

What will you learn in this chapter**(I) Co-operative Society****6.1 Meaning**

6.1.1 Characteristics

6.1.2 Advantages

6.1.3 Limitations

(II) Joint Stock Company**6.2 Meaning and definition of company**

6.2.1 Characteristics

6.2.2 Advantages

6.2.3 Limitations

6.2.4 Types of company

(A) Statutory company.

(B) From the view point of number of members

(C) From the view point of control

(D) From the view point of place of registration.

6.2.5 Procedure of Formation of Company.

6.3 Difference between Partnership and Company.**6.4 Difference between Private Company and Public Company****6.5 Difference between Co-operative Society and Company.****Introduction :**

Sole proprietorship, Partnership and Company are three forms of business organisation from the point of view of their primary objective of profit. All these three forms can exploit the customers through various means to get profit e.g. providing low quality goods, charging high price, black marketing of goods etc. Though co-operative society is a form of business organisation, it differs from the other forms of business organisation due to its special characteristics. Put in to execution the slogan **No progress without co-operation**. It comes in to being with the objective of **Each for all and all for each**.

(I) Co-operative Society**6.1 Meaning**

Co-operative society is a voluntary form of business organisation. Where in persons with common interest get associated voluntarily. The individuals form a co-operative society to achieve their definite objective. The objective of a co-operative society is to promote the economic interest of the members through co-operation among the members. In simple words the definition of co-operative society is as follows : **Co-operative society is a form of business organisation in which individuals get associated for the upliftment of their economic interests on equal basis.**

6.1.1 Characteristics :

(1) **Voluntary Association** : It is a voluntary association of individuals. Individuals join in the Co-operative society on the basis of equity.

(2) **Easy Formation Process** : The formation process of a Co-operative society is easier than that of a company. Minimum ten persons join together and get it registered with the Registrar of Co-operative Society under Co-operative Society Act. With registration, the society gets a separate legal identity.

(3) **Equality of Members** : Members have equal right and equal opportunity in the co-operative society. There is no distinction among the members due to capital investment or for any other reason.

(4) **Separate Identity** : With the registration, the co-operative society gets a legal separate identity from its members. Entry or Exit of the member does not affect on its existence.

(5) **Democratic Management** : A Co-operative society is managed by the representatives, elected by the members. In company voting right is per share, but in the Co-operative society voting right is per member. Significance is not to capital but significance is given to man in Co-operative society. Any member can contest the election of executive committee, can participate in management. The management of the Co-operative society is really democratic as compared to a Company. Hence, **Co-operative society is called a training school of democracy.**

(6) **Main Motive of Service** : The main objective of co-operative society is to serve members. Profit is a secondary objective. Economic upliftment of the members is through service motive. Co-operative society attempts to raise the living standard of the members and make them self reliant E.g. the aim of a consumers' co-operative society is to provide the goods of proper quality at a fair price.

(7) **Fair Distribution of Profit** : Inspite of motto of service, if there is **excess of income**, the profit is distributed among the members of society subject to the provisions of law. Residual profit is utilized for the welfare of the members of society.

(8) **Low Price of Share** : Person with low income can purchase share and become the member of society, as the price of share of co-operative society is low. Sometimes, instalment facility is also provided to member instead of paying full amount at once.

(9) **Voting Right Per Member** : Each member is entitled to a single vote regardless of the number of shares held by him. Representatives are elected on the basis of the principle of one member one vote. Conference and training classes are planned to promote equality and brotherhood and to add knowledge among the members.

(10) **Separate Institution From Politics and Religion** : Membership of co-operative society is open to all irrespective of religion, caste and sex. A co-operative society cannot exist on the political or religion principle. Thus, Co-operative society is separate from politics and religion.

(11) **Unrestricted number of members** : There is no restriction on the numbers of members so that as many persons as possible can become members of society for their economic upliftment.

6.1.2 Advantages :

(1) **Easy Formation Process** : No lengthy legal formalities are required for the formation of co-operative society. Only ten persons come together voluntarily and can get it registered with the registrar of co-operative societies.

(2) **Perpetual Existence** : As soon as a co-operative society is registered, it gets a separate legal existence from its members. Death, insolvency or resignation of the members do not affect the existence of society. In this sense, society enjoys long life.

(3) **Open Membership** : The membership is open to all those who have common interest. Religion, cast, sex or economic condition do not become obstacles in getting membership.

(4) **Limited Liability of the Members** : The liability of the members of the society is limited to the shares purchased by them.

(5) **Government Assistance** : Financial assistance is provided by the government to society for the member-oriented and services oriented activities. This assistance is in the form of loan, grant and subsidy.

(6) **Democratic Management** : Each member of the society is entitled to give a single vote, per person. Decisions are taken by majority. Every member has a right to contest election, to cast vote, to participate in discussion and to elect representatives. The executive committee elected by the members manage the society in democratic manner.

(7) **Less Administrative Expenses** : The co-operative society is based on the principle of thrift. Honorary services of members is available in the management. Management is also economical and advertisement expense is not incurred.

(8) **Special Class of Customers** : Mostly the members are the customers. Members are specific and goods are sold only to them.

(9) **Strong Competitors Against Trading Institutions** : Sometimes trading institutions in lure of more profit, indulge in adulteration, cheating, black marketing etc. A co-operative society can stand as a strong competitor against trading institutions, because a co-operative society ensures economic upliftment, social and economic justice to the members and addition to this, it is free from unfair trade practices followed by trading institutions.

(10) Welfare Activities for the Society : Co-operative society conducts welfare activities for the society like arrangement of medical diagnosis camp at low fees or free of cost. providing and maintaining services of dispensaries, schools and gardens.

(11) Training School for Democracy : Democracy predominates in the management of the society. The significance is given to human beings rather than capital. Democracy remains alive as the significance of the members is maintained. Thus co-operative society is the training school for providing education of the ideal principles of democratic management.

(12) Economic Upliftment and Growth of Members : Co-operative society gives important contribution towards the growth of its members. E.g. consumer's co-operative societies supply day to day quality consumable products at fair price, prevents economic exploitation of customers by middlemen. In the same way the co-operative societies of producers supply raw materials, equipments, tools etc. at fair prices to members. Small producers can produce easily and can realise economic growth. Co-operative societies have achieved much progress in the fields like sugar, milk, leather and raw cotton.

6 1 3 Limitations :

(1) Limitation of Capital : It is difficult to raise large amount of capital. Limitation of capital because of low price of share, members belonging to poor class and less attraction to purchase share due to is voting right per member.

(2) Lack of Efficient Management : The Directors of society who are the representatives of the members provide honorary services. They may not take personal interest in the management and administration of society due to honorary service, Inefficiency may enter in the management of the society due to lack of specialised knowledge, business experience and time. Mismanagement takes place due to groupism and personal interest.

(3) Political Interference : Various political parties directly or indirectly attempt to get control over the society. If the society functions under political influences, business freedom is jeopardised. As a result democratic value are jeopardised.

(4) Non Co-operation Among the Members : Non co-operation enters in the co-operative institution, when there is doubt, discord, conflict, groupism, selfishness among the members. As a result, even though co-operative society is an organisation of the individuals with common interest, it cannot get the benefits of co-operation.

(II) Joint Stock Company

Large scale production in anticipation of demand started after industrial revolution. The risk increases along with increased needs of large scale capital. In these circumstances, naturally sole-proprietorship and partnership firm are not suitable as forms of business organisation. Unlimited liability, limitation of capital, short life etc. are the main limitations of sole-proprietorship and partnership. As a solution to the problems of large need of capital for large scale activities along with the security of capital, distribution of liability and risk, efficient management, new form of business organisation emerged in form of Joint stock company. We shall identify in short as a company. The trade and industry got rapid momentum due to development of company form. Hence the company is known as the engine of economic growth. companies Act. 1956 was in force for the regulation on companies in India. Now Companies Act 2013 is introduced from 01-04-2014

6 2 Meaning and Definition of Company

Company is an artificial person coming into existence by law, with common goals. Company is an artificial, invisible and intangible person in the eyes of law. As per the Companies Act 2013, **“Company means company registered under this act or under any former act.** (This definition makes it clear that a company is a creation of law.)

6 2 1 Characteristics

(1) Legal Personality : Company gets a separate legal personality with its registration. Company can sue in its own name, can enter into contract and can be sued against the company.

(2) **Perpetual Existence** : Company has a separate legal entity by law. It is not affected by the circumstances like death, insolvency of the members. A company can be brought to an end only through liquidation procedure.

(3) **Division of Capital in Small Fraction** : The Capital of company is divided into small parts. Each part is called share. A company can raise capital funds on large scale through the issue of shares. The purchaser of share is called shareholder of the company.

(4) **Easy Transfer of Share** : Shareholders can sell and purchase the share of a company subject to the provisions of the company and law. Transfer of share is an important characteristics of a company.

(5) **Common Seal** : The Seal is affixed on the contracts, share certificates, documents and the day to day transactions of the company to express the consent of the company.

(6) **Management** : As the company is an artificial person, the board of directors manage the company subject to the Memorandum of Association and Articles of Association. The shareholders elect their representatives among themselves who is called Director. As a group, directors are known as a Board of Directors, who manage the company. Thus ownership and management are separate.

(7) **Status of Member** : Neither a member can enter into contract on behalf of the company nor can a company be liable for the act of members, as the management and ownership are separate and also the company has separate legal entity. But a member can enter into contract with the company.

(8) **Number of Member** : Minimum number of members in private company is 2 and maximum numbers of member is 200. Minimum number of member is 7 while there is no restriction to the maximum number of members in a public company.

(9) **Liability of Members** : Liability of members may be limited or unlimited. Liability of the members is limited to the share held by them in case of company limited by share. Companies with unlimited liability are rarely seen in reality. Liability of the members is Limited or Unlimited is stated in the Memorandum of Association.

(10) **Fundamental Rights** : A company gets a separate legal entity by law, but company is not a citizen of the country. Hence, company has no fundamental right as enjoyed by the citizens.

(11) **Voting Right per Share** : Members of the company can cast vote on the basis of the number of share they hold. Easy transfer of share and voting per share are special characteristics of the company.

6.2.2 Advantages :

(1) **Huge Capital Fund** : A company divides its capital into small fractions. Attraction to purchase more number of share always remain, because voting right is per share. As a result company can raise large capital.

(2) **Easy Transfer of Thares** : The member of the company can sell shares and get money whenever he desires and can purchase shares as required, due to easy purchase and sale of share in a recognised stock exchange. Although restriction is laid down on the transfer of share of a private company.

(3) **Limited Liability of the Members** : The liability of the members is limited upto the face value of share in company limited by share. In circumstances of liquidation or winding up of a company they have not to pay more money than the face value of the share.

(4) **Separate Identity and Perpetual Life** : Company has perpetual life due to separate identity and entity from its members by law. The existence of company is not affected even in the circumstances of death, insolvency, insanity of members or in the case of transfer of shares by members.

(5) **Advantages of Large Scale** : Large scale purchase-sale and production are possible for a company.

The benefits of large scale production is obtained at low cost due to large capital fund, modern machineries, expert services, research etc. Hence, company is considered as an engine of economic growth.

(6) Efficient Management : Management of company becomes professional and efficient due to expert services and efficient directors.

(7) Democratic Management : The company is managed democratically by elected representatives of members called Directors. Decisions are taken by the majority in the general meetings of the members.

(8) Benefits to Society and Nation : Public invest their savings in the share, debentures and public deposits of the company. Saving is encouraged. They receive dividend and interest as income on investment. Advantages of large scale production are also available to the society. Employment opportunities increase. Some companies spend a part of profit for the benefits of society like art, garden, school, college, play-ground etc. Provides many facilities voluntarily to the employees too. Companies pay crores of rupees to the government by way of taxes. This amount is also used for the development of the country.

6 2 3 Limitations :

(1) Lengthy and Expensive Incorporation Procedure : The formation procedure of company is lengthy, complicated and expensive in comparison to sole proprietorship and partnership. Company has to submit the documents like memorandum, articles before the registrar of companies to obtain the certificate of incorporation. For this, experts services are obtained. In addition to the registration fees to the registrar, experts are to be paid high fees for their services.

(2) Legal Restrictions : A company comes into existence by law. Company has to observe legal provisions during its lifetime. The statements, reports, accounts are to be submitted to registrar of companies regularly at a certain time. Some provisions of SEBI (Securities and Exchange Board of India) are to be fulfilled.

(3) Increase in Administrative Expense : Administrative expense increases due to high fees to experts, attractive salary of the specialised officers, expenses on research.

(4) Autocratic Management : Though many rights are entrusted to the members by law, they enjoy nominal power. Due to voting right per share, some person gets control through groupism and impose their desires. They use company's money, assets and secret information for their personal interest and selfishness.

(5) Difficulty in Maintaining Secrecy : Company has to get audited compulsorily its final accounts and to furnish to the members and registrar of companies. Other certain information like redemption of debentures, bonus shares also to be published as per law. Thus, it is difficult to maintain secrecy.

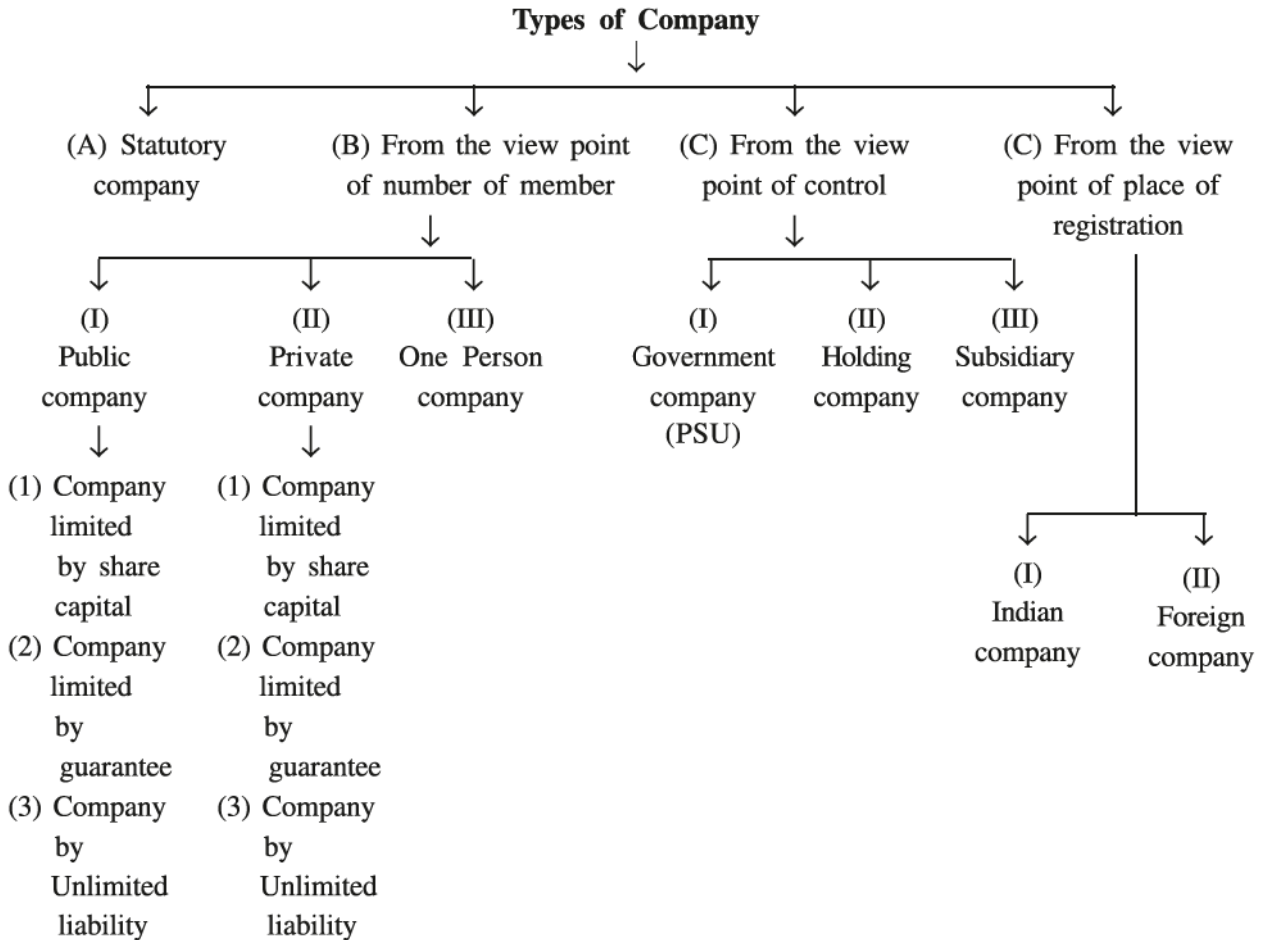
(6) Delay in Policy-Decisions : The consent of members is essential in making policy decision. For this meeting of the members is to be called. Notice of the meeting is to be furnished to members in advance before certain days. Resolution is to be passed in meeting. For all these time is wasted and decisions are delayed.

(7) Less Flexibility : Lesser element of flexibility is there in company form as compared to proprietorship and partnership. A resolution is to be passed in general meeting to make important changes. Approval of central government and court is required in some circumstances.

(8) Encouragement to Speculation : Artificial changes in the stock market encourage speculation as the directors are acquainted with the secret information of the company. The speculation in share affects the economic interest of small investors.

(9) Disadvantages to the Society : Society has to become the victim of strike of employees, lock-out by employers etc. Monopolistic evils enter as more importance is given to capital than man. Hence, unequal distribution of income and wealth arises in society.

6 2 4 Types of Company



(A) Statutory Company : It comes into existence by special law of parliament or legislative assembly, e.g. Reserve Bank of India, Life Insurance Corporation of India.

(B) From the View Point of Number of Member :

(I) Public Company : As per Companies Act, a company which is not a private company is public company. In which minimum 7 members are necessary. There is no restriction on maximum number of members. This company can give invitation to general public to purchase its shares and debentures. There is no restriction on transfer of shares. There are three types of public company from the view point of liability of members.

(1) Company Limited by Share Capital : The liability of the member of company is limited upto the face value of shares of the company purchased by them. This company has to insert the word 'Limited' at the end of its name.

(2) Company Limited by Guarantee : The liability of the members of the company is limited upto the amount guaranteed by them. Member has to pay guaranteed amount at the time of liquidation of the company.

(3) Company by Unlimited Liability : The Liability of members is unlimited in this type of company. If the debts of company exceed its assets, the members become liable personally. In case of liquidation of the company members will have to pay contribution from their personal assets.

(II) Private Company : Private company is a company which has minimum 2 members and maximum 200. There is a restriction on the transfer of shares of private company. It cannot invite public to purchase its shares or debentures. There are three types of private company from the view point of liability of members.

(1) Company Limited by Share Capital : The liability of the members is limited upto the face value of share purchased by them. Limited private company has to insert the words '**Private Limited**' at the end of its name.

(2) Company Limited by Guarantee : The liability of members of the company is limited upto amount of guarantee given by them. Members have to pay the guaranteed amount at the time of liquidation. This company has to insert the word '**Private**' at the end of its name.

(3) Company with Unlimited Liability : The liability of the members of the company is unlimited. If the debts of the company exceed its assets, members become liable personally. In case of liquidation of the company, members have to pay contribution from their personal assets. The word '**Private**' is to be inserted in the name of this company.

(III) One Person Company : One person company means a company in which one person is a member. One person (Private) company, can enter into the contract with director who is its member. A written consent of such person is essential in one person company. In addition the memorandum and articles are to be presented before the registrar of companies at the time of incorporation of company. There was no provision for one person company in the Companies Act 1956, but a private company can be one person company as per the provisions of the Companies Act 2013.

(C) From the View Point of Control :

(I) Government Company : If the minimum 51 % of the paid up capital of a company is held by (1) Central government or (2) State government or (3) more than one state governments or (4) Central government and one or more than one state governments is called Government Company. e.g. Ashok Hotels Limited, Bharat Heavy Electricals Limited (BHEL), Maha Nagar Telephone Nigam Limited.(MTNL).

(II) Holding Company : Holding company means a company which holds more than 50 % share of other company and has the right to appoint majority of directors in that company.

(III) Subsidiary Company : Subsidiary company means the company of which more than 50 % shares are held and the right to appoint majority of directors is with the holding company.

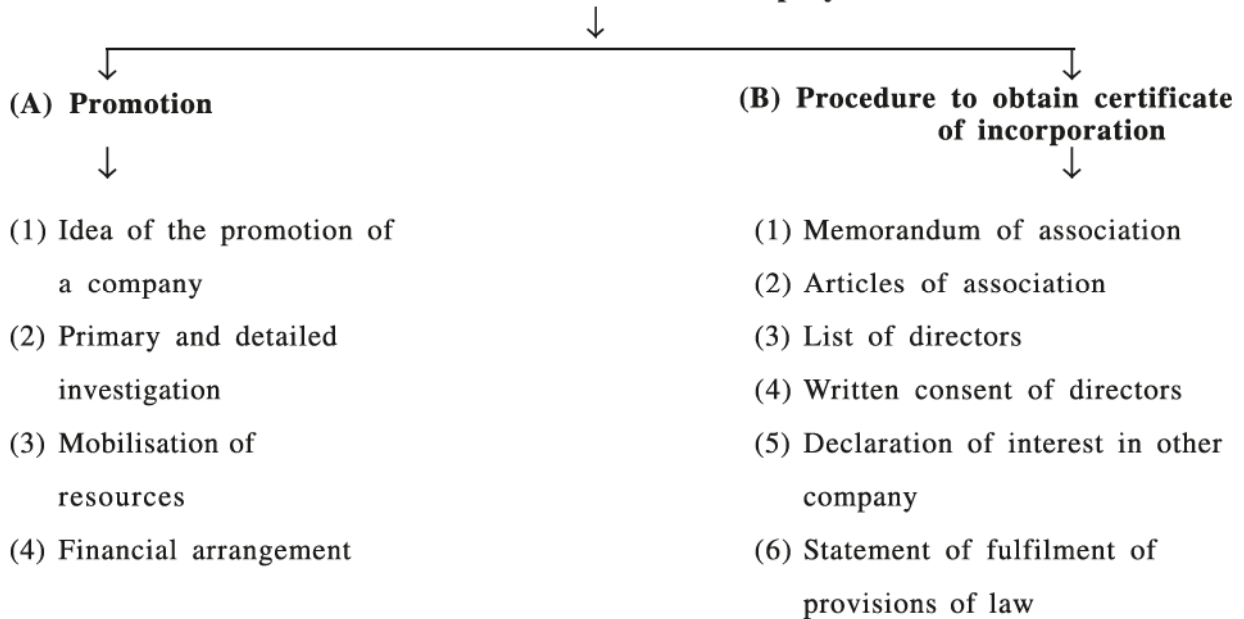
(D) From the View Point of Place of Registration :

(I) Indian Company : The company which is registered in India, under the Indian companies Act or under the special act passed by Parliament is called Indian company. Indian company can be public company, private company or government company.

(II) Foreign Company : A company which is registered outside India, whose registered office is not in India and whose place of business is in India is called Foreign company.

6 2 5 Procedure of formation of Company :

Procedure of Formation of Company



(A) Promotion : The idea to bring a company into being and to make preparations for the same. The executor of idea of promotion of a company is called Promoter. At this stage, following points are to be considered by promoter.

(1) Idea of the Promotion of a Company : The idea of promotion arises in the mind of promoter. He considers to promote a company in order to implement a research or to place a new product in the market. Promotion is the brain - child of the promoter.

(2) Primary and Detailed Investigation : After having an idea of promotion of company the promoter has to under take business oriented empirical scrutiny in the direction of implementation. Selection for business location, profitability are to be evaluated.

After primary test a detailed analytical evaluation is essential. Information about capital, raw material, demand, equipments, facility of transport etc. are to be collected.

(3) Mobilisation of Resources : Promoter has to enter into contracts to obtain land, raw material, machinery, services etc. for the implementation of promotion.

(4) Financial Arrangement : It is to be considered from where and how to procure capital for procuring the equipments and assets. Newly established company raises capital through shares.

(B) Procedure to Obtain Certificate of Incorporation : Certificate of Incorporation is to be obtained from the registrar of companies for inception of company. Following documents are to be prepared and submitted before the Registrar of companies to obtain this certificate:

(1) Memorandum of Association : It is a basic document and constitution of a company on which building of a company is constructed. Provision of following clauses are compulsory in Memorandum.

(a) Name Clause : A public company with limited liability by the share has to insert the word **Limited** and a private company with limited liability by share has to insert words '**Private Limited**' at the end of its name. Company cannot adopt a name which resembles that of other company registered in India or which is detrimental to national interest.

(b) Address of Registered Office Clause : Company has to mention the address of the registered office so the registrar of companies and public can correspondence with company and jurisdiction of court can be fixed.

(c) Object Clause : It is most important clause of Memorandum. For what objective and what type of business is conducted by the company is stated in this clause. The company cannot perform activity except for the goal for which the company is established.

(d) Liability Clause : The Liability of the member is limited, unlimited or limited by guarantee is indicated in this clause.

In the case of one person company, whose name will be entered as a second person in case of death or incapability of doing contract of the original person.

(e) Capital Clause : Authorised capital of the company and its division among the share of the fixed value is stated.

(f) Association Clause : Minimum 7 members in a public company and minimum 2 members in a private company have to give a statement with their signature stating that, they desire to establish a company.

(2) Articles of Association : It is a document determining rules of internal administration of the company. Rules for the administration of company are mentioned in articles within the boundry of the Memorandum. It includes rights of members, share instalment, share forfeiture, powers of board of directors etc. Both the documents Memorandum and Articles become public documents after their registration.

(3) List of Directors : The list of persons who are ready to work as directors is to be registered before Registrar of companies along with their name, address, age, business, nationality etc. Minimum one person must be as a female director in the Board of Directors.

(4) Written Consent of Directors : Those persons whose names are mentioned as directors have to give a written consent that they are ready to work as directors.

(5) Declaration of Interest in Other Company : If the directors of company, manager, secretary or subscriber have interest in other company have to file a statement regarding it.

(6) Statement of Fulfilment of the Provisions of Law : The statement in a prescribed form is to be registered before the Registrar of Companies stating that, all the above legal provisions have been fulfilled for the incorporation of company.

Necessary registration fees are to be paid along with the above documents. After the scrutiny of the above documents the Registrar of companies records in the book of companies, if the documents are found satisfactory. The Registrar issues a **Certificate of Incorporation** after completing this procedure. The date which is stated in the Certificate of Incorporation is considered as the date of the commencement of the company.

Along with the issue of Certificate of Incorporation, the Registrar of companies allots the Corporate Identification Number (CIN) to the company. Which becomes identity of the company and it is mentioned on Certificate of Incorporation. Company has to preserve original documents and statement of information at its registered office till the winding up of the company.

Private company can start the business after completion of this procedure. While public company can allot the shares after fulfilling the conditions of minimum subscription through the issue of prospectus.

6 3 Difference between Partnership and Company

Sr. No.	Points of Difference	Partnership Firm	Company
(1)	Establishment process	Easy and voluntary registration. No separate legal entity	Lengthy and complicated. Compulsory registration. Separate legal identity
(2)	Number of members	Minimum two persons. According to companies Act 2013 clause no 464, Number of partners in partnership firm cannot be more than 100 members. As per Government decision According to companies Act (Year 2014) clause No.10 (Miscellaneous Rule) number of maximum partners in partnership firm is 50.	Minimum 7 members and maximum unlimited in public company. Minimum 2 and maximum 200 in private company.
(3)	Capital	Can procure less capital comparatively	Can procure capital on large scale through issue of shares.
(4)	Transfer of part or interest	Partner can not transfer his part or interest without consent of other partners	Members can easily and freely transfer their shares. Though there is restriction on transfer of shares of the private company.
(5)	Liability	Liability of partners is unlimited	Shareholder are not personally liable for the debts of the company by limited liability
(6)	Management	Partner themselves manage the firm	Management of company is by directors elected by shareholders.
(7)	Life	Dissolution of partnership due to death or insolvency or insanity of any partner. Thus, life is short.	Existence of company does not end in the circumstances of death, insolvency or insanity of members. Thus, life is long.
(8)	Maintenance of secrecy	Secrecy of the business can be maintained.	Difficult to maintain secrecy.
(9)	Flexibility	It is flexible.	Flexibility is difficult.
(10)	Personal contact	Partners can maintain direct contact with employees and customers.	Lack of such a personal contact.
(11)	Winding up	End of partnership can be as per contract or the circumstances determined by law or at will of partners.	Winding up of a company is through fulfilment of law.

6 4 Difference between Private Company and Public Company

Sr. No.	Points of Difference	Private Company	Public Company
(1)	Number of members	Number of member is minimum 2 persons and number of member should not increase more than 200.	Minimum member is 7 persons and no restriction on maximum number.
(2)	Transfer of share	Private company puts restriction on the transfer of share through its Articles	Transfer of share is easy.
(3)	Invitation to Public	Cannot invite public to subscribe shares or debentures. Cannot issue prospectus.	Can invite public to subscribe into the shares or debentures by issue of prospectus.
(4)	One person company	Private company can be a one man company. One person company can enter into the contract with only one member who is a director.	Public company can not be a One Person Company and public company cannot do such contract.
(5)	Number of directors	There must be minimum 2 directors	There must be minimum 3 directors, of whom one director must be a woman
(6)	Name of company	Private Limited words are to be inserted after the name of a private company with limited liability and the word Private in the name of a private company with unlimited liability.	The word ' Limited ' is inserted after the name of the public company with limited liability.
(7)	Articles of Association	Articles of Association is to be prepared and get registered compulsorily with the Registrar of companies.	Model Articles stated in schedule-1 are applicable automatically in case, Articles are not prepared.
(8)	Minimum subscription	The provision of minimum subscription does not apply.	The provision of Minimum Subscription is applicable
(9)	Issue of New shares	Issue of new shares can be offered to the persons other than the existing members of the company.	Issue of new shares is to be offered first to the existing members of the company.

6 5 Difference between Co-operative Society and Company

Sr. No.	Points of Difference	Co-operative Society	Company
(1)	Meaning	It is a voluntary association of persons on the basis of equality to improve their economic condition	It is a voluntary association of persons to earn profit through legal business.
(2)	Motive	Main motive is service, economic development and upliftment of members. The motive of profit is subsidiary	Main motive is profit.
(3)	Number of members	Minimum 10 members and no provision for maximum number of members.	Minimum 7 members and maximum as many as in public company. Minimum 2 and maximum number of members upto 200 in private company.
(4)	Process of establishment	Process of establishment is easier than company.	Process of establishment is lengthy and complicated comparatively.
(5)	Management	Management is run in a democratic way. A single vote per member.	Democratic management is only in principle. The concept of democracy becomes illusive due to vote per share.
(6)	Issue of shares	Can issue shares carrying equal rights and of the same type	Can issue preference shares in addition to equity shares.
(7)	Transfer of shares and end of membership	No transfer of shares. Members can bring the end of membership by redemption of shares to society.	Shares can be transferred
(8)	Effect on share capital	Reduction in capital fund as the members can redeem the share to society.	No alteration in capital fund by the purchase and sale of shares by the members.
(9)	Use of profit	The profit is used to give dividend to members and for the benefit of members subject to the provisions of law.	Some part of profit is distributed as dividend to members.

What did you learn in this chapter

(I) Co-operative Society :

Meaning of Co-operative Society : Co-operative society is such a form of business organisation, where in persons get associated voluntarily for the upliftment of their economic interest on equal basis.

Characteristics : (1) Voluntary association (2) Easy formation (3) Equality of members (4) Separate identity (5) Democratic management (6) Main motive of service (7) Fair distribution of profit (8) low price of share (9) Voting right per member (10) Separate institution from politics and religion (11) Unrestricted number of members.

Advantages : (1) Easy formation (2) Perpetual Existence (3) Open membership (4) Limited liability of the members (5) Government assistance (6) Democratic management (7) Less administrative expenses (8) Particular class of customer (9) Strong competitor against trading institutions (10) Welfare activities for society (11) Training School for democracy (12) Economic upliftment and growth of members.

Limitations : (1) Limitation of capital (2) Lack of efficient management (3) Political interference (4) Non co-operation among the members.

(II) Joint Stock Company

Meaning : An artificial person coming into existence by law. Company is an artificial, invisible and intangible person in the eyes of law.

Characteristics : (1) Legal identity (2) Perpetual existence (3) Division of capital in small fractions (4) Easy transfer of shares (5) Common seal (6) Management (7) Status of members (8) Number of members (9) Liability of members (10) Fundamental rights (11) Voting right per share.

Advantages : (1) Huge capital fund (2) Easy transfer of shares (3) Limited liability of the members (4) Separate identity and perpetual life (5) Advantages of large scale (6) Efficient management (7) Democratic management (8) Benefits to society and nation.

Limitations : (1) Lengthy and expensive incorporation procedure. (2) Legal restrictions (3) Increase in administrative expenses (4) Autocratic management (5) Difficulty in maintaining secrecy (6) Delay in policy matter decisions (7) Less flexibility (8) Encouragement to speculation (9) Disadvantages to the society.

Types of Company :

(A) Statutory Company

(B) From the View Point of Number of Members : (1) Public company (2) Private company and (3) One person company.

(C) From the View Point of a Control : (1) Government company (2) Holding company and (3) Subsidiary company.

(D) From the View Point of Place of Registration : (1) Indian company and (2) Foreign company.

Procedure of the Formation of Company :

(A) Promotion : (1) Idea of the promotion of the company (2) Primary and detailed investigation (3) Mobilisation of resources (4) Financial arrangement.

(B) Procedure to Obtain Certificate of Incorporation : (1) Memorandum of Association. (2) Articles of Association (3) List of directors (4) Written consent of directors (5) Declaration of interest in other company (6) Statement of fulfilment of the provisions of the law.

Difference Between Partnership Firm and Company : (1) Establishment (2) Number of members (3) Capital (4) Transfer of part or interest (5) Liability (6) Management (7) Life (8) Maintenance of secrecy (9) Flexibility (10) Personal contact (11) Winding up.

Difference Between Private Company and Public Company : (1) Number of member (2) Transfer of share (3) Invitation to public (4) One person Company (5) Number of directors (6) Name of company (7) Articles of Association (8) Minimum subscription (9) Issue of new shares.

Difference Between Co-operative Society and Company : (1) Meaning (2) Motive (3) Number of members (4) Establishment process (5) Management (6) Share (7) Transfer of share and end of membership (8) Effect on share capital (9) Use of profit.

EXERCISE

1. Select the correct alternative and write answer to the following questions :

- (1) In a Co-operative society member

 - (a) can vote per share
 - (b) can vote per member
 - (c) can vote in proportion of capital
 - (d) can vote as per efficiency

- (2) Co-operative society is called training school for what ?

 - (a) Service (b) Splendour (c) Autocracy (d) Democracy

- (3) Co-operative society

 - (a) is the institution of capitalists
 - (b) has the motive of service to member
 - (c) has the motive of profit
 - (d) encourages speculation

- (4) How many persons are required for the formation of Co-operative society ?

 - (a) 10 (b) 20 (c) 30 (d) 50

- (5) The upliftment of the members predominates in

 - (a) Sole Proprietorship (b) Private company (c) Public company (d) Co-operative society.

- (6) Co-operative society

 - (a) can not pay dividend
 - (b) can pay dividend in any proportion
 - (c) can pay dividend subject to the law
 - (d) can pay dividend subject to the permission of State and Central government.

- (7) Which is considered as the engine of economic growth ?
 (a) Sole Proprietorship (b) Partnership (c) Co-operative society (d) Company
- (8) Which Companies Act is in force in India at present ?
 (a) 1912 (b) 1932 (c) 1956 (d) 2013
- (9) How does a company express its consent ?
 (a) By name (b) By common seal (c) By memorandum (d) By artificial identity
- (10) In which document does a company state the liability of its members ?
 (a) Memorandum of Association. (b) Articles of Association
 (c) Membership letter (d) Contract letter
- (11) What is the important feature of the company form ?
 (a) Large scale capital (b) Legal identity
 (c) perpetual entity (d) Easy transfer of share

Answer (1) (b) (2) (d) (3) (b) (4) (a) (5) (d) (6) (c) (7) (d) (8) (d) (9) (b) (10) (a)
 (11) (d)

2. Answer the following questions in one sentence each :

- (1) state the meaning of Co-operative society ?
- (2) Why do persons join a Co-operative society ?
- (3) What is the main objective of Co-operative society ?
- (4) When does a Co-operative society get separate legal identity ?
- (5) Which type of Co-operative society provides day to day consumable goods to its members at fair price ?
- (6) What is meant by 'vote per member' in Co-operative society ?
- (7) Why is a Company called engine of economic growth ?
- (8) What is the minimum number of members in Public company and Private company ?
- (9) What does limited liability of the members of a company mean ?
- (10) What is meant by one person company ?
- (11) Give full form of SEBI.

3. Answer the following questions in short :

- (1) Why is a Co-operative society called training school of democracy ?
- (2) Under what circumstances non Co-operation can be created in co-operative society ?
- (3) How is profit distributed in Co-operative society ?

(4) How do ownership and management differ in Company form ?

(6) What are benefits to society and nation by Company ?

(5) Explain any three characteristics of a Company.

(7) What is vote per share in a Company ?

4. Answer the following questions in brief :

(1) state the advantages of co-operative society?

(2) Clarify the limitations of co-operative society.

(3) Explain the types of company.

5. Answer the following questions in details :

(1) Explain the meaning of Co-operative society and describe its characteristics.

(2) Give the meaning of Company and state its characteristics.

(3) Clarify the advantages and limitations of a Company.

(4) Explain the procedure for getting the Certificate of Incorporation

(5) Distinguish : (a) Co-operative society and Company (b) Private company and Public company.

