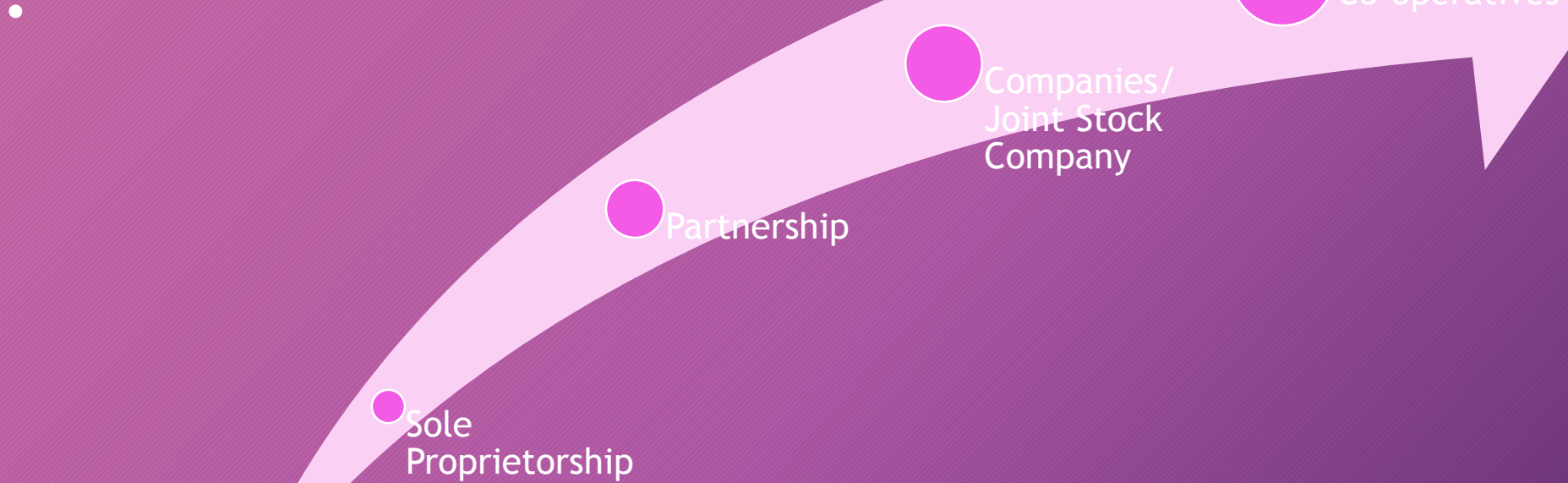


# Forms of Business Organisation

# Forms of business organisation



# Sole Proprietorship

- *“The individual proprietorship is the form of business organisation at the stands an individual as one who is responsible, who directs its operations, and who alone runs the risk of failure”*

# Features of sole proprietorship

Single Ownership

One Man control

No separate legal entity

Unlimited liability

No Profit sharing

Small size

No legal formalities

# Merits of sole proprietorship

- Low cost of production
- Promptness in decisions
- Personal contact
- East to start and wind up
- Incentives for hard work
- Business secrecy
- Flexibility in business
- independence

# Demerits of sole proprietorship

- Limited means of production
- Limited skills
- No economies of scale
- No division of labour
- Small income
- Instability
- Unlimited liability
- Keeps a country economically backward

# Suitability of sole proprietorship

- When market is local
- When personal contact with customers required
- Where one likes being his own boss
- Where promptness is required in decision making
- Where the nature of business is simple
- Where capital requirement is small and risk involvement is not heavy.

Partnership



# Partnership

- The relation between persons who have agreed to share profits of a business carried-on by all or any of them acting for all.

Section 4 of the Indian Partnership Act, 1932

- “A partnership is a form of business organisation in which two or more person’s upto a maximum of twenty join together to understate some form of activity”

# Features of partnership firm

- Two or more person ( maximum no of partners in banking business is 20 and other business we can have 10 maximum members)
- Contract or agreement
- Lawful business
- Sharing of profit
- Control is shared by all partners
- Mutual agency
- Unlimited liability

# Types of partnership firms

- Fixed partnership (it is for fixed term for a particular time period).
- Partnership at Will (when time limit is not fixed)
- Particular partnership( for a particular work)

# Types of partners

- Active partners
- Sleeping partners
- Secret partners
- Nominal partners
- Minor partners

# Merits of partnership firms

- Easy to form
- Commands larger resources
- Prompt and correct decisions
- Use of diverse skills and talents
- Business secrecy
- Highly adaptable to changes
- Personal contacts
- Scope of large scale production
- Sharing of the risk

# Demerits of partnership

- Uncertain existence
- Disharmony among partners
- Not suitable for very large scale business
- Weak management
- Non transferability of partnership shares
- Unlimited liability

# Suitability of partnership

- Capital factors
- Management factors
- Risk factors
- Relationship factors
- Goodwill factors
- Knowledge factor

Joint stock company



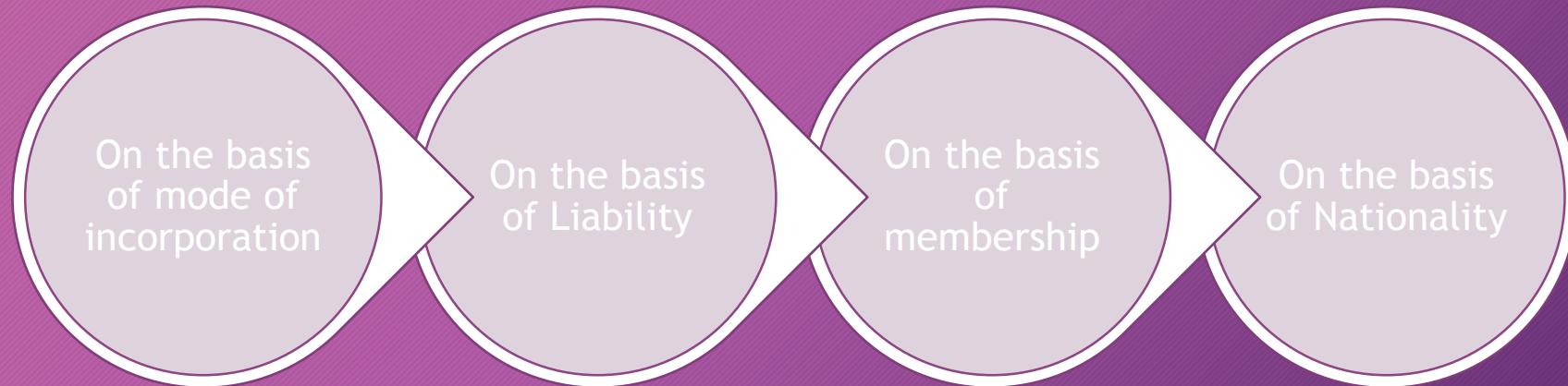
# meaning

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

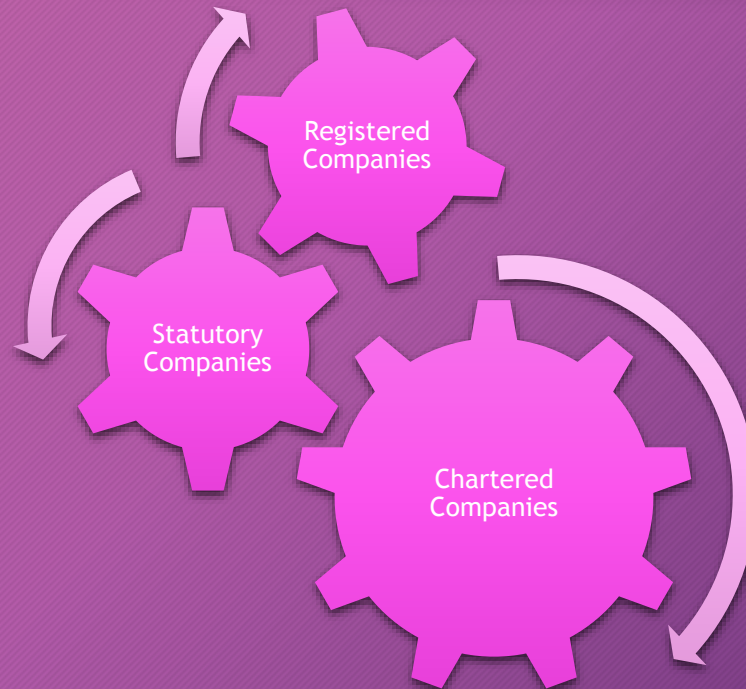
# Features of company

- Artificial person with a separate legal entity
- Voluntary association
- Legal sanction
- Perpetual nature
- Shares are freely transferable
- Common seal
- Limited liability
- Management by elected representatives
- Business
- Ownership

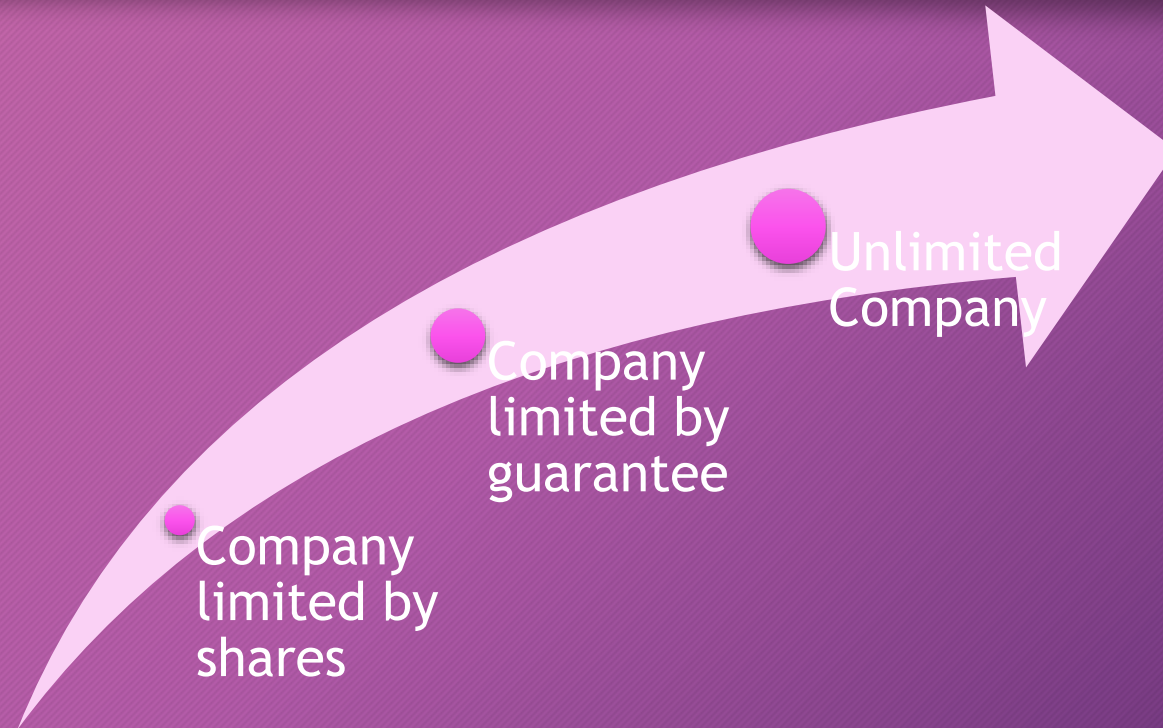
# Types of company



# On the basis of mode of incorporation



# On the basis of liability



# On the basis of membership



On the basis of nationality



Indian  
Company

The diagram features two large, stylized arrows pointing in opposite directions. The arrow on the left points to the left and contains the text 'Indian Company'. The arrow on the right points to the right and contains the text 'Foreign Company'. The arrows are light blue with a slight shadow effect. The background is a dark blue gradient.

Foreign  
Company

# Merits of company

- Perpetual existence
- Large funds
- Transferability of shares
- Limited liability
- Spreading out of risk
- Democratic organisation
- Efficient and economical management
- Suitable for large enterprise
- Effective control by the government



# Demerits of company

- Complication in formation
- Democratic only in theory
- Lack of motivation
- Limited liability
- Delay in decision
- No personal touch with employees
- Lack of secrecy
- Concentration of wealth and power in few hands

# Suitable of joint stock companies

- Large capital
- High degree of managerial skills
- Global business operations
- Risk factors
- Large-scale production and distribution

# Cooperatives

# meaning

- A cooperative is a business organisation owned and operated by a group of individuals for their mutual benefit. A cooperative is a legal entity with several corporate features, such as limited liability, an unlimited life span, an elected Board of Directors, and an administrative staff, member-owners pay annual fees to the cooperative and share in the profits, which are distributed to members in proportion to their contributions. Because they do not retain any profits, cooperatives are not subject to taxes.

# FEATURES OF COPERATIVES

- Voluntary association
- Legal entity
- Equal voting right
- Service motive
- Disposal of profits
- Open membership
- Economic motive
- Distributive justices
- Mutual help and welfare

# Types of cooperatives

- **Consumers' cooperative Societies:** These societies are formed by ordinary people for obtaining their day to day requirements of goods at cheaper prices.
- **Producers' cooperatives:** Also called industrial cooperatives, these societies are voluntary associations of small producers formed with the object of eliminating the capitalist class from the system of industrial production.
- **Marketing Cooperatives:** The marketing cooperatives or the cooperative sales societies are voluntary associations of independent producers organised for the purpose of arranging the sale of their output.

- Housing cooperatives: These are associations of person who are interested either in securing the ownership of a house OR OBTAINING ACCOMODATION AT FAIR AND REASONABLE RENT.
- Credit Cooperative: The cooperative societies are basically agricultural cooperatives formed with the object of achieving the benefits of large sale farming and maximizing agriculture output.

# Merits

- Easy formation
- Open membership
- Democratic control
- Limited liability
- State assistance
- Stable life