

4

SOLE PROPRIETORSHIP**I. CHOOSE THE BEST ANSWER:**

1. Which is the oldest form of Business organization?

- | | |
|--------------------------|-----------------|
| (a) Sole Proprietorship | (b) Partnership |
| (c) Co-operative Society | (d) Company |

2. In which form the owner, establisher and manager is only one?

- | | |
|--------------------------|------------------------|
| (a) Joint Enterprise | (b) Government Company |
| (c) Co-operative Society | (d) Sole Proprietor |

3. A major disadvantage of sole proprietorship is _____.

- | | |
|-----------------------|-------------------------|
| (a) Limited liability | (b) Unlimited liability |
| (c) Easy Formation | (d) Quick decision |

4. From the following which one is Non-corporate form of business?

- | | |
|-------------------------|---------------------------|
| (a) Joint stock company | (b) Sole trading business |
| (c) Government company | (d) Co-operatives |

II. VERY SHORT ANSWER QUESTIONS

1. Who is called a Sole Trader?

- ✱ Business organization which is owned and controlled by a single individual.
- ✱ It is called sole trader.

2. What are the Non-corporate enterprises?

- Sole Trading Concern
- Partnership
- Joint Hindu Family

3. What are the Corporate enterprises?

- ★ Government enterprise
- ★ Private company
- ★ Co-operative company

4. For which of the following types of business do you think a sole proprietorship form of organization would be more suitable, and why?

a. Grocery store b. Medical store c. Craft centre

d. Legal consultancy e. Internet café

a. Grocery store

c. Craft centre

b. Medical store

e. Internet café

➤ The following are most suitable form of sole trading organization.

➤ Because low capital, less risk and quick decision making.

III. SHORT ANSWER QUESTIONS:

1. How is it possible to maintain secrecy in sole proprietorship?

Since he/she manages all the affairs of the business, the secrecy can be maintained easily.

2. What is unlimited liability?

When his business assets are not sufficient to pay off the business debts he has to pay from his personal property.

3. Write any three characteristics of Sole Proprietorship.

- ✧ Unlimited Liability
- ✧ No Separate Entity
- ✧ Maintenance of Secrecy

4. Give some examples of Sole trading business.

- ✧ Fruit sellers ✧ Handicrafts ✧ Beauty parlor
- ✧ Retail trade ✧ Tailoring shops

5. Define Sole trading business.

- ★ It is that form of business organization which is owned and controlled by a single individual.
- ★ He receives all the profits and risks all of his property in the success or failure of the enterprise”.

- Wheeler

IV. LONG ANSWER QUESTIONS

1. Explain the characteristics of Sole trading business.

i. Ownership by one man:

- ✧ This is owned by single person.
- ✧ The sole trader contributes the required capital.

ii. Freedom of work and Quick Decisions:

- ✧ Since the individual is himself as a owner, he need not consult anybody else.
- ✧ Hence he can take quick decisions.

iii. Unlimited Liability:

- When his business assets are not sufficient to pay off the business debts he has to pay from his personal property.

iv. Enjoying entire profit:

- ✱ He strives tirelessly for the improvement and expansion of his business and enjoys all the benefits of his hard work.

v. Maintenance of Secrecy”

- ↔ Since he/she manages all the affairs of the business, the secrecy can be maintained easily.

2. What are the advantages of Sole trading business?

i. Easy Formation:

- ✪ No legal formalities are required to initiate a sole trading concern.
- ✪ Any person capable of entering into a contract can start it, provided he has the necessary resources for it.

ii. Incentive to Work hard:

- ↔ There is a direct relationship between effort and reward.
- ↔ The fact that the entire profit can be taken by himself without sharing with anybody else induces him to work ceaselessly.

iii. Small Capital:

- ✱ Small capital is an important as well as specific advantage of sole proprietorship.
- ✱ Sole proprietor can start business with small capital.

iv. Credit Standing:

- Since his private properties are held liable for satisfying business debts.
- He can get more financial assistance from others

v. Flexibility:

- ♥ The sole trader can easily adjust himself to the changing requirements of his business.

3. What are the disadvantages of Sole trading business?

i. Limited Capital:

- ✱ The capital is contributed by one individual only,

ii. Limited Managerial Skill:

- ♥ Single person's intelligence and experience may not help him beyond a certain stage.

- ♥ Since he has to focus on each and every activity, his managerial ability is bound to be limited.

iii. Unlimited Liability:

- ★ The creditors have the right to recover their dues even from the personal property of the proprietor.
- ★ In case the business assets are not sufficient to pay their debts.

iv. Lack of Specialization:

- ✿ Since the business unit is small and the financial resources are limited.
- ✿ Experts in different fields cannot be employed to secure maximum advantages.

v. Hasty Decisions:

- ☛ Sole proprietor is more likely to take hasty decision as he need not consult anybody else.

@* @* @* @* @* @* @*