CHAPTER 4. FORMS OF BUSINESS ORGANISATION-I

- **Private sector organisations:**
- **Sole Trading Concern**
- **Partnership Firm**
- **Joint Hindu Family Business**
- **Co-operative Society**
- **Joint Stock company**

Distinguish Between
Summary

❖ PRIVATE SECTOR ORGANISATION

INTRODUCTION

Private sector includes different types of businesses owned and managed by private individuals or private organizations. These enterprises are established with private investment and are controlled by private owners. Their main features are private initiative, profit motive, and private ownership and management.

Nowadays, many private sector enterprises operate as corporate industrial units. They are owned by shareholders and managed by professional managers. Along with earning profits, these enterprises also focus on business expansion, growth, social responsibility, social welfare, and creating awareness towards society.

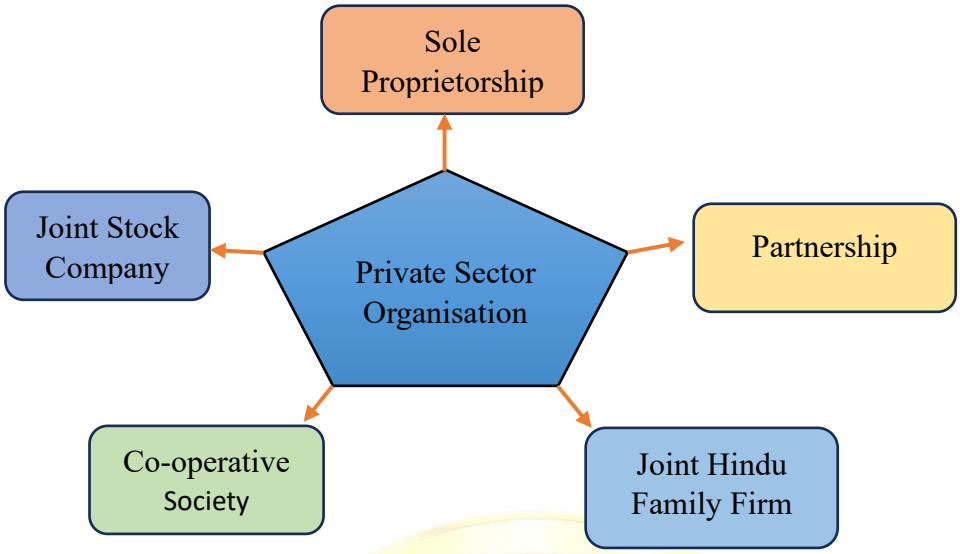
MEANING:

The private sector is the part of the economy that is run by individuals or a group of individuals to earn profit.









The importance of the private sector in the Indian economy can be seen from the rapid growth of Indian BPO companies, software companies, private banks, and financial service companies.

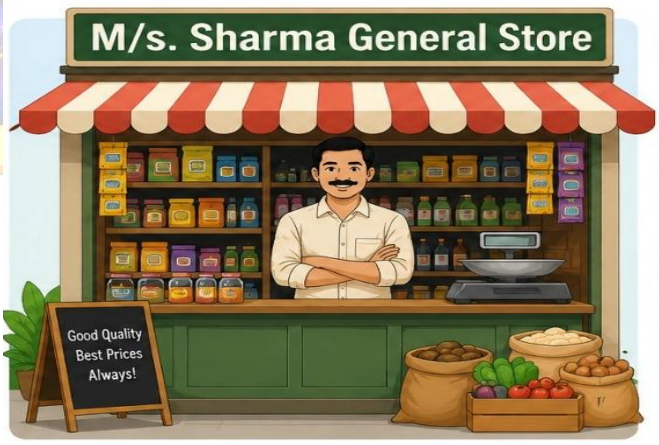
The manufacturing sector in India is largely dominated by private companies. These companies play a major role in the country's industrial development and economic growth.

Private manufacturing companies in industries such as automobiles, chemicals, textiles, agro-foods, computer hardware, telecommunication equipment, and petrochemical products have been the main contributors to India's industrial growth and development.

❖ SOLE TRADING CONCERN (STC) / Sole Proprietorship

INTRODUCTION

In the development of commerce, different forms of business organizations have emerged over time. The Sole Proprietorship is the oldest and simplest form of business organization.



The word **'Sole'** means **single**, and **'Proprietorship'** means **ownership**. Therefore, Sole Proprietorship means a business owned and managed by one person.

A sole proprietor is the independent owner of the business. The owner has full control over all business decisions and is responsible for all profits and losses of the business.

Examples: Grocery Shop, Beauty Parlour, Gift Shop, etc.

MEANING:

In this form of business, a single person invests his own capital, uses his own skills, and carries out all business activities. The owner manages the business, enjoys all the profits, and bears all the losses alone.

This form of business organization is known by different names such as **Sole Proprietorship, Sole Trader, Individual Entrepreneurship, Proprietorship Concern,** or **Sole Trading Concern**.

DEFINITIONS:

1. **According to Prof. J. Hansen,** "Sometimes known as one man business, it is a type of business unit where one person is solely responsible for providing the capital, for bearing the risk of the enterprise and for the risk of ownership."
2. **According to Prof. James Lundy,** "The sole proprietorship is an informal type of business owned by one person.'

❖ FEATURES OF SOLE TRADING CONCERN

1. **Individual Ownership:**
   There is only one owner in a sole proprietorship business. The owner invests all the required capital, owns all the business assets, and is responsible for all the liabilities of the business.
   Example:
   Ramesh starts a grocery shop with his own savings. He is the sole owner of the business and is responsible for all its assets and liabilities.

2. **No Sharing of Profit and Risk:**
   A sole proprietor is the only owner of the business. Therefore, there is no one to share the profits or losses. The owner enjoys all the profits and bears all the risks alone.
   Example:
   Priya runs a beauty parlour on her own. She enjoys the entire profit earned by the business and bears all losses herself.

3. **Self-Employment:**
   A sole proprietorship is the most suitable form of self-employment. An unemployed person can start a business with a small amount of capital and earn a livelihood. It provides an independent source of income.
   Example:
   Amit opens a mobile repair shop after completing his studies. The business provides him with regular income and employment.

4. **Local Market Operations:**
   Large-scale businesses require huge capital and expert management. Since a sole trader has limited capital and managerial ability, the business generally operates in the local market.
   Example:
   A vegetable vendor sells fruits and vegetables only in his local area. Due to limited capital, he does not operate in distant markets.

5. **No Separate Legal Status:**
   A sole proprietorship does not have a separate legal identity. In the eyes of law, the owner and the business are considered one and the same.
   Example:
   Neha owns a tailoring shop. If the business faces any legal issue, Neha herself is legally responsible because the owner and business are considered the same.

6. **Minimum Government Regulations:**
   There is no separate law to govern sole proprietorship businesses. Registration is generally not compulsory, and complicated legal formalities are not required for its formation. However, tax laws and labour laws must be followed.
   Example:
   Rahul starts a stationery shop in his locality. He can begin the business with simple registrations and fewer legal formalities than a company.

7. **Unlimited Liability:**
   The liability of a sole proprietor is unlimited. This means there is no difference between the owner's personal property and business property. If the business assets are not enough to pay business debts, the owner's personal property can also be used to repay the liabilities.
   Example:
   Suresh's business incurs heavy losses and cannot repay its debts. He may have to use his personal savings or sell personal assets to clear the liabilities.

❖ MERITS OF SOLE TRADING CONCERN

1. **Easy Formation:**
   The formation of a Sole Trading Concern (STC) is very easy and simple. Only minimum legal formalities are required to start the business.

2. **Quick Decisions:**
   A sole trader can take business decisions quickly because he is the only decision-maker. He may or may not consult others and is not answerable to anyone. Quick decisions often help the business earn more profits and gain better opportunities.

3. **Maximum Secrecy:**
   The sole trader is both the owner and manager of the business. Therefore, business plans and secrets do not need to be shared with others. Also, there is no requirement to publish the books of accounts of a Sole Trading Concern (STC), which helps maintain maximum secrecy.

4. **Direct Motivation:**
   The sole trader enjoys the entire profit of the business. This gives him direct motivation to work hard and increase profits. As a result, he puts in more effort to make the business successful.

5. **Flexibility:**
   Since the sole trader is the only decision-maker, he can easily make changes according to business needs and market conditions. He can expand the business, change the line of business, or modify business policies whenever required.

6. **Lower Cost:**
   The sole trader personally manages and controls the business activities. He tries to avoid unnecessary expenses and wastage, which helps reduce the overall cost of business operations.

7. **Efficiency:**
   As the sole trader receives the entire profit, he tries to maximize profits by reducing wastage. He avoids wastage of money, time, materials, and efforts, which increases the efficiency of the business.

❖ DEMERITS SOLE TRADING CONCERN

1. **Limited Capital:**
   A sole trader is a single owner, so his ability to raise capital is limited. He can arrange funds from friends, relatives, banks, and other sources, but these sources are also limited. Therefore, it becomes difficult to expand and develop the business.

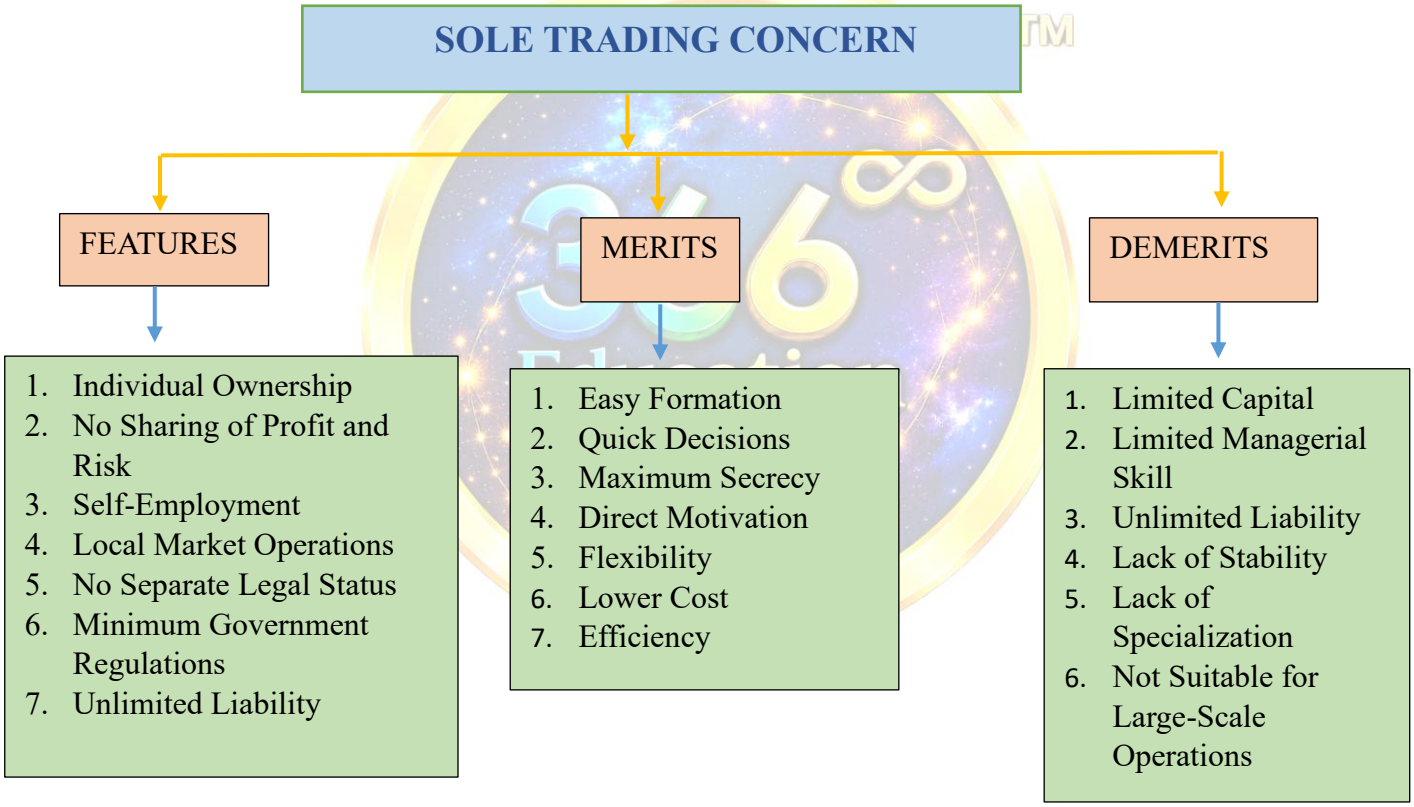
2. **Limited Managerial Skill:**
   The sole trader has to manage and control the entire business. He may or may not have the required qualifications, experience, or managerial skills. Due to limited capital, he may also be unable to appoint professional managers.

3. **Unlimited Liability:**
   The liability of a sole trader is unlimited. There is no difference between personal assets and business assets. If the business cannot pay its debts, the owner may have to sell his personal property to repay the liabilities.

4. **Lack of Stability:**
   The existence of a sole proprietorship depends entirely on the owner. Death, insanity, or insolvency of the sole trader may affect the continuity and existence of the business.

5. **Lack of Specialization:**
   A sole trader performs all business activities such as purchasing, selling, accounting, and management. Since one person handles many different tasks, specialization is not possible. Therefore, it is often said that **"He is a jack of all trades, master of none."**

6. **Not Suitable for Large-Scale Operations:**
   A sole trader generally operates on a small scale and serves a local market. Since the business is managed by one person, it cannot grow beyond a certain limit. Therefore, a Sole Trading Concern (STC) is not suitable for large-scale business operations.



❖ PARTNERSHIP FIRM

INTRODUCTION



Partnership is an important form of private sector business organization. It developed because a sole proprietorship has limitations such as limited capital and limited managerial ability.

As a business grows, there is often a need to bring more people into the business to provide additional capital, skills, and management support. When one or more persons are admitted into an existing business, a partnership firm is formed.

MEANING:

A partnership is a business organization that is owned and managed by two or more persons. These persons are called partners. All partners share the profits and losses of the business and are also responsible for its liabilities according to the partnership agreement.

DEFINITIONS:

1. **Section 4 of Indian Partnership Act, 1932 defines partnership as** - "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all."
2. **Prof. L. H. Haney defined Partnership as** - "Partnership is the relation existing between persons competent to make contracts, who have agreed to carry on a lawful business in common with a view to private gain."



➢ IMPORTANT TERMS:

1. **Partner:**
   Persons who enter into a partnership agreement with one another are individually called **Partners**.

2. **Partnership Firm:**
   Persons who enter into a partnership agreement and carry on business together are collectively called a **Partnership Firm** or **Firm**.

3. **Firm Name:**
   The name under which the partnership business is carried on is called the **Firm Name**.

4. **Partnership Deed or Agreement:**
   The written document that contains the terms and conditions of the partnership business is called the **Partnership Deed** or **Partnership Agreement**.'

❖ FEATURES OF PARTNERSHIP FIRM

1. **Agreement:**
   Partnership is created through an agreement between two or more persons who join together to carry on a business and earn profits. The agreement may be oral or written, but a written agreement is always advisable.
   Example: Rohan and Mohan agree to start a stationery business together and sign a partnership deed stating the terms and conditions.

2. **Joint Ownership:**
   A partnership firm is jointly owned by all partners. The property of the firm should be used only for business purposes and not for personal use.
   Example: Three partners purchase office furniture for the firm. The furniture belongs to the partnership firm and not to any one partner personally.

3. **Joint Management:**
   Every partner has the right to participate in the management of the business. However, one or more partners may manage the business on behalf of the other partners.
   Example: Amit looks after sales while Sumit manages accounts. Both participate in the management of the partnership business.

4. **Lawful Business:**
   A partnership firm can be formed only for carrying out lawful business activities. It cannot engage in any business that is prohibited by law, such as smuggling goods or selling illegal arms.

Example: Two partners start a clothing store to earn profits. They cannot form a partnership for illegal activities like smuggling.

5. **Liability:**
   The liability of every partner is **unlimited, joint, and several**.
   - **Unlimited Liability:** If the assets of the firm are not enough to pay the debts, the personal property of the partners can be used to pay the creditors.
   - **Joint Liability:** Every partner is jointly responsible with the other partners for the debts of the firm, whether the debt was incurred by himself or by another partner.
   - **Several Liability:** Every partner is individually and separately liable for the debts of the firm, whether incurred by himself or by another partner.

   Example: If a partnership firm cannot repay a loan, the creditors can recover the amount from the personal assets of any or all partners.

6. **Number of Partners:**
   A partnership firm must have at least **two partners** throughout its existence. The maximum number of partners allowed is **50**.
   Example: A partnership firm is formed by Raj and Karan. Later, more partners join, but the total number cannot exceed 50.

7. **Principal–Agent Relationship:**
   Every partner plays a dual role in the firm:
   - As a **Principal**, each partner is the owner of the business in relation to the other partners.
   - As an **Agent**, each partner represents the firm while dealing with outsiders.

   Example: When Rahul signs a contract on behalf of the firm, all partners are bound by it. Thus, he acts as an agent of the firm.

8. **Restriction on Transfer of Interest:**
   No partner can transfer or sell his share or interest in the firm to an outsider without the prior consent of all other partners.
   Example: A partner wishes to sell his share to an outsider but cannot do so without the consent of all other partners.

9. **Registration:**
   Registration of a partnership firm is not compulsory under the Indian Partnership Act, 1932. However, in Maharashtra (from April 1985) and some other states, registration is compulsory as per state laws. Partners can register the firm with the Registrar of Firms and enjoy various benefits after registration.
   Example: Four partners register their firm with the Registrar of Firms in Maharashtra to obtain legal benefits and protection.

10. Sharing of Profits and Losses:

Partners agree to share the profits and losses of the business in a specified ratio. This ratio may depend on factors such as capital contribution, services provided, goodwill, and other terms of the agreement. If the agreement does not mention the ratio, all partners are considered equal partners.

Example: Asha and Neha agree to share profits and losses in the ratio of 60:40 according to their capital contribution.

11. Termination of Partner:

A partner may leave the firm by giving written notice to the other partners. A partner may also be removed from the firm for fraudulent or dishonest activities.

Example: A partner involved in fraudulent activities is removed from the firm with the consent of the other partners.

12. Dissolution:

A partnership firm can be dissolved at any time if all partners agree. The firm may also be automatically dissolved due to the death, insolvency, or insanity of a partner, unless the partnership agreement provides for the continuation of the business in such situations.
The partnership firm is also automatically dissolved if the number of partners is reduced to only one.

Example: All partners mutually decide to close the business and dissolve the partnership firm.

❖ MERITS OF PARTNERSHIP FIRM

1. Easy Formation:

It is very easy to form a partnership business. Only two persons are required to start a partnership. The partners can sign an agreement and register the firm. The registration process is simple and quick.

2. Capital:

A partnership business can raise more capital than a sole proprietorship because there are multiple partners who contribute funds. The amount of capital contributed by each partner is mentioned in the partnership agreement.

3. Business Secrecy:

Partnership firms can maintain business secrecy because they are not required to publish their books of accounts every year. As a result, competitors cannot easily know the firm's secrets and confidential information.

4. Continued Existence:

A partnership firm can continue even after the death, insolvency, or insanity of a partner,

provided there is a provision for continuation in the partnership agreement. In such cases, a new partnership deed must be prepared.

5. **Flexibility of Operations:**
   Partnership businesses enjoy flexibility in their operations. Partners can expand or diversify business activities whenever needed. They can also change the line of business according to changing business conditions and may even close the business if required.

6. **Decision Making:**
   Decision-making is quicker in a partnership because only a few partners are involved. Decisions are taken after discussion among the partners, which improves the quality of decisions compared to a sole proprietorship.

7. **Effort–Reward Relationship:**
   There is a direct relationship between the efforts of partners and the rewards they receive. All partners contribute their best efforts and share the profits accordingly. If the partnership agreement allows, active partners may receive a higher share of profit than other partners.

8. **Goodwill:**
   Goodwill refers to the value or reputation of a partnership business in terms of money. A partnership firm enjoys goodwill because of quality products, good customer service, and ethical business practices. When a new partner is admitted, he may be required to bring a certain amount of goodwill into the business.

9. **Specialization:**
   In a partnership business, different partners may have expertise in different areas such as finance, technology, or marketing. This specialization improves efficiency and helps the business perform better.

❖ DEMERITS OF PARTNERSHIP FIRM

1. **Problem of Continuity:**
   A partnership firm may face problems in continuing its business if a partner dies, becomes insolvent, or becomes mentally unsound. If the partnership agreement does not contain a provision for continuation in such situations, the firm may be dissolved.

2. **Limited Capital:**
   A partnership firm has less capital compared to a joint stock company. Since there is a limit on the number of partners, the firm's ability to raise capital is also limited. This restricts the growth and expansion of the business.

3. **Problem of Secrecy:**
   Although partnership firms are not required to publish their books of accounts, complete secrecy cannot always be maintained. Some partners may disclose confidential business information to competitors or outsiders for personal financial gain.

4. **Absence of Separate Legal Status:**
   A partnership firm does not have a separate legal identity from its partners. In the eyes of law, the firm and the partners are considered the same. Therefore, the death, insolvency, or insanity of a partner may lead to the dissolution of the firm.

5. **Disputes Among Partners:**
   Since more than one person is involved in managing the business, differences of opinion may arise. These disagreements can lead to disputes among partners and may sometimes result in the dissolution of the firm.

6. **Non-Transferability of Interest:**
   A partner cannot transfer or sell his share in the business to an outsider without the consent of all other partners. Therefore, transfer of ownership interest is restricted in a partnership firm.

7. **Limitation on Number of Partners:**
   The Indian Partnership Act limits the maximum number of partners to **50**. This restriction may affect the firm's ability to raise more capital and improve management by admitting additional partners.

8. **Difficulty in Admission of a New Partner:**
   Admitting a new partner can be difficult because it may change the profit-sharing ratio of existing partners. Existing partners may also hesitate due to a lack of trust in the new partner.

9. **Unlimited Liability:**
   If the assets of the firm are not sufficient to pay the debts of the business, the personal property of the partners can be used to satisfy the claims of creditors. Thus, the liability of partners is unlimited.

10. **Risk of Implied Authority:**
    Every partner has the authority to act on behalf of the firm. Sometimes, a partner may misuse this authority by signing agreements, taking loans, or making decisions without the consent of other partners. Such actions may be against the interests of the firm and create risks for all partners.

PARTNERSHIP FIRM

FEATURES

1. Agreement
2. Joint Ownership
3. Joint Management
4. Lawful Business
5. Liability
6. Number of Partners
7. Principal–Agent Relationship
8. Restriction on Transfer of Interest
9. Registration
10. Sharing of Profits and Losses
11. Termination of Partner
12. Dissolution

MERITS

1. Easy Formation
2. Capital
3. Business Secrecy
4. Continued Existence
5. Flexibility of Operations
6. Decision Making
7. Effort–Reward Relationship
8. Goodwill
9. Specialization

DEMERITS

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❖ TYPES OF PARTNERS

In partnership business according to nature of work or role of partners there are different types of partners.

TYPES OF PARTNERS

1. Active partner
2. Dormant Partner
3. Nominal Partner
4. Secret Partner
5. Minor as partner
6. Partner in profits only
7. Sub - Partner
8. Partner with Limited Liability
9. Quasi Partner

1. **Active Partner:**
   An active partner takes part in the day-to-day management and operations of the business. He may work as a manager, organizer, adviser, or controller of the firm's activities.
   An active partner contributes capital, shares profits and losses, and has unlimited, joint, and several liability. He is also known as a **Working Partner** or **Ordinary Partner**. Such a partner may receive additional benefits for the services provided apart from his share of profits.



2. **Dormant Partner:**
   A dormant partner contributes capital and shares the profits and losses of the business but does not participate in its day-to-day management.
   A person who has money to invest but cannot devote time to the business may become a dormant partner. He is also known as a **Sleeping Partner**. Like other partners, he is liable for the debts of the business but cannot bind the firm to third parties through his actions.



3. **Nominal Partner:**
   A nominal partner only lends his name to the firm.
   He does not contribute capital and does not share the profits of the business.
   His presence may help the firm gain goodwill, credit, or increase sales. A nominal partner is liable to third parties who provide credit to the firm believing him to be a partner.



4. **Secret Partner:**
   A secret partner is a partner whose association with the firm is not known to outsiders.
   He contributes capital, shares profits, bears losses, and has unlimited liability. He may also participate in the management of the business, but his identity remains hidden from third parties.



5. **Minor as a Partner:**



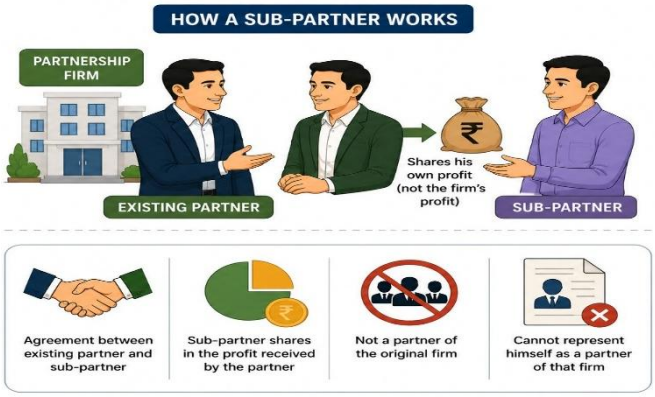
A minor is a person who has not completed 18 years of age according to the Indian Contract Act, 1872.
Since a minor cannot enter into a valid contract, he cannot become a full partner. However, with the consent of all partners, a minor may be admitted to the benefits of an existing partnership.
A minor is not personally liable for the firm's debts, but his share in the firm's property and profits can be used to meet the firm's liabilities. After attaining 18 years of age, he must give public notice regarding his decision to continue in the partnership.

6. **Partner in Profits Only:**



A partner in profits only agrees to share only the profits of the firm and not its losses. Such a partner may contribute capital but generally does not take an active part in managing the business. However, he remains liable for the debts of the firm.

7. **Sub-Partner:**



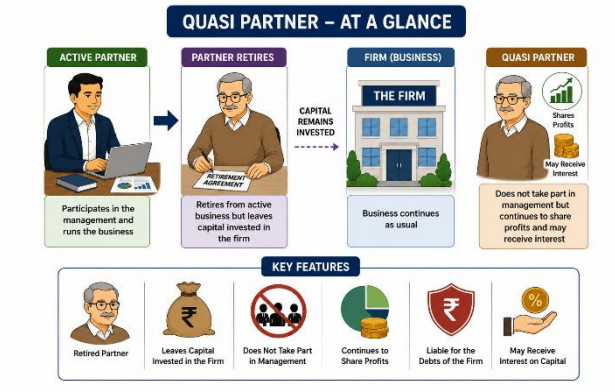
A sub-partner is a person with whom an existing partner agrees to share his own profit received from the partnership firm.
A sub-partner is not a partner of the original firm and cannot represent himself as a partner of that firm.

8. **Partner with Limited Liability:**
This type of partner exists in a limited partnership.
His liability is limited to the amount of capital contributed by him to the firm. He is usually a special partner and does not actively participate in the management of the business.

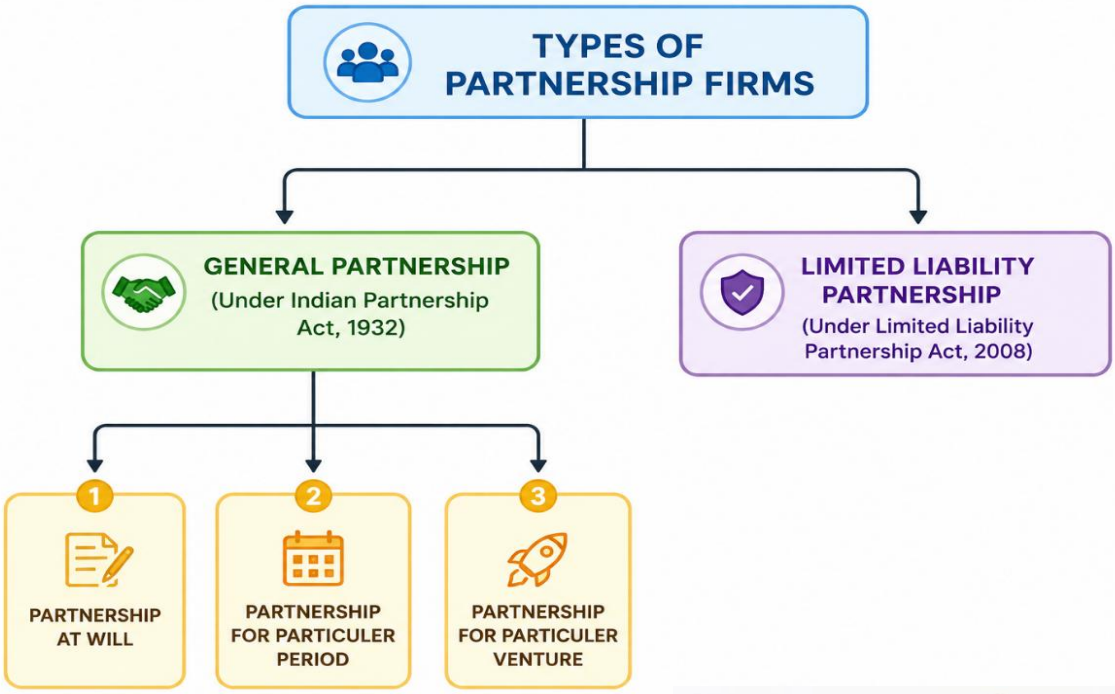
9. Quasi Partner:

A quasi partner is a retired partner who leaves his capital invested in the firm even after retirement.

He does not take part in the management of the business but continues to share profits. Such a partner is liable for the debts of the firm and may also receive interest on the capital left in the business.



❖ TYPES OF PARTNERSHIP FIRMS



A) General Partnership: In General Partnership, every partner has equal rights. General partnership comes into existence according to provisions of 'Indian Partnership Act, 1932'



1. Partnership at Will:

When the partnership agreement does not mention any fixed time period for the partnership, it is called **Partnership at Will**.

Such a partnership can be dissolved easily. Any partner can leave the partnership at any time by giving notice of his intention to the other partners.

2. **Partnership for a Particular Period:**
When a partnership is formed for a specific period of time, it is called **Partnership for a Particular Period**.

For example, a partnership may be formed for **6 months, 1 year, or any fixed period**. The partnership firm automatically dissolves after the expiry of the agreed period.

3. **Partnership for a Particular Venture:**
When a partnership firm is formed to carry out a specific project or business activity, it is called **Partnership for a Particular Venture**.

For example, a partnership may be formed for the **construction of a dam, road, bridge, or for selling seasonal products**. The partnership comes to an end after the completion of the particular venture.

B) Limited Liability Partnership: Limited liability partnership comes into existence as per the provisions of 'Limited Liability Partnership Act, 2008'. There are two kinds of partner as follows:



1. **Designated Partner:** Every Limited Liability Partnership (LLP) must have at least **two** Designated Partners. Out of these two partners, **at least one partner must be a resident of India**.

2. **General Partner:** All other partners in a Limited Liability Partnership are known as General Partners.

❖ JOINT HINDU FAMILY BUSINESS (JHFB)

INTRODUCTION

There are many forms of business organizations in the world. However, Hindu Undivided Family Business (HUF) is a unique form of business that originated in India and exists only in India.

This form of business is also known as Joint Hindu Family Firm (JHFF). It is a traditional business organization that is owned and managed by the members of a Hindu Undivided Family. It is one of the oldest forms of business organization in India.



MEANING:

School of thought under Hindu law

1. **Mitakshara School:** According to the **Mitakshara School**, only the **male members** of the family can inherit the family business and property. Therefore, the **sons, grandsons, and great-grandsons** become joint owners of the ancestral property.

   A son gets equal rights in the ancestral property along with his father and can also demand a division of the family property.

   This school is followed in most parts of India, except **Assam, Bengal, and some parts of Odisha**.

2. **Dayabhaga School:** According to the **Dayabhaga School**, both **male and female members** can become **coparceners** (joint owners) in a Hindu Undivided Family.

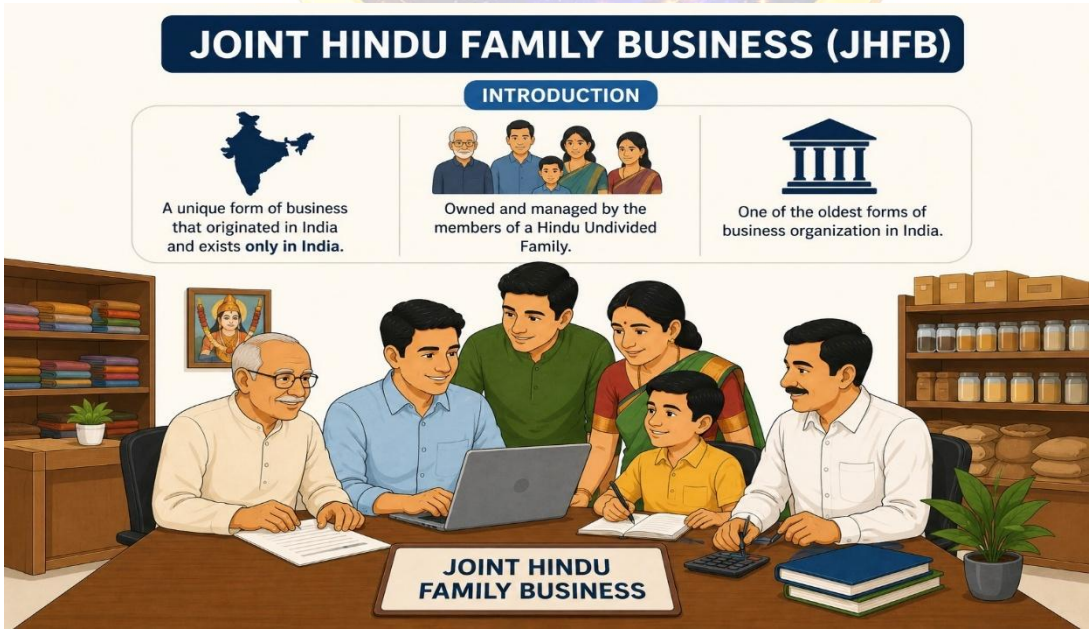
   For example, after the death of a husband, his property and business can pass to his **wife or other legal successors**.

   This school gives inheritance rights to both male and female members of the family.

DEFINATIONS:

According to Hindu Law, a Hindu Undivided Family (HUF) is a family that consists of all persons who are directly descended from a common ancestor, along with their wives and unmarried daughters.

An HUF is created automatically by birth in the family and cannot be formed through a contract or agreement. It is a unique form of business organization recognized under Hindu Law.



❖ FEATURES OF JOINT HINDU FAMILY BUSINESS

1. **Exists Only in India:**
   The Hindu Undivided Family (HUF) Business exists only in India. It is governed by the **Hindu Succession Act, 1956**.
   Example: The **Ambani Family HUF** follows the Hindu Undivided Family system, which is recognized only under Indian law.

2. **Formation:**
   The formation of a Joint Hindu Family Business (JHFB) is simple. It is created automatically according to Hindu Law. A person becomes a member by birth and not through any agreement. The senior-most member of the family is called the **KARTA**, while the other members are called **Coparceners**.
   Example: If a child is born in a Hindu business family, he automatically becomes a member of the family business by birth.

3. **Membership:**
   There is no limit on the number of members in a Joint Hindu Family Business. A person can become a coparcener by **birth, legal adoption, or marriage into the family**.
   Example: In a family business, a son becomes a coparcener by birth, while an adopted child also gets membership rights.

4. **Joint Ownership:**
   The property of the Joint Hindu Family Business is jointly owned by the **KARTA and the Coparceners**. The business is generally owned by three generations of the family. The KARTA acts as the custodian and manager of the joint family property.
   Example: A family-owned textile shop inherited from grandparents is jointly owned by the KARTA and all coparceners.

5. **Good Credit Standing:**
   A Joint Hindu Family Business usually continues for a long period and enjoys goodwill in the market. This creates confidence among creditors regarding repayment of loans. Since the liability of the KARTA is unlimited, banks and financial institutions are generally willing to provide loans to the business.
   Example: An old family jewellery business with a good reputation can easily obtain loans from banks.

6. **Management:**
   The management of the Joint Hindu Family Business is carried out by the **KARTA**. The coparceners do not have the right to participate directly in the management of the business.

However, the KARTA may consult family members before making important business decisions.

Example: In a family-owned grocery business, the eldest member (KARTA) manages the business and takes major decisions.

7. **Profit Sharing:**
   A Joint Hindu Family Business is not formed through a contractual agreement. Therefore, there is no fixed ratio for sharing profits and losses between the KARTA and the coparceners. The profit-sharing ratio may change due to births and deaths in the family.
   Example: In a family business, the share of profits may change when a new child is born into the family or when a member passes away.

❖ MERITS OF JOINT HINDU FAMILY BUSINESS

1. **Easy Formation:**
   A Joint Hindu Family Business is easy to start because no registration or agreement is required for its formation. There is no restriction on the minimum or maximum number of members. It comes into existence automatically according to Hindu Law.

2. **Protection of Coparceners' Interest:**
   The coparceners have the right to demand partition of the family property. The **KARTA** takes proper care of their interests and ensures their rights are protected.

3. **Quick and Prompt Decisions:**
   The **KARTA** is the senior-most member of the family and usually has experience and knowledge of the family business. Therefore, he can take quick and correct business decisions at the right time based on his experience.

4. **On-the-Job Training:**
   Members of a Joint Hindu Family Business automatically learn business skills while working in the family business. They also observe the management style of the **KARTA** and learn various business techniques and practices.

5. **Co-parceners' Limited Liability:**
   The liability of coparceners is limited to the extent of their share in the Joint Hindu Family Business. Therefore, their personal property cannot be used to pay the liabilities of the family business.

❖ DEMERITS OF JOINT HINDU FAMILY BUSINESS

1. **Unlimited Liability of KARTA:**
   The KARTA has unlimited liability in the Joint Hindu Family Business. If the business assets are not sufficient to pay the business debts, the personal property of the KARTA can be used to repay the liabilities.

2. **Limited Financial and Managerial Resources:**
   The financial resources of a Joint Hindu Family Business are limited because the business mainly depends on ancestral property for capital. Also, the KARTA may or may not possess expert managerial skills. Therefore, the scope for expansion and growth of the business is limited.

3. **No Separate Legal Status:**
   In the eyes of law, the Joint Hindu Family Business and its members are considered one and the same. The business does not have a separate legal identity from the family members.

4. **Partition of Business:**
   Since there are many members in a Joint Hindu Family Business, conflicts and disputes may arise. The coparceners may become dissatisfied with the management of the KARTA, which can lead to the partition or division of the business.

5. **No Direct Relationship Between Effort and Rewards:**
   The KARTA manages the business and uses his knowledge and skills to run it successfully. However, the profits of the business are shared among all coparceners. As a result, both hardworking and less efficient coparceners receive a share of the profits, leading to no direct relationship between effort and reward.

JOINT HINDU FAMILY BUSINESS

FEATURES

1. Exists Only in India
2. Formation
3. Membership
4. Joint Ownership
5. Good Credit Standing
6. Management
7. Profit Sharing

MERITS

1. Easy Formation
2. Protection of Coparceners' Interest
3. Quick and Prompt Decisions
4. On-the-Job Training
5. Co-parceners' Limited Liability

DEMERITS

1. Unlimited Liability of KARTA
2. Limited Financial and Managerial Resources
3. No Separate Legal Status
4. Partition of Business
5. No Direct Relationship Between Effort and Rewards

❖ CO-OPERATIVE SOCIETY

INTRODUCTION



India is an agricultural country and has established one of the largest cooperative movements in the world. The cooperative movement was started to protect the interests and rights of the weaker sections of society.

After Independence, cooperative societies became an important part of India's Five-Year Plans. Cooperative societies play a significant role in India because they help poor, illiterate, and unskilled people improve their economic condition.

Since 1947, India has witnessed rapid growth in cooperative societies, especially in the agricultural sector. Today, there is a wide network of cooperative societies operating at the local, regional, state, and national levels across the country.

MEANING:

A Cooperative Society is a voluntary association of individuals who come together to achieve certain economic objectives. It is formed to promote the common interests and welfare of its members.

The main purpose of a cooperative society is service rather than profit. It works on the principle of "Each for all and all for each," which means that all members work together for the benefit of every member and the society as a whole.

DEFINITIONS:

1. **According to The International Labour Organisation:** "A cooperative organisation is an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled organisation, making equitable distributions to the capital required and accepting a fair share of risk and benefits of the undertaking."

2. **According to Indian Co-operative Society's Act, 1912, "**Co -operative Society is a society which has its objectives for the promotion of economic interest of its members in accordance with cooperative principles".



❖ FEATURES OF CO-OPERATIVE SOCIETY

1. **Voluntary Association and Open Membership:**
   Any person can become a member of a cooperative society. There is no discrimination on the basis of caste, religion, gender, or any other factor. Membership is open to all eligible persons.
   Example: Any eligible resident can become a member of a housing cooperative society regardless of caste, religion, or gender.

2. **Democratic Principle:**
   The management of a cooperative society is based on democratic principles. Decisions are taken by majority vote. It follows the rule of **"One Member, One Vote."** Meetings are conducted according to the rules and regulations of the Cooperative Societies Act.
   Example: In a cooperative society election, every member gets one vote, whether they own one share or many shares.

3. **Management:**
   The management of a cooperative society is carried out by a **Managing Committee** elected by the members. The committee takes important business decisions and looks after the day-to-day administration of the society.
   Example: The managing committee of a housing society is elected by the members to look after its daily affairs.
4. **Registration:**
   Registration of a cooperative society is compulsory. Every cooperative society must follow the provisions of the **Indian Cooperative Societies Act, 1912** and the respective State Cooperative Societies Act. A minimum of **10 members** is required for registration, along with the necessary legal documents.
   Example: A group of 10 farmers can register a farmers' cooperative society under the Cooperative Societies Act.

5. **Separate Legal Status:**
   After registration, a cooperative society gets a separate legal identity in the eyes of law. It can enter into contracts, purchase property, and open a bank account in its own name. The shareholders and managing committee members are not personally responsible for the society's transactions, but they are answerable to the court on behalf of the society.
   Example: A cooperative bank can open a bank account and purchase property in its own name after registration.

6. **Limited Liability:**
   The liability of the shareholders is limited to the unpaid value of the shares held by them. Therefore, their personal property cannot be used to pay the liabilities of the cooperative society.

Example: If a cooperative society incurs losses, members are liable only up to the unpaid value of their shares.

7. **Number of Members:**
   A minimum of **10 members** is required to form a cooperative society. However, there is no maximum limit on the number of members under the Cooperative Societies Act.
   Example: At least 10 people are required to form a consumer cooperative society, but there is no maximum limit on members.

8. **Equal Voting Rights:**
   Every member has equal voting rights regardless of the number of shares held. Each member gets one vote, ensuring equality among all members.
   Example: In a dairy cooperative society, each member has one vote irrespective of the number of shares owned.

9. **Service Motive:**
   The main objective of a cooperative society is to provide services to its members rather than earn profits. Goods and services are provided at reasonable rates. For example, cooperative banks offer loans and overdraft facilities to their members at lower interest rates.
   Example: Saraswat Co-operative Bank provides loans to its members at reasonable interest rates to serve them rather than maximize profits.

❖ MERITS OF CO-OPERATIVE SOCIETY

1. **Democratic Management:**
   Every member of a cooperative society has an equal voting right. It follows the principle of **"One Member – One Vote."** Since the number of members is usually large and spread over different areas, they elect their representatives called the **Managing Committee**. The committee manages the day-to-day affairs of the society.

2. **Open Membership:**
   Membership of a cooperative society is voluntary and open to all. Any person, regardless of caste, creed, religion, or gender, can purchase shares and become a member. There is no compulsion to join or continue as a member.

3. **Less Operating Expenses:**
   The operating cost of a cooperative society is low because middlemen are eliminated and there is very little expenditure on advertisements. Managing Committee members often provide honorary services. The government also grants concessions in registration fees, stamp duty, income tax, and other charges, which further reduces expenses.

4. **Limited Liability:**
   The liability of the members is limited to the unpaid amount on the shares held by them. Therefore, the personal property of members cannot be used to repay the debts of the society even if its assets are insufficient.

5. **Tax Concessions:**
   Cooperative societies contribute to the economic and social development of the country. Therefore, the government provides various tax benefits, such as exemption from income tax up to a certain limit. These concessions help increase the surplus and financial strength of the society.

6. **Self-Financing and Charity:**
   According to the latest amendment in the Cooperative Societies Act, a society can distribute a maximum of **15% dividend** to its members. The remaining surplus is used for **self-financing, expansion, development of the society, charitable activities, and social welfare purposes.**

❖ DEMERITS OF CO-OPERATIVE SOCIETY

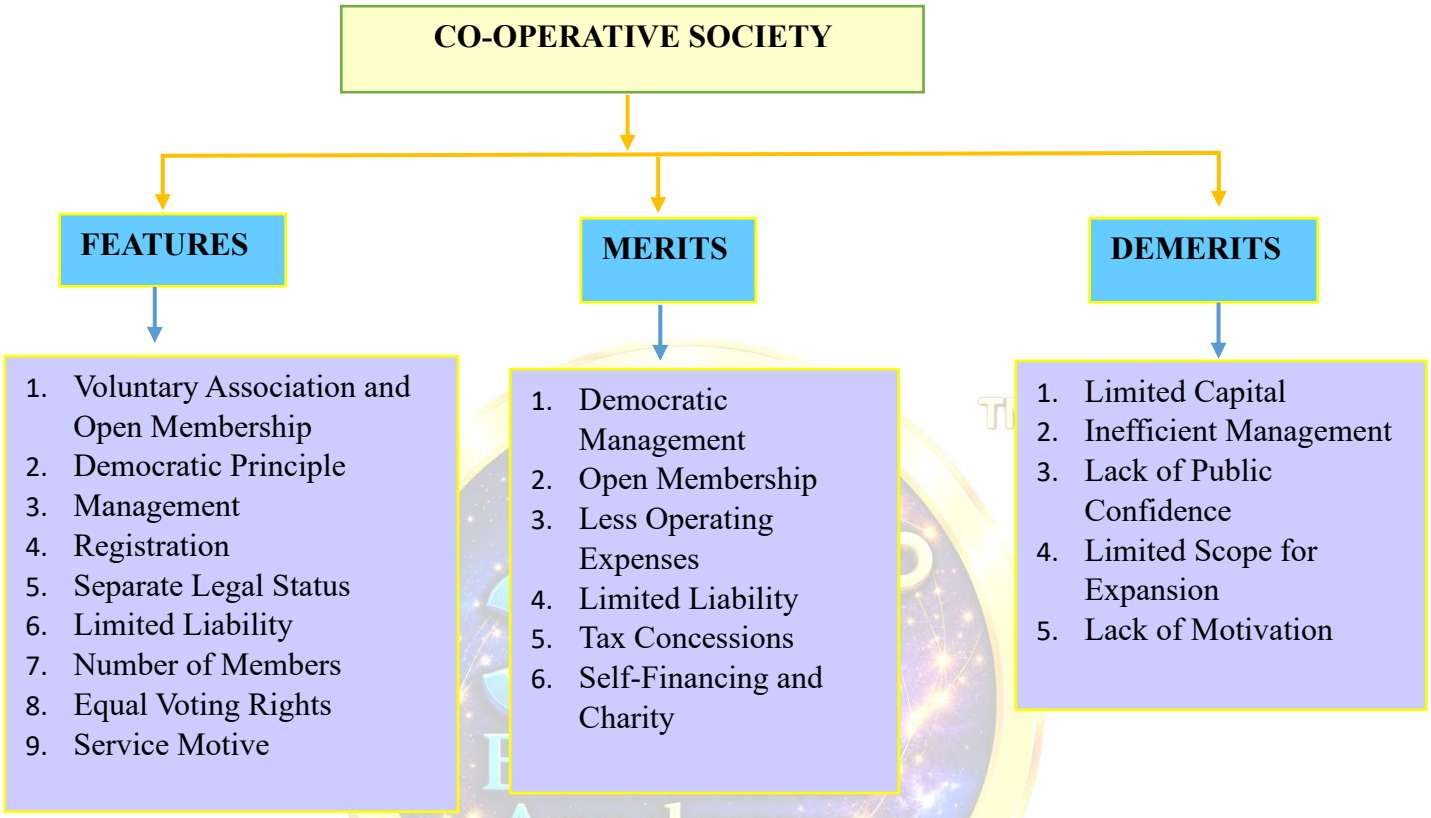
1. **Limited Capital:**
   The face value of shares in a cooperative society is generally low. Most members belong to the weaker sections of society and cannot invest large amounts of money. Also, because the dividend rate is low, many people are not interested in purchasing shares. Therefore, the capital of a cooperative society remains limited.

2. **Inefficient Management:**
   The management of a cooperative society is handled by the Managing Committee, which consists of elected representatives of the members. These members may not have professional managerial skills. Due to limited financial resources, the society may not be able to appoint professional managers. As a result, management may be inefficient.

3. **Lack of Public Confidence:**
   There is often political interference in cooperative societies. Since many cooperative societies are controlled by political leaders, people may hesitate to invest their money in them. This leads to a lack of public confidence in cooperative societies.

4. **Limited Scope for Expansion:**
   Because of limited capital and inefficient management, cooperative societies cannot undertake large or risky projects. Therefore, their opportunities for growth and expansion are limited.

5. **Lack of Motivation:**
The members of the Managing Committee generally work on an honorary basis and do not receive significant financial rewards. As a result, they may not be highly motivated to work efficiently and contribute extra efforts towards the growth of the society.



❖ TYPES OF CO-OPERATIVE SOCIETIES

1. **Consumers' Co-operative Societies:**
Consumers' Co-operative Societies are formed by consumers to obtain their daily necessities at reasonable prices.
These societies protect lower and middle-income groups from exploitation by traders and middlemen. The profits earned by the society are distributed among the members in proportion to the purchases made by them during the year.
Examples: Super Bazaar, Apna Bazaar.

2. **Producers' Co-operatives:**
Producers' Co-operatives are voluntary associations of small producers and artisans who come together to face competition and increase production.
These societies are of two types:

a. **Industrial Service Co-operatives:** In this type of cooperative, the society supplies raw materials, tools, and machinery to its members.
The producers work independently and sell their products to the cooperative society. The society then markets and sells the products on behalf of the members.

b. **Manufacturing Co-operatives:** In this type, the producer-members work as employees of the society and receive wages for their work.
The society provides raw materials and equipment to all members. Members produce goods either at a common workplace or at their homes. The society sells the finished products in the market and distributes the profits among the members.

3. **Marketing Co-operatives:**
Marketing Co-operatives are voluntary associations of independent producers who want to sell their products at fair and profitable prices.
The products of all members are collected together and sold through a central agency. This helps eliminate middlemen and ensures better prices for the producers. The sale proceeds are distributed among the members according to the quantity of products supplied by them.

4. **Co-operative Farming Societies:**
Co-operative Farming Societies are voluntary associations of small farmers who come together to enjoy the benefits of large-scale farming.
In India, many farmers have small land holdings and limited financial resources. Individually, they cannot afford modern tools, seeds, fertilizers, and technology. Therefore, they pool their land and farm collectively using modern methods to increase agricultural production.

5. **Housing Co-operatives:**
Housing Co-operatives are formed by people belonging to low and middle-income groups, especially in urban areas, to help them own a house.
These societies may:
- Purchase land and provide plots to members for constructing their own houses, or
- Construct houses themselves and allot them to members on instalment payments.
They also arrange loans from financial institutions and government agencies for their members.

6. **Credit Co-operatives:**
Credit Co-operatives are formed to provide financial assistance to poor people and encourage the habit of saving among members.
These societies protect members from the exploitation of moneylenders who charge very high rates of interest. Credit co-operatives operate in both urban and rural areas and provide loans at reasonable rates.

❖ JOINT STOCK COMPANY

INTRODUCTION



You may have heard the names of large companies such as **Reliance Industries Ltd., Tata Steel Ltd., Steel Authority of India Ltd., and Maruti Udyog Ltd.** These companies have a large number of owners and operate on a large scale, often across different parts of the world. After the **Industrial Revolution**, major changes took place in the traditional forms of business. As industries expanded, there was a need for more capital and resources than what a Sole Proprietorship or Partnership Firm could provide. To meet these needs, a new form of business organization called the **Joint Stock Company** was introduced.

MEANING:

A **Joint Stock Company** is a voluntary association of persons who come together and contribute capital to carry on a particular type of business. It is established and governed by law.

The total capital of a Joint Stock Company is called **Share Capital**. This capital is divided into small units known as **Shares**. The persons who purchase these shares become members of the company and are called **Shareholders**.

In India, every Joint Stock Company must be registered under the **Companies Act, 2013**.

DEFINITIONS:

1. "A Joint Stock Company is a voluntary association of individuals for profit having capital divided into transferable Shares, the ownership of which is the condition on membership."
   - Prof. L. H. Haney

2. "A Company is s person, artificial invisible, intangible and existing only in the eyes of law. Being a more creature of law it possesses only those properties which the charter of its creatton confers upon it, either expressly or as incidental to its very exitence."
   - Chief Justice Marshal

3. According to **The Companies Act 2013, Section 2 (20),** the term "Company" to mean "a Company incorporated under the Companies Act 2013 or any previous Company law."



❖ FEATURES OF JOINT STOCK COMPANY

1. **Voluntary Association:**
   Any person, regardless of caste or religion, can become a member of a Joint Stock Company. There is no restriction on the number of shares a person can purchase. After the death of a shareholder, the shares are transferred to the nominee. Shares can generally be transferred from one person to another.
   Example: Any person can purchase shares of Reliance Industries and become a shareholder without discrimination.

2. **Registration:**
   Registration of a Joint Stock Company is compulsory under the **Companies Act, 2013**. An application in the prescribed format must be submitted to the Registrar of Companies along with the required registration fees. After registration, the company receives a **Certificate of Incorporation (Registration Certificate)**. Companies having share capital must also obtain a **Certificate of Commencement of Business**.
   Example: Infosys was registered under the Companies Act and received a Certificate of Incorporation.

3. **Registered Office:**
   Every company must have a registered office, the address of which is mentioned in the **Memorandum of Association**. Important documents such as the Register of Shareholders, Annual Reports, Minutes Book, Memorandum and Articles of Association, Prospectus, and Statutory Reports are kept at the registered office.
   Example: Tata Consultancy Services maintains its registered office where important company records are kept.

4. **Artificial Legal Person:**
   A company is an artificial person created by law. After registration, it can enter into contracts, buy and sell property, borrow money, and open bank accounts in its own name. Since it is created by law, only law can create or dissolve a company.
   Example: Wipro can enter into contracts and own property in its own name.

5. **Separate Legal Status:**
   A Joint Stock Company has a separate legal identity from its members. It exists independently and can own property, enter into contracts, and sue or be sued in its own name.
   Example: Infosys has a separate legal identity from its shareholders and can sue or be sued in its own name.

6. **Common Seal:**
   Since a company is an artificial person and cannot sign documents physically, it uses a **Common Seal** as its official signature. The seal contains the name of the company engraved on it and is kept in the custody of the Company Secretary. It is affixed on important documents, which must also be signed by the Company Secretary and at least two Directors.
   Example: Reliance Industries uses its common seal on important legal documents as the company's official signature.

7. **Limited Liability:**
   The liability of shareholders is limited to the unpaid value of the shares held by them. Therefore, their personal property cannot be used to pay the liabilities of the company.
   Example: If Tata Motors incurs losses, shareholders are liable only up to the unpaid value of their shares.

8. **Transferability of Shares:**
   The share capital of a company is divided into small units called shares. To become a member, a person must purchase shares. Shares of a **Public Limited Company** can be freely bought and sold without the permission of the company. However, shares of a **Private Limited Company** are not freely transferable.
   Example: Shares of State Bank of India can be freely bought and sold on the stock exchange.

9. **Separation of Ownership and Management:**
   The shareholders are the owners of the company. They elect representatives called **Directors** to manage the business. The Directors appoint professional managers and employees to handle day-to-day operations. Thus, ownership remains with the shareholders, while management is carried out by the Directors.
   Example: The shareholders of Infosys own the company, while professional managers handle its daily operations.

10. Perpetual Succession:

A Joint Stock Company enjoys continuous existence because it has a separate legal identity. The death, retirement, insolvency, or insanity of any shareholder or employee does not affect the existence of the company.

Example: Even if a shareholder of Reliance Industries dies, the company continues to exist.

11. Membership:

In a **Public Limited Company**, the minimum number of members is **7**, and there is no maximum limit. In a **Private Limited Company**, the minimum number of members is **2** and the maximum is **200**, as per the Companies Act, 2013. Every shareholder is a co-owner of the company.

Example: A Public Limited Company like Tata Steel requires at least 7 members, while a Private Limited Company requires at least 2 members.

❖ MERITS OF JOINT STOCK COMPANY

1. **Large Amount of Capital:**
   A Joint Stock Company can raise a large amount of capital by issuing shares to the public. Since the face value of shares is generally low, many people can invest in the company. It can also raise funds by accepting public deposits and issuing debentures.

2. **Professional Management:**
   The management of the company is handled by Directors who are elected by the shareholders. Due to its strong financial position, the company can appoint highly qualified and experienced professionals by offering attractive salaries. This ensures efficient management of the business.

3. **More Scope for Expansion:**
   A Joint Stock Company has access to large financial resources and professional management. Shareholders expect higher returns, so the company can undertake large-scale and risky projects. This provides greater opportunities for growth and expansion.

4. **Public Confidence:**
   A Joint Stock Company enjoys a high level of public confidence. It operates under the provisions of the **Companies Act, 2013** and is subject to legal regulations. Its annual accounts are audited by a practicing Chartered Accountant, which increases trust among investors and the public.

5. **Relief in Taxation:**
   Joint Stock Companies contribute significantly to the economic development of the country. The government provides certain tax concessions and exemptions to encourage business

growth. For example, companies setting up branches in economically backward areas may receive tax holidays for a specified period.

6. **Expert Services:**
   A Joint Stock Company can appoint specialists such as **Legal Advisers, Management Experts, Auditors, and Consultants** to handle different business activities. This helps in improving efficiency and decision-making.

7. **Perpetual Succession:**
   A Joint Stock Company enjoys continuous existence. The death, retirement, insolvency, or insanity of any shareholder does not affect the existence of the company. The company continues to operate without interruption.

8. **Limited Liability:**
   The liability of a shareholder is limited to the unpaid amount on the shares held by him. Shareholders are not personally responsible for the debts of the company, and their personal property cannot be used to pay the company's liabilities.

❖ DEMERITS OF JOINT STOCK COMPANY

i. **Rigid Formation:** The formation of a Joint Stock Company is complicated, expensive, and time-consuming. Registration is compulsory and requires many legal documents. Heavy registration fees must be paid. A Public Company cannot start its business until it obtains the **Certificate of Commencement of Business**.

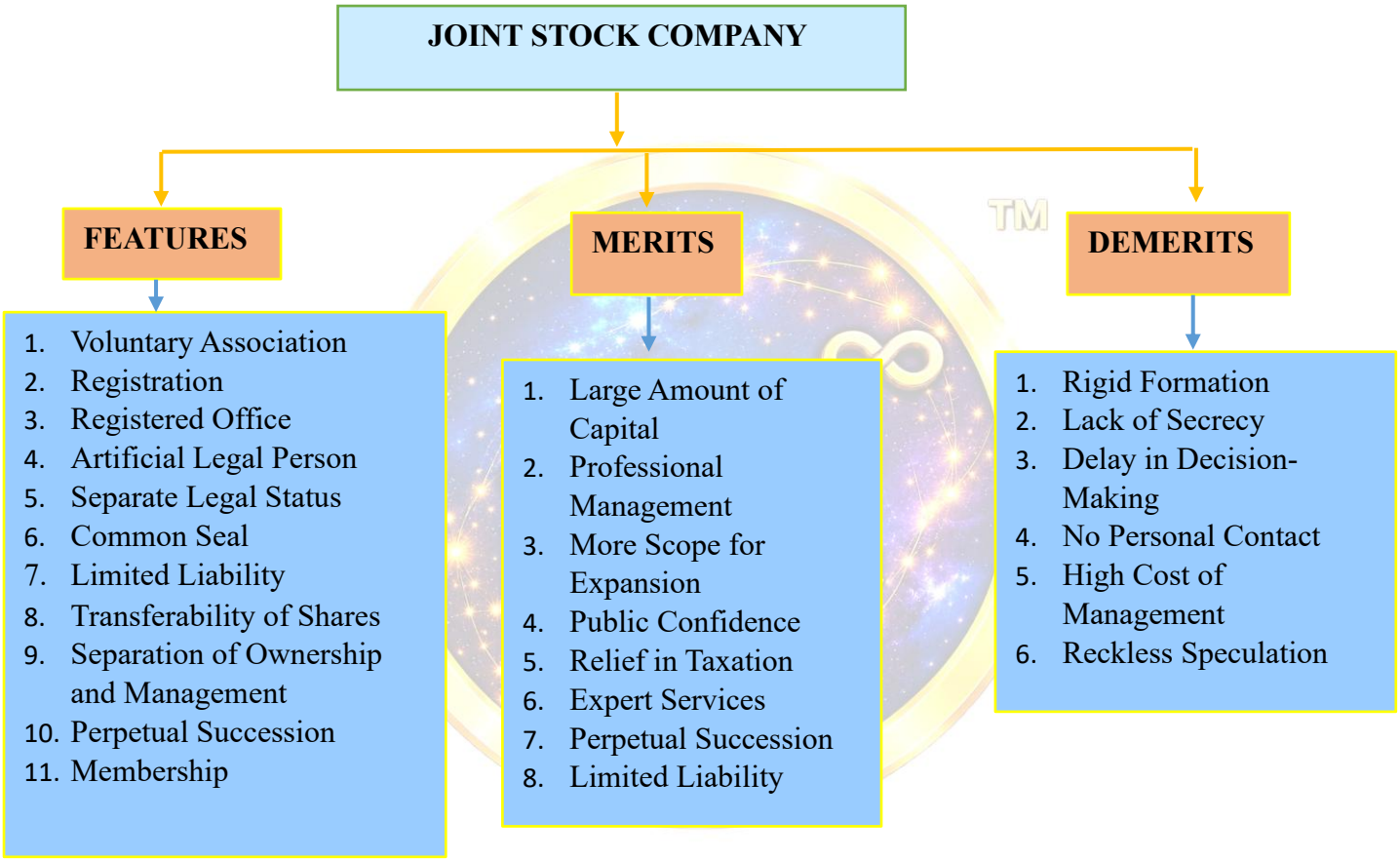
ii. **Lack of Secrecy:** To protect the interests of investors, a Joint Stock Company must publish its books of accounts every year. Important documents of the company are available for inspection at the registered office. As a result, competitors may obtain important business information, making it difficult to maintain secrecy.

iii. **Delay in Decision-Making:** Shareholders, as owners of the company, have the right to participate in important decisions. Such decisions are usually taken in shareholders' meetings. The process of conducting meetings is lengthy and time-consuming, as notices, agendas, and proxy forms must be prepared and sent at least **21 days before the meeting**. Therefore, decision-making is often delayed.

iv. **No Personal Contact:** A Joint Stock Company usually has a large number of employees and customers. It is difficult for managers and directors to maintain personal contact with employees and customers. Employees may feel that their efforts are not properly recognized, which can reduce motivation. Similarly, customers' likes and dislikes may not always receive proper attention.

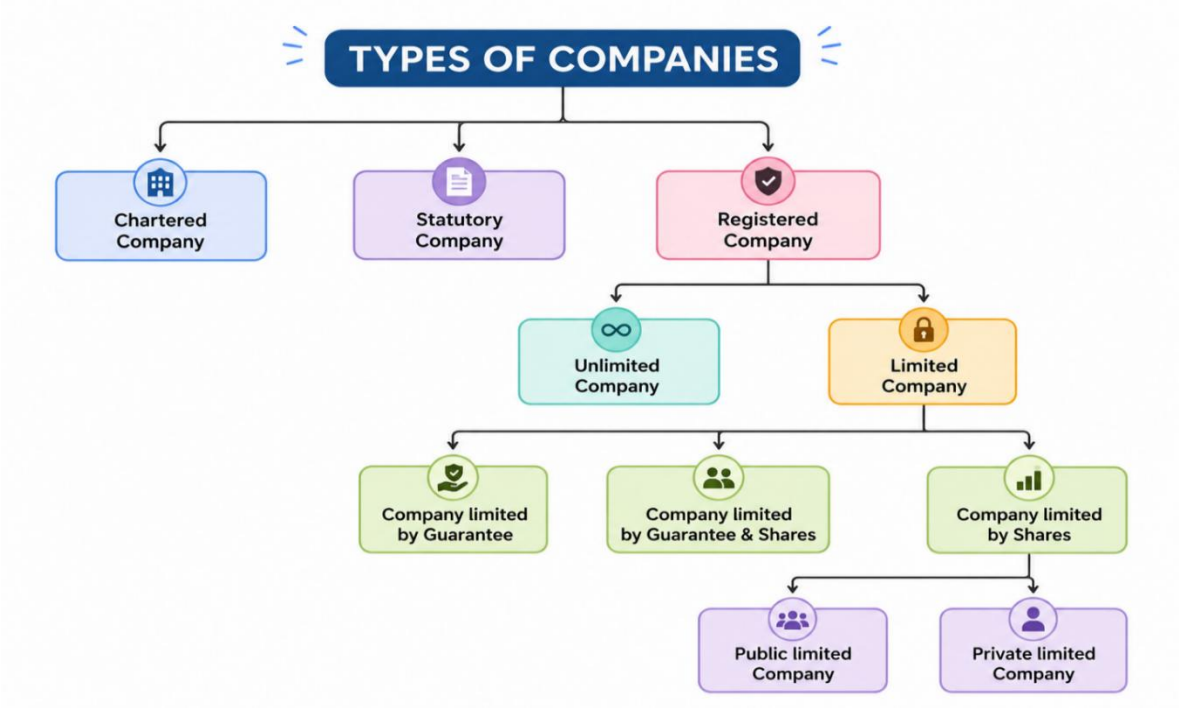
v. **High Cost of Management:** A Joint Stock Company spends large amounts on management and operations. It incurs high expenses on advertisements, salaries of managers, employee benefits, and other operational activities. Therefore, the cost of management is very high.

vi. **Reckless Speculation:** The company is managed by Directors. Some dishonest directors may misuse confidential company information for personal gain and speculative activities. This may cause sudden fluctuations in share prices in the stock market and reduce public confidence in the company.



❖ TYPES OF COMPANIES (For Brief Idea)

➢ **There are two types of Company Limited by Shares:**



I. PRIVATE LIMITED COMPANY

According to the **Companies Act, 2013**, a **Private Limited Company** is a company that:

- Restricts the transfer of its shares.
- Limits the number of its members to **200**.
- Does not invite the general public to subscribe for its shares or debentures.



❖ FEATURES OF PRIVATE LIMITED COMPANY

1. **Number of Members:** A Private Limited Company must have a **minimum of 2 members** and a **maximum of 200 members**.
   Example: A private company started by two friends can have up to 200 members but not more.

2. **Minimum Paid-up Capital:** The company must have the **minimum paid-up share capital** as prescribed under the Companies Act, 2013.
   Example: A private company started by two friends can have up to 200 members but not more.

3. **Restriction on Deposits:** A Private Limited Company cannot invite or accept deposits from the general public. It can accept deposits only from its members, directors, or their relatives as permitted by law.
   Example: A private company can take deposits from its members but cannot invite the general public to deposit money.

4. **No Public Invitation for Shares or Debentures:** The company cannot invite the public to subscribe for its shares or debentures.
   Example: A private company cannot advertise and ask the public to buy its shares.

5. **Restriction on Transfer of Shares:** The members cannot freely transfer their shares. Transfer of shares is subject to the conditions mentioned in the company's Articles of Association.
   Example: A shareholder cannot freely sell his shares to outsiders without following the company's rules.

All the above conditions must be fulfilled for a company to remain a **Private Limited Company**. If any one of these conditions is not fulfilled, the company may be treated as a **Public Limited Company**.
A Private Limited Company must add the words **"Private Limited"** at the end of its name.
A Private Limited Company may be:

- A company limited by shares,
- A company limited by guarantee, or
- An unlimited company.

II. PUBLIC LIMITED COMPANY

According to the **Companies Act, 2013**, a **Public Company** is a company that is **not a Private Company**, has the **minimum paid-up share capital** as prescribed by the Act, and allows its shares to be freely transferred.



❖ FEATURES OF PUBLIC LIMITED COMPANY

1. **Minimum Number of Members:** A Public Limited Company must have at least **7 members**.
   Example: Reliance Industries must have at least 7 members to be formed as a Public Limited Company.

2. **Minimum Paid-up Capital:** The company must have the **minimum paid-up share capital** as prescribed under the Companies Act, 2013.
   Example: Tata Steel maintains the minimum paid-up capital required under the Companies Act, 2013.

3. **Free Transferability of Shares:** There is **no restriction on the transfer of shares**. Shareholders can freely buy or sell their shares.
   Example: Shareholders of Infosys can freely buy and sell shares on the stock exchange.

4. **Acceptance of Deposits:** A Public Limited Company can invite and accept deposits from the public as per the provisions of law.
   Example: State Bank of India can accept deposits from the public as per legal provisions.

5. **Number of Members:** A minimum of **7 members** is required for the formation of a Public Company. There is **no limit on the maximum number of members**.
   Example: Reliance Industries has millions of shareholders because there is no maximum limit on members.

6. **Minimum Number of Directors:** A Public Limited Company must have at least **3 Directors** to manage its affairs.
   Example: Tata Motors has more than 3 directors managing the company's affairs.

7. **Use of the Word "Limited":** Every Public Limited Company must add the word **"Limited"** at the end of its name.
   Example: The name **Reliance Industries Limited** ends with the word **"Limited"**, showing that it is a Public Limited Company.

❖ DISTINGUISH BETWEEN AND COMPARATIVE STUDY CHART

1. Private and Public Company

Sr. No.	Point of difference	Private Company	Public Company
1)	**Meaning**	A private company is a company which by its Articles restricts the right to transfer its shares, if any & limit the number of its members to 200.	A public company means a company which is not a private company.
2)	**Number of Members**	Minimum – 2, Maximum – 200	Minimum 7Maximum – unlimited
3)	**Transfer of Shares**	Shares are not freely transferable.	Shares are freely transferable
4)	**Capital**	Capital cannot be collected by selling shares to general public.	Capital can be collected by selling shares to general public.
5)	**Issue of prospectus**	In private company, statement in lieu of prospectus is issued.	A prospectus is compulsory.
6)	**Number of Directors**	There are minimum 2 directors.	There are minimum 3 directors
7)	**Name of the Company**	It is compulsory to add a word 'Private Limited' after the name of the company	It is compulsory to add a word 'Limited' after the name of the company.

2. Sole trading Concern, Partnership Firm, Joint Hindu Family Business, Co-operative Society and Joint Stock Company

Sr. No.	Points of Difference	Sole Trading Concern	Partnership Firm	Joint Hindu Family Business	Co-operative Society	Joint Stock Company
1	**Meaning**	It is owned and controlled by one person.	In this form two or more Partners come together to undertake a business	This ancestral business is conducted by family members of Joint Hindu Family.	It is a voluntary association of individuals to provide services to its members.	It is an incorporated association of individuals for profit having

			activity and share profits.			capital divided into transferable shares, the ownership of which is the condition of membership .
2	**Number of Members**	Only one member.	Minimum two partners & maximum 50 partners are there.	There is no limit for number of members.	Minimum 10 and maximum no limit for number of members.	Private Company: Minimum 2 - maximum 200. Public Company: Minimum 7 and there is no limit of maximum number of members.
3	**Registration**	It is not required.	It is not compulsory in India, but it is compulsory in Maharashtra.	It is not required.	It is compulsory.	It is compulsory.
4	**Liability**	Liability of Sole trader is unlimited.	Liability of partner is unlimited, joint and several.	Liability of Karta is unlimited and liability of coparceners is limited.	Liability of shareholders is limited up to the extent of unpaid amount on share held by them.	Liability of shareholders is limited up to the extent of unpaid amount on shares held by them.
5	**Capital**	Comparatively limited capital.	Due to contribution of all partners,	Ancestral property is used as capital.	Comparatively more capital than sole trading	Huge Capital.

			capital is more.		concern, Partnership Firm and JHFB.	
6	**Secrecy**	There is maximum secrecy.	Secrecy is shared by partners.	Secrecy can be maintained because it is family business.	Less business secrecy.	Less business secrecy.
7	**Management**	A sole trader is the only manager of his business.	All partners in a partnership firm have equal managerial rights.	The Karta is the manager of the business who is assisted by co-parceners.	Managing Committee is the managing body of co-operative society.	Board of Directors looks after the management of the company.
8	**Stability**	There is lack of stability, as the business may be affected due to death, insolvency of sole trader.	There is lack of stability as the business may be affected due to death, insolvency of Partners.	It is comparatively more stable since after the death of KARTA, the next senior most family member becomes KARTA and continues business activity.	It is a stable business due to independent legal status.	It is stable business due to independent legal status.
9	**Government Control**	There is minimum government interference.	There is minimum government interference.	There is limited government interference.	There is strict government control.	There is strict Government control.
10	**Act / Law**	There is no separate Act to govern the activities of	Indian Partnership Act, 1932 is	The Hindu Succession Act 1956 and The	The India Co-operative Society's Act 1912 and the	The Companies Act, 2013 is applicable.

		sole trading concern.	applicable in India.	Hindu Law is applicable.	respective State Co-operative Society's Act.	
11	**Formation**	Comparatively easy.	Few legal formalities are required for formation.	Comparatively simple and easy.	Formation is comparatively cheaper but time consuming due to many legal formalities.	Formation is complicated, costly and time consuming because there are many legal formalities.
12	**Voting Rights**	—	—	—	The principle of 'One Member-One Vote' is followed.	The principle of 'One Share-One Vote' is followed.

Education Academy

SUMMARY

Private Sector Organisation:
Private sector enterprises are owned and managed by the private entities i. e. individual or a group of individuals.
Examples,
1) Sole Trading Concern
2) Partnership Firm
3) Joint Hindu Family Business
4) Joint Stock Company
5) Co-operative Society

Sole Trading Concern (STC):
The sole proprietorship is an informal type of business owned by one person.
Features:
1) Individual Ownership
2) No Sharing of Profit and Risk
3) Self employment
4) Local Market Operations
5) No separate Legal Status
6) Minimum Government Regulations
7) Unlimited Liability

Merits:
1) Easy Formation
2) Quick Decision
3) Maximum Secrecy
4) Direct Motivation
5) Flexibility
6) Lower Cost
7) Efficiency

Demerits:
1) Limited Capital
2) Limited Managerial Skill
3) Unlimited Liability
4) Lack of Stability
5) Lack of Specialization
6) Not Suitable for Large Scale Operation

Partnership Firm:
Section 4 of Indian Partnership Act, 1932 defines partnership as: "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all."

Features:
1) Agreement
2) Joint Ownership
3) Joint Management
4) Lawful Business
5) Liability
6) Number of Partners
7) Principle Agent Relationship
8) Restriction on Transfer of Interest
9) Registration
10) Sharing of Profits and Losses
11) Termination of Partner
12) Dissolution

Merits:
1) Easy Formation
2) Capital
3) Business Secrecy
4) Continued Existence
5) Flexibility of Operation
6) Decision Making
7) Effort Reward Relationship
8) Goodwill
9) Specialization

Demerits:
1) Problem of Continuity
2) Absence of Legal Status
3) Disputes
4) Non-Transferability of Interest
5) Limitation on number
6) Difficulty in Admission of Partner
7) Unlimited Liability
8) Risk of Implied Authority
9) Limited Capital
10) Problem of Secrecy

Types of Partners:
1) Active Partner
2) Dormant Partner
3) Nominal Partner
4) Secret Partner
5) Minor as Partner
6) Partner in Profit only
7) Sub Partner
8) Partner with Limited Liability
9) Quasi Partner

Types of Partnership Firms:
A) General Partnership
1) Partnership at will
2) Partnership for particular period
3) Partnership for particular Venture
B) Limited Liability Partnership

Joint Hindu Family Business:
"When a Joint Hindu Family (JHF) conducts business inherited by it as per Hindu Law. It is called Joint Hindu Family Firm".

Features:
1) Exists in India only
2) Formation
3) Membership
4) Joint Ownership
5) Good Credit Standing
6) Management
7) Profit Sharing

Merits:
1) Protection of Co-parceners Interest
2) Easy Formation
3) Quick and Prompt Decision
4) On The Job Training
5) Co-parceners Liability

Demerits:
1) Unlimited Liability of Karta
2) Limited Financial and Managerial Resources
3) No Separate legal Status
4) Partition of Business
5) No Direct Relation Between Risk and Rewards

Co-operative society
A Co-operative organisation is a voluntary association of individuals formed in order to achieve certain economic objects.

Features:
1) Voluntary Association & Open Membership
2) Democratic Principles
3) Management
4) Registration
5) Separate Legal Status
6) Limited Liability
7) Number of Members
8) Equal Voting Rights
9) Service Motive

Merits:
1) Democratic Management
2) Open Membership
3) Less Operating Expenses
4) Limited Liability
5) Tax Concession
6) Self Financing and Charity

Demerits:
1) Capital
2) Inefficient Management
3) Lack of Public Confidence
4) Limited Scope for Expansion
5) Lack of Motivation

Types:
1) Consumers Co-operative Societies
2) Producers Co-operatives
a) Industrial Service Co-operatives
b) Manufacturing Co-operatives

3) Marketing Co-operatives
4) Co-operative Farming Society
5) Housing Co-operatives
6) Credit Co-operatives

Joint Stock Company
Joint Stock Company is registered as per The Indian Companies Act 1956 and 2013.

Features:
1) Voluntary Association
2) Registration
3) Registered Office
4) Artificial Legal Person
5) Separate Legal Status
6) Common Seal
7) Limited Liability
8) Transferability of Share
9) Separation of Ownership and Management
10) Perpetual Succession
11) Membership

Merits:
1) Large amount of Capital
2) Professional Management
3) More Scope for Expansion
4) Public Confidence
5) Relief in Formation
6) Expert Services
7) Perpetual Succession

Demerits:
1) Rigid Formation
2) Lack of Secrecy
3) Delay in Decision Making Process
4) No Personal Contact
5) High Cost of Management
6) Reckless Speculation