctrine of Outdoor Management', on the criteria of"

(a) Meaning

(b) Scope

(c) Contents

(d) Compulsion



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28. Mention the upper and lower limits of membership of:

(a) Joint Hindu Undivided Family

(b) A private limited company

(c) A consumer's cooperative society

(d) A public limited company listed under NSE



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29. "It is said to be an artificial person created by law, having a separate entity with perpetual

succession and common seal". What is it?

Elaborate up points lighted features.

Q. "Banking is much more than merely exchanging money. Modern commercial banks also offer an array of unconventional allied services to its business clients." Enunciate the statement highlighting at least five of such services.

Q. Explain the legal effect and significance of the 'Certificate of Incorporation' in the life of a Joint stock company. State any two privileges of a private company under the Companies Act, 2013.



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30. Snaha after her course in designing started taking jobs for designing logo, wedding cards, pamphlets, advertisements etc. Her work became quite popular and she had continuous orders. She decided to have a separate office with some staff to help her. She was suggested by her father to have a business organization and run it properly.

(a) Her business was constantly growing and she was facing problems with handling all

orders and finishing them of time. Her friend Pooja, who was also a designer, proposed to join her as a business partner. Snaha was confused whether to continue her business as a sole trader or convert it into a partnership firm. As a true friend of Snaha, you are required to suggest the advantages and disadvantages of a partnership business. (two each)

(b) Snaha and Pooja decide to form a partnership firm and do the business together. Suggest them on the following issues with proper reasons.

(i) What kind of liability will they have and how will it affect them?

(ii) How is 'Particular Partnership' different from 'Partnership at Will'?

(iii) Is it necessary for them to have an agreement and register their firm?



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31. In which form of organisation is a trade agreement made by one owner binding on the others? Given reasons to support your answer.



32. Merchant Ltd. Was issued certificate of incorporation by the Registrar on 10th March. However the date mentioned on the certificate was 2nd March. The company entered into a contract for purchase of land with ABC Ltd. On 5th March. Later ABC Ltd. Refused to sell the land as it was getting much higher price from another buyer. Can Merchant Ltd. file a case against ABC Ltd. Give reasons in support of your answer.



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33. Define:

(a) Quorum

(b) Board of Directors (BOD)

(c) Qualification Shares

(d) Prospectus

(e) One Person Company



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Exercise Guldelines To Ncert Questions

1. The structure in which there is separation of ownership and management is called

- A. (a) Sole proprietorship
- B. (b) Partnership
- C. (c) Company
- D. (d) All business organisations

Answer: C



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2. The Karta in Joint Hindu Family business has

- A. (a) Limited liability
- B. (b) Unlimited liability
- C. (c) No liability for debts
- D. (d) joint liability

Answer: D



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3. In a cooperative society the principal followed is

A. (a) One share one vote

B. (b) One man one vote

C. (c) No vote

D. (d) Multiple votes

Answer: B



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4. The board of directors of a joint stock company is elected by

- A. General public
- B. Government bodies
- C. Shareholders
- D. Employees

Answer: C



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5. The maximum number of partners allowed in the banking business are

A. Twenty

B. Ten

C. No limit

D. Two

Answer: B



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6. Profits do not have to be shared. This statement refers to

A. Partnership

B. Joint Hindu Family Business

C. Sole Proprietorship

D. Company

Answer: C



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7. The capital of a company is divided into number of parts each one of which is called

A. Dividend

B. Profit

C. Interest

D. Share

Answer: D



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8. The Head of the Joint Hindu Family Business
is called

A. Proprietor

B. Director

C. Karta

D. Manager

Answer: C



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9. Provision of residential accommodation to the members at reasonable rates is the objective of

- A. Producer's cooperative
- B. Consumer's cooperative
- C. Housing cooperative
- D. Credit cooperative

Answer: C



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10. A partner whose association with the firm is unknown to the general public is called

- A. Active partner
- B. Sleeping partner
- C. Nominal partner
- D. Secret partner

Answer: D



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11. Minimum number of members to form a private company is

A. 2

B. 3

C. 6

D. 7

Answer: A



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12. Minimum number of members to form a public company is

A. 5

B. 7

C. 12

D. 21

Answer: B



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13. Application for approval of name of a company is to be made to

A. SEBI

B. Registrar of Companies

C. Government of India

D. Government of the state in which
company is to be registered

Answer: B



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14. A proposed name of company is considered undesirable if

A. It is identical with the name of an existing company

B. It resembles closely with the name of an existing company

C. It is an emblem Government of India, United Nations etc.

D. In case of the above

Answer: D



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15. A prospectus is issued by

A. A private company

B. A public company seeking investment
from public.

C. A public enterprise

D. A public company

Answer: B



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16. Stages in the formation of a public company are in the following order

A. Promotin, Commencement

B. Incorporation. Capital Subscription,
Commencement of Business, Promotion

C. Promotion, Incorporation, Capital
Subscription, Commencement of
Business

D. Capital Subscription, Promotion,
Incorporation, Commencement of
Business

Answer: B



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17. Preliminary contracts are signed

A. (a) Before the incorporation

B. (b) After incorporation but before capital subscription

C. (c) After incorporation but before commencement of business

D. (d) After commencement of business

Answer: A



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18. Preliminary contracts are

A. Binding on the company

B. Binding on the company, it ratified after
incorporation

C. Binding on the company, after
incorporation

D. Not binding on the company

Answer: B





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Exercise

1. Discuss the characteristics, merits and limitations of cooperative form of organisation. Also describe briefly different types of cooperative societies.



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2. Distinguish between a Joint Hindu family business and partnership.



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3. Despite limitations of size and resources, many people continue to prefer sole proprietorship over other forms of organisation. Why? Give merits of sole proprietorship.



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4. What is meant by the term 'Promotion'?

Discuss the legal position of promoters with respect to a company promoted by them.



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5. Explain the steps taken by promoters in the promotion of a company.



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6. What is a 'Memorandum of Association'?

Briefly explain its clauses.



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7. Distinguish between 'Memorandum of Association' and 'Articles of Association'.



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8. What is the effect of conclusiveness of the 'Certificates of Incorporation' and'

Commencement of Business'?



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9. Is it necessary for a public company to get its share listed on a stock exchange? What happens if a public company going for a public issue fails to apply to a stock exchange for permission to deal in its securities or fails to get such permission?



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Exercise Test Yourself Very Short Answer Questions

1. Define the term business enterprise.



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2. Explain whether the liability of a sole proprietor is limited to the extent of his share in business.



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3. Write a note on 'Karta'.



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4. Enumerate the two conditions necessary for formation of Joint Hindu Family Business.



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5. Name the alternatives available to sole proprietor whose business is expanding.



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6. Give three merits of sole proprietorship firm.



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7. Define partnership.



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8. Explain the concept of mutual agency in partnership firm.



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9. Can a partnership firm have a minor partner?



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10. Explain how a cooperative organisation is a democratic set-up.



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11. Define a Joint Stock Company.



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12. Explain how company is an artificial person.



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13. What is meant by partner by estoppel?



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14. State three merits of cooperative society.



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15. Define promotion.



Watch Video Solution

16. State the functions of promoter.



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17. Define a prospectus.



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18. Why is Articles of Association also called as Doctrine of Indoor Management?



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19. What is a Statement in Lieu of Prospectus?



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20. Define qualification shares.



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21. What do you mean by minimum subscription?



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22. How can Articles of Association be altered?



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23. State the contents of Memorandum of Association.



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24. What is a Certificate of Commencement of Business?



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[Exercise Questions](#) [Test Yourself](#) [Short Answer](#) [Type](#)

1. Give any two privileges of Private Ltd. Co. over Public Ltd. Company.



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2. State the essential features of a private company.



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3. Define cooperative organisation. Explain any three features of cooperative organisation.



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4. Differentiate between the company and partnership.



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5. Enumerate various type of cooperative societies.



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6. Explain the procedure for registration of partnership firm. What are the consequences of non-registration?



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7. Define Partnership Deed. Discuss its main contents.



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8. Explain the steps in the incorporation stage.



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9. Describe the legal status of a promoter.



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10. Distinguish between a Memorandum of Association and Articles of Association.



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Exercise Test Yourself Long Answer Type Questions

1. Explain the meaning and features of Joint Hindu Family Business.



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2. Describe various types of partners.



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3. List the factors that help in selecting a suitable form of organisation.



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4. Explain any five merits and five demerits of partnership.



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5. Explain the difference between the cooperative organisations and company form of business.



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6. What do you understand by Sole Proprietorship? Outline its features.



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7. Explain the procedure of a formation of a company.



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8. Explain the procedure of alteration of Memorandum of Association.



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9. What is a prospectus of a company? Discuss its nature and importance.



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10. Explain the meaning and contents of Articles of Association.



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