

# **A E E S**

**FORMS OF BUSINESS  
ORGANISATION**

# Introduction

- A business enterprises is an organisation which is engaged in some business or commercial activity.
- Every business enterprises is a separate and distinct unit of business.
- Various forms of business organisation from which one can choose the right one include

# FORMS OF BUSINESS ORGANISATION

- Sole Proprietorship
- Joint Hindu Family Business
- Partnership
- Co-operative Societies
- Joint Stock Company

# Sole Proprietorship

- A business owned, managed and controlled by a single individual is known as a sole proprietorship organisation.

## Features

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

# Merits/ Limitations

## Merits

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

## Limitations

- Limited resources
- Limited life of a business concern
- Unlimited liability
- Limited managerial ability

# Joint Hindu Family Business

- The business carried out by the male members of a Hindu undivided family is known as Joint Hindu Family Business.
- There are two conditions for existence of Joint Hindu Family Business, These are
- Minimum two male members must be there in the family
- Existence of some ancestral property
- Under Hindu Law there are two systems of inheritance. These are Dayabhaga and Mitakshara.

# Joint Hindu Family Business

## Features

- Formation
- Liability
- Control
- Continuity
- Minor members

# Merits/ Limitations

## Merits

- Effective Control
- Continued business existence
- Limited liability of members
- Increased loyalty and co-operation

## Limitations

- Limited resources
- Unlimited liability of karta
- Dominance of karta
- Limited managerial skill



# Partnership

Partnership is an association of two or more persons who have agreed to share the profits of the business carried on by all or any of them acting for all.

According to **LH Honey**, “Partnership may be defined as the relation between the person who agree to carry on a business in common with a view to private gain.

# Features

- Formation
- Liability
- Risk bearing
- Decision making and control
- Continuity
- Mutual agency
- Membership

# Merits/ Limitations

## Merits

- Ease of formation and closure
- Balanced decision making
- More funds
- Sharing of risks
- Secrecy

## Limitations

- Unlimited liability
- Limited resource
- Possibility of conflicts
- Lack of continuity

# Types of Partner

- **Active Partner** The active partner participates in the management of the firm.
- **Sleeping or Dormant Partner** The partner who does not participate in the management of the firm.
- **Secret Partner** Secret partner is one whose association or relation With the firm is not known to outsiders.
- **Nominal Partner** The nominal partners are not the real partners of the firm. He only lends his name and reputation for the benefit of the firm.
- **Partner by Estoppels** A person is considered a partner by estoppel if, through his own initiative, conduct or behaviour, he gives an impression to others that he is a partner of the firm.
- **Partner by Holding Out** A partner 'holding out' is a person who though is not a partner in a firm but knowingly allows himself to be represented as a partner in a firm.

# Types of Partnership

**Based on the basis of time period**, there are three types of partnership firm

- Partnership at will
- Fixed period partnership
- Particular partnership

**On the basis of liability of members**, there are two types of partnership. These are

- General partnership
- Limited partnership

# Partnership Deed

- The common contents of Partnership Deed are
- Name of the firm
- Name and address of the partners
- Nature of business the firm will carry on
- Place of business
- Capital contribution by each other
- Profit sharing ratio of partners
- The right and duties of the partners

# Partnership Deed

- The mode of maintaining accounts
- The rate of interest payable to partners on their capital
- The rate of interest to be paid by partners on amount withdrawn by them
- The amount of salary payable to partners
- Provision regarding retirement and dissolution
- Methods of solving disputes
- Whether interest is payable on the loan provided by partners etc.

**THANK YOU**