



BUSINESS STUDIES

BOOKS - VK GLOBAL PUBLICATION BUSINESS STUDIES (HINGLISH)

FORMS OF BUSINESS ORGANISATIONS

2 1 Multiple Choice Questions

1. A sole proprietor has

A. Limited liability

B. Unlimited liability

C. No liability for debts

D. Joint liability

Answer: B



- 2. The karta in Joint Hindu Family Business has
 - A. Limited liability
 - B. Unlimited liability
 - C. No liability for debts
 - D. Joint liability

Answer: B



- **3.** The Head of the Hindu undivided Family Business is called
 - A. Proprietor
 - B. Director
 - C. Karta

Answer: C
View Text Solution
4. In a cooperative society , the principle followed is
A. One share one vote
B. One man one vote
C. No vote
D. Multiple votes
Answer: B
View Text Solution
5. The minimum number of members in a cooperative society is

D. Manager

A. 2
B. 3
C. 7
D. 10
Answer: D
View Text Solution
6. The liability of a sole trader is limited to the extent of capital
introduced by him into the business True/False ? Give reason.
View Text Solution
7. The sole proprietorship concern sinks or swims with its proprietor .
True/False ? Give reason .
View Text Solution

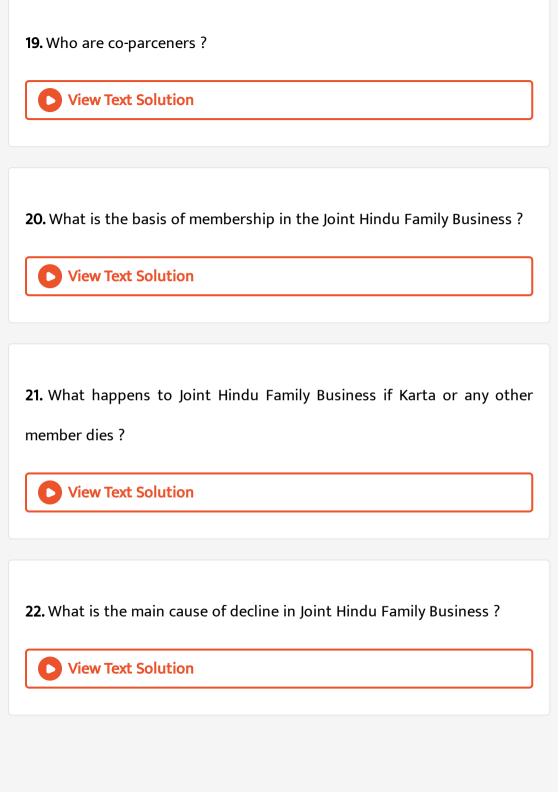
8. Sole proprietorship is more suitable for large-scale business. True/False? Give reason. **View Text Solution** 9. A Joint Hindu Family Business is based on a contract between coparceners. True/False? Give reason. **View Text Solution** 10. Therer is no limit to the number of members in a Joint Hindu Family Business . True/False ? Give reason. **View Text Solution** 11. Death or instanity of a member of the Joint Hindu Family Business will bring its business to an end . True/False ? Give reason.

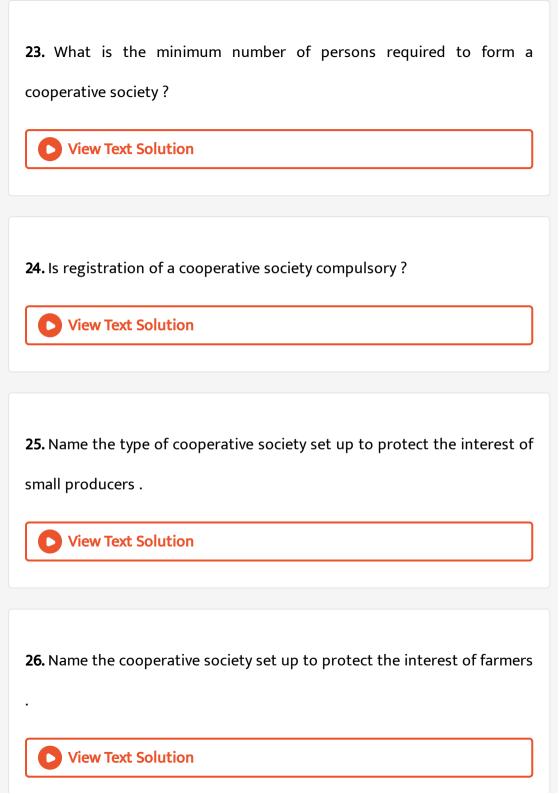
View Text Solution
12. Registration of a cooperative society is not compulsory . True/False ? Give reason.
View Text Solution
13. Cooperative societies are established with profit motive . True/False ?
Give reason. View Text Solution

14. Is a sole proprietor bound to publish his/her business accounts?

View Text Solution

15. What are the different options to expend sole proprietorship business
?
View Text Solution
16. Name the form of business organisation found only in India.
View Text Solution
17. How many members must be there in a joint family to carry on Joint
Hindu Family Business ?
View Text Solution
18. What is the liability of Karta in Joint Hindu Family Business ?
View Text Solution





27. Name the cooperative society set up to make residential accommodation available to its members at lower costs .



28. Which form of business is suitable for a tailoring shop?



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



30. Mention any two businesses sole proprietorship would be suitable form of business .

View Text Solution
31. Which is the least regulated form of business ?
View Text Solution
32. Name the form of business organisation in which a minor can be full-
fledged member .
View Text Solution
33. Who controls the Joint Hindu Family Business ?
View Text Solution
34. Name the form of business organisation which is formed with the
motive of welfare of the members .
View Toxt Solution

IEXL

Solution

38. "Employees Union of Hindustan Textiles start a retail store to make daily household articles at reasonable prices available to its members ". Identify this form of business organisation .



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39. Teachers of various schools in South Delhi form a society to buy land and construct flats for its members .

 $\label{linear density of business organisation} \ .$



40. Name the type of cooperative society set up to help the small producers in selling their products .



41. Name the cooperative society set up to provide easy credit on reasonable terms to the members



2 1 Understanding Applying Analysing Evaluating And Creating Based Questions

1. Radhika Priya Dasi opened a boutique along with four workers . No problem of any type was faced in opening the boutique . At her boutique special dresses made for marriages and parties are sold . Despite there being a lot of competition in the market , the boutique was earning a good profit . Since all the profit went into her pocket , Radhika Priya Dasi was increased from 4 to 6 by her . All of them were happy since the business was running successfully . Unfortunately , one day the boutique caught fire due to a short circuit . Consequently , Radhika Priya Dasi had to suffer a heavy loss . The circumstances deteriorated so much that she had to dispose off her personal properties to repay the boutique's debts.

In order to revive the boutique, she approached a bank which did not extend a long-term loan to her .

- (a) Identify the form of business organisation discussed in the above para
- (b) Explain any three merits of the form of business organisation identified in (a) by quoting the lines from the above para .
- (c) Also explain any two limitations of the form of business organisation identified in (a) by quoting the lines from the above para .



Understanding Applying Analysing Evaluating And Creating Based Questions

1. Gopal Sharma and Balram Sharma are two brothers , who inherited some ancestral property . They decided to form a Hindu Undivided Family (HUF) business consisting of four male members . Gopal Sharma is the elder brother . So he became 'Karta' . The business took a loan of ₹ 20 lakh from Punjab National Bank having maturity period of 5 years . Due to

poor financial position of the business, they were unable to repay the loan. They sold the ancestral property for ₹ 10 lakh and paid the same to Punjab National Bank . They could not pay the balance amount of loan with interest . The bank filed a case for recovery of the balance amount . Gopal Sharma pleaded the court that the loan was taken for the purpose of business, therefore, all the members of the business were liable to repay the loan. The court held that all other members were responsible only to the extent of their share in business, and the business property was already sold. However, Gopal Sharma, being 'Karta' would have to repay the balance amount even by selling his personal properties. Gopal Sharma had to sell some of his personal assets to repay the balance amount to bank loan.

- (a) Is the court's decision justified ? Give reasons in support of your answer .
- (b) State any three other feartures of HUF businesses .



2. A group of people in a locality of Delhi used to go for a walk in the morning. After the walk, they would often sit together and discuss the subjects like Politics, Demonetisation, Elections, Market prices of different goods, etc. There was about fifty persons in this group. One day, instead of other subjects, their focus of discussion was Market Prices of Different Goods . During the discussion , the emphasis laid on the point was that goods become very costly by the time they reach the consumers after getting transported from the producers. Consequently, everyone's budget is getting disturbed. To get rid of this problem some people suggested that they should join together to form a society. The society would sell the goods to all the members as per their requirements after buying them in a large quantity directly from the producers. This suggestion was appreciated by all of them. They all became members of the society and encouraged other people also to become its members. In no time, 100 members assembled and the society was formed. The idea of forming the society immediately proved to be successful. Now their budget became balanced . A special characteristic of this society was that apart from its members it also sold

goods to the other people of the society at cheaper rates . All of them were very happy with the formation of the society .

- (a) Identify and explain the type of the society formed by them .
- (b) Under what Act, the society must have been formed?
- (c) What is the liability of the members of the society so formed?
- (d) Explain any one merit of the society so formed?



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3. Shonali Sharma, after completing her MBA, began to help her father, Mr. Shiv Sharma, in his business.

The business had a limited capital investment . Shonali wanted to use the modern business techiques in every area of business , namely , purchase , sales , production , finance etc . In fact , she wanted to implement the methods , which she had learnt in her MBA course , in her father's business . As soon as she started adopting the latest techniques , the workers began to protest and resist the changes . So she became disappointed and left her father's business . She started working in an MNC. Mr. Shiv Sharma was unable to assume the responsibilty of all

managerial tasks such as purchasing, selling, financing, etc. Good workers started leaving the organisation. The goodwill of the business in the market went on declining. In no time, the liabilities of the business became many times more than the assets. On account of the pressure exerted on him by teh creditors, Mr. Shiv Sharma had to repay the debts of the business by disposing off his personal properties.

- (a) Identify the form of business organisation discussed in the above para
- (b) Quoting the relevant lines from the para explain any three limitations of the form of business organisation identified in (a) .



4. Rajeev Lochan Das is the only owner of a shirt manufacturing factory . He took a loan of ₹ 20 lakh from a finance company for expansion of his business . In the beginning his business was running well but later on he started incurring losses and due to continuous losses he was not able to repay the loan . After receiving many reminders from the finance company , Rajeev planned to close the business He sold all his machine and other

the accounts at ₹ 15 lakh. But the finance company refused, and on his failure to pay the total debt, it filed a case against him in the court.

Rajeev gave an argument in the court that he had sold all his business assets, and the loan was taken by him for business, not for his personal use. So the finance company must settle the account at ₹ 15 lakh. The

assets and realised ₹ 15 lakh . He requested the finance company to settle

- court did not agree with the argument of Rajeev and gave the decision in favour of the finance company . He was ordered to pay full amount of loan by selling off his personal assets .
- (b) State the feature of the form of business identified in (a) which is

(a) Identify the form of business carried on by Rajeev Lochan Das.

- considered by the court while giving the judgement .
- (c) State why Rajeev's argument was not correct.



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



6. Briefly explain three activities which can be suitably undertaken by cooperative societies .



7. "Karta is the most active member in a Joint Hindu Family Business . He is too powerful to ruin the business ." Comment .



Multiple Choice Questions

(iii)

- A person who lends his name and goodwill for the benefits of a parth
 - (ii) A person who contributes capital but does not take part in the bus

A document containing terms and conditions of partnership

- (iv) A partnership set up for a specific project.
 - View Text Solution

2. A partners 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
2 1 2 2 3 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Answer: (d)
View Text Solution
3. It is compulsory to get a partnership firm registered . True / False ? Give
reason.
View Text Solution

4. The liability of a partner in a partnership firm is limited to the extent of his share. True / False? Give reason.

View Text Solution

5. An unregistered firm cannot be sued by a third party. True / False? Give reason.



False ? Give reason.

6. Every partner is both principal and agent of the other partners. True /



7. If two dacoits sign an agreement to operate together and share the loot, it is a partnership. True / False? Give reason.



8. A normal partner is a partner in name only - he incurs no liabilities . True / False ? Give reason. **View Text Solution 9.** What is the maximum number of partners in a partnership firm? **View Text Solution** 10. Name the form of business organisation in which the members are jointly and individually liable for payment of the firm's debts. **View Text Solution** 11. Name the basic document prepared in partnership firm. **View Text Solution**

12. State the law governing the partnership in India .

View Text Solution

13. Why is a written agreement of partnership preferred ?

View Text Solution

14. What is meant by mutual agency in a partnership?



15. Name the type of partner who contributes capital and shares profits/losses but does not take part in the day-to-day management of the firm .



16. Name the type of partner who is not really a partner but is liable to third parties for the repayment of the firm's debts.



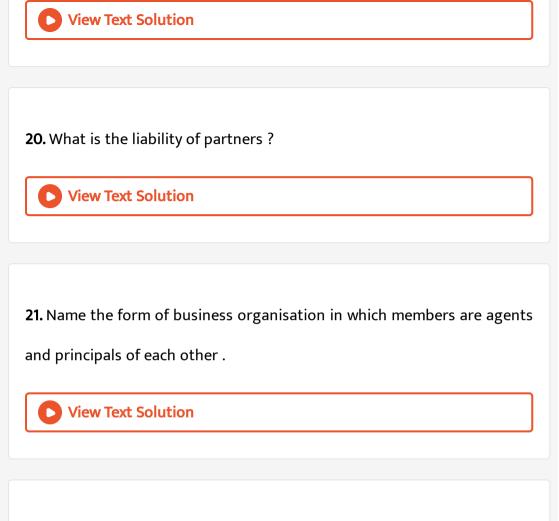
17. Name the partner whose association with the firm is not known to the general public .



18. Name the form of business organisation which can be formed by an oral agreement between the members .



19. In which form of organisation is a trade agreement made by one owner binding on the others ?



22. Name the type of partnership which is formed to accomplish a specific

project for a specified time period.

View Text Solution

23. Name the partner who does not have interest in the partnership business but lends his name to the firm .



24. "In spite of not being a partner, he becomes liable to third parties for the repayment of the firm's debts". By what name such a person is known?



25. "Arora Brothers is a firm formed for the construction of a shopping mall" . Identify this type of partnership .



2 2 Understanding Applying Analysing Evaluating And Creating Based Questions

1. 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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2. The two friends, Soniya and Raman started a business by the name of Soniya Fancy Dress Shoppy. Both of them invested equal capital in the business. At the start of the business, Soniya had placed one condition before Raman that if unfortunately they suffered a heavy loss in their business, she would not be able to give anything except the capital invested in the business. Raman had accepted this condition on the terms and condition that Soniya would not enjoy the right to participate

in the management of the firm . Their business was gradually growing well and they were fully satisfied with their business .

(a) To what form of business organisation is concerned the above para?(b) Identify and explain the type of the form of organisation identified in(a) .



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3. Dhruv , Sarthak and Dheeraj are three partners in a firm . The name of the firm is Friends Pustak Bhandar . The latest books of almost all subjects remain available at the Pustak Bhandar . All the three partners decided that 10% of the total profit of the firm would be distributed among the poor children every year . This has a very positive effect on the goodwill of the firm . Dheeraj is a renowned businessman who allowed the use of his name by the firm but does not contribute capital. Sarthak had contributed capital to the firm but does not participate in the management of the firm . Dhruv actively participates in the management and does business on behalf of other partners .

Explain what types of a partners Dhruv , Sarthak and Dheeraj are in Eriends Pustak Bhandar.

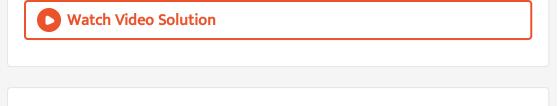


4. Mr. Mukul Gupta contracted with a firm . According to the contract , he has advanced a loan of ₹ 20 lakh to the firm and in exchange he got the power to take a few decisions regarding the firm's business .

Is Mr. Mukul Gupta a partner of the firm ? Give reaons in support of your answer .



- **5.** The business assets of a firm are worth ₹ 2, 00, 000 but the debts remain unpaid are worth ₹ 3,00,000. What course of action can the creditors take in the following cases?
- (a) The organisation is a sole proprietorship firm .
- (b) The organisation is a partnership firm with A and B, two partners sharing profit equally.



6. Compare the status of a minor in a Joint Hindu Family Business with that in a partnership firm .



7. The owner of a general store wants to open a branch in a nearby town .

Will you advise him to take a partner to run the branch store or employ a manager/assistant? Give reasons for your advice .



2 3 Multiple Choice Questions

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- (a) The document containing the rules , regulations and bye-laws of a con
- (b) The document inviting subscriptions for shares and debendures
- (c) The amount of money which must be raised before allotment of shares
- (d) The principal document of a company.



2. The structure in which there is seperation of ownership and management is called

A. Sole proprietorship

B. Partnership

C. Company

D. All business organisations

Answer: C



View Text Solution

3. The board of directors of a Joint stock company is elected by
A. General public
B. Government bodies
C. Shareholders
D. Employees
Answer: C
View Text Solution
4. 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 View Text Solution 5. Maximum number of members in a private company can be A. 20 B. 10 C. 50 D. 200





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

A. 5

- B. 12 C. 7 D. 21 **Answer: C View Text Solution** 7. 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



- **8.** A proposed name of Company is considered undesirable if
 - A. It is identical with the name of some other company
 - B. It resembles closely with the name of an existing company
 - C. It is an emblem of Government of India, United Nations, etc.
 - D. In case of any of the above

Answer: D



View Text Solution

- 9. 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



Promotion

- 10. Stages in the formation of a public company are in the following order
 - A. Promotion , Commencement of Business , Incorporation , Capital Subscription
 - B. Incorporation , Capital Subscription , Comm-encement of Business ,
 - C. Promotion , Incorporation , Capital Subscription , Commencement of Business
 - D. Capital Subscription, Promotion Incorporation, Commencement of
 Business

Answer: C



11. A company cannot come into existence without :
A. electing directors
B. getting Certificate of Incorporation
C. issuing a prospectus
D. all of these
Answer: B
View Text Solution
12. Every company must have Articles of Association. True / False ? Give
reason.
View Text Solution

13. Acts against the Memorandum are ultra vires . True / False ? Give reason.



14. A company can enter into contracts, file suits against others, and hire persons. True / False? Give reason.



15. If a majority of its shareholders are dead , the company has to be wound up too. True / False ? Give reason.



16. If the assets of a company are not enough to pay off its liabilities , personal assets of its shareholders may be taken over for the purpose .

True / False ? Give reason. **View Text Solution** 17. It is necessary to get every company incorporated, whether private or public. True / False? Give reason. **View Text Solution** 18. Name the type of company in which there is restriction on the maximum number of members. What is that number? **View Text Solution** 19. Name the type of company which cannot invite public to subscribe to its share capital. **View Text Solution**

20. Why is a company called an artificial person ?
View Text Solution
21. What is the minimum number of directors for a private company and a
public company ?
View Text Solution
22. When can a private company commence its business ?
View Text Solution
23. When can a public company commence business ?
View Text Solution

24. Mention any two documents which are filed with the Registrar of Companies for incorporation of a company.



25. At which stage in the formation of a company does it interact with SFBI?



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



27. Which document is called charter of the company?



28. Name the document which invites the general public to subscribe to the share and debentures of the company .



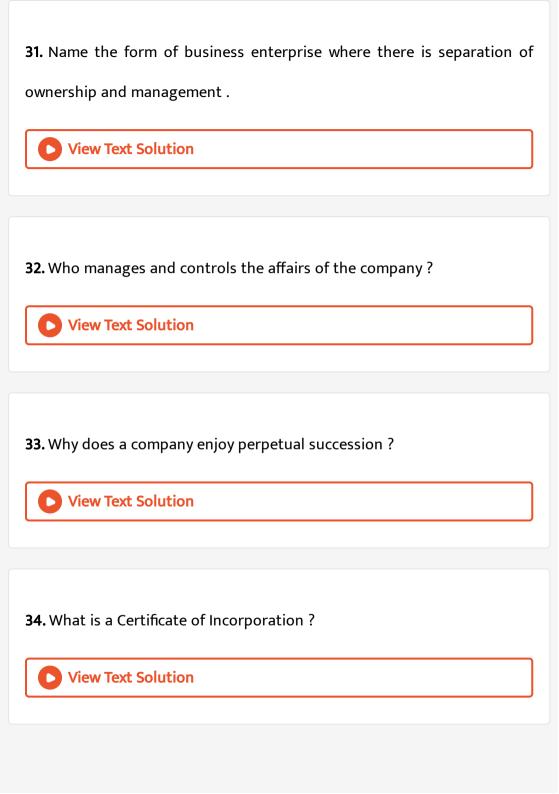
29. Name the document containing the rules and bye-laws of the company.



30. A person forged the signatures of others on the Memorandum of Association . But the Registrar issued the 'Certificate of Incorporation' .

Was the registration of the company valid?





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



36. What is a Certificate of Incorporation?



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



38. Name the process by which the shares of a company are allowed to be traded on a stock exchange .



2 3 Understanding Applying Analysing Evaluating And Creating Based Ouestions

1. Mr. Arjun is a sole proprietor . He has been doing the wholesale business of tea for the last three years .

The brand name of his tea is "Tadka Chay." This is a popular brand of its region . Now Mr. Arjun has been worried about two issues . First , his business unit is situated in an unorganised sector and therefore, he is unable to buy goods on credit from any trader easily. Similarly, banks and other lending institutions hesitate to extend a long-term loan to him . Such a treatment by the people produces the inferiority complex in him . The second issue worrying him is that he has unlimited liability . If unfortunately he suffers a heavy loss in business, his business property and personal property both will be finished. He wants to get rid of these worries. So he contacts a business specialist, who suggests a new form of business organisation which will remove all his problems.

In your opinion what advice must have been given to Mr. Arjun by the business specialist ? Explain .

2. XYZ Ltd., took a loan of ₹ 50 lakh from a bank for its growth and expansion plans . The company was unable to repay the loan amount because of heavy losses incurred in the business on a continuous basis .

The management of the company asked its shareholders to contribute towards repayment of the loan .

But the shareholders refused as they had already paid the full amount due on their shares . The bank filled a case against XYZ Ltd. in the court .

The court held that the shareholders of the company were not liable to repay the loan as they had not unpaid amount on shares .

- (a) Is the court's decision justified? Give reason in support of your answer
- (b) Which characteristic of the company form of organisation protected the shareholders ? Explain .



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3. A group of seven friends decided to jointly set up a public company in a rural area where the people were facing a serious unemployment problem. All of them jointly selected a place where the company's registered office would be situated . Along with it , with the advice of business specialists, it was also decided what procedure would be followed for the issue and allotment of shares . All the friends wanted their company to have a singular recognition, and people should get immediate attraction towards its products. It was felt that the very name of the company could become a reason for its recognition. After a detailed discussion, the company's name was decided as Trimurti Ltd. Then, they jointly completed all the formalities of the formation of the company.

Identify and explain the two important documents used in the formation of the company quoting the lines from the above para which helped you identify these documents.



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4. Yamuna Ltd., invited general public to subscribe for its public issue of ₹10 crore (10 lakh shares of ₹ 100 each) through issue of prospectus .

However, the company received applications for 8 lakh shares.

Can the company proceed with allotment of shares ? Give reasons in support of your answer .



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5. A Ltd., was issued Certificate of Incorporation by the Registrar on 10th February 2018 . However, the date mentioned on the Certificate was 1st February 2018 . The company entered into a contract for purchase of land with B Ltd., on 5th February 2018 . Now B Ltd. is not interested to sell the land as it is getting a higher price from another buyer . Can A Ltd. file a case against B Ltd . ? Give reasons in support of your answer .



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6. You are a business consultant . Mr . Madanpal has recently retired from government service . He is 60 years old and he wants to set up a factory to manufacture plastic goods . He has come to consult you so that you may suggest to him the most suitable form of business organisation . The following are his main expectations from the business organisation .

- (i) Ease in formation,
- (ii) Flexibility in operations,
- (iii) Sharing of profits with limited persons and
- (iv) Sufficient persons to look after various business activities .

Which form of business organisation will you suggest to Mr. Madanpal ?

Give reason in support of your answer .



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7. Shikha 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 polish to a retail chain with three branches, she is wondering whether she should form a

company to better manage the business. She also has plans to open branches country wide. (a) Explain two benefits of remaining a sole proprietor. (b) Explain two benefits of converting to a joint stock company. (c) What role will her decision to go nationwide play in her choice of form of the organisation? **Watch Video Solution** 8. All the members of a company sitting in a general meeting were killed by a bomb. Was the company wound up? **Watch Video Solution 9.** A member, who held all shares except one share of a timber company, insured the company's timber in his own name . Can he claim compensation from the insurance company? **Watch Video Solution**

10. Shakti Ltd. Issues 1,00,000 shares of ₹ 10 each for public subscription.
Application (along with money) are received for 80,000 shares. Can the company allot these shares? Explain.



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11. Mr . Aman wants to set up a business organisation . He has two main expectations from the business organisation - (i) Limited Liability and (ii) Continuity .

What form of business organisation is suitable for Mr. Aman? Give reasons in support of your answer.

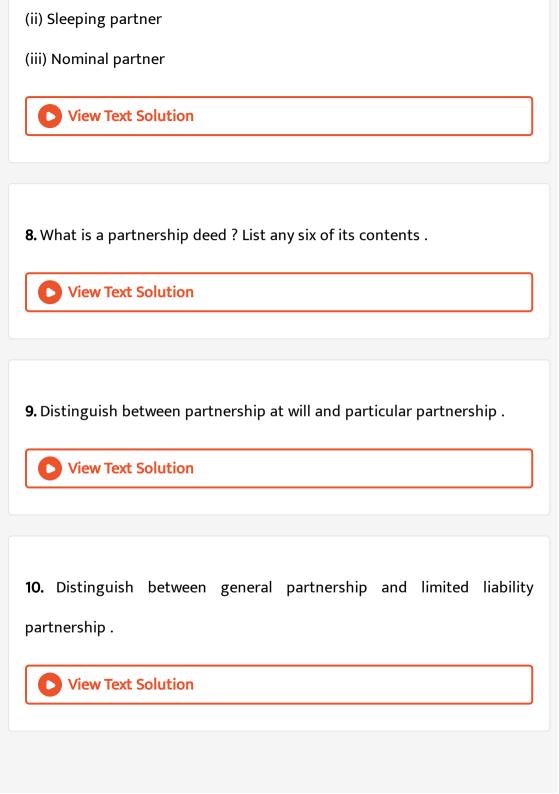


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12. A company got its Certificate in Incorporation on 20th August , 2019 and on the certificate the date was written as 10th August , 2019 . The

company allotted some shares on 18th August . Is the allotment valid or not? Give reason in support your answer. Watch Video Solution Over To You 1. What do you understand by sole proprietorship? Outline its three features. **View Text Solution** 2. Give any three limitations of the sole proprietorship as a form of organisation. **View Text Solution** 3. Explain the features of a Joint Hindu Family Business .

View Text Solution
4. Only the Karta has unlimited liability in a HUF . Explain .
View Text Solution
5. Define partnership . State its four important features .
View Text Solution
6. Discuss two merits and two limitations of partnership .
View Text Solution
7 Describe briefly the following terms:
7. Describe briefly the following terms:
(i) Active partner



11. What is a cooperative society? State its three characteristics. View Text Solution 12. Distinguish between consumers cooperative societies and and producers cooperative societies on the basis of: (i) Estalishment (ii) Functions (iii) Objectives (iv) Distribution of profits . **View Text Solution** 13. Explain how the company is an artificial person. **View Text Solution 14.** Briefly explain any four limitations of a company. **View Text Solution**

15. What is meant by promotion of a company ? List the steps involved in the promotion of a company .



16. What is meant by incorporation of a company? List the steps required to be taken for incorporation of a company.

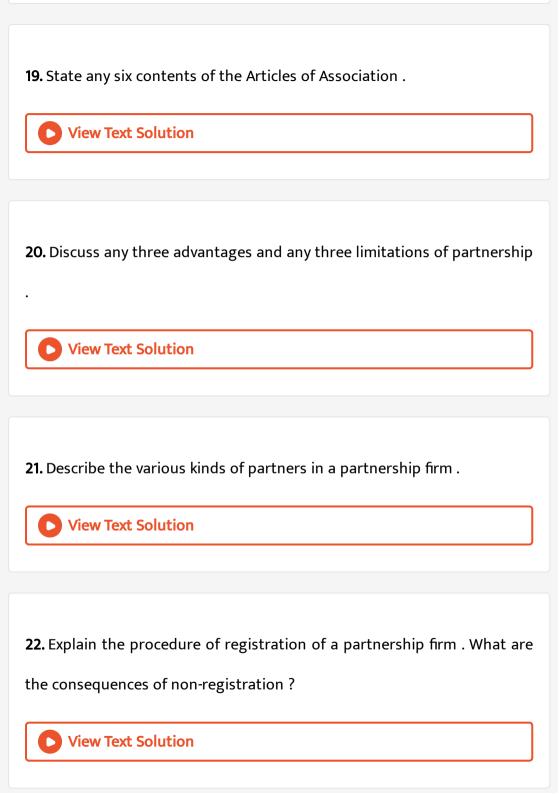


17. List the documents required for the incorporation of a company .



18. Define a prospectus and state its main clauses .





23. Explain briefly different types of cooperative societies .
View Text Solution
24. What is a company? What are its characteristics?
View Text Solution
25. Distinguish between private company and a public company.
View Text Solution
26. A company is said to be an artificial person created by law having a
separate entity with perpetual succession and a common seal . Discuss
the above statement .
View Text Solution

27. Why is it important to choose an appropriate form of organisation ? Discuss any five factors that determine the choice of form of organisation



28. Explain briefly the stages in the formation of a public company.



29. Different between Memorandum of Association and Articles of Association.



30. "Memorandum of Association is the fundamental document of a company". Explain briefly the six clauses of Memorandum of Association .

View Text Solution
31. Discuss the importance documents used in the formation of a
company
company .
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View Text Solution
32. Name and explain the partner who does not have interest in the
partnership business but lends his name to the firm .
partitions in page 100 partitions in a final to the firm.
View Text Solution



33. Name and explain the partner who assumes liability without sharing in the profits of the business .



34. Name and explain the partner whose association with the firm is unknown to the general public .



35. "Registration of a partnership firm is not compulsory but beneficial ".

Do you agree ? Give three reasons in support of your answer .

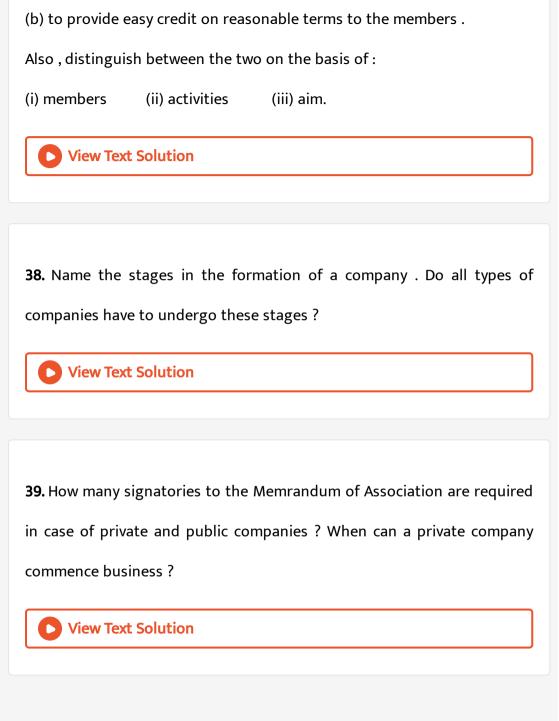


36. Discuss with an example whether a company's existence is affected by the death of a member.



37. Name the type of cooperative society set up:

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



40. Mr. Aryan Awasthi is interested in floating a private limited company . Discuss the steps he should undertake .



- 41. Name the document which:
- (i) defines the objectives of a joint stock company.
- (ii) contains rules regarding internal management of a company.

Distinguish between them on any three basis .



42. Despite limitations of size and resources, many people continue to prefer sole proprietorship over other forms of organisation. Why? Give any six reasons.



43. "A promoter is called parent of the company" .Do you agree ? Explain the steps taken by promoters in the promotion of a company .

