

**B.COM**

**Sem II**

**MJC–II: Business Organisation and Management**

## **Forms of Business Organisation**

### **Meaning**

A form of business organisation refers to the legal structure under which a business is owned, managed, and controlled. The choice of form depends on factors like size, capital requirement, liability, and control.

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### **1. Sole Proprietorship**

#### **Meaning:**

A sole proprietorship is a business owned, managed, and controlled by a single person.

#### **Features:**

- Single owner
- Easy to form and dissolve
- Unlimited liability
- Owner enjoys all profits
- Limited resources

#### **Merits:**

- Quick decision-making
- Close personal supervision
- Easy formation

#### **Demerits:**

- Unlimited liability
- Limited capital
- Lack of continuity

**Examples: Small shops, tailors, beauty parlours**

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### **2. Partnership**

#### **Meaning:**

A partnership is a business owned by two or more persons who agree to share profits and losses.

**Features:**

- Agreement between partners
- Sharing of profit and loss
- Unlimited liability
- Mutual agency

**Merits:**

- More capital than sole trade
- Division of work
- Better decision-making

**Demerits:**

- Unlimited liability
- Possibility of conflict
- Lack of continuity

**Examples:** Law firms, CA firms

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### **3. Joint Hindu Family Business**

**Meaning:**

A business owned and carried on by members of a Hindu undivided family.

**Features:**

- Governed by Hindu Law
- Controlled by Karta
- Membership by birth
- Limited liability of members (except Karta)

**Merits:**

- Business continuity
- Quick decisions
- Strong family loyalty

**Demerits:**

- Limited capital
- Absolute power of Karta
- Limited managerial skills

**Examples: Traditional family businesses**

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#### **4. Co-operative Society**

**Meaning:**

**A voluntary association of persons formed to protect and promote the economic interests of its members.**

**Features:**

- **Voluntary membership**
- **Democratic management (one member, one vote)**
- **Service motive**
- **Limited liability**

**Merits:**

- **Equality among members**
- **Government support**
- **Limited liability**

**Demerits:**

- **Limited capital**
- **Lack of efficiency**
- **Slow decision-making**

**Examples: Housing societies, credit societies**

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#### **5. Company**

**Meaning:**

**A company is an artificial person created by law with a separate legal identity.**

**Types:**

- **Private company**
- **Public company**

**Features:**

- **Separate legal entity**
- **Limited liability**
- **Perpetual succession**
- **Large capital**

**Merits:**

- **Limited liability**
- **Easy transfer of shares**
- **Large resources**

**Demerits:**

- **Complicated formation**
- **Legal formalities**
- **Lack of personal touch**

**Examples: Tata, Infosys, Reliance**

**Question: Prepare a comparison table of all the forms of business organizations**