

Std XII Commerce

Blue Print

Unit no	UNIT	Part A 1 mark	Part B 4 marks	Part C 8 marks	Part D 20marks	Total Marks
1	Organisation	3	2	1	1	39
2	Sole Trader	3	1	-	1	27
3	Partnership	7	2	1	1	43
4	Companies I	7	2	2	1	51
5	Companies II	6	2	1	1	42
6	Stock Exchange	6	2	1	1	42
7	Co-operatives	4	2	1	1	40
8	Government in Business	4	2	1	1	40
Total Questions		40	15	8	8	324
Questions to be Answered		40	10	5	4	200

Stage I

You have to study these Chapters to get minimum 100 Marks

Unit No.	Unit	Part A (1-Marks)	Part B (4-Marks)	Part C (8-Marks)	Part D (20-Marks)	Total Marks
1	Organisation	3	2 (5)	1 (2)	1(3)	39
2	Sole Traders	3	1 (5)	-	1(4)	27
3	Partnership	7	2 (10)	1 (4)	1(3)	43
Total Questions		13	5(20)	2 (6)	3	-
Questions to be Answered		13	20	16	60	109

Note:

The Questions and Answers of the Book Back one mark questions given in each chapters of the Text Book are given at the end of this module.

Stage II

You have to include this Chapter along with stage I Chapters to get minimum 140 Marks

Unit No.	Unit	Part B (4-Marks)	Part C (8-Marks)	Part D (20-Marks)	Total Marks
7	Co-operatives	2	1	1	36

Stage III

You have to include these Chapters along with stage I and Stage II Chapters to get minimum 180 Marks

Unit No.	Unit	Part B (4-Marks)	Part C(8-Marks)	Part D(20-Marks)	Total Marks
6	Stock Exchange	2	1	1	36
8	Government in Business	2	1	1	36

Stage IV

You have to include these Chapters along with stage I, Stage II and Stage III Chapters to get 200 Marks

Unit No.	Unit	Part B (4-Marks)	Part C(8-Marks)	Part D(20-Marks)	Total Marks
4	Companies 1	2	2	1	44
5	Companies 2	2	1	1	36

Commerce

Part B **Marks: 4**

Chapter 1 - Organisation

1. Define organization.

According to Lewis H. Haney, “Organisation is a harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes”.

2. Who is a KARTA?

The head of the joint Hindu family is known as KARTA.

3. What do you understand by co-operation?

A co-operative society is a voluntary association of persons. Persons hailing from the same locality voluntarily join together to achieve a common economic objective.

4. What is public corporation?

This is established under a specific statute passed in the parliament. It is known as a statutory corporation because it is created by statute. The statute defines its objectives, powers and functions.

eg. Reserve Bank of India, Life Insurance Corporation, Unit Trust of India.

5. State the meaning of Board organization.

In this organisation management is carried on by a government nominated independent board. It has its own rules and regulations.

eg. Tamil Nadu Electricity Board, Tamil Nadu Housing Board, Tamilnadu Water and Drainage Board.

Chapter 2 – Sole Trader

1. State the various kinds of non-corporate enterprises.

- Sole Trading
- Joint Hindu Family
- Partnership Firms

2. What is a sole proprietorship business?

Sole proprietorship is a form of organization in which an individual invests the entire capital, uses his own skill and is solely responsible for the result of his business. A sole tradership is the oldest form of business organisation.

3. Define sole trader.

According to P.K. Ghosh and Y.K. Bhushan, “The sole proprietorship is a form of organisation in which an individual introduces his own capital, uses his own skill and intelligence and is entirely responsible for the results of its operations.”

4. What is unlimited liability?

The creditors have the right to recover their dues even from the personal property of the proprietor in case of the business assets are not sufficient to pay their debts.

5. State the suitable business for Sole trading.

- Small amount of capital - Bakery shop, Petty shop, etc
- Quick decisions - Share-brokers, Doctors, etc
- Limited risk - Automobile repair shops
- Personal attention to individual tastes - Beauty parlours, Tailoring Shops, etc

Chapter 3 - Partnership

1. Who is Nominal or Ostensible Partner?

- He is a partner who neither contributes capital nor takes any part in the management of the firm.
- He lends his name to be used as partner in the business to increase the reputation of the firm.
- They are not eligible for a share in the profit.
- They are also liable to the creditors for the debts of the firm.

2. What is the relationship that exists among partners?

- There must be agent and principal relationship between the partners.
- Every partner is a proprietor as well as an agent of the firm.
- Partnership is, therefore, described as an extension of the 'Principle of Agency'.

3. What are the minimum and maximum number of members in the partnership firm?

Partnership is the relationship between two or more persons. So, there must be more than one person. The maximum number of partners has been limited to 10 in the case of banking business and 20 in the case of other business.

4. What is joint and several liability?

The liability of partners is joint and several. The creditors of partnership firm can claim their dues from the private assets of all the partners taken together or they can take action against the private properties of any one of the partners to get back their dues.

5. Who is a dormant partner?

The partners who merely contribute capital and do not take active interest in the conduct of the business of the firm are called sleeping or dormant or financing partners.

6. What is limited partnership?

A partnership in which the liability of the partner is limited is called limited partnership. The law does not permit the formation of a limited partnership in India. A limited partnership firm must have at least one partner whose liability is unlimited.

7. What is implied authority?

An implied authority is a right vested with a partner to be used in emergency situations to protect the interest of the firm.

8. Define partnership.

Partnership act of 1932, partnership is “the relation between persons who have agreed to share the profit of a business carried on by all or any of them acting for all”.

9. Bring out the difference between dissolution of partnership and dissolution of partnership firm.

Sl. No.	Topic	Dissolution of Partnership	Dissolution of Firm
1.	Termination	Only one or more of the partners terminate their connections	All the partners terminate their connections
2.	Ending	May or may not bring the business of the firm to an end	Brings the business of the firm to an end
3.	Business condition	The business will continue even after dissolution	The business cannot be continued

10. What is a partnership deed?

A partnership firm can be formed through an agreement among two or more persons. In India this agreement may be oral or in writing. But it is desirable to have it in writing to avoid any misunderstanding among the partners in future.

Part C (Marks 8) **Chapter 1 - Organisation**

1. Write short notes on Joint Hindu Family Business.

- India is unique in the system of Joint Hindu Families.
- A Joint Hindu Family comprises of father, mother, sons, daughters, grandsons and granddaughters.
- They hold the property jointly.
- They do the business under the control of the head of the family.
- These families have been engaged in occupations like agriculture, handicrafts, small industries etc.
- This system is found only in India.
- The firm is owned by the members of the family who have inherited their ancestral property.
- Their membership is conferred upon the members by virtue of their birth in the family.
- The head of the family is known as 'KARTA'.
- The members are called coparceners. It is regulated by the provisions of Hindu Law.
- According to Hindu Law, a Hindu can inherit the property from three generations. In other words, a son, a grand son, a great grand son become joint owners for the property by birth in the family.
- The law provides rights to women for their living and marriages in the joint family.
- Since 1985, female members of the family are also eligible to get a share in the property of the family.

- No Act has defined the term Joint Hindu family.
- A joint hindu family is a family which has the same place of worship, share the same food and share the same property of the family.
 - According to 'mitakshara' Law only the male members in the family get the right of inheritance by birth.
 - According to Dayabhaga Law, the right of property devolves on the coparceners by succession and not by birth.

2. Does partnership remove all the defects of sole proprietorship?

Partnership does not remove all the defects of sole proprietorship because

Unlimited Liability

Every partner is jointly and severally liable for the entire debts of the firm. A partner has to suffer not only for his mistakes but also for the lapses and dishonesty of other partners. Unlimited liability discourages many people from becoming a partner in the firm.

Lack of Continuity

Dissolution of partnership A partnership comes to an end with the retirement, incapacity, insolvency and death of a partner. Even a single partner, if he is dissatisfied with the business, can dissolve the partnership. The lack of trust among partners can also lead to dissolution

Chapter 3 - Partnership

1. What are the contents of partnership deed?

- Name of the firm.
- Date of agreement and principal place of business.
- Names and addresses of all the partners
- Nature of business proposed to be carried on by the firm.
- Duration of the partnership, if any.
- Amount of capital contributed by each partner.
- Amount of withdrawal of each partner.
- Profit sharing ratio.
- Salary payable to active partner or partners.
- Interest on capital and interest on drawings.

2. **What are the drawbacks of non-registration of partnership firm?**

- A partner of an unregistered firm cannot file any case against the firm or against any other partner.
- An un-registered firm cannot file any suit against third parties in any civil court for recovering the money due.
- Any third party can take legal action against the business or the partners.
- The firm cannot take legal action against its partners.
- An unregistered firm cannot enforce its claims against third parties for recovering a sum exceeding rupees one hundred.
- A partner cannot sue for dissolving the firm or realising the property of the dissolved firm or for the settlement of accounts on dissolution.
- The firm forfeits its rights in restricting the outsiders from using the trademarks and copyrights of the firm.

3. **Explain the position of minor in the partnership firm.**

Minor

A minor is a person who has not completed 18 years of age, where a guardian is appointed by a court, his age of majority extends to 21 years.

Position before attaining majority:

- He has a right to share the property and profits of the firm as may have been agreed upon.
- He has a right to have access to and inspect and take a copy of the accounts of the firm.
- His liability is confined only to the extent of his share in the profits and property of the firm.

Position after attaining majority:

- On attaining majority the minor partner has to decide within six months by giving notice whether he shall continue in the firm or not.
- If he decides to continue as partner, he becomes liable to the firm from the date, on which he was admitted as minor partner.
- If he decides not to continue as partner, he is not liable for the debts of the firm after the date of notice.

4. Describe the various kinds of partners.

1. Active Partner

A partner who takes active part in the management of the partnership firm is known as active or working or managing or general partner. His liability is unlimited.

2. Sleeping Partner or Dormant Partner

The partners who merely contribute capital and do not take active interest in the conduct of the business of the firm are called sleeping or dormant or financing partners.

3. Nominal or Ostensible Partner

He is a partner who neither contributes capital nor takes any part in the management of the firm. He lends his name to be used as partner in the business to increase the reputation of the firm. They are not eligible for a share in the profit. They are also liable to the creditors for the debts of the firm.

4. Partners in Profit Only

A person who shares the profit of a firm but does not share the loss, is called “partner in profit only”. Usually he has no voice in the management of the firm. But his liability to third parties is unlimited .

Part D (Marks: 20)

Chapter 1 - Organisation

1. Explain briefly the principles of organisation. (Any 10 points)

1. Unity of Objectives

The term objective means a goal to be achieved. The organisation structure depends upon the objectives of the enterprise. Therefore the objectives of an enterprise must be clearly fixed. Every part of the organisation should be designed to facilitate the accomplishment of common objectives.

2. Division of Work

The total work should be divided. This is known as departmentation. All the activities must be planned. This gives an idea of the total workload of the enterprise. Effective organization must promote specialisation.

3. Span of Control

No executive in the organisation should be required to supervise more subordinates than he can effectively manage. An executive should be asked to supervise a reasonable number of subordinates.

4. Scalar Principle

Line of authority must proceed from the highest executive to the worker at the bottom level through a downward flow. This is known as 'chain of command'. The superior has a direct authority over his immediate subordinate. He is responsible for efficient performance of the work entrusted.

5. Unity of Command

Each individual should receive orders from only one boss. A person cannot serve under two masters. He is accountable to his immediate superior. Dual subordination should be avoided. It creates disorder and confusion and leads to indiscipline.

6. Functional Definition

The authority and responsibility of every individual should be clearly defined. The relationship between different jobs should be clearly specified.

7. Unity of Direction

There must be one head and one plan for a group of activities directing towards the same objectives. This is necessary to ensure completion of tasks and co-ordination of activities.

8. Co-Ordination

The various activities of undertaking should be co-ordinated to secure the desired results. The different departments may have to function frequently in close consultation with other departments in a departmental store. The purchase department and sales department activities must be well coordinated to increase profit.

9. Delegation of Authority

Delegation means the entrustment of part of the work or some duties to the subordinates. Superior has to entrust some of his duties to his immediate subordinate. The subordinates should be granted necessary powers and rights. He becomes accountable to his superior. Delegation creates obligation on the part of the subordinate.

10. The Principle of Responsibility

The superior should be held responsible for the acts of his subordinates. He cannot escape from the responsibility. He is accountable to his higher authorities.

11. Flexibility

The organization should be flexible. It should be adaptable to changing circumstances. There should be scope for expansion without disrupting the basic design.

12. Efficiency :

Efficiency should be the watchword of the organisation. The organisation structure should enable the enterprise to function efficiently and accomplish its objective with the lowest possible cost.

13. Personal Ability

As people constitute an organisation there is need for proper selection, placement and training of staff. The organisation must ensure optimum use of human resources and encourage development programmes.

14. **Simplicity**

Another principle of organisation is that it should be simple. Too many levels of authority for example, complicate communication channels and by causing confusion and friction makes achievement of co-ordination impossible.

2. Describe the various types of business organisation.

I. INDIVIDUALISTIC INSTITUTIONS:

1. Sole Trading Institutions

Any business unit which is owned and controlled by a single individual is known as a sole trading concern. The person who manages it, is called a sole trader.

2. Joint Hindu Family

India is unique in the system of Joint Hindu Families. A Joint Hindu Family comprises of father, mother, sons, daughters, grandsons and granddaughters. Their membership is conferred upon the members by virtue of their birth in the family. The head of the family is known as 'KARTA'.

3. Partnership

The partnership is formed as a result of an agreement between two or more persons. The minimum number is two and the maximum number is 10 in banking and 20 in the case of non-banking business.

3. Joint Stock Company

A company is an association of many persons. The capital of the company is divided into small units called a share. Any one who holds or buys a share in a company is called a shareholder. Shareholders are the members of the company.

4. Co-Operative Society

A co-operative society is a voluntary association of persons. Persons hailing from the same locality voluntarily join together to achieve a common economic objective. Any person can join the society. There is no compulsion to become a member of a society. One man one vote is the most important principle.

5. Multinational Companies (MNC's) :

According to Neil H. Jacoby "A multinational corporation owns and manages business in two or more countries".

All forms of business organisation that transcend political frontiers may be called as multinational firms. In simple words, a multinational company is a company carrying on business in two or more countries.

II. GOVERNMENT INSTITUTIONS:

1. Departmental Undertaking:

This is considered as a department attached to the ministry of a government. Its administration is in the hands of the chief administrative officer of the ministry. Here the department is a part of the government. Railways, B.S.N.L., (telephones) Broadcastings like Doodharsan are the examples of Departmental Undertakings.

2. Public Corporation:

This is established under a specific statute passed in the parliament. It is known as a statutory corporation because it is created by a statute. The statute defines its objectives, powers and functions. Reserve Bank of India, Life Insurance Corporation and Unit Trust of India are the examples of public corporation.

3. Government Company:

Government Company is also established under the Companies Act of 1956. It is a company in which not less than 51% of paid up share capital is held by the central government or by one or more state governments or jointly by the central and state governments.

4. Board Organisation:

In this organisation management is carried on by a government nominated independent Board. It has its own rules and regulations. Tamil Nadu Electricity Board, Tamil Nadu Housing Board, TamilNadu Water and Drainage Board are the examples of Board Organisation.

3. What do you understand by multinational companies and explain its features?

Therefore, a multinational company may be defined as a company that operates in several countries. Such a company has factories, branches and in more than one country. According to the United Nations Commission on Multinational Corporations, a multinational corporation is a corporation which

operates, in addition to the country in which it is incorporated, in one or more other countries.

A multinational corporation is also known as a transnational corporation, namely, 'Global giant', or 'World enterprise' or 'international enterprise'. All forms of business organisation that transcend political frontiers may be called as multinational firms.

In simple words, a multinational company is a company carrying on business in two or more countries. According to Neil H. Jacoby "A multinational corporation owns and manages business in two or more countries".

FEATURES:

1. A multinational company is operated in more than one country simultaneously.
2. It is generally very large in size.
3. Its purpose is to reduce transport costs and to make use of raw materials, labour, capital and market of foreign countries.

1. Unilever Limited

It is a British company that has subsidiaries and branches in several countries. It established a subsidiary company called Hindustan Lever Limited in India.

2. Union Carbide

It is an American company, which has plants and subsidiaries in several countries including India.

3. International Business Machine (IBM)

It is an American company having branches in several countries.

4. Philips

It is a Dutch Company having a subsidiary company called Philips India (Now Pieco Electricals Co) in India.

5. Coca Cola Corporation

It is an American company manufacturing and selling soft drinks in several countries.

Chapter 2 – Sole Trader

1. Explain the main characteristics of sole trading form of organisation. (Any 10 points)

The salient features of a sole trading concern are as follows.

1 One-man Ownership and Control

A sole trading concern is owned by an individual. The proprietor is the sole owner and master of the business. He independently manages and controls the business without the interference of any other person.

2 Capital Contribution

In sole tradership, the capital is employed by the owner himself from his personal resources. He may also borrow capital from his friends, relatives and financial institutions.

3 Unlimited Liability

The liability of the proprietor for the debts of the business is unlimited. The creditors have the right to recover their dues even from the personal property of the proprietor in case the business assets are not sufficient to pay their debts.

4 Enjoyment of Entire Profit

The sole trader is entitled to enjoy all profits of the business. Since he is the only person who invested money, he need not share the profit with anybody else. At the same time, he himself should bear the entire loss. So it is said that he owns all and risks all.

5 No Separate Legal Entity

The sole trader and the business are one and the same. A sole trading concern has no legal entity separate from its owner. The sole trader owns the assets and owes the liabilities of the concern.

6. No Special Legislation

Sole tradership is not governed by any special legislation. A partnership firm is governed by the Indian Partnership Act. A joint stock company is governed by the Indian Companies Act and a co-operative society by the Co-operative Societies Act. But soletrader business is not governed by any Act.

7. Registration

A soletrader business need not be registered with any authority as that of partnership and companies. Any person who has money can start the sole trader business. He is to obtain a licence from the local authority like municipality or panchayat.

8. Duration

The life of sole trader business depends upon the life of the soletrader. If he dies or becomes incapable of doing business or if he has no legal heir, the business comes to an end.

9. Simplicity

It is simple to commence and simple to close a sole trader business. It requires lesser efforts and it is free from complicated legal formalities.

10. Local business

Most of the sole trading business confine only to a particular place such as a street, a block or a village. A few sole trading business may cover a large area through a network of a branches.

11. Self Employment

A sole trader uses his own labour to conduct the business. He may employ a few paid servant or use the services of his family members for running the business.

12. Small Capital

A soletrader business can be commenced with a small amount of capital whereas a partnership firm or a company require large capital.

2. Discuss the merits and demerits of sole trading form of business.

MERITS:-

The advantages of a sole trading concern are as follows.

1. Easy Formation

Sole proprietorship is the only form of organisation where no legal formalities is required. No agreement is required and registration of the firm is not essential. Anybody willing to start a sole-trading concern can do so immediately and without much legal formalities.

2. Direct Motivation

The entire profit of the business goes to the sole trader. Nobody can claim a share in the profit. It motivates him to expand his business activities.

3. Flexibility

It is a highly flexible type of organization. A sole proprietorship concern is generally run on a small scale basis. In case a change in operation is required, it is possible without involving much expenditure. The proprietor can adapt and adjust the activities of the business to the changing trends and market conditions because the sole trader is the sole owner of his business.

4. Retention of Business Secrets

The maintenance of utmost secrecy is of vital importance for the success of a business. A soletrader can maintain business secrets. Being the sole proprietor, he is not expected to share his trade secrets with any body else. In this form of organisation, there is also no need to disclose accounts or any other material facts to the public.

5. Quick Decision

The sole proprietor is his own boss and need not consult others while making any decision. He exercises exclusive control over the affairs of the business. Therefore, he can take quick decision and implement them without any delay.

6. Higher reward

The fear of loss acts as a stimulant for hard work. Besides, it makes him very cautious in his approach. Hardwork and cautious approach bring him more reward and improves efficiency and economy of the business.

7. Effective Control

In this form of organisation, the business can be controlled effectively because business activities are planned and executed by a single man. Since all the decisions relating to purchase and sale are taken by the sole trader, he can effectively control the business if there is any deviation from the original plan.

8. Increase in Sales

A sole trader has direct relationship with the customers. Direct contact with the customers will enable the proprietor to know the nature of their tastes, likes and dislikes. It enables him to make necessary changes in the quality and design of his products. It will boost his sales besides enhancing the reputation of the firm.

9. Smooth running of Business

Since the sole trading concern is a small business the sole trader appoints only a few employees who are personally known to him. So he can understand their problems easily and able to solve them to their satisfaction. The absence of friction with the employees paves the way for the smooth running of the business.

10 Inexpensive management

The sole trader is the owner, manager and controller of the business. He does not appoint specialists for various functions. He personally supervises various activities and can avoid wastage in the business. In this way managerial expenses are reduced to a large extent.

11. Higher Credit Rating

The liability of a sole trader is unlimited. Since, apart from his business assets, even his private properties are also available for satisfying the claims of creditors. Hence, creditors may give more loans because they can get back the loan from the personal properties of sole traders. Thus high credit rating helps sole trader to borrow more funds from suppliers and banks.

12 Self-Employment

Sole proprietorship provides self employment opportunity to many persons with small resources. It offers a way of life for securing the means of livelihood to those who do not want to serve under others. It makes people self-dependent by providing self-employment.

13 Development of Personality

Sole proprietorship facilitates the development of personal qualities like self-reliance, initiative and independent judgment.

14. Equal Distribution of Economic Wealth

Sole proprietorship provides an equal opportunity to every one for self development. It promotes decentralisation of business and helps to avoid concentration of economic wealth in a few hands.

15. Easy dissolution

A sole trading concern is very easy to dissolve. Whenever a sole trader wants to close his business, he can do so without undergoing any legal formality.

16. Better co-ordination

As the size of the business is small with limited resources, the sole trader can effectively co-ordinate the activities of the business

DEMERITS:-

1. Limited capital

The resources of a sole proprietor are limited. He depends only on his personal resources and his borrowing capacity. The borrowing capacity depends on his assets and credit worthiness. It is obvious that financial resources of a single person will be insufficient for business expansion. Limitation of finance is a major handicap for sole-trader business. Therefore, the size of the firm remains small.

2. Limited Managerial Ability

The managerial ability of a soletrader is limited because a person may not be an expert in each and every field of business such as purchasing, selling, accounting etc. The sole proprietor may not be able to use the service of experts for want of resources. The limited managerial capacity may hinder the growth of the business.

3. Unlimited Liability

The unlimited liability of a sole proprietor may affect his enthusiasm and restrict introducing novel ideas in business.

4. Short Life

Anything which affects the personal life of a soletrader affects his business also. Prolonged illness or death of the soletrader brings the affairs of his business to a

stand- still. If his children are interested and efficient to run the business, the sole trader business can be continued. Otherwise it will be closed. The closure of a business will cause inconvenience to the consumers and may also result in social loss.

5. Hasty Decisions

Decisions arrived at, after deep deliberations and discussions are sure to be better than that of a decision taken by one man. It is rightly said two heads are always better than one. The chances of wrong decision-making are quite high in a sole trader business. This is because of the fact that the sole trader takes all decision of the business himself without any assistance. This may lead to wrong decisions. The hasty decisions may result in loss and affect the sole trader.

6.Lack of Specialisation

The sole trader has to undertake all the work relating to business himself such as buying, selling, accounting, financing, advertising etc. He is a jack of all trades but master of none. It would be difficult to avail the services of experts in his business because of small resources. So, the benefits of division of labour cannot be reaped and specialisation cannot be achieved in this type of business.

7. Uneconomic Size

Because of limited capital and skill, the sole traders have to work on a small scale basis. Thus he is deprived of economies of large scale operation.

8. Lack of Consultation

He has no one else to consult before taking any important decisions except his family members. This may result in heavy loss if his decisions go wrong.

9. Uncertainty

The life of the sole trader business is uncertain and unstable. The life of business depends upon the changes in taste and preferences of customers and changes in fashion, and technology. If soletrader fails to cope up with the latest development he will land in trouble.

10. Risk of Entire Loss

As the sole trader is the sole owner of the business, he has to bear all losses of his business.

3. Explain the role of soletrading concern in the society.

1. Solution to unemployment problem

Sole trader business organisation gives large employment opportunities to the less educated and uneducated persons and helps to reduce the unemployment problem in the society.

2. Provides Investment Avenues

Soletrader organisation provides a chance for small investors who has small amount of capital to utilise their savings in the productive line.

3. Provision of goods at low price

Goods are sold by soletraders at a price lesser than the maximum retail price (MRP) mentioned on the packages of the goods. This is possible due to inexpensive management.

4. Helps small producers

Most of the goods sold by soletraders are procured locally from local producers. Thus small local producers are benefited by the soletraders.

5. Supply of Quality goods

Soletraders sell goods of high quality nowadays to maintain their reputation. They even accept return of defective goods. This ensures enhancing the welfare of the public.

6. Philanthropic Activities

Soletraders form small trading organisation among themselves and undertake a number of social welfare activities such as conducting eye camps, maintaining parks, provision of barricades on the roads, supplying furnitures to schools etc.

7. Equal Distribution of Income and Wealth

Equal distribution of income and wealth is ensured as there are more entry of sole proprietors in trading activities.

8. Helpful to consumers

The soletraders supply the goods to the consumers at their door steps. So the time and energy of the consumers are saved.

4. One man control is the best in the world provided that one man is big enough to take care of every thing ” Discuss.

Following are some of the points in favour of one man control

1. Easy and quick formation.
2. Direct control.
3. Efforts and reward are linked.
4. Retaining business secrets.
5. Close touch with the consumers.
6. Enjoying all profits.
7. Inexpensive management.
8. No legal restrictions.
9. Direct contact with the employees.
- 10 Social desirability.

Limitations of one-man control

Though there are many advantages of one-man control, still it suffers from many drawbacks. One man is unable to manage all the affairs by himself. Basset says “ The danger is always present that he thinks, he knows which really he does not know”.

Following are some points unfavourable for one-man control.

1. Limited capital.
2. Limited managerial ability.
3. Unlimited liability.
4. Absence of large scale business operation.
5. Risky decisions.
6. Uncertainty.

In conclusion, one-man control is the best from the point of view of profitability and efficiency, provided that one man is able to manage everything efficiently.

CHAPTER 3 - PARTNERSHIP

1. What are the circumstances under which a partnership firm is dissolved?

Dissolution by Agreement (Sec.40)

A partnership is created and dissolved by an agreement. A firm may be dissolved by an agreement either with the consent of all partners or in accordance with the contract among the partners.

2. Compulsory dissolution (Sec 41)

A firm is compulsorily dissolved either by the agreement of all the partners or on the insolvency of all the partners except one. It may also be dissolved on the happening of an event which makes the object of the firm unlawful. Example, the passing of Prohibition Act, declaration of war with another country.

3. Dissolution on the happening of certain contingencies (Sec 42)

A partnership may be dissolved on the happening of the following contingencies

- a) Death of a partner.
- b) Expiry of the time, if partnership is for a fixed period.
- c) Completion of the venture for which the firm was formed.
- d) Adjudication of a partner as an insolvent.

4. Dissolution by notice of partnership-at-will (Sec 43)

Where the partnership is at will, the firm may be dissolved by any partner by giving a notice in writing to all the other partners of his intention to dissolve the firm.

5. Dissolution through Court (Sec.44)

Any partner may bring a suit in a court of law to get the partnership dissolved on any of the following grounds.

(i) Partner's Insanity

If any partner becomes insane, the court may order dissolution.

(ii) Permanent Incapacity

When a partner becomes permanently incapable of doing business the court may order dissolution.

(iii) Persistent Breach of Agreement

If a partner persistently violates the agreement and the other partner finds it impossible to do business in partnership with him, then the other partner can move for dissolution.

(iv) Misconduct of a Partner

If any partner is guilty of misconduct (misuse of money) then any partner can file a suit for dissolution of the firm.

(v) Transfer of Share

When a partner transfers his share in the business to a third party without the consent of other partners, then the other partners can move the court for dissolution.

(vi) Continuous Loss

When the business of the firm cannot be carried on except at a loss, the court order for dissolution.

(vii) Just and equitable grounds

When the court feels that it is just and equitable, it may order for dissolution of the firm. E.g., if A and B are partners but do not speak to each other, the court may order for dissolution.

2. Explain the rights and duties of partners.

Rights of Partners

- 1) Every partner has a right to take part in the conduct and management of the business.
- 2) Every partner has a right to express opinion on any matter related to the firm.
- 3) Every partner has a right to be consulted before taking important decisions.
- 4) Every partner has a right to inspect and take copy of books of account and records of the firm.
- 5) Every partner has the right to an equal share in the profits of the firm unless otherwise agreed by the partners.
- 6) Every partner has the right to receive interest on loans and advances at the rate of 6% per annum.
- 7) Every partner has the right to be indemnified for the expenses incurred and losses sustained by him in the ordinary conduct of the firm's business.
- 8) Every partner has an equal right to use the assets of the firm for its business.
- 9) No new partner can be admitted into partnership without the consent of other partners.
- 10) Every partner has a right to retire from the firm.

Duties of Partners

The duties of partners can be classified into

1. Absolute duties and 2. Qualified duties.

1. Absolute Duties

Absolute duties are fixed by law which cannot be violated by partners agreement. These duties are applicable to all partnership.

1. Every partner must act diligently and honestly in the discharge

of his duties to the maximum advantage of all partners.

2. Every partner must act in a loyal and faithful manner towards each other.
3. Every partner must act within the scope of the authority Entrusted to him.
4. Every partner is bound to share the losses of the firm equally unless otherwise agreed.
5. Every partner must indemnify the firm against loss sustained due to his willful negligence in the ordinary course of business.
6. No partner can transfer or assign his interest in the firm to others without the consent of other partners.
7. Every partner must maintain and render true and correct accounts relating to the firm's business.
8. No partner can engage himself in a business which is likely to compete with the business of the firm.
9. Every partner should use the firm's property only for the firm's business and interest.
10. No partner can make any secret profit by way of commission on purchases or sales effected on behalf of the firm.

2. Qualified Duties

Qualified duties given in the Act can be modified by an agreement of partners entered into.

3. Liabilities of partners

1. Every partner is liable for the debts of the firm to an unlimited extent, jointly and severally.
2. A retiring partner is liable for all the debts incurred before his retirement
3. An incoming partner is liable only for the debts incurred by the firm after his admission into the partnership.
4. In case of deceased partner, his legal representatives are liable only for the debts incurred by the firm before his death.
5. In the case of minor partner, he is not personally liable for the debts of the firm. Only his share in the profits and assets of the partnership is liable for the debts of the firm.
6. Every partner is liable to make good the loss that the firm or other partners suffer as a result of his negligence.

3. Explain the basic features of partnership. (Any 10 points)

1. Agreement

A partnership is created by an agreement. The agreement may be oral or in writing. It is better to put it in writing to avoid misunderstanding in future.

2. Multiplicity of Person

Partnership is the relationship between two or more persons. So, there must be more than one person. The maximum number of partners has been limited to 10 in the case of banking business and 20 in the case of other business.

3. Contractual Relation

The relation that exists between the partners in a partnership is said to be contractual and not natural relation arising out of mutual love and affection. According to Indian Partnership Act, “the relation of partnership arises from contract and not from status”. Only persons legally capable of making an agreement can become partners. Lunatics, insolvents cannot become a partner.

4. Lawful Business

Partnership is formed to do a business. Business means any trade or occupation or profession. [E.g., Partnership of chartered accountants, partnership of lawyers, general stores etc.,] The business must be legal i.e., not against any law in force in the country. A partnership to smuggle goods from one country to another is illegal.

5. Sharing of Profits

The profit or loss of partnership is shared by the partners in the ratio as given in the agreement. Normally profit or loss is shared according to the capital contribution of partners. But sometimes the partners may agree that a particular partner need not share any loss. If there is no agreement regarding sharing of profit or loss, all the partners share equally.

6. Agency Relationship

There must be agent and principal relationship between the partners. Every partner is a proprietor as well as an agent of the firm. The business of the firm may be carried on by all or any of them acting for all. Partnership is, therefore, described as an extension of the ‘Principle of Agency’.

7. Unlimited Liability

The liability of partners is unlimited. Each and every partner has unlimited liability for business debts. If the assets of partnership are not sufficient to repay all the business debts in full, the private assets of all the partners can be used to settle the debts. Therefore, a partner's liability for business debts is not limited to his contributed capital. But the unlimited liability of a partner is also joint and several.

8. Joint and Several Liability

The liability of partners is joint and several. The creditors of partnership firm can claim their dues from the private assets of all the partners taken together or they can take action against the private properties of any one of the partners to get back their dues.

9. No Separate Legal Entity

A partnership firm has no separate legal entity. The firm and the partners are one and the same. A collective name of partners is known as "firm". No firm can exist without partners. The rights and liabilities of the partners are the rights and liabilities of the firm. Management and control of the firm vests with the partners who are also the owners.

10. Implied Agency

Each and every partner is considered to be an agent of the business. Unless otherwise agreed, all the partners are entitled to take part in the management of the business. Every partner as an agent can bind the firm by his acts done in good faith and on behalf of the firm. This is known as the implied authority of partnership.

11. Utmost Good Faith

The basis of partnership business is good faith and mutual trust among the partners. Each and every partner should act honestly and faithfully in the conduct of business. They must render true account and complete information regarding the conduct of the business. No partner can make any secret profit. Distrust and suspicion among the partners may lead to the failure of firms.

12. Non-Transferability of Interest

No partner can transfer his interest or sell his share to any other person without the consent of all other partners. This is based on the principle that a partner, being an agent himself, cannot further delegate his authority unilaterally to others.

13. Registration

In India the registration of partnership firm is not compulsory. It is only optional. If it is registered, it can enjoy certain advantages. A firm can be registered at any time.

Part B Marks: 4

CHAPTER 7 CO-OPERATIVES

1. Define Co-operation.

According to Talmaki “ It is an association of the weak who gather together for a common economic need and try to lift themselves from weakness into strength through business organization.

2. Who are Rochdale pioneers?

The co-operative movement can be traced back to about 150 years. ROBERT OWEN started the first ever co-operative movement in the year 1844 with 28 members called as ROCH DALE society of Equitable pioneers. It was a consumer’s co-operative society. The father of this movement was ROBERT OWEN.

3. What is Patronage Dividend?

The profit of co-operative society is distributed to the members in the proportion of purchases made by the them, and not on shares held by them. In the case of credit societies, a minimum of 9 % of the profit is distributed as dividends. 25 % of profit is transferred to reserve fund and 10 % of profit is used for general social welfare activities. The rest is used to give bonus to members or rebate on the sales effected by them . This is known as “ Distribution Justice”.

4. Give example of Co-operative super markets in Tamil Nadu.

The Government aims at starting many co-operative super markets to save the public in different cities. Example of co-operative super markets in Tamilnadu are, Kamadhenu Super Market in Chennai. Chinthamani Super Market in Trichy and Coimbatore. and Karpagam Super Market in Vellore and Villupuram districts, and Ponni co-operative Super Market in Salem.

Part C

Marks: 8

1. Briefly explain the demerits of co-operative societies.

1. Inefficient management

Members of a co-operative society do not generally possess the ability and experience to manage the business efficiently. They do not take proper interest in the management. It cannot afford to employ persons with necessary ability, knowledge and experience.

2. Limited capital

A co-operative society is formed usually by people with limited means. The principle of 'one man one vote' discourages the members to invest large amount. Therefore co-operative society often faces shortage of funds. It is not able to mobilise adequate capital for large scale operation.

3. Lack of motivation

Absence of profit motive and minimum 9% rate of dividend suppress the zeal and responsibility on the part of the management. The employees also do not have interest to work hard as they get low salaries.

4. Lack of co-operation

Sometimes the members may not have unity among themselves. It might affect the business of co-operatives.

5. Domination of vested members

Some members try to command society by virtue of their managerial interest and political power. They exploit the society as their own property.

6. Non-transferability of interest

The shares of a co-operative society are not transferable. A member who wants to quit the society has to surrender his shares to the society to get his money back.

7. Lack of secrecy

The business affairs of a co-operative society are openly discussed in the meetings. Every member is free to inspect the books and records of the society. Therefore, it becomes difficult to keep the secrets of business.

8. Excessive government control

The day to day working of a co-operative society is bound by legal rules and regulations. Reports have to be submitted to the Registrar of co-operative societies. Time-consuming formalities restrict flexibility and initiative.

9. No credit facility

Since credit facilities are not usually offered to members, they may not be interested in buying goods for cash.

10. Political rivalries

Directors or members of the executive committee are not generally elected on the basis of their skill knowledge, experience and honesty. But they are elected on the basis of caste, political connections and groups. They are mainly responsible for the failure of many co-operative societies.

2. State the meaning of super market and explain its features.

Definition

“The co-operative society is yet another form of business organization. It is formed in a similar manner like a joint stock company. It is a unique form of organisation. It is started with the motive of organising and rendering services to its members.”

Features

1. It is a form of large scale retailing.
2. There is a wide variety of goods made available.
3. The system of self-service is used.
4. There is no need for sales men in self services section.
5. The layout is in the form of different departments.

6. Sales are on cash basis.
7. Goods are sold after cleaning and packing.
8. No adulteration is practiced.
9. Correct weighments are used, so that consumers are not cheated by short weighing.
10. Scarce commodities are also supplied.

3. What are the steps involved in forming a co-operative society?

Formation of a co-operative society:

- A co-operative society must be registered under the Co-operative Societies Act, 1912 or any other state Co-operative law.
- A co-operative society can be started with a minimum of 25 persons, having a common interest.
- An application has to be submitted to the Registrar of Co-operative Societies expressing their intention. The application form is known as Memorandum of Association.
- It should contain the name and address of the society its objectives, the capital and liability of the members. A copy of the bye-laws stating the rules and regulations of the society should be attached along with the application form.
- The system of management, procedure with regard to meetings, resolutions, are stated in the bye-laws.
- The Registrar will, carefully scrutinise the documents in order to ensure that they are in accordance with the provisions of the Act.
- When he is fully satisfied he will enter the name of the society in his register and. issue the Certificate of Registration. By issue of this certificate, the society comes into existence as a body corporate having a separate legal entity.\

Part D

Marks: 20

**1.Explain clearly the important features of co-operative organisation.
(Any 10 points)**

1. Voluntary Organisation

A co-operative society is a voluntary association of persons. Any person can join the society . There is no compulsion to become a member of a co-operative society . A person can join a co-operative society whenever he likes and leaves it whenever he wants.

2. Equality

In a co-operative society all persons are equal. Its members have equal rights and more capital does not provide more rights to an individual.

3. Democratic Managements

Co-operative societies are managed on democratic lines. Every member has only one vote irrespective of the number of shares held by him. The society is formed on the principle of democracy which means “ One vote for one member”. A General body meeting is conducted annually. Representatives are elected by the members to manage the society.

4. Combination of resources

In this organisation members pool their own resources. They use their resources in the interest of all members.

5. Concentrated Effort

In this organisation all individuals work together. The main principle of co-operation is that “ Each for all and all for each “.

6. Spirit of service

The objective of co-operative organisation is that the service is primary and profit is secondary. It strives to provide required services to the members. Provision of credit facility, construction of buildings, supply of seeds, fertilizers etc., are some of the services offered by the societies.

7. Plural Membership

It is an association of persons. A minimum of 25 persons are required to form a co-operative society. There is no limit on the maximum membership.

8. Legal Capacity

An individual must have the legal capacity to make any agreement. They are bound by the rules and regulations of the society. The members forming the co-operative society must have attained the age of majority.

9. Open Membership

Any man or woman having a common interest can join a society at any time. No discrimination is made on the basis of caste, creed or religion. Both the rich and the poor can join. Illiteracy is also not a bar to membership.

10. Finance

The capital of co-operative society is divided into many shares of equal value. The society also gets capital from its members. But the share value is fixed at low. A person becomes a member by purchasing its shares.

11. Limited return on Capital

A co-operative society gives less importance to money power. A minimum of 9 % of the profits is to be distributed as dividends. This prevents rich people from dominating the society.

12. Local Membership

Generally, in any co-operative society people from the particular locality become members. This is because only people in a particular locality can have a common economic problem. They are also well known to each other.

13. No Political Influence

A politician can join a co-operative society as a member, but politics should not enter into its management. This makes a co-operative society, non – political.

2. Distinguish between the Joint Stock Company and co-operative society.

Both are corporate bodies. In spite of this similarity the following are the important differences between the two.

S.No		JOINT STOCK COMPANY	CO-OPERATIVE SOCIETIES
1 .	Meaning	It is mainly organised with the object of making profit. It is an association of	It is a voluntary association of the weaker section or the people. It may make profit in the process

		persons formed for the purpose of doing a business	of rendering services.
2.	Minimum Number	There must be at least two persons to form a private limited company and seven persons in public limited company	But in the case of Co-operative society, a minimum number of members is 25 as per the Tamilnadu c o - operative Societies Act of 1983.
3.	Maximum Number	In a private company maximum is 50 and in a public company there is no maximum limit.	T here is no limit to the maximum number of members in a C o - operative Society
4.	Local Membership	The members of a public limited company belong to different p arts of the country and even different countries of the world.	But in a co - operative society the members belong to the same locality.
5.	Registration	A company is formed and registered as per the companies Act of 1956	But a co- operative society registered as per the Co- operative societies Act of a state government
6.	Management	In a joint stock company, the management is entrusted to the Board of Directors elected by the share holders.	All the members are entitled to participate in the management of co-operative societies with the help of the Board of directors

7.	Object	Profit is the primary motto of a joint stock company.	Service is the primary motto of a co-operative
8.	Purchase of Shares by member	In companies there is no limit in the purchase of maximum number of Shares	In Co-operative societies minimum number of purchase of shares is limited to the extent of utilisation of benefits .
9 .	Facilities	Government do not provide any concession to joint stock companies as extended to co-operatives.	but a co-operative society enjoys concession like exemption from paying income tax, stamp duty and registration fee etc.
10.	Right to Vote	In joint stock company one share one vote principle is followed .	But in a co-operative society one man one vote principle is followed .

3. Explain any eight types of co-operative societies in detail.

1.Consumer's Co-operatives

A co-operative society organized by consumers of a locality for supplying essential goods at a reasonable price. This is called a consumer co-operative society. It eliminates the middle men. They purchase their requirements directly from the producers or wholesalers in bulk and sell to members, non-members at a reasonable price.

2. Co-operative warehouses

These are mostly found in rural areas. It helps the members to get the facility of storing agricultural inputs. They will keep the finished goods, till they are despatched for sale through marketing co-operatives.

3. Co-operative marketing societies

Marketing co-operatives help the members to secure fair price for their products. They may purchase the produce from the members and sell in bulk when the market is favourable. In some cases co-operatives sell the produce of the members on commission basis. Marketing co-operatives advance loans to the members. These societies eliminate middlemen and help the members to secure better price for their product

4. Urban Banks

These banks are located in urban areas. Therefore these societies are called urban credit societies. The liability of the members is limited. They receive deposits from members as well as non-members. These funds are used to grant loans to the members at low rate of interest. They do the banking business as that of the commercial banks.

5. Credit societies

They are voluntary association of people with moderate means. They are formed with the object of giving short-term finance to members. In this way, the co-operative society protects its members from the clutches of the moneylenders. They can be classified in to two types.

6. Agricultural credit societies

It is the credit society, organised mostly by agriculturists of a village. They provide loans to its members for various productive and unproductive purposes relating to Agriculture. Agriculture credit societies are also called as rural credit societies or primary societies.

7. Rural credit Societies

It is located in rural areas. It secures funds by way of selling shares and by accepting deposits from members and non-members. They lend for productive purpose to small farmers and marginal farmers.

8. Primary co-operatives

They are formed at villages. Its aim is to help their members in developing the habit of savings and banking habit. They also help in collecting rural savings for national development. The liability of the members is unlimited.

Note: To Get 200/ 200 Marks Practice the Following Questions

Part – B **Marks 4**
Chapter 4 Companies I

1. What is limited liability ?
2. Define debentures.
3. What are you mean by a foreign company ?
4. Define a private limited company.
5. What does the Articles of Association deal with?
6. What is share premium?
7. What is the consequence of not receiving minimum subscription ?
8. What do you understand by redeemable debentures?
9. What do you meant by Prospectus?
10. What is a guarantee company ?

Chapter 5 Companies II

1. Mention the methods in which directors are appointed.
2. Who is an alternate director?
3. What is a statutory meeting?
4. What is statutory report?
5. What is proxy?
6. What do you mean by quorum?
7. What is an agenda?
8. What is “Minutes”?
9. What usual business is done at an Annual General Meeting?
10. When is Extraordinary General Meeting convened ?
11. Who can convene Extraordinary General Meeting ?
12. What is a special resolution?

Chapter 6 Stock Exchange

1. What is a security?
2. What do you mean by Rights issue?
3. What is a secondary market?
4. What is listing?

Chapter 8 Government in Business

1. What was the role of Government in the past?
2. Define state enterprises.
3. How can we establish state enterprises?
4. How does the state enterprises bring in balanced economic growth?
5. Why departmental organisation is suitable for defence industries?
6. Explain the management of public corporation.
7. Define a Government company.

Part C

Marks: 8

Chapter 4 Companies I

1. What is Memorandum of Association? What are its contents ?
2. What are the conditions for issuing shares at a discount?
3. State briefly the contents of Articles of Association.
4. Write a note on Irregular Allotment

Chapter 5 Companies II

1. Explain the position of a director in a company.
2. How are directors appointed in a public limited company ?
3. Enumerate the contents of a statutory report.
4. Write a short note on Managerial Remuneration.

Chapter 6 Stock Exchange

1. Differentiate between Investors and speculators.
2. Explain the different kinds of speculators.
3. Explain how BOLT works, and the strengths of BOLT
4. Explain Mutual Fund
5. What is listing? What are the advantages of Listing?
6. Explain the procedure for listing of securities.

Chapter 8 Government in Business

1. What are the features of a public corporation?
2. What are the differences between public and private sector?

Part – D

Marks 20

Chapter 4 - Companies I

1. Bring out the distinction between a company and a partnership
2. Discuss briefly the privileges of a private limited company
3. Bring out the distinction between Public and Private Limited Companies
4. Distinguish between shares and debentures.

Chapter 5 - Companies II

1. Discuss the powers of directors and restrictions placed on them.
2. Briefly explain the functions and duties of directors.
3. Discuss the functions and duties of a company secretary.
4. Bring out the significant role of a company secretary.

Chapter 6 - Stock Exchange

1. Define Stock Exchange. Explain its characteristics and functions.
2. Explain the objectives, features, functions and powers of SEBI.

Chapter 8 - Government in Business

1. Explain the objectives of state enterprises.
2. Discuss the features, merits and demerits of the Departmental organisations.

PART – A ONE MARK QUESTIONS
CHAPTER – 1 ORGANISATION

I. Choose the correct Answer

- 1) Which of the following is not the characteristic of sole proprietorship
 - a) Single ownership
 - b) One man control
 - c) Whole profit to proprietorship
 - d) Non-flexibility**
- 2) What is the advantage of sole proprietorship
 - a) Small capital
 - b) Hasty decision
 - c) Limited capital**
 - d) Limited managerial ability
- 3) The agreement of partnership
 - a) Must be oral
 - b) Must be in writing
 - c) Must be writing in the stamp paper**
 - d) Can be either oral or in writing
- 4) Partnership may come into existence
 - a) By the operation of law
 - b) By an express agreement**
 - c) By an express or implied agreement
 - d) By inheritance of property
- 5) Management of a Jointstock company is entrusted to
 - a) The Registrar of companies
 - b) The Board of Directors**
 - c) The shareholder
 - d) The debenture holders
- 6) Registration is compulsory in the case of
 - a) A Sole trader
 - b) A partnership
 - c) A joint stock company**
 - d) A joint hindu family business
- 7) In a co-operative society
 - a) One share one vote principle is followed
 - b) One man one vote principle is followed**
 - c) A member must have 2 votes
 - d) Shares are transferable.

- 8) Co-operative society can be started
- a) Only in villages **b) In towns and villages**
- c) Only in cities d) Only in State headquarters
- 9) The most suitable form of organisation for operating defence industries is
- a) Government Company b) Public corporation
- c) Departmental organization** d) Board organization
- 10) The share capital of the government company must not be less than
- a) 75% b) 60% c) 95% **d) 51%**
- 11) A multinational company is also known as
- a) Global giant** b) Partnership
- c) Co-operative society d) Public corporation
- 12) Membership by birth is main feature in
- a) Sole trader **b) Joint Hindu family business**
- c) Co-operative society d) Partnership

II. Fill in the blanks

- 1) Division of work is called **Departmentation.**
- 2) Delegation means the **Entrustment** of part of the work.
- 3) The liability of sole trader is **Unlimited.**
- 4) Partners share profits and losses **In an agreed ratio.**
- 5) In India registration of partnership is **Optional.**
- 6) In co-operative society all members are **Equal.**
- 7) A company is regarded as **a person by law** .
- 8) Broadcasting comes under **Departmental** form of organization.
- 9) Public corporation is known as **Statutory** corporation.

- 10) Tamilnadu Electricity Board is the example of **Board organization** .
- 11) Government policy is also favourable towards **Multinationals**.
- 12) Government Company employees are not **Government servants** .

CHAPTER – 2 SOLE TRADER

I. Choose the correct Answer

- 1) Sole trading business can be started by
 - a) At least two persons
 - b) At least seven persons
 - c) Any one person**
- 2) The liability of a soletrader is
 - a) Limited only to his investment in the business
 - b) Limited to total property of the business
 - c) Unlimited**
- 3) Sole proprietorship is suitable for
 - a) Large scale concerns
 - b) Medium scale concerns
 - c) Small scale concerns**
- 4) Decision-making process in soletrading business is
 - a) Quick**
 - b) Slow
 - c) Neither quick nor slow
- 5) A soletrader
 - a) Cannot keep his business secrets
 - b) Can keep his business secrets**
 - c) None of the above

II. Fill in the blanks

- 1) The fear of loss acts as a stimulant for **hard work**.
- 2) A **Sole tradership** is the oldest form of business organization.
- 3) **Soletrader business** is not governed by any special legislation.
- 4) The liability of soletrader is **unlimited**.
- 5) A soletrader business can be commenced with a **small amount** of capital.
- 6) Sole proprietorship is suitable for **small business**.
- 7) In sole proprietorship decision can take is **quick**
- 8) Sole proprietorship is a highly **flexible** type of organization.
- 9) The sole trading concern is run on the principle **All is he and he is all in all**.
- 10) **Sole proprietorship** organization has lack of consultation.
- 11) Sole proprietorship has **short life**.
- 12) A sole trader has direct relationship with the **customers**.
- 13) **Limitation of finance** is a major handicap for sole-trader business.
- 14) **William R. Basset** has said that one-man control is the best in the world.
- 15) Consumers are the **kings**.

CHAPTER – 3 PARTNERSHIP

I. Choose the correct Answer

- 1) Registration of partnership is
 - a) compulsory
 - b) **optional**
 - c) court order
 - d) registrar's order
- 2) _____ is described as an extension of the 'Principle of Agency'.
 - a) **partnership**
 - b) sole trader
 - c) company
 - d) co-operatives.

- 3) A partner who takes active part in the management of the partnership firm is
- a) sleeping partner
 - b) nominal partner
 - c) **managing partner**
 - d) sub partner
- 4) The basis of partnership is
- a) **Utmost good faith**
 - b) Desire to work together
 - c) Managing skill of partners
 - d) Money available for investment
- 5) Persons who enter into partnership are individually called.
- a) **Partners**
 - b) Shareholders
 - c) Sole trader
- 6) The authority to a partner is expressly conferred by an agreement, it is called.
- a) implied authority
 - b) **express authority**
 - c) none of these
- 7) In partnership there exists a relationship of
- a) **principal and agent**
 - b) owner and servant
 - c) employer and employee
- 8) A partnership is formed by
- a) **Agreement**
 - b) Relationship among persons
 - c) The direction of government
- 9) A partner who lends his name to be used as partner in the business is called
- a) Sleeping Partner or Dormant Partner
 - b) **Nominal or Ostensible Partner**
 - c) Partner by Estoppel
- 10) A partnership firm may be registered under
- a) 1949 Act
 - b) 1956 Act
 - c) **1932 Act**

11) Every partner has the right to receive interest on loans and advances at the rate of _____ per annum.

- a) 6% b) 10% c) 12% d) 15%

12) A minor is a person who has not completed _____ years of age.

- a) 15 b) 16 c) 17 **d) 18**

II. Fill in the blanks

- 1) The name under which the business is carried on is called **firm name.**
- 2) **Dissolution of firm** means putting an end to the relationship among the partners.
- 3) An **implied authority** is a right vested with a partner to be used in emergency situations.
- 4) The partners liability in India is **unlimited.**
- 5) A partner who does not take active interest in the conduct of the firm is called **Sleeping partner or Dormant partner.**
- 6) Partnership is registered under the Act **Indian Partnership Act, 1932.**
- 7) The profit and loss of a partnership firm is shared in the **Agreed ratio** among the partners.
- 8) The maximum number of members in non-banking firm is **20.**
- 9) Persons who enter into partnership are collectively called **firm .**
- 10) **Dissolution of partnership** means the termination of the original partnership agreement.
- 11) A limited partnership firm must have atleast one partner whose liability is **unlimited.**
- 12) **Joint venture** is a temporary partnership.

CHAPTER – 4 COMPANIES I

I. Choose the correct Answer

- 1) The minimum number of members for a public limited company is
 - a) 2
 - b) 3
 - c) 7**
 - d) 10

- 2) The liability of shareholders of a private limited company is limited to
 - a) the paid up value of the shares
 - b) amount remaining unpaid on the shares**
 - c) the extent of private assets
 - d) amount called up

- 3) A private limited company can commence business
 - a) immediately on receiving the certificate of incorporation**
 - b) only after the certificate of commencement of business is received
 - c) on getting name approval from the Registrar
 - d) on filing all the documents necessary for formation with the Registrar

- 4) The existence of a company comes to a close
 - a) on the death of all its promoters
 - b) on death of all the directors of the Board
 - c) on transfer of shares by most of its original members
 - d) none of the above**

- 5) Table A of the Companies Act is a
 - a) model minutes book
 - b) model form of balance sheet
 - c) model of Articles of Association**
 - d) model of memorandum of association

- 6) Which of the following documents define the scope of a company's activities?
- a) **Memorandum of Association**
 - b) Articles of Association
 - c) Prospectus
 - d) Statutory Declaration
- 7) Which of the following is created by a Special Act of Parliament or in State Assemblies?
- a) Chartered company
 - b) Foreign company
 - c) Government company
 - d) **Statutory company**
- 8) Which of the following companies must file with the Registrar a statement in lieu of prospectus?
- a) a public limited company which raises funds from the public through issue of shares.
 - b) **a public limited company which has made arrangement for raising its capital from directors and their relatives**
 - c) a private limited company
 - d) all of them
- 9) The minimum subscription specified in the prospectus must be received within
- a) **90 days**
 - b) 120 days
 - c) 130 days
 - d) 60 days
- 10) A preference share has priority in
- a) dividend only
 - b) only in return of capital at the time of winding up
 - c) voting rights
 - d) **both dividend and return of capital on winding up**

- 11) Shares can be forfeited for
- a) non-payment of any debt due to the company
 - b) not attending three annual general meetings consecutively
 - c)for non payment of call money**
 - d)for violent activities at the annual general meetings
- 12) Where the shares are issued at a discount and the nominal value of share is Rs.100, the maximum discount that can be allowed is
- a) Rs.5 **b) Rs.10** c) Rs.20 d) Rs.15
- 13) Debenture holders of a company are its
- a) Creditors** b) Members
 - c) Credit customers d) Borrowers
14. Debenture holders are entitled to receive interest in the following circumstances
- a) when there are profits
 - b) when shareholders also get dividend
 - c) every year irrespective of loss **d) all the above**

II. Fill in the blanks

- 1) Joint stock companies require **Enormous capital.**
- 2) The liability of a member of a company limited by guarantee is **Limited.**
- 3) The minimum number of members in a private company is **Two.**
- 4) A private company should have atleast **two** directors.
- 5) The company, which need not have separate Articles of Association of its own is **Public** company limited by shares.

- 6) The manner in which the internal management of a company carried on is contained in **Articles of Association.**
- 7) An advertisement inviting the public to buy the debenture of a public company is known as **Prospectus.**
- 8) Preference shares which carry a right to arrear dividend are known as **Cumulative preference share.**
- 9) Such shares, as are entitled to a further dividend in addition to the usual fixed rate of dividend are known as **Participating preference** shares.
- 10) The aggregate nominal value of qualification shares shall not exceed **Five thousand** rupees.
- 11) When a company has issued shares of Rs. 6000 each only, the minimum number of qualification shares that a director should hold is **One.**
- 12) Debentures denote **Creditor ship** Interest.
- 13) Debentures are to be redeemed ,after a specified period is **redeemable debentures.**
- 14) East India company is an example for **statutory companies.**
- 15) The difference between issue price and the face value constitutes **shares premium.**
- 16) The company can reissue forfeited shares at a **premium or discount.**
- 17) Shares can be **forfeited** only for non-payment of calls due.
- 18) **share certificates** is an evidence of title to the shares.
- 19) company is an **artificial** person.
- 20) The share holders are the real **owners** of the company.
- 21) The large industrial enterprises is **Joint stock company.**

- 6) A company should compulsorily appoint a qualified company secretary, having
a paid up capital of more than
- a) Rs. 5 Lakh **b) Rs.50 Lakh**
c) Rs.25 Lakh d) Rs.15 Lakh
- 7) Which of the following must hold a statutory meeting ?
- a) Statutory Companies b) Private Limited Companies
c) Public Limited Companies d) Chartered Companies
- 8) The interval between two annual general meetings shall not exceed
- a) 15 months** b) 12 months
c) 18 months d) 20 months
- 9) Which of the following business is not transacted at the Annual
General Meeting
- a) appointment of auditors **b) issue of debentures**
c) appointment of directors in place of those retiring
d) declaration of dividend
- 10) The list of business to be transacted at the meeting is
- a) agenda** b) minutes c) resolution
- 11) Any resolution passed by a simple majority is an
- a) ordinary resolution** b) special resolution c) resolution by special notice
- 12) Who can call Extraordinary General Meeting ?
- a) Company Law Tribunal
b) Board of Directors on its own or on the requisition of members
c) By the requisitionists themselves on Board's failure to convene
d) all of these

II. Fill in the blanks

- 1) Directors act as **Agents** trustess and officers of the company.
- 2) First directors are usually named in the **Articles of association.**
- 3) A statutory report must be sent to every member of the company atleast **21** days before the meeting is to be held.
- 4) The notice calling the annual general meeting, must, be given to all its members at least **21** days before the date of the meeting..
- 5) Altering the Articles of Association requires **Special** Resolution.
- 6) A person Appointed to attend a meeting on behalf of a share holder is known as **Proxy.**
- 7) The Quorum for a General Meeting of members of a public company is **Five.**
- 8) Auditors are generally appointed and their remuneration, fixed at the **Annual General** meeting.
- 9) A person cannot act as a managing director of more than **two** companies at a time.
- 10) The minimum number of members required for a meeting is known as **Quorum.**
- 11) A proposal before the meeting is passed by the meeting , it becomes a **resolution.**
- 12) A resolution passed by 51% vote or more is **ordinary resolution.**
- 13). The time between two consecutive annual general meetings should not exceed **15** months.
- 14) A public limited company should hold statutory meeting within **6 months** from the date of the commencement of business.

- 15) Statutory meeting must be held not later than **6 month** and not earlier than **1 month** from the date on which a public company is entitled to commence business.
- 16) A resolution passed by 75% (3/4) votes is **special resolution**.
- 17) According to the company secretaries act , 1980 a company secretary is a person who is a member of the **institute of company secretaries of India**.

CHAPTER – 6 STOCK EXCHANGE

I. Choose the correct answer

- 1) The first issues are floated in
- a) **Primary market** b) Secondary market
c) Commodity market d) Regulated market
- 2) The popular method of sale of new shares in India is
- a) **Public issue** b) Offer for sale
c) Managing brokers d) Underwriting
- 3) Stock exchanges deal in
- a) Goods b) Services
c) **Financial securities** d) Country's currency
- 4) Number of recognised stock exchange in India
- a) 2 **b) 21** c) 22 d) 24
- 5) Stock exchange allow trading in
- a) All types of shares of any company
b) Bonds issued by the Government
c) **Listed securities** d) Unlisted securities

- 6) Jobbers transact in a stock exchange
- a) For their clients **b) For their own transactions**
- c) For other brokers d) For other members
- 7) A pessimistic speculator is
- a) Stag **b) Bear** c) Bull d) Lame duck
- 8) An optimistic speculator is
- a) Bull** b) Bear c) Stag d) Lame duck
- 9) Securities Contract Regulation Act was passed in
- a) 1952 **b) 1956** c) 1964 d) 1966
- 10) SEBI is formed as per
- a) Securities contract (Regulation) Act
- b) Securities and Exchange Board of India Act**
- c) Companies Act
- d) Indian constitution
- 11) A bull operator believes in
- a) Increase in prices** b) Decrease in prices
- c) Stability in prices d) No change in prices
- 12) Stock exchange speculation in shares
- a) Does not allow b) discourage
- c) encourage** d) prohibits
- 13) A cautious speculator is known as
- a) Stag** b) Bull
- c) Lame duck d) Bear

- 14) A stock exchange is a place to
- a) Exchange one security for another
 - b) Buy and sell financial securities**
 - c) Float new shares
 - d) Buy and sell stock of goods.
- 15) SEBI has the following number of members including chairman.
- a) 5 b) 7 **c) 6** d) 8
- 16) The company which wants its securities to be traded in a recognized stock exchange should apply to the stock exchange and get its name included in the 'official trade list'
- a) Underwriting b) trading c) share allotment **d) listing**
- 17) A cautious speculator is also called a premium hunter.
- a) stag** b) lame duck c) bull d) bear
- 18) Under _____ method new shares are offered in proportion to the shares held by existing share holders
- a) Public issue **b) rights issue** c) offer for sale d) underwriting
- 19) An advertisement inviting the public to buy the share of a public company is known as
- a) memorandum of association b) statutory records
 - c) prospectus** d) underwriting
- 20) SEBI ACT implemented in _____
- a) 30.01.1990 b) 30.01.1956 c) 30.01.1986 **d) 30.01.1992**

II. Fill in the blanks:

- 1) Large scale undertakings are organised in the form of **Joint stock companies.**
- 2) Joint stock companies require **Enormous capital.**
- 3) The long term capital required by the company is divided into small units of fixed amount called **Shares.**
- 4) Shares represent **Ownership** interest.
- 5) Debentures denote **Creditor ship.** interest.
- 6) **Debentures.** is an acknowledgement for raising loan from the public.
- 7) Primary market is concerned with **Issues of new shares.**
- 8) Secondary market deals with **Resale of securities** traded in primary market.
- 9) Companies are assisted by **Brokers/under writers** to make new issues.
- 10) **Public issue** is a commonly used method of issuing shares.
- 11) **Issues Houses** act as intermediary to float new shares.
- 12) **Prospectus.** is an invitation to the public to subscribe for the shares.
- 13) After allotment of shares, allottees become the **Shareholder/member** of the company.
- 14) Application money should not be less than **5** percent of the value of a share.
- 15) Minimum subscription is fixed at **90%.** of the issued capital.
- 16) The volume of business in secondary market depends on **Primary market.**
- 17) Secondhand securities are traded in **Secondary market.**
- 18) There are **21** regional stock exchanges in India.
- 19) Inclusion of securities in the official list of stock exchange is called **Listing.**

- 20) Listing is **Compulsory.** for public companies.
- 21) Cleared securities are also called . **Securities on forward list** .
- 22) **Discretionary order** order gives a freehand to the brokers of a client to buy or sell a particular security for any price.
- 23) Ready delivery contracts are also called as **Spot Contracts** .
- 24) Investors retain securities for **Longer** period.
- 25) **Authorised clerks** are the employees of the members of a stock exchange.
- 26) Stag is called **Premium hunter.**
- 27) **SEBI** is the supervisory body established to regulate Indian stock market.
- 28) **Mutual funds** enables small investors to participate in the investment on share capital of large companies.
- 29) **Mutual funds** act as a substitute for initial public offering.
- 30) BOLT is the online trading system in use at **Mumbai** stock exchange.
- 31) **Primary market** is concerned with issue of new shares.
- 32) **Secondary market** deals with resale of securities.
- 33) Chairman and other members of the board are appointed by the **Central Government.**

CHAPTER – 7 CO-OPERATIVES

I. Choose the correct Answer

- 1) Co-operative society can be started
 - a) Only at villages
 - b) In towns and Villages**
 - c) Only in cities
 - d) Only in urban areas

- 2) The minimum number of members required to form a co-operative society is
 a) 2 b) 7 c) 10 **d) 25**
- 3) Dividend is declared in a co-operative store to its members.
 a) Share capital b) Number of shares purchased
c) Amount of patronage given d) None of the above
- 4) The basic objective of a co-operative society is.
 a) Earn profit
b) Organise some essential service for the benefit of its member
 c) Organize essential services to the community.
 d) Arrange for enough of quality goods for the community
- 5) In a co-operative society, the shares of a member
 a) Can be transferred **b) Can be repaid**
 c) Cannot be transferred d) None of the above
- 6) Maximum membership in a co-operative society is
 a) 50 b) 60 c) 100 **d) Unlimited**
- 7) A co-operative super market supplies
 a) Credit b) service **c) Goods** d) Cash
- 8) Consumers co-operation was first successful in
a) England b) USA c) Swiss d) India
- 9) Minority interest can be protected in
 a) Sole trader b) Partnership
c) Co-operative societies d) Public Company
- 10) Central Co-operative bank is established at
 a) Villages **b) Districts** c) State head quarters d) Urban areas

- 11) "ALL FOR ONE AND ONE FOR ALL" is the philosophy of
 a) public company **b) co-operative** c) partnership d) private company
- 12) The year in which the Rochdale co-operative society started.
 a) 1944 **b) 1844** c) 1902 d) 1904
- 13) The father of co-operative society was
 a) Talmaki b) calvert **c) Robert owen** d) Lambert
- 14) Co-operative society strives to provide required services to the members.
 a) Debtors b) people c) customers **d) members**
- 15) Co-operative credit societies distribute _____% as dividends
a) 9 b) 19 c) 10 d) 25

II. Fill in the blanks

- 1) The Latin word co-operari means **To work with.**
- 2) The father of the co-operative movement was **Robert Owen.**
- 3) Only **9%** of the profits to be distributed as dividend.
- 4) The liability of the members of a Co-operative Society is **Limited.**
- 5) Transfer of shares are possible in **Joint stock company,** and not possible in **Co-operative societies.**
- 6) Management of a Co-operative Society is fully **Democratic** .
- 7) Service is the main objective of **Co-operative societies** .
- 8) Agriculture credit societies are classified into a). Rural credit society
 b). **Primary credit societies** .
- 9) An industrial co-operative is organized by **Small scale producers**
- 10) Super market refers to large scale **Retailing.**
- 11) The objective of co-operative organisation is that the **service** primary.

II. Fill in the blanks

- 1) The primary aim of state enterprises is **Public welfare.**
- 2) When the Government takes over an existing private concern it is called **Nationalisation.**
- 3) The most suitable form of organization for manufacturing defence goods is **Departmental organization.**

ALL THE BEST