Business

Business refers to the organized efforts and activities of individuals to produce and sell goods and services for profit.

Business Structure

If you’re getting started in your business ventures, one of the first things you might be thinking about is how to structure your business. Will you be going solo or will you form a partnership or is it good to go for a company?

Business structure speaks about the way a business is organized. It states who owns the business, how profits are distributed and which manager perform what jobs.

It is also important for us to consider the business structure for tax and liability purposes, as companies are often taxed differently from each other and managers may have differing level of responsibility in the event of wrongdoing.

Most frequently seen business structures are:

Sole Proprietorship, Partnership, Company etc

Types of Business Entities (Business Structures)

1. Sole Proprietorship form of the Business
2. Partnership Business
3. Joint Stock Company
4. Co-operative Society

Sole Proprietorship Business

Sole Proprietorship in simple words is a one-man business organization. It is the type of entity that is fully owned and managed by one natural person (not a legal person/entity) known as the sole proprietor.

The business and the sole trader are the same.

Examples:

- Local Grocery Store
- Small Food Joints
- Vegetable Vendor
- Local Chemist etc.,

Features of Sole Proprietorship:

1. Lack of legal formalities
2. Unlimited Liability
3. Risk & Profit will not be shared
4. No separate identity
5. Lack of Continuity

Advantages of Sole Proprietorship

1. Easy to start and close the business
2. Returns will not be shared-sole trader will be the sole beneficiary of profits
3. High degree of flexibility is expected
4. Quick decision making is possible
5. Sole proprietor will be acting as owner, manage & controller of the business
6. Tax benefits are expected-can avoid paying double tax
7. Sole proprietorship derives a sense of pride
8. Retaining secrecy
9. Minimum Government control

Disadvantages of Sole Proprietorship

1. Limited capital
2. Less scope for growth and development
3. Decisions may not be accurate
4. Unlimited liability
5. Lack of continuity
6. Sole trader lacks professional / management skills
7. Intense competition
8. No large-scale economies

Partnership Firm

The law relating to Partnership Firm in India is prescribed in the Indian Partnership Act of 1932.

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

Minimum & Maximum limit of partners:

It takes 2 members to start a partnership business

The New Companies Act 2013 had empowered the central government to prescribe the maximum number of partners in a firm, but the number of partners so prescribed cannot be more than 100.

The Central Government has prescribed maximum number of partners in a firm to be 50.

Types of Partners

1. Active or managing partner
2. Sleeping or dormant partner
3. Nominal or ostensible partner
4. Partner by estoppel or holding out
5. Partner in profits only
6. Minor partner

Partnership Deed- Legal Document

A Partnership Deed also called as a Partnership Agreement, is a written legal legal document that outlines in detail the rights and functionalities of all parties to a business operation.

It has the force of law and is designed to guide the partners in the conduct of the business.

The Deed also includes basic guidelines for future projects and can be used as evidence at times of conflict or legal procedures

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தமிழ்நாடு तमिलनाडु TAMIL NADU P. Chandrasekar 02AB 335525

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30.5.2014

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Deed of Partnership

This deed of partnership is made on [Date, Month, Year] between:

1. [First Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] hereinafter referred to as FIRST PARTNER.
2. [Second Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] hereinafter referred to as SECOND PARTNER.
3. [Third Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] hereinafter referred to as THIRD PARTNER.
4. [Fourth Partner's Name], [Son/Daughter] of [Mr. Father's Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] hereinafter referred to as FOURTH PARTNER.

PARTNERSHIP DEED

This deed of partnership is made on this **6th day of March, 2013** by and between the following partners.

(1) Ghelani Jay
(2) Dalwadi Jugal
(3) Thakkar Kishan
(4) Solanki Kunjan
(5) Shah Krishna

WHEREAS the above named partners have decided to start the partnership business of manufacturing of textiles in the name and style of **M/s J&K Company** with effect from **1st day of April, 2013** on the terms and conditions here in after mentioned and have desired to reduce the terms and conditions into writing.

Contents of Partnership Deed

1. The name of the firm
2. Name and addresses of the partners
3. Nature of the business
4. The term or duration of the partnership
5. The amount of capital to be contributed by each partner
6. The drawings that can be made by each partner
7. The interest to be allowed on capital and charged on drawings
8. Profit and loss sharing ratio

Cont...

9. Rights of partners

10. Duties of partners

11. Remuneration to partners

12. Details related to Implied authority

13. Preparation of the business’s books of accounts and other related matters

14. Procedure for dissolution of a firm and guidelines for resolving any conflicts and agreement method to follow

Features of a Partnership Business

1. Two or more persons
2. Agreement between the partners
3. Registration is not mandatory
4. Sharing of profits and losses
5. Unlimited liability
6. Implied Authority
7. Principal-agent relationship-Joint & several Liability
8. Non-transferability of interest
9. Dissolution

Advantages of Partnership Firm

1. Easy Formation
2. Larger Resources
3. Flexibility in operation
4. Effective Management
5. Sharing of Risk
6. Incentives to work
7. Equal rights of partners
8. Easy to dissolve

Disadvantages of Partnership Business

1. Unlimited Liability
2. Limited growth
3. Uncertain existence
4. Disharmony
5. No Separate legal status
6. Difficult to transfer share
7. Lack of institutional confidence
8. Risk of implied authority
9. Lack of prompt decisions

Limited Liability Partnership

An LLP is an incorporated business form that combines the features of partnership and the company form of business. It’s a body corporate and a legal entity separated from its partners.

The LLP form of organization was introduced in India in April 2009 through the Limited Liability Partnership Act 2008.

As observed from the demerits of partnership, partners are likely to suffer acutely in case of losses in terms of unlimited liability.

In LLP one partner is not responsible or liable for another partner’s misconduct or negligence.

Co-branding Partnership