

Marks : 50	SYJC March' 19 Subject : OC Forms of Business organization / Social Responsibilities of Business	Duration : 1.5 Hours. Solution
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Q.1. Fill in the blanks: (05)

1. A proprietor has unlimited liability.
2. The Karta in Joint Hindu family Business has Unlimited Liability.
3. The maximum number of partners for a firm carrying on banking business is Ten.
4. Registration of partnership firm is Compulsory in Maharashtra.
5. The maximum numbers of members in a private limited company are 50.

Q.2. Match the correct pairs: (05)

	Group "A"		Group "B"
1.	Private company	a.	Compulsory
2.	Public company	b.	Minimum 7 members
3.	Common seal	c.	Maximum 50 members
4.	Registration of a company	d.	61% share capital
5.	Government company	e.	51% share capital
		f.	Symbol of a company
		g.	Optional
		h.	Simple formation
		i.	Easy dissolution
		j.	Hindu succession Act 1956

Ans. : (1 – c), (2 – b), (3 – f), (4 – a), (5 – e).

Q.3. Write Short note on : (Any One) (05)

1. Partnership firm

Ans: Meaning:

- (a) Partnership firm comes to existence because of limitations and failures of the sole proprietorship mainly due to limited finance and managerial skill.
- (b) A business owned and managed by more than one person where all the owners share in the profits and losses of the business as well as the liability is called a partnership firm.
- (c) The owners are called partners and the organization is called a firm.
- (d) This form of organization is governed by the Indian Partnership Act, 1932.

Definition:

Indian Partnership Act, 1932 (Sec. 4): "Partnership is the relation between the persons who have agreed to share the profits of a business carried on by all or any one of them acting for all"

2. Joint Hindu Family Business

Ans: Meaning of Joint Hindu Family Business:

- (a) When a business enterprise is run by the family members and they run the business as family business is called Joint Hindu Family Business.
- (b) It is said that the Joint Hindu Family firm comes into existence by the law of inheritance.
- (c) It is important to note that the Joint Hindu Family firm with the joint ownership of the business is created by the operation of Hindu Law and not by the contract between the co-parceners.
- (d) The rights and liabilities of co-parceners are determined by the provisions of the Hindu Law.
- (e) In Maharashtra, the female members of a Joint Hindu Family enjoy the co-parcenary interest since 1994.

School of Thoughts under Hindu Law:

There are two Schools of Thoughts in Hindu Law.

(1) Mitakshara School of Thought:

- (a) According to Mitakshara school of thought an undivided family is the normal condition. The moment a son is born, he gets all the equal rights along with his father in the ancestral property.
- (b) He has a right to ask for a division of the family property.
- (c) This community is popular in the country except Assam, Bengal, and some parts of Odisha.

(2) Dayabhaga School of Thought:

- (a) Dayabhaga, is applicable in Bengal, Assam and some parts of Orissa. Under this law, a son does not get any right in the property with his birth.
- (b) Ancestral property remains with the father throughout his life time.
- (c) The son gets rights in property only after the death of his father.

Definition:

When a Joint Hindu Family (Hindu Undivided Family or HUF) conducts business inherited by it as per Hindu Law, it is called Joint Hindu Family firm. Thus, in a Joint Hindu Family firm, the business is passed on from one generation to another.

Q.4. State with reasons whether the following statements are true or false: (05)**1. A sole trading concern is easy to form.**

- (a) It is very easy to establish sole trading concern, because very few legal formalities are involved in formation.
- (b) This business can be started without getting it registered.
- (c) Anybody who is a major in age, has a sound mind and has not been disqualified to conduct business under any law, can start a proprietary concern.
- (d) Due to its simple formation, there is a direct relationship between efforts and rewards.

Q.5. Answer the following: (Any One) (10)**1. What is Joint stock company? Explain its features.****Ans: Definition:**

Prof. Haney: "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 of membership."

Meaning:

- (a) A joint stock company is a separate entity formed by a number of persons contributing a fixed capital in the formation of the shares (sharing the ownership of the company) with liability of each shareholder being limited to his investment in the company only.
- (b) The management of the company is done professionally by experts who are not the owners. It is controlled by the representatives of the shareholders called the Board of Directors.

Features of a Joint Stock Company:**(1) Voluntary Association:**

- (a) A joint stock company is a voluntary association of persons.
- (b) To become a member, a person of any caste, creed, religion can buy number of shares at any time.
- (c) At the same time the shares may be sold by a member at his free will (except in a private limited company). Moreover, the company business is managed on democratic principles.

(2) Limited Liabilities:

- (a) The most important advantage of a joint stock company is limited liability to the extent of unpaid amount on shares held by them. They cannot be held liable for debts of the company.
- (b) Their personal property, under no circumstances can be used for satisfying the claims of creditors of the company.

(3) Common Seal:

- (a) The company is an artificial person, which cannot sign as a human being.
 - (b) Therefore, a common seal is used as a substitute for the signature of the company.
 - (c) It is the symbol of the company's incorporate existence.
 - (d) The common seal shows the name of the company which is engraved in a particular manner.
 - (e) It is to be affixed on all the important documents of the company and is to be witnessed by the signature of two directors of the company.
- (4) Separate Legal Entity:**
- (a) A joint stock company is created by law and enjoys an independent legal status different from its members.
 - (b) Therefore, the company's liabilities are its own i.e. shareholders are not liable for the debts of the company.
 - (c) Similarly, shareholders cannot act on behalf of the company or bind person or persons.
- (5) Separation of Ownership and Management:**
- (a) The shareholders in the company is large and they are spread all over the country.
 - (b) Therefore, they cannot take part in the day-to-day routine of the company.
 - (c) So, in order to run the affairs of the company they elect their representatives who are called the 'Board of Directors'.
 - (d) Thus, ownership of a Joint Stock Company is separated from its management.
- (6) Membership:**
- (a) In the case of public limited company, minimum number of members is seven.
 - (b) However, there is no maximum limit on the number of members.
 - (c) Such large membership helps in raising large capital.
 - (d) In private companies, minimum 2 and maximum 50 shareholders can come together.
- (7) Artificial Legal Person:**
- (a) A company is an artificial person created by law.
 - (b) It has a separate name and uses a common seal as a substitute for its signature. It doesn't have a physical existence because it is not a natural person.
 - (c) However, it can enter into contracts with third parties, e.g. it can buy and sell property, borrow money etc.
- (8) Registration:**
- (a) The registration of a Joint Stock Company is compulsory.
 - (b) Every Indian company should be registered with the Registrar of Companies as per Indian Companies Act, 1956.
- (9) Registered Office:**
- (a) The address of the registered office of the company must be mentioned in the domicile clause of Memorandum of Association.
 - (b) The registered office of the company is very important since it is such a place, where all the important documents of the company like Register of Members, Annual Returns, Minutes Book etc. are kept, to be inspected by the members and general public.
 - (c) Moreover, all the correspondence between the Registrar and the company on one hand and between the company and shareholders, creditors and third parties on the other hand takes place through the registered office.
- (10) Transferability of Shares:**
- (a) The capital of the company is divided into shares, the ownership of which is the precondition for membership.
 - (b) These shares are freely transferable in a public limited company, i.e. members can buy or sell these shares without seeking permission from the company or other members of the company.
 - (c) Thus, there is a high degree of liquidity involved in buying shares of the company.
 - (d) The shares of private limited company, however, cannot be transferred freely.
- (11) Perpetual Succession:**
- (a) Joint stock company ensures perpetual succession, i.e. it enjoys continuous and stable life.

- (b) Joint Stock Company is an artificial person created by law, having a common seal which acts as a substitute for its signature. It enjoys an independent legal status different from its members.
- (c) The death, retirement, insolvency or insanity of any of its member does not result into dissolution of company.

2. What is Co-operative Society? Explain its features.**Ans: Meaning:**

- (a) Co-operative organization is a voluntary association of persons who come together to collect small savings of different people through a society.
- (b) This fund is utilized to help the needy members by giving them loan or to promote their common economic interests.
- (c) Formation of a large number of joint stock companies resulted in concentration of economic power and wealth in the hands of a few persons and exploitation of consumers and workers.
- (d) Therefore, consumers decided to come together and form an organization on co-operative basis.
- (e) The nature of co-operative organization is service oriented. Each for all and all for each is the principle of a co-operative society.

Definition:

Indian Co-operative Societies Act, 1912, "Co-operative society is a society which has its objectives for the promotion of economic interests of its members in accordance with co-operative principles."

The registration takes place under the Co-operative Societies Act, 1912 or under the State Co-operative Societies Act. Bengal, Bihar, Orissa, Maharashtra and Chennai have their own Societies Act. A minimum of 10 persons are required to form a Co-operative Society. There is no maximum limit for membership.

Features of Co-operative Society:**(1) Service Motive:**

- (a) Co-operative organization differs from other forms of organization in the sense that the main purpose of co-operative organization is not to maximize profit but to provide services to its members.
- (b) Its main motto is not to accumulate wealth and exploit consumers but to work in the interests of members and provide goods and services to them by treating each member at par with others.
- (c) Moreover, there is no distinction among members based upon the number of shares held by them.

(2) Independent Existence:

- (a) According to the Co-operative Societies Act, 1912, a co-operative society has an independent legal status different from its members.
- (b) Therefore, it enjoys a stable and continuous life.

(3) Registration:

The registration of a co-operative society is compulsory as per the relevant Act in the concerned state e.g. A co-operative organization in the state of Maharashtra has to be registered under Maharashtra State Co-operative Societies Act, 1960.

(4) Surplus Profit:

After payment of dividend and bonus, a part of the profit is transferred to the statutory reserve and the remaining is utilized for the welfare of the locality where the co-operative society is situated.

(5) Limited Liability:

The liability of a member in a co-operative organization is limited to the extent of the unpaid amount of shares held by him i.e. if the business assets are not sufficient to pay off its debts, the personal property of members cannot be utilized for the purpose.

(6) Open Membership:

- (a) Normally, membership is open to all those who are willing to join the co-operative society. There is no restriction of caste, creed, race, religion, etc.

- (b) Anyone who wants to become a member must pay the membership fee or the face value of a share in the capital of the co-operative society.
- (c) At least 10 members are required to form a co-operative society.
- (7) Voluntary Association:**
- (a) Co-operative organization is a voluntary association of individuals.
- (b) In other words, the membership of a co-operative society is voluntary i.e. the membership is open to all.
- (c) Because co-operative society is managed and controlled on democratic principles, there is a common goal for all the members which is to work together for the benefit of all the members. Persons of any caste, creed or religion can join the organization.
- (8) Equal Voting Rights:**
- (a) There is equality in voting rights.
- (b) The principle of voting is 'one member one vote' unlike a company which follows the principle of 'one share one vote'.
- (c) Thus the co-operative society members having a very large capital cannot dictate their terms. Similarly, while providing services, all members are treated equally.
- (9) State control:**
- (a) Every co-operative organization must be compulsorily registered as per the relevant Act of the state according to the Co-operative Societies Act, 1912.
- (b) The co-operative societies are subjected to state control and supervision.
- (c) At the same time, they are given various concessions and facilities by the Government.
- (10) Democratic Management:**
- (a) The management of a co-operative organization is based on democratic principles.
- (b) Each member is given an opportunity to express his opinion.
- (c) The principles of voting is 'One member One vote'.
- (d) Decisions are taken by the majority of votes.
- (e) Managing Committee is an elected body of representatives of members of a co-operative organization for its day-to-day administration.

Q.6. Write a word or phrase or a term which can substitute each one of the following. (05)

1. Corporate ethics which is a form of applied ethics. – **Professional Ethics.**
2. An element of business ethic in which opinions and feedbacks from clients are considered. – **Openness.**
3. Running efficient business is the responsibility of business towards this group. – **Owners.**
4. Providing fair returns on investment is the responsibility of organization towards this group. – **Investors.**
5. The critical, structured examination of how people and institutions behave in the world of commerce. – **Business Ethics.**

Q.7. State with reasons whether the following statements are true or false: (05)

1. **Business organization is not liable to control pollution.**

Ans: This statement is **FALSE.**

Reasons:

- (a) Lord Holmes and Richards Watts have defined CSR as "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life at workforce and their families as well as the local community and society at large."
- (b) Social responsibility refers to duties, obligations of business directed towards welfare of society.
- (c) There are social responsibilities of business organization towards the community. One of them is controlling pollution.
- (d) Working of business units result in air, water and noise pollution. The carbon particles, dust, harmful gases, chemicals create air pollution. Harmful chemicals cause water contamination. Sound of machines from factories can disturb the peace of residents.
- (e) All types of pollution should be controlled by adopting best possible measures.

Thus, from the above points we can conclude that business organization is liable to control pollution.

Q.8. Write a short notes on:

(10)

1. Concept of Trusteeship.

- (a) Commercial organizations operate within the society.
- (b) They are a part of society.
- (c) An activity which is not good for public is also not good for business.
- (d) According to the trusteeship principle, "A business must be held in trust, legally and morally for the benefit of people".
- (e) Businessmen are considered to be the trustees of society.
- (f) Thus, business is a social venture.
- (g) e.g. Seven multinational companies in India announced a common commitment to responsible marketing to children regarding cold drinks.

2. Role of Media

- (a) Media plays an important role in public life.
- (b) Now-a-days, reach of media to the common people is very easy through internet.
- (c) Media has power to speak against wrong policies of business.
- (d) It is very vibrant and active. Media can influence masses in society.
- (e) Media can raise voice against business malpractices and exploitation of consumers. Television channels and newspapers can give publicity to unfair practices.
- (f) So, business should not ignore social values.
