UNIT - 2 FORMS OF BUSINESS ORGANISATIONS

Forms of Business Organisations

Hindu undivided family

Meaning
- Refers to a form of Business which is owned and carried on by the members of H.V.F

Features
- Atleast two members of form
- Unlimited Liability of karta
- Controlled by karta
- Continued even after death of karta

Merits
- Effective control of the business
- Limited liability of partners except karta
- Continued Business Existence

Limitations
- Limited resources for the business
- Unlimited liability of karta in business
- Dominance of Karta in this form

Cooperative society

Meaning
- The cooperative society is a voluntary association of persons who join together with the motive of welfare of members

Features
- Voluntary membership
- Legal status of the Association
- Limited liability of all persons

Merits
- Equality in voting status
- Limited liability of all
- Stable existence

Limitations
- Limited resources available
- Inefficiency in management
- Lack of secrecy
- Government control

Sole proprietorship

Meaning
- Refers to a form of Business organisation which is owned, managed and controlled by a single individual

Features
- No separate law to form
- Sole risk bearer
- All the control in one hand
- No separate entity
- Quick decision making

Merits
- Direct incentive
- Sense of accomplishment
- Ease to formation and closure

Limitations
- Limited resources
- Limited life of Business concern
- Unlimited liability
- Limited managerial ability

Partnership

Meaning
- Partnership refers to the relation between the persons who have agreed to share the profit of Business carried on by them

Features
- Formed according to partnership Act 1932
- Risks is beared by all partners
- Decisions are taken by the mutual consent
- Minimum-2 and maximum 50 partners

Merits
- Ease to formation and closure
- Balanced decision making
- More funds to be utilised
- Sharing of Risks

Limitations
- Unlimited liability of partners
- Limited Resources
- Possibility of conflict
- Lack of continuity

Types of partnership
- Partnership at will
- Particular partnership
- General partnership
- Limited partnership

Joint stock company

Meaning
- A company is an association of persons formed for carrying out business activities and has a legal status independent of its members

Features
- Company is an artificial person
- Company has separate legal entity
- Company formation is a lengthy process
- It has perpetual succession

Merits
- Limited Liability of shareholders
- Perpetual existence
- More scope for expansion

Limitations
- Have to pay higher salary to professional
- Complexity in formation
- Lack of secrecy

Types of cooperative society
- Customers cooperative society
- Producer's cooperative society
- Marketing cooperative society
- Farmer's cooperative society
- Credit cooperative society