

Chapter - 2

Forms of Business Organisation



Joint Hindu Family Business



Joint Hindu Family Business

Business owned by the members of a Joint Hindu Family



It is the oldest system of business that can be seen only in India

Joint Hindu Family Business

**It is governed by the provisions of
Hindu Law**



The basis of membership in the business is birth in a particular family and three successive generations can be members in the business

Joint Hindu Family Business

The business is controlled by the head of the family who is the eldest member and is called **‘Karta’**



All members (male and female) have equal ownership right over the property of an ancestor and they are known as **‘co-parceners’**

Features of Joint Hindu Family Business





Features of Joint Hindu Family Business

Formation

Minimum two members from the family and their ancestral property is used for business

Hindu Succession Act, 1956



सत्यमेव जयते

https://en.wikipedia.org/wiki/File:Emblem_of_India.svg

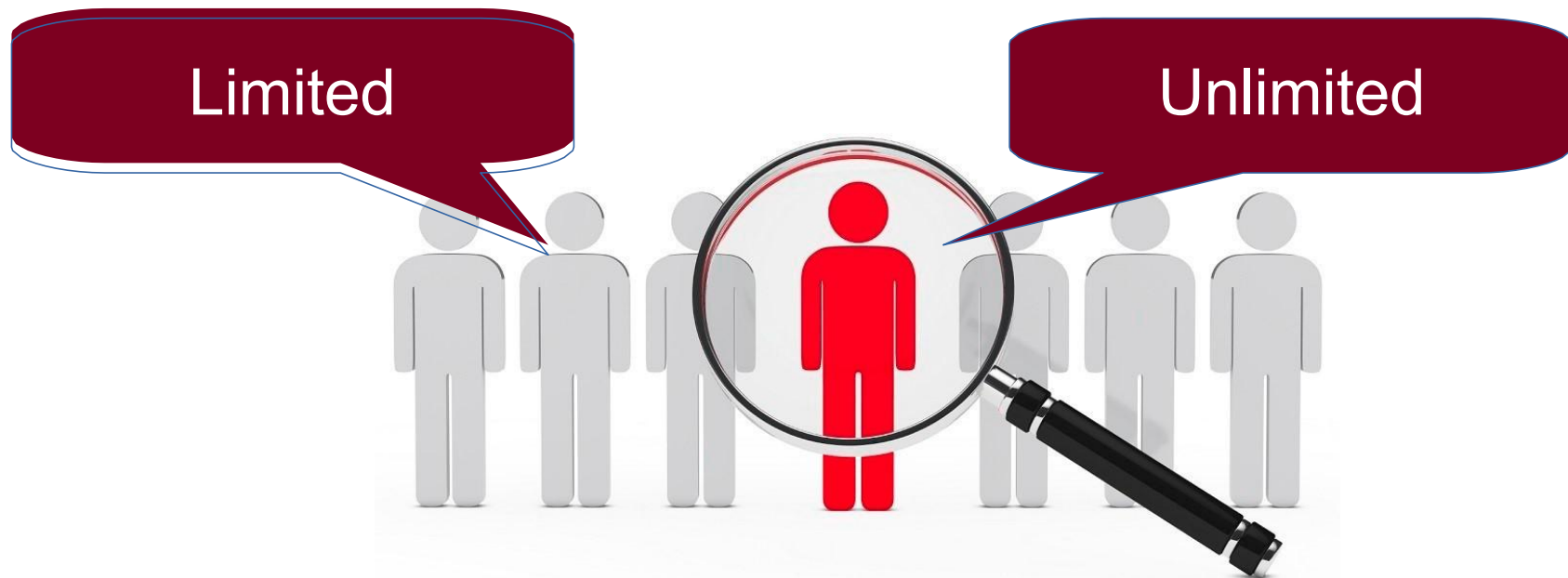
The business does not require any agreement as membership is by birth.

It is governed by Hindu Succession Act, 1956



Features of Joint Hindu Family Business

Liability



Limited liability to the members except Karta
Karta has unlimited liability



Features of Joint Hindu Family Business

Control



Management is vested in the hands of Karta
Karta takes all the decisions and his
decisions are binding on the other members.



Features of Joint Hindu Family Business

Continuity



The death of a member or Karta does not affect the business

After the death of karta the next eldest member becomes karta.



Features of Joint Hindu Family Business

Minor Members



Membership is by birth so minors can also be members of the business.

*Both male and female members in the family have equal right in the business based on the Hindu Succession (Amendment) Act 2005



Merits of Joint Hindu Family Business



Merits of Joint Hindu Family Business

a

Effective control



No conflict among members as the decisions are taken by Karta.

Helps to avoid conflict among members.

Leads to prompt and flexible decision making.

Merits of Joint Hindu Family Business



Continued business existence

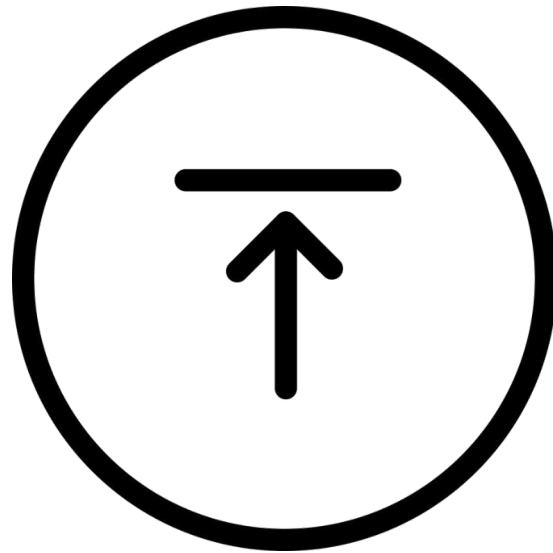


Even the death of Karta does not affect the existence of business, as the next eldest member will take up the position

Merits of Joint Hindu Family Business



Limited liability of members



Liability of members(co-parceners)is limited to their share in the business.

Only Karta's liability is unlimited

Merits of Joint Hindu Family Business



Increased loyalty and co-operation



The business is treated as a pride to the family
There is a greater sense of loyalty towards
one another

Limitations of Joint Hindu Family Business



Limitations of Joint Hindu Family Business

a

Limited resources



It depends mainly on ancestral properties
This limits the scope for expansion of
business.

Limitations of Joint Hindu Family Business

b

Unlimited liability of Karta



His/ Her personal properties are also liable to meet the debts of the firm

Limitations of Joint Hindu Family Business

C

Dominance of Karta



The leadership of Karta may not be acceptable to all the members in the family, which may results in conflict and even the breakdown of family

Limitations of Joint Hindu Family Business



Limited managerial skills



The Karta may not be an expert in all the areas of management, business may suffer because of this.

Now you can revise the topic using the link given below:

<https://youtu.be/2eULH92deZw>

