CHAPTER 2: JOINT STOCK COMPANY.

Q.1 A Select the correct answer from the option given below and rewrite the sentences:

1) A sole proprietorship has .... owner/owners.
a) One b) two c) five.

2) The head of Joint Hindu Family Business is called as ....
a) Proprietor b) Director **c) Karta.**

3) Indian Partnership Act was passed in the year ....
a) 1923 **b) 1932** c) 1956.

4) The members of Hindu Undivided Family Business are called
a) Karta b) Partners **c) co-parceners.**

5) The liability of shareholders in the public limited joint stock company is
a) Limited b) Unlimited c) Collective

6) The minimum number of members required for a co-operative society is ....
a) 10 b) 20 c) 50 .
7) The................. Is / are elected representative of shareholders who manage affairs of company.
a) Secretary **b) Directors** c) Auditors.
8) State Bank of India is the example of .... Company.
a) Chartered **b) Statutory** c) Foreign.

B.1Match the pair:

Sr. no	Group 1	Answer
1	Sole Trading concern	**Single ownership**
2	Joint Hindu Family Business	**Natural person**
3	Partnership Act	**1932**
4	Joint Stock Company	**Artificial persons**
5	Co-operative Society	**Equal voting rights**

B.2 Match the pair:

Sr. no	Group A	Answer
1	Private company	**Maximum 200 member**
2	Public company	**Maximum 7 member**
3	Government company	**51% share capital held by government**
4	Statutory company	**Life insurance corporation**
5	Limited liability partnership	**Maximum 2 Partners**

C. Write a word or a term or a phrase which can substitute each of the following statements.

1) The owner who is the sole manager and decision maker of his business.
Ans : sole Trader.
2) The senior most family member of Joint Hindu Family Business.
Ans: Karta.
3) The members of Joint Hindu Family Business.
Ans: co-parceners
4) An artificial person created by law.
Ans: Joint stock company .
5) The persons who have entered into an agreement of partnership.
Ans: Partners.
6) A person who purchases shares of Joint Stock Company.
Ans: Shareholder.

7) The official signature of Joint Stock Company.
Ans: Common seal.
8) Name a company that is created by a special legislation of parliament or state assembly.
Ans: Statutory company.

D) State whether the following statements are true or false:

1) A joint stock company is voluntary association of persons.
Ans: True
2) A joint stock company is a formal form of business organization.
Ans: True
3) Registration of Joint Stock Company is compulsory.
Ans: True
4) A Joint Stock Company is a natural person.
Ans: False
5) A Joint Stock Company does not enjoy independent legal status.

Ans: False
6) The liability of shareholder of public limited company is limited.
Ans: True

7) A joint stock company has long and stable life.
Ans: True
8) There is no separation of ownership and management in Joint Stock Company.
Ans: False
9) The Board of Directors manage the Company.
Ans: True

E) Complete the sentences:
1) A company is a creation of law, hence it is called as
Ans: Artificial person.
2) A company which is incorporated under a special Act is called as
Ans: statutory company.
3) A Company which has only one member is called as
Ans: One person.
4) A listed company must follow the provisions of Companies Act and
Ans: SEBI Guidelines.

F) Select the correct option from the bracket.

SR no	Group A	Answer
1	Private Company	**Maximum 200 members**
2	Public company	**Maximum 7 member**
3	**Unlimited liability company**	Member have unlimited liability
4	Incorporated outside India	**Foreign company**

G) Answer in one sentences:
(1) How many members can be there in a one person company?
Ans:-One person company has only one person as a member.
(2) What is a Holding Company?
Ans:-A company which holds more than one half of the total share capital of another company or has powers to appoint or remove all or a majority of directors of another company is called Holding Company.

(3) What is meant by Foreign Company?
Ans:- A company which is incorporated outside India, but having a place of business in India is called Foreign Company, e.g. Nestle India Limited, etc.

H) Correct the underlined word and rewrite the following sentences:
(1) Statutory companies are registered under <u>the Companies Act</u>.
Ans: Statutory companies are registered under <u>a special act passed by the central or state legislative.</u>
(2) <u>A Subsidiary Company</u> holds more than half of the total share capital of another company.
Ans: <u>A Holding company holds </u>more than half of the total share capital of another company.
(3) A private company must have minimum <u>7</u> members.
Ans: A private company must have minimum 2 member.
(4) <u>A Public company</u> can have maximum 200 members.
Ans: <u>A private company</u> can have maximum 200 members.

Q.2 Explain the following terms and concept:
(1) Dormant Company.
Ans. (1) A company which is registered for a future project, but not yet made any significant accounting transactions in the last two years and also not yet filed financial statements or annual returns in last two years, after making application under Section 455, is called dormant company. (2) Dormant company may develop and function properly in the near future.

(2) Holding Company.
Ans. (1) A company which controls the management of another company, is called the 'Holding Company'. The company which is controlled by another company is termed as a 'Subsidiary Company'. (2) A holding company holds more than 50% of the total share capital of subsidiary company and has powers to appoint or remove all or majority of directors of the subsidiary company.

(3) Foreign Company.
Ans. 1) A foreign company means a company incorporated (registered) outside India but having a place of business in India, e.g. Bata India Limited. Nestle India Limited, Whirlpool Corporation, etc. 2) Within 30 days of the establishment of the business in India, a foreign company has to furnish to the Registrar the different documents such as

charter, statute, Memorandum and Articles of Association of the company, the full address of the Registered office, list of directors, etc.

(4) Company Limited by Guarantee.

Ans. 1) A company limited by guarantee is the one in which the liability of members is limited to the amount of guarantee given by them. This type of company may or may not have a share capital. 2) Each member of the company promises to pay a fixed amount of money specified in the Memorandum of Association in the event of dissolution of the company for the payment of the liabilities and debts of the company. 3) Usually profit making is not the aim of such companies. They are usually formed to promote activities in art, literature, sports, education, religion or other such non-trading activities.

5) Associate Company.

Ans. 1) Term associate means an institution or a company having subordinate position in or admitted to only partial membership of another institution or a company. 2) Accordingly an associate company is one over which another company exercises a significant (means at least 20% of total capital or decision making power) degree of control but the degree of control so applied is less than the degree of control exercised over subsidiary company. 3) Associate company in relation to another company means a company over which that another company has a significant control or influence but the company over which such significant control applied is not a subsidiary company.

(6) Limited Liability.

Ans. 1) The term 'liability' means the state of being responsible for something, especially by law. The liability of a shareholder of a joint stock company is limited to the extent of the face value of the shares held by him. It is limited up to the unpaid part of the face value of shares held by him; Shareholder is liable to pay only the unpaid amount on his shares. If the share amount is fully paid, then there is no further liability on the part of the shareholder. 2) The company undertakes greater risks because the liability of the members is limited. In the event of liquidation of the company, the personal property of the shareholders cannot be attached by the creditors of the company in settlement of their debts. In such a case, the shareholders at the most may lose their investments in the shares of the company.

(7) Perpetual Succession.

Ans. 1) The term 'perpetual' means eternal or everlasting. A joint stock company has perpetual succession i.e. continuous existence. 2) A company is an artificial (legal) person created by the process of law and dissolved only by the process of law. It enjoys a very long and stable life unless it is wound up through legal process. 3) Company's existence and continuation are not affected by death, retirement, insolvency or insanity of its member or members. The company continues to exist in spite of the changes in its membership. Members may come and go but the company can go on forever.

(8) Listed Company.

Ans. 1) A listed company is a company which has issued any of its securities listed on any recognised stock exchange. Security refers to a document issued by a company or a government called 'the issuer' and acknowledging that issuer has received money or some other valuable consideration. Security includes shares, debentures, bonds, etc. 2) A public limited company may be listed company or unlisted company. The listed companies are required to follow certain provisions of the Companies Act and guidelines issued by the Securities and Exchange Board of India (SE81).

(9) One Person Company.

Ans. 1) A company, in which one person holds almost the whole of its share capital and has other members just to meet the legal requirement of minimum number of members, is known as one person company. It is a private company. 2) It has to comply with all the formalities of private company that are specified in the Act or rules. The concept of One-person Company was introduced through the Companies Act, 2013. 3) It is managed, operated and controlled by a Single member called promoter. The liability of its member is limited to the extent of his capital investment in the company. It is superior than Sole Trading Concern of business organisation.

10) Government company.

Ans: As mentioned in Section 2(45) of the Companies Act, 1956, any company in which not less than 51% of the paid up share capital is held by the Central Government or by any State Government or partly by the Central Government and partly by State Government is known as a government company. A subsidiary company of a government company is also called Government Company. It is registered under the Indian Companies Act. Bharat Heavy Electricals Ltd, (BHEL), Bharat Electronics Ltd. (BEL), Steel Authority of India Ltd, (SAIL), Oil and Natural Gas Corporation Limited (ONGC Ltd.). Etc. are some examples of government companies.

Q.3 Study the following case/situation and express your opinion.

1) Two promoters got 'Super Drinks Pvt. Ltd.' incorporated on 18th Jan, 2018. The company has 100 members as on 31St Mar, 2019.

a) What is the maximum number of members this company can have?

Ans: (a) Super Drinks Private Ltd. company is a private company. As per the new provisions made in the companies Act, 2013, the maximum number of members increased to 200. Hence this company can have maximum 200 members. Earlier maximum number of members allowed in Private Company was 50.

b) Can this company invite general public to subscribe for shares?

Ans: (b) Super Drinks Private Ltd. company is a private company. Hence this company cannot invite general public to subscribe for shares.

c) Can the shareholders of the company sell its shares to outsiders?
Ans: Super Drinks Private Limited Company cannot sell its shares to the members of the public. However, shares and debentures of a private company are generally allotted and sold to the family members, close relatives and friends. It does not invite the members of the public to subscribe to its shares and debentures. It collects its capital through private arrangements.
2) Kali VFX Ltd. was incorporated on ISI Jan, 2019 as a public limited company.

a) How many minimum number of members must be there in this company?
Ans: Kali VFX Ltd. is a public limited
company. In this company minimum 7 members must be there.

b) Can the members of this company sell its shares to outsiders?
Ans: The members of this company can sell their shares to outsiders. This is because in case of public limited company shares are freely transferable and usually quoted on a Stock Exchange
c) How many maximum number of members can this company have?
Ans: Kali VFX Ltd. is a public limited company. In a public limited company, there is no limit on the maximum number of members
3) Sunset Printers .Ltd. was incorporated don 5 Dec,201S as per the provisions of Companies Act 2013. Mr. Manoj was the only subscriber to the Memorandum and Articles of Association and he was also the only member of the company.

a) Is this company a One Person company?
Ans: The concept of 'One Person Company was introduced the companies Act, 2013. Since Sunset Printers Pvt. Ltd. was incorporated on 5th December, 2015 as per the provisions of Companies Act, 2013, it is a one person company.
b) Will the liability of Mr. Manoj be limited or unlimited?
Ans: The liability of Mr. Manoj Who is member and promoter of the One Person Company has limited liability.
c) Will the company close down on the death, insanity or insolvency of Mr. Manoj?
Ans: One Person Company (OPC) Will not close down on the death, insanity or insolvency 0 Mr. Manoj. As per the provisions of Companies Act, 2013, Mr. Manoj must have appointed his son or daughter or any other close relative as nominee with 15 days of his appointment or incorporation of OPC. Such nominee in the event of death, insolvency or insanity of Mr. Manoj will become member of Sunset Printers Pvt. Ltd. and will be entitled to all shares, other rights and bear all liabilities.

4) On 1st Jan, 2018 Mr. John bought 100 shares of TIPS Paints Ltd. The face value of each share was Rs. 10. Mr. John paid the full amount of Rs. 1000. In Dee, 2018 the

company suffered a loss of Rs. 10 cores.

a) Can the company ask Mr. John to pay any further money to the company?
Ans. Mr. John is a shareholder (member) in TIPS Paints Ltd. His liability is limited up to the unpaid part of face value of shares held by him. Since he has paid the full amount on the shares he has purchased. The company cannot ask Mr. John to pay any further money to the company as the shares are fully paid-up, there is no further liability on the part of the shareholder.

b) Which feature of Joint stock company is referred to in this example?
Ans: The feature of limited liability of the members or shareholders is referred in the above case.

c) Explain the feature briefly.
Ans. (1) The term liability means the state of being responsible for something, especially by law. The liability of a shareholder of a joint stock company is limited to the extent of the face value of the shares held by him. It is limited up to the unpaid part of the face value of shares held by him, shareholder is liable to pay only the unpaid amount on his shares. If the share amount is fully paid, then there is no further liability on the part of the shareholder. (2) The company undertakes greater risks because the liability of the members is limited. In the event of liquidation of the company, the personal property of the shareholders cannot be attached by the creditors of the company in settlement of their debts. In such a case the shareholders at the most may lose their investments in the shares of the company.

Q 4. Distinguish between the following:

1) Sole Trading Concern And Joint Hindu Family Business:
Ans:

Sole trading concern	**Joint Hindu family business**
A business which is owned, managed and controlled by one individual called sole trader for earning profit is called sole trading concern.	The ancestral business which is continued and conducted by the members of a Hindu Undivided Family under the direction of the senior most member for earning profit is called Joint Hindu Family firm.
Since, sole trading concern is owned and managed by a single person, there cannot be more than one member.	The minimum or maximum number of coparceners is not regulated by Hindu law. It changes With the number of births and deaths in the family.

The business assets (properties) are entirely owned by the sole proprietor himself.	All the members of the Hindu Undivided Family are the joint owners of the ancestral business property.
The liability of a sole trader is unlimited. It means if the assets of the business are insufficient to pay its liability then the property of the sole trader will be attached and sold to pay business debts.	The liability of each coparcener is limited to the extent of his share in the Co parceners. However, the liability of the Karta is unlimited.
The financial resources of the sole trader are very limited in comparison to the Joint Hindu Family Firm.	The financial resources of a Joint Hindu Family Firm are relatively more than that of sole trading concern.
The sole trading concern lacks stability because the survival and continuity of business are affected by death, lunacy (madness) or insolvency of a sole trader.	The Joint Hindu Family Firm is comparatively more stable because in the case of death of the Karta, the family business is taken over and continued by the next senior most family member.

2) Sole Trading Concern And Partnership Firms:
Ans:

Sole trading concern	**Partnership firms:**
A sole trading concern is a form of business organisation Which is owned, managed and controlled by one individual called 'sole trader.	A partnership firm is a form of business organisation owned and managed by two or more persons.
Sole trading concern can be formed at any time. Its formation is easy and quick.	Partnership firm can be formed by an agreement between 2 or more competent persons. It's formation is comparatively difficult.
A sole trading concern is owned, managed and controlled by a single person, i.e. the proprietor, himself.	Partnership firm is owned by partners jointly. The minimum number of members required is 2, while the maximum number is 50 for general business.
Registration is not necessary.	Partnership firm can be registered under the Indian Partnership Act, 1932. However, registration is compulsory in Maharashtra.
In sole trading concern, maximum business secrecy can be maintained.	The business secret is known to and shared by all the partners.

In sole trading concern, only one person, i.e. sole trader contributes his own skills.	In a partnership firm, diverse talents, skills and business contacts of all partners are pooled together. Therefore, benefits of principle of division of labor and expertise can be well obtained.

3) Partnership firm and Joint Stock Company:
Ans:

Ans:

Partnership firm	**Joint stock company**
A partnership firm is a form of business organisation 1 owned and managed by two or more persons i.e. partners for earning profit. .	A joint stock company is an incorporated voluntary association of individuals for profit, created by law, owned by the shareholders but managed by their few representatives, i.e. Directors.
The minimum number of members is 2, While the maximum number of members is 10 in the case of banking business and 50 in the case of any other business.	In the case of a private company the minimum number of members is 2 and the maximum number of members is 200. In the case of Public Company the minimum number of members is 7 and the maximum number is unlimited.
The formation of a partnership firm is easy and simple. Minimum legal formalities are involved. Only an agreement is necessary. Even	The formation of a joint stock company is rather difficult and complicated. Numerous legal formalities are involved. Registration is compulsory, costly,

registration is not compulsory. However, it is compulsory in the state of Maharashtra.	complicated and time consuming.
The liability of all the partners except minor partner is unlimited, joint as well as several.	The liability of the shareholders is limited to the extent of the unpaid amount, if any, on the shares held by them.
The Partnership firm is regulated and governed by the provisions of the Indian Partnership Act, 1932 and also by the companies Act 2013.	A joint stock company is regulated and governed by the provisions of the Indian Companies Act, 1956.
The partnership firm has no separate legal status distinct from its members (Partners).	A joint stock company has separate legal status distinct from its members (Shareholders).

4) Joint Stock Company and Co-Operative Society.
Ans:

Joint stock company	**Co-operative society**
An organisation which is managed and controlled by an incorporated voluntary association of many persons to conduct business to make profit and distribute it among its members is called a Joint Stock Company.	An organisation which is managed by an incorporated voluntary association of many persons, usually of limited means to conduct business to achieve common economic objectives is called a co-operative organisation.
Company is regulated	Co-operative society is regulated and

and controlled by the provisions of the Indian Companies Act. 1956	controlled by the provisions of the Co-operative Societies Act, 1912.
The main motive of company is to make prom and providing services is its secondary motive.	The main motive of a co-operative organisation is to render service and profit-making can be its secondary objective.
Shares are freely transferable in a public company. They are also listed on stock exchanges.	Shares are not transferable, but can be surrendered {to a co-operative organization for encashment.
Minimum 2 members and maximum 200 members for a private limited company. In case of public company the minimum number of members is 7 and the maximum number is unlimited.	The minimum number of members to form a cooperative society is 10. There is no limit on the maximum number of members.
Every share has one vote. The principle of 'One share, One-vote' is followed.	Every member has one vote irrespective of number of shares held by him. The principle of 'One member, One-vote' is followed.

5) Private Company and Public Company.
Ans:

Private company	**Public company**
A private company is the one which restricts the rights of its members to transfer shares, limits the maximum number of members to 50 and prohibits an invitation to public to subscribe to its shares and debentures.	A public company is the one which does not restrict the right of its members to transfer shares, does not limit its membership to 50 and can invite the public to subscribe to its shares and debentures.
A private company must have at least 2 directors.	A public company must have a minimum 3 directors.
In a private company, transferability of shares is restricted by its articles.	In case of public company, shares are freely transferable and usually quoted on a

	Stock Exchange.
The minimum number of members is 2 While the maximum number of members is 200 in a private company.	The minimum number of members is 7 while there is no limit to the maximum number of members in a public company.
A private company is required to add the word 'Private Limited' after its name.	A public company is required to add the word 'Limited' after its name.
A private company is required to raise minimum amount of paid up share capital of 1 lakh.	A public company is required to raise minimum amount of paid up share capital of 5 lakh.

Q.5 Answer in brief:

1) How is LLP different from a partnership firm?

Ans: The difference between limited liability partnership (LLP) and partnership firm.

(1) A Limited Liability Partnership is governed by the Limited Liability Partnership Act, 2008, whereas Partnership Firm is governed by the Partnership Act 1932.

(2) In LLP all partners have limited liability. It means that personal property of the partners cannot be attached or used for paying off the debts and liabilities of the LLB However, in Partnership firm the liability of partners is unlimited and it is joint and several. It means in the case of insolvency. Of the firm personal property of the partners are attached and used to pay off the debts of the firm

(3) In LLP minimum number of partners is 2 and there is no limit on the maximum number of partners. While in Partnership firm minimum number of partners is 2 and the case of general business, maximum number of partner is 50.

(4) LLP has separate legal status distinct from its members, i.e. a body corporate. Whereas the partnership firm has no separate legal status distinct from its members. There is no distinction between partners and their firm.

(2) Explain the different types of companies on the basis of liabilities of members.

Ans. The different types of companies on the basis of liabilities of members:

(1) Company limited by Shares : A company in which the liability of each member is limited or restricted to the extent of unpaid part of the face value of shares purchased by him is called company limited by shares. The company during its existence or in the event of insolvency or Winding up can ask its member to pay the remaining unpaid amount due on the shares held by them. In this company, liability of the directors may be unlimited. A company limited by shares may be public company or private company. Most of the companies in India are companies limited by shares.

(2) Company limited by Guarantee: A company in which its members give guarantee to pay fixed or specified sum of money in the event of its liquidation is called company

limited by guarantee. Profit-making is not the aim of such companies. They are usually formed to promote activities in art, science, culture, literature, sports, education. Religion or charity etc.
(3) Unlimited Liability Company: A company in which liability of members is unlimited as like partners in the partnership firm, is called company with unlimited liability In the event of insolvency of the company, creditors may recover their dues from the private property of the members/partners. This company may or may not have share capital. However, this type of company does not exist in India.

(3) What are Holding and Subsidiary Company?
Ans. A company exercising the control over another company is called a holding company. The company so controlled is called a subsidiary company. The holding company holds and controls more than 50% of the total share capital of subsidiary company. The holding company has powers to appoint or remove all or majority of the directors of the subsidiary company.

Q.6 Justify the following statements:
1) Registration of Joint Stock Company is compulsory.
Ans. (1) A joint stock company is defined as an incorporated association. It means it is an association registered under the Companies Act or a special Act of Parliament. In fact, a company comes into existence only when it gets the Certificate of Incorporation from the Registrar of Companies.
(2) In other words, registration is similar to the birth of a company. On getting the Certificate of Incorporation, the company gets an independent legal existence i.e., it becomes a corporate body. An unregistered organisation or association has no corporate existence and hence it cannot be called a ‘company’. Hence, registration of Joint Stock Company is compulsory.

(2) A Joint Stock Company is an artificial person.
Ans. (1) A joint stock company is created by law, i.e. Companies Act, 1956 or a special Act of Parliament. It has its own independent legal personality. It is therefore called a corporate body or artificial or legal person. Unlike natural living person it does not have life, body, soul and mind. It exists only in the eyes of law. Although a joint stock company is owned by its members, its existence is distinct from its members. A company on its own can enter into contracts, purchase, sell and mortgage the property, raise loans, issue official receipts and appoint persons as employees. It can perform all the acts through its directors.
(2) Even a member of a company, i.e. a part owner can enter into contract with the

company. A company can sue or file a suit against third party. Similarly it can be sued by third party in the court of law. Though a company can enter into contracts, it cannot sign by itself. For this purpose the Common Seal of the company serves as its signature. But it is to be attested by two directors and the secretary, if necessary. Thus, though a company is not a natural person it performs all the acts of a natural person for the sake of business and therefore it is called an artificial person.

(3) The liability of shareholder of company is limited.
Ans. (1) A joint stock company is a registered association. It is registered under the Companies Act, 1956. The effect of such a registration (incorporation) is that the company becomes a distinct body independent of the members (shareholders) i.e. the owners who have formed it. The company is an independent legal entity distinct from its members. It is called a corporate body or legal person. In other words, the company and its members are not the' same.
(2) Therefore, the liabilities of the company cannot become the liabilities of the shareholders. The company cannot bind the shareholders by its acts. Similarly, the members of the company cannot bind the company by their own acts. The debts of the company are repayable from out of the assets of the company. The creditors have no right to recover their dues from the shareholders. Thus, the liability of the shareholders is limited to the extent of the unpaid amount on the shares. In case of fully paid-up shares, there is no liability on the part of shareholders.

(4) The ownership and management are separated in Joint Stock Company.
Ans. (1) Although the shareholders are the joint owners of the joint stock company, its management remains in the hands of a few elected representatives of the shareholders known as the directors. The directors form themselves into a Board. Soon after the incorporation, the company is separated from its shareholders and receives an independent statutory status. All the affairs of the joint stock company are managed by the Board of Directors.
(2) The shareholders are large in number and they are scattered over a wide area. They are only interested in earning the returns on their holdings.
Thus, the shareholders have no direct contr01 over the affairs of the company. The Board of Directors formulates plans, strategies and policies With respect to business activities. Thus, in a joint stock company, the ownership is separated from the management.

5) The Joint Stock Company collects a huge capital from public.
Ans. (I) A joint stock company can raise a large amount of funds through different sources like (I) the issue of shares and debentures, (ii) accepting public deposits, etc. A company has a large number of shareholders spread over a very wide area. In case of a

public company, there is no maximum limit for the number of shareholders. Hence, it can raise huge capital from large number of shareholders. Smaller denomination of shares, limited liability, easy liquidity and transferability, etc. enable even a common man to invest in the shares of a company. Thus, a company can raise huge funds through mobilisation of scattered savings of the people.
(2) As there are different types of shares, the company can make appeal to different kinds of investors to collect a huge amount of funds in the form of share capital. In addition, it can raise borrowed capital by issuing debentures of different types and accepting deposits from the public. AS company enjoys better creditworthiness in the money market, it can raise borrowed capital by taking short term, medium term and long term loans from the banks and other financial institutions.

6) There is more Government control and supervision over the working of Joint Stock Company.
Ans. As per the provisions of the Companies Act 1956, the registration is compulsory for every joint stock company. For registration various legal documents and statements are required to be submitted to the Registrar of the Companies which is one of the government bodies. The Government keeps strict control on the Joint Stock Company to protect small investors as they are unable to Protect their financial Interest. Every company is required to follow the provisions of the Companies Act 1956. Thus, there is excessive statutory control right from the stage of its incorporation up to the stage of its winding up.
(2) A company has to prepare its Profit and Loss Account, various financial statements and Balance Sheet and get them audited from company's auditors. The audited annual accounts, annual returns, financial statements and reports are required to be filed with the registrar. They are also required to be published. A company has to prepare and maintain certain statutory books and proper books of accounts. The non-compliance of any of those rules or provisions results in penalties of higher amount.

Q.7 Answer the following questions :

1) State the features of Sole Trading Concern.
Ans. A Sole Trading Concern is one of the oldest forms of business organization. It is maintained, owned, controlled only by one person and so it is also called as "One Man Business." The person who conducts such business is known as "Sole Trader".
The features of sole trading are explained as follows:
(1) Minimum Government regulations: A sole proprietor is free from complicated government rules and regulations. There is no Special law to register and control the working of sole proprietorships. There are no complicated legal formalities to be followed for setting up a concern or for closing down the business. However, it has to observe

general law and taxation law of the country.
(2) Single ownership: The entire business of a sole trading concern is owned by one person, viz. the proprietor. He may appoint the manager, accountant, superintendent, etc. but they cannot share profit or loss and the ownership of his business.
(3) One-man's capital: The capital required for the business is entirely raised by the sole proprietor himself. It may consist of his own personal savings or borrowings from his friends, relatives or financial institutions.
(4) No sharing of profits and risks: A sole trader being the single owner of his business does not have to share the profits or losses with anybody else. In the case of profit, it is fully enjoyed by the sole trader and in the case of loss; it is fully borne by the sole trader himself.
(5) Decisions: The sole trader can take any decision he likes and he can also take any action as per his desire. He is the ultimate and final decision-making authority having full control over his business.
(6) Secrecy: A sole trader is not required to publish annual accounts. Similarly, he takes decisions individually and independently. Thus complete business secrecy is maintained in this form of organisation.
(7) Unlimited liability: As the sole trader and his business are one and the same. The liabilities of his business become his liabilities. It means that if the assets of his business are not enough to pay off the business liabilities, the sole trader will have to pay the same out of his other personal and private property. In other words, the liability of a sole trader is unlimited.
(8) Legal status: A sole trading concern has no separate legal status distinct from its owner (sole trader). In other words, legally there is no distinction between the sole trader as an individual and his business. The sole trader and his business are one and the same in the eyes of the law. Because of this, the death of the sole trader brings an end to the organisation.

2) State the features of Joint Hindu Family Business.
Ans: The Joint Hindu Family Business or the Hindu Undivided Family (HUF) is a unique form of business organization found only in India. It is governed by the Hindu Law. It is governed by the Hindu Succession Act, 1956.
The features of the Joint Hindu Family Business are as under:
(1) Formation as per the Hindu Law: The Joint Hindu Family Business comes into existence by the operation of Hindu Law. The members of a Hindu Undivided Family are the joint owners of the family business by virtue of birth.
(2) Karta and Coparceners: The senior most member of the Hindu Undivided Family (HUF) becomes the head of the family business. He is called Karta. He has the sole right to conduct the business on behalf of other members of HUF. All other members of HUF

are the joint owners of the business. They are called Coparceners.
(3) Joint ownership: The property as well as business of a Hindu are jointly owned by all the members of HUF. Three successive generations jointly inherit the property and business by the virtue of their birth in the family. This property and business (also called ancestral property) remain under the custody of Karta.
(4) Membership : There is no restriction on the minimum and maximum number of membership in the Joint Hindu Family Firm. Every child (even a girl in the State of Maharashtra) born in the HUF becomes its member by virtue of birth. The number of members (coparceners) fluctuates or changes with the births and deaths in the family.
(5) Management: The joint Hindu family business is managed by the Karta. He is the only manager, controller and co-coordinator of the business. While conducting the business, the Karta can make contracts with third parties, draw bills of exchange, issue receipts, sell or mortgage property of HUF and purchase new property in the interests of coparceners.
(6) Profit-sharing: The Hindu law does not mention the ratio in which profits or losses of the business are to be divided among its members, including the Karta. The profit-sharing ratios vary according to the number of births and deaths in the family.
(7) Quick decision: The Karta being the single manager, decision-maker and controller of business, can take quick decisions on various matters relating to business and implements them immediately.
(8) Good relations: On account of the business conducted by the Joint Hindu Family in the local market with a few employees, it is possible for this organisation to establish and maintain personal and close contacts with their customers. This also helps to maintain good relations with the employees.

3) State the features of Partnership Firm.
Ans: A partnership firm is an organization which is formed with two or more persons to run a business with a view to earn profit. Each member of such group is known as partner and collectively known as partnership firm. These firms are governed by the Indian Partnership Act, 1932.
The features of a partnership firm are explained as follows :
(1) Agreement: A partnership is essentially an agreement between two or more persons to do some lawful business. The agreement may be written or oral.
(2) Sharing of profits: The agreement must refer to sharing of the profits among the partners in some agreed proportion. If the agreement is silent on this point, the profits are to be shared equally.
(3) Number of partners : According to Section 11 of the Companies Act, 1956, a partnership firm must have minimum 2 persons as partners and a maximum of 10

persons as partners for a banking business and 50 persons in the case of any other business.
(4) Joint ownership: The partnership firm is jointly owned by the partners. Therefore, the assets and the property must be used or utilized for conducting business of the partnership. Such property cannot be used by any single partner for his personal gain.
(5) Unlimited liability: The liability of all the partners except minor partners is unlimited, joint and several. If business property is not sufficient, then the creditors can claim and recover their dues from the private property of the partners. They can recover entire dues from one partner or in proportion from all the partners or some of the partners.
(6) Dissolution: Events such as the death, insolvency or insanity of any partner affect the continuity and stability of the partnership firm, unless specified otherwise. In the case of partnership at will, the partnership gets dissolved the moment any partner gives 14 days notice to that effect to other partners. A particular partnership or joint venture gets dissolved on completion of the specified period or objectives.
(7) Joint management: The management of partnership is collective. The business of a partnership may be managed by all of them or some of them or anyone of them on behalf of others. All the partners have equal right to manage the business. However, for convenience some of the partners may voluntarily surrender their managerial rights in favour of managing partners.
(8) Principal-agent relationship: Every partner acts as the principal as well as the agent of the firm in the matters relating to its business. To the outsiders, every partner is the principal and to the other partners, he is an agent. As an agent he can bind the firm as well as all other partners individually by his acts.

4) State the features of Co-operative Society.
Ans: A Co-operative society is a voluntary association of people who come together to meet their common economic, social and cultural objectives. The registration of co-operative society is compulsory in the State of Maharashtra under the Maharashtra State Co-Operative Societies Act, 1960.
The features of co-operative society are explained as follows:
(1) Voluntary association and open membership: A co-operative organisation is essentially a voluntary association of the individuals. The membership of a co-operative society is open to all those having common economic interests irrespective of their caste, creed, religion or economic status.
(2) Service motive: The main objective of a co-operative organisation is to provide service to its members and others and not to maximize profits. Mutual benefits, economy, elimination of middlemen, welfare, etc. are the other objectives of the co-operative organisation.
(3) Limited liability: As the co-operative society has separate legal entity, the members

are not personally liable to pay off the debts of the society. Therefore, the liability of the members is limited to the face value of the shares held by them.
(4) Democratic management: The management of a co-operative society is democratic. Each member has a right to express his Opinion. The principle of 'One-member, One vote' is followed by the management. The decisions in the General Body Meetings and in the
meetings of the Managing Committee are taken by the majority of the members present at the meeting.
(5) Independent existence: According to the provisions of the Co-operative Societies Act, 1912, a co-operative society has an independent legal existence distinct from its members. A co-operative society is, therefore, a corporate body. It enjoys a perpetual or long term existence.
(6) Registration and State (Government) control: As per the provisions of the Co-operative Societies Act of the respective state, registration is compulsory for a co-operative society, A cooperative organisation established in Maharashtra is required to be registered under Maharashtra State Co-operative Societies Act, 1960. The cooperative organisations function under the supervision of respective state governments.
(7) Surplus profit: After the distribution of the dividend and the payment of the bonus, a certain portion of the profit is transferred to statutory reserve. The left over profit is then utilised for welfare of the locality in which a cooperative organisation is situated.

5) State the features of Limited Liability Partnership.
Ans. Limited Liability Partnership is a combination of Partnership and Joint Stock Company. As it has limited Liability so the personal assets of the partners are not attached for paying off the debts of LLP. It is governed by the Limited Liability Partnership Act, 2008.
The features of Limited Liability Partnership (LLP) are stated as follows:
(1) Independent existence: The Limited Liability Partnership (LLP) is a independent legal entity. It has separate legal existence distinct from
its members. (i.e. partners). From the legal point of view it recognised as legal person.
(2) Number of Partners: The LLP must have minimum 2 partners to start with. There is no limit on its maximum membership.
(3) Capital contribution: There is no requirement (need) of minimum capital contribution.
(4) Formation: The LLP is easy to form and easy to operate and run. The cost of formation is also low.
(5) Limited Liability: The partners have limited liability. Limited liability implies in the event of insolvency of LLR its creditors cannot attach personal property of the partners in

settlement of their claims. At the most partners will lose their capital invested in the business.
(6) Mobility of members: Any person can join the LLP at any time. There is no restriction on joining the LLP as partner or member. The existing partner or member can leave the LLP at any time if it is not mentioned in the partnership agreement.
(7) No tax on share of profit: Since LLP is a legal entity, government impose tax on its profits. In order to avoid double taxation, the partners or members are not required to pay tax on the share of profit they receive from LLP.
(8) Statute governing LLP: All Limited Liability Partnerships are regulated, governed and controlled by the Limited Liability Partnership Act of 2008.

6) Define Joint Stock Company and explain its features.
Ans. [A] Definition: Prof. Haney defines Joint Stock Company in the following words, "A joint stock company is a voluntary association of individuals for profit having capital divided into transferable shares, the ownership of which is the conditions of membership." In simple terms, a joint stock company is a form of business organisation in which persons interested in doing some business with sole aim of earning profit form an association and get it incorporated (registered) under the Companies Act.
[B] Features: The features of a joint stock company are explained as follows:
(1) Artificial person: As soon as a company is incorporated, it is separated from its shareholders and it received independent statutory status. It is recognised as a person in the eyes of law though it has no physical existence. For this reason, it is called an artificial (legal) person. It has a separate name and it uses a common seal as a substitute for its signature.
(2) Voluntary association: A joint stock company is an association of many persons. Any person irrespective of caste, creed, colour, religion and economic status can become a member of the company by purchasing its shares. However, membership is not compulsory but voluntary.
(3) Perpetual succession: A company is an artificial person created by the process of law and dissolved only by the process of law. Its existence and continuation are not affected by death, retirement, Insolvency or insanity of its member or members. The company continues to exist in spite of the changes in its membership.
(4) Limited liability: The liability of a shareholder is limited to the extent of the face Value of the shares held by him. If the share amount is fully paid (i.e. face value), then there is no further liability on the part of the shareholder‘In the event of liquidation of the company, the personal property of the shareholders cannot be attached by the creditors in settlement of their debts.
[5] Common seal: The Companies Act provides that every company must have its own

seal, known as the ‘common seal’ and get it registered. Since company is an artificial person, cannot sign as a human being, the common seal is used as the signature of the company.
(6) Membership: In a private limited company, the minimum membership is 2 and the maximum membership is 200. In a public limited company, the minimum membership is 7 and there is no limit for the maximum number of members.
(7) Registration: As per the provisions of the Indian Companies Act, 1956, the registration is compulsory for every joint stock company. A company cannot be formed without registration.
(8) Transferability of shares: The ownership of share is the pre-condition on membership. In the case of a public limited company, the shares are freely transferable. Transferability of shares enables a shareholder to get back his capital easily by selling them in the Stock Exchange. However. The shares of the private limited company are non‘transferable.
(9) Separation of ownership from management: In the case of a joint stock company, the ownership of the joint stock company remains with the shareholders and the management is entrusted to the elected representatives of the shareholders known as the directors. The directors form themselves into Board of Directors which formulates plans, strategies and policies with respect to the business operations of the company.

7) Define a ‘Company’. Explain the types of companies on the basis of liability of members.
Ans. [A] Definition: Prof. Haney defines Joint Stock Company in the following words, “A joint stock company is a voluntary association of individuals for profit having capital divided into transferable shares, the ownership of which is the conditions of membership.” In simple terms, a joint stock company is a form of business organisation in which persons interested in doing some business with sole aim of earning profit form an association and get it incorporated (registered) under the Companies Act.
[B] Types of companies on the basic of liability.
(1) Company limited by Shares: A company in which the liability of each member is limited or restricted to the extent of unpaid part of the face value of shares purchased by him is called company limited by shares. The company during its existence or in the event of insolvency or Winding up can ask its member to pay the remaining unpaid amount due on the shares held by them. In this company, liability of the directors may be unlimited. A company limited by shares may be public company or private company. Most of the companies in India 'are companies limited by shares.
(2) Company limited by Guarantee: A company in which its members give guarantee to pay fixed or specified sum of money in the event of its liquidation is called company limited by guarantee. Profit-making is not the aim of such companies. They are usually

formed to promote activities in art, literature, sports, education. Religion or charity etc.
(3) Unlimited Liability Company: A company in which liability of members is unlimited as like partners in the partnership firm, is called company with unlimited liability In the event of insolvency of the company, creditors may recover their dues from the private property of the members/partners. This company may or may not have share capital. However, this type of company does not exist in India. I

(8) Explain any four types of companies.
Ans. The different type of companies are explained as follows:
(1) Statutory Company: It is a company formed by a special law or statute passed by the Central or State Legislature for a particular type of commercial activity. The objectives, privileges, etc. of the statutory company are laid down by the special Act. Examples are the Reserve Bank of India, the Life Insurance Corporation of India, etc. It cannot use the word 'limited' at the end of its name since all such companies are fully owned by the government.
(2) Registered Company : A company registered under the Companies Act, 2013 or under the previous Companies Acts is called a registered or an incorporated company. The formation, functioning and management of such companies are governed according to the provisions of the Companies Act, 2013. All the existing companies in India, except the statutory companies, are registered companies.
(3) Private Limited Company : A private limited company is the one which by its Articles of Association : (a) restricts the right of its members to transfer the shares; (b) limits the maximum number of members to 200 (excluding its past and present employees); and (c) prohibits an invitation to the public to subscribe to its shares or debentures.
At least two members are required to form such a company. A private company must use the word 'Private' in its name.
(4) Public Limited Company: According to the Indian Companies Act, a public company means a company which is not a private company. Hence, it can be said that a public company is the one which : (a) does not restrict the right of its members to transfer their shares freely, (b) does not limit its membership to 200, (c) can invite the public to subscribe to its shares and debentures.
A public company requires minimum seven members for incorporation. There is no restriction on the maximum number of members.
(5) Government Company : As mentioned in Section 617 of the Companies Act, 1956, any company in Which not less than 51% of the paid up share capital is held by the Central Government or by any State Government or partly by the Central Government and partly by State Government is known as a government company. A subsidiary company of a government company is also called as a government company. It is

registered under the, Indian Companies Act. Bharat Heavy Electricals Ltd, (BHEL), Bharat Electronics Ltd. (BEL), Steel Authority of India Ltd, (SAIL), Oil and Natural Gas Corporation Limited (ONGC Ltd.) etc; are some examples of government companies.