Forms of Business Organisation

Standard difficulty · 20 questions · 40 marks · Time: 37 minutes

Name: _____ Date: _____ Score: ____ / 40

Show your working for Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. In a sole proprietorship, the liability of the owner is:

(a) limited by guarantee **(b)** shared with the government
(c) limited to capital **(d)** unlimited

2. What is meant by “cooperative society”?

(a) a voluntary association of persons formed to protect their common interests
(b) the eldest member who manages a Joint Hindu Family business
(c) the written agreement setting out the terms of a partnership
(d) a company continues regardless of changes in its members

3. Two chartered accountants join to run a firm and share profits equally. Which form of business organisation is this?

(a) private company **(b)** one person company
(c) sole proprietorship **(d)** partnership

4. A famous person lends his name to the firm without investing or managing. What kind of partner is this?

(a) nominal partner **(b)** partner by estoppel
(c) secret partner **(d)** active partner

5. Which form of business organisation has this feature: at least 10 adult members and registration with the registrar of societies?

(a) Joint Hindu Family business **(b)** joint stock company
(c) cooperative society **(d)** partnership

6. Small farmers join to pool their output and sell it at a good price. Which kind of cooperative society is this?

(a) farmer’s cooperative **(b)** credit cooperative
(c) marketing cooperative **(d)** producer’s cooperative

7. Zoya is the sole proprietor of a shop. The shop owes ₹310,000 to creditors, but its assets are worth only ₹160,000. How much must Zoya pay from personal property?

(a) ₹470,000 **(b)** ₹310,000 **(c)** ₹160,000 **(d)** ₹150,000

8. Sana holds 8,104 shares of ₹10 each in a public company, on which ₹6 per share has been paid. If the company is wound up with debts, what is the most she may have to pay?

(a) ₹32,416 **(b)** ₹81,040 **(c)** ₹48,624 **(d)** ₹4

Section B — Short answer — 8 × 2 = 16 marks

9. What is meant by a sole proprietorship?

10. Explain each term: (a) limited liability (b) partnership deed

11. Name the kind of partner in each case. (a) Kiran, by her own conduct, makes customers believe she is a partner, though she is not. (b) Nikhil is declared a partner by the firm and does not deny it, though he is not one.

12. Name the kind of cooperative society. (a) Families join to buy household goods in bulk and sell them to members at fair prices. (b) Members join to give each other loans at low interest.

13. Name the kind of partnership. (a) Four partners agree to run a shop with no end date fixed. (b) A partner who only invests money is liable only up to his capital, while one other partner has unlimited liability.

14. Distinguish between a private company and a public company on the basis of (a) maximum members (b) minimum members.

15. Varun and Sana are partners sharing profits in the ratio 5 : 2. The firm earns a profit of ₹77,000. Find each partner’s share.

16. A partnership firm has 43 partners and wants to admit 9 more. Can it do so? Give the rule.

Section C — Word problems — 4 × 4 = 16 marks

17. Explain the merits and limitations of a sole proprietorship.

18. Match each with its meaning: (a) Joint Hindu Family business (b) partnership deed (c) cooperative society. Choose from: a business owned by members of a family under Hindu law; the written agreement setting out the terms of a partnership; a voluntary association of persons formed to protect their common interests.

19. Read the case. (a) A company with 40 members restricts the transfer of its shares and cannot invite the public. (b) A single person forms a company with limited liability. (c) A business has 5,000 shareholders and invites the public to buy its shares. Identify the form of business organisation in each part and explain it briefly.

20. Navrang Paints is run as a sole proprietorship. It closes down owing ₹240,000; its assets fetch ₹70,000. (a) How much is still owed to creditors? (b) Who must pay it, and from what? (c) How would the answer change if the business were a private limited company?

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Answer key

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Q	Answer	Working
1	**(d) unlimited**	—
2	**(a) a voluntary association of persons formed to protect their common interests**	—
3	**(d) partnership**	—
4	**(a) nominal partner**	—
5	**(c) cooperative society**	—
6	**(c) marketing cooperative**	—
7	**(d) ₹150,000**	310,000 − 160,000
8	**(a) ₹32,416**	8,104 × (10 − 6)
9	**A business owned, managed and controlled by one person, who receives all the profit and bears all the risk.**	—
10	**(a) loss is restricted to the capital invested (b) the written agreement setting out the terms of a partnership**	—
11	**(a) partner by estoppel (b) partner by holding out**	—
12	**(a) consumer's cooperative (b) credit cooperative**	—
13	**(a) partnership at will (b) limited partnership**	—
14	**(a) private: 200; public: no limit (b) private: 2; public: 7**	—
15	**Varun ₹55,000; Sana ₹22,000**	77,000 × 5/7; 77,000 × 2/7
16	**No: it would have 52 partners, and the present rules allow at most 50.**	43 + 9 = 52
17	**Merits: quick decisions, secrecy, direct incentive, sense of accomplishment, ease of formation and closure. Limitations: limited resources, limited life, unlimited liability, limited managerial ability.**	—
18	**(a) a business owned by members of a family under Hindu law (b) the written agreement setting out the terms of a partnership (c) a voluntary association**	—

Q	Answer	Working
	of persons formed to protect their common interests	
19	**(a) private company: 2 to 200 members, restricts transfer of shares, cannot invite the public (b) one person company: a company with a single member and limited liability (c) public company: at least 7 members, can invite the public, shares freely transferable**	—
20	**(a) ₹170,000 (b) the proprietor, from personal property, since liability is unlimited (c) members lose only the unpaid amount on their shares; personal property is safe**	240,000 − 70,000

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