

# UNIT-I FORMS OF BUSINESS ORGANISATION

The various forms of business organisation are as follows:-

1. Sole Proprietorship
2. Joint Hindu Family business
3. Partnership
4. Cooperative Societies
5. Joint Stock Company

# 1. SOLE PROPRIETORSHIP

Features of sole proprietorship:-

- Formation and closure
- Liability
- Sole risk bearer and profit
- Control
- No separate entity
- Lack of business continuity

# MERITS OF SOLE PROPRIETORSHIP


- ✓ Quick decision making
- ✓ Confidentiality of information
- ✓ Direct incentive
- ✓ Ease of formation and closure

## LIMITATIONS OF SOLE PROPRIETORSHIP

- Limited resources
- Limited life of business
- Unlimited liability
- Limited Managerial ability


# JOINT HINDU FAMILY BUSINESS

- Joint Hindu Family Business is a specific form of business organisation found only in India.
- It is one of the oldest form of business organisation in the country.
- It refers to a form of organisation wherein the business is owned and carried on by the members of the Hindu Undivided Family(HUF).
- It is governed by Hindu Law, (Hindu Succession Act,1956).

- 
- The business is controlled by the head of the family who is the eldest member and is called **karta**.
  - All the members have equal ownership right over the property of an ancestor and they are known as the co-parceners.



# FEATURES OF JOINT HINDU FAMILY BUSINESS

1. Formation
  2. Liability
  3. Control
  4. Continuity
  5. Minor members
- 

# MERITS OF JOINT HINDU FAMILY BUSINESS

- i. Effective control
- ii. Continued business existence
- iii. Limited liability
- iv. Increased loyalty and cooperation

## LIMITATION

- a. Limited resources
- b. Unlimited liability of karta
- c. Dominance of karta
- d. Limited managerial skills.

### 3. PARTNERSHIP

- Partnership is the association of two or more persons who agree to carry on a business together and share the profits as well as bear the risk collectively.
- Partnership is governed by the Indian partnership act of 1932.
- **Partnership deed**- The written agreement which specifies the terms and conditions that govern the partnership is called the partnership deed.



# The partnership deed includes the following aspects:

- ✓ Name of firm
- ✓ Nature of business and location of business
- ✓ Duration of business
- ✓ Investment made by each partner
- ✓ Distribution of profits and losses
- ✓ Duties and obligations of partners
- ✓ Salaries and withdrawals of the partners
- ✓ Terms governing admission, retirement and expulsion of a partner
- ✓ Interest on capital
- ✓ Procedure for dissolution of the firm
- ✓ Preparation of accounts and their auditing
- ✓ Method of solving disputes



# FEATURES OF PARTNERSHIP


1. Formation
2. Liability
3. Risk bearing
4. Decision making and control
5. Continuity
6. Membership



## MERITS OF PARTNERSHIP

- I. Ease of formation and closure
- II. Balanced decision making
- III. More funds
- IV. Sharing of risk
- V. Secrecy

## LIMITATIONS

- a. Unlimited liability
  - b. limited resources
  - c. Possibility of conflicts
  - d. Lack of continuity
  - e. Lack of public confidence
- 


# TYPES OF PARTNERS

1. Active partner
2. Sleeping partner
3. Secret partner
4. Nominal partner
5. Partner by estoppel— a person is considered a partner by estoppel if, through his/her initiative, conduct, or behaviour, he/she gives impression to others that he/she is a partner of the firm.
6. Partner by holding out— a partner by holding out is a person who though is not a partner in a firm but knowingly allows himself/herself to be represented as a partner in a firm.



# TYPES OF PARTNERSHIP

## CLASSIFICATION ON THE BASIS OF DURATION

- A. **Partnership at will** - This partnership exists at the will of the partner. It can continue as long as the partners want and can be terminated when any partner gives a notice of withdrawal from partnership to the firm.
  - B. **Particular partnership** – partnership formed for the accomplishment of a particular project say construction of a building or an activity to be carried on for a specified time period is called particular partnership.
- 

# CLASSIFICATION ON THE BASIS OF LIABILITY

A. General partnership -- In general partnership, the liability of partners is unlimited and joint.

--- The partners enjoy the right to participate in the management of the firm .

--- Registration of the firm is optional and the existence of the firm is affected by the death, insolvency , lunacy and retirement of the partner.

B. Limited partnership -- In limited partnership, the liability of atleast one partner is unlimited whereas the rest may have limited liability.

--- Such a partnership does not get terminated with the death, lunacy or insolvency of limited partners.

---- The limited partners does not enjoy the right of management and Registration of such partnership is compulsory.

# REGISTRATION OF PARTNERSHIP FIRM

- Registration of partnership firm means the entering of the firm's name, along with the relevant prescribed particulars, in the Register of firms kept with the Registrar of firms.
- It is optional for a partnership firm to get registered.
- In case a firm does not get registered, it is deprived of many benefits.
- The consequences of non-registration of a firm are as follows:
  - a. A partner of an unregistered firm cannot file a suit against the firm or other partner.



- b. The firm cannot file a suit against third parties and
- c. The firm cannot file a case against the partners.

**THE PROCEDURE FOR GETTING A FIRM REGISTERED IS AS FOLLOWS:**

1. Submission of application in the prescribed form to the Registrar of firms. The application should contain the following particulars:
  - Name of the firm
  - Location of the firm
  - Names of other places where the firm carries on business
  - The date when each partner joined the firm
  - Name and addresses of the partners
  - Duration of partnership

The application should be signed by all the partners.



- 
- 
2. Deposit of required fees with the Registrar of firms.
  3. The Registrar after approval will make an entry in the register of firms and will subsequently issue a certificate of registration.