

# Maharashtra State Board Class 11 Secretarial Practice Solutions

## Chapter 2 Joint Stock Company

1A. Select the correct answer from the options given below and rewrite the statements.

Question 1.

A sole proprietorship has \_\_\_\_\_ owner/owners.

- (a) one
- (b) two
- (c) five

Answer:

- (a) one

Question 2.

The head of Joint Hindu Family Business is called as \_\_\_\_\_

- (a) Proprietor
- (b) Director
- (c) Karta

Answer:

- (c) Karta

Question 3.

Indian Partnership Act was passed in the year \_\_\_\_\_

- (a) 1923
- (b) 1932
- (c) 1956

Answer:

- (b) 1932

Question 4.

The members of Hindu Undivided Family Business are called \_\_\_\_\_

- (a) Karta
- (b) partners
- (c) co-parceners

Answer:

- (c) co-parceners

Question 5.

The liability of shareholders in the public limited joint stock company is \_\_\_\_\_

- (a) Limited
- (b) Unlimited
- (c) Collective

Answer:

- (a) Limited

Question 6.

The minimum number of members required for a co-operative society is \_\_\_\_\_

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

Answer:

- (a) 10

Question 7.

The \_\_\_\_\_ is/are elected representative of shareholders who manage affairs of company.

- (a) Secretary
- (b) Directors
- (c) Auditors

Answer:

- (b) Directors

Question 8.

State Bank of India is the example of \_\_\_\_\_ Company.

- (a) Chartered
- (b) Statutory
- (c) Foreign

Answer:

(b) Statutory

## 1B. Match the pairs.

Question 1.

Group 'A'	Group 'B'
(a) Sole Trading concern	(1) 1932
(b) Joint Hindu Family Business	(2) Partner
(c) Partnership Act	(3) Artificial person
(d) Joint Stock Company	(4) 1923
(e) Co-operative Society	(5) Karta
	(6) Natural person
	(7) Single Ownership
	(8) Equal voting rights
	(9) Multiple ownership
	(10) Minimum 9 members

Answer:

Group 'A'	Group 'B'
(a) Sole Trading concern	(7) Single Ownership
(b) Joint Hindu Family Business	(5) Karta
(c) Partnership Act	(1) 1932
(d) Joint Stock Company	(3) Artificial person
(e) Co-operative Society	(8) Equal voting rights

Question 2.

Group 'A'	Group 'B'
(a) Private company	(1) 51% share capital held by Government
(b) Public company	(2) Bank of England
(c) Government company	(3) Maximum 200 members
(d) Statutory Company	(4) Minimum 7 members
(e) Limited Liability Partnership	(5) Maximum 100 members
	(6) Minimum 5 partners
	(7) 40% share capital
	(8) Minimum 5 members
	(9) Life Insurance Corporation
	(10) Minimum 2 partners

Answer:

Group 'A'	Group 'B'
(a) Private company	(3) Maximum 200 members
(b) Public company	(4) Minimum 7 members

(c) Government company	(1) 51% share capital held by Government
(d) Statutory Company	(9) Life Insurance Corporation
(e) Limited Liability Partnership	(10) Minimum 2 partners

1C. Write a word or a term or a phrase that can substitute each of the following statements.

Question 1.

The owner is the sole manager and decision-maker of his business.

Answer:

Sole Trader

Question 2.

The senior-most family member of Joint Hindu Family Business.

Answer:

Karta

Question 3.

The members of Joint Hindu Family Business.

Answer:

Co-parceners

Question 4.

An artificial person created by law.

Answer:

Joint Stock company

Question 5.

The persons who have entered into an agreement of partnership.

Answer:

Partners

Question 6.

A person who purchases shares of a Joint Stock Company.

Answer:

Shareholder

Question 7.

The official signature of Joint Stock Company.

Answer:

Common seal

Question 8.

Name a company that is created by special legislation of parliament or state assembly.

Answer:

Statutory company

1D. State whether the following statements are True or False.

Question 1.

A Joint Stock company is a voluntary association of persons.

Answer:

True

Question 2.

A Joint Stock company is a formal form of business organization.

Answer:

True

Question 3.

Registration of a Joint Stock company is compulsory.

Answer:

True

Question 4.

A Joint Stock company is a natural person.

Answer:

False

Question 5.

A Joint Stock company does not enjoy independent legal status.

Answer:

False

Question 6.

The liability of shareholders of a public limited company is limited.

Answer:

True

Question 7.

A Joint Stock company has a long and stable life.

Answer:

True

Question 8.

There is no separation of ownership and management in a Joint Stock company.

Answer:

False

Question 9.

Board of Directors manages the Company.

Answer:

True

#### 1E. Complete the sentences.

Question 1.

A company is a creation of law, hence it is called as \_\_\_\_\_

Answer:

Legal Person or Artificial Person

Question 2.

A company which is incorporated under a Special Act is called as \_\_\_\_\_

Answer:

Statutory Company

Question 3.

A company which has only one member is called as \_\_\_\_\_

Answer:

One Person Company

Question 4.

A listed company must follow the provisions of Companies Act and \_\_\_\_\_

Answer:

SEBI Guidelines

#### 1F. Select the correct option from the bracket.

Question 1.

Group 'A'	Group 'B'
(1) Private company	.....
(2) Public company	.....
(3) .....	Member has unlimited liability
(4) Incorporated Outside India	.....

(5) .....	service-oriented organization
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(Foreign Company, Minimum 7 members, Maximum 200 members, Co-operative society, Unlimited Liability Company)

Answer:

Group 'A'	Group 'B'
(1) Private company	Maximum 200 members
(2) Public company	Minimum 7 members
(3) Unlimited Liability Company	Member has unlimited liability
(4) Incorporated Outside India	Foreign Company
(5) Co-operative society	service-oriented organization

1G. Answer in one sentence.

Question 1.

How many member/s can be there in a One Person company?

Answer:

There can be only one member in a Person Company.

Question 2.

What is a Holding company?

Answer:

A company that holds more than one-half of the total share capital of another company or carries the power to appoint or remove all or majority of directors of another company is called a Holding Company.

Question 3.

What is meant by a Foreign company?

Answer:

A company incorporated outside India, but conducting business in India, called a foreign company.

1H. Correct the underlined word and rewrite the following sentences.

Question 1.

Statutory companies are registered under the Companies Act.

Answer:

Statutory companies are registered under Special Act passed by Central or State legislative.

Question 2.

A Subsidiary company holds more than half of the total share capital of another company.

Answer:

A Holding company holds more than half of the total share capital of another company.

Question 3.

A private company must have a minimum of 7 Members.

Answer:

A private company must have a minimum of 2 members.

Question 4.

A public company can have a maximum of 200 members.

Answer:

A private company can have a maximum of 200 members.

2. Explain the following terms/concepts.

Question 1.

Dormant company

Answer:

- It is registered for future projects.
- It has not made any accounting transactions in the last two years.
- It has not submitted a financial statement or annual report in the last two years.
- Section 455 of Companies Act, 2013 is applicable to a Dormant Company.

Question 2.

Holding company

Answer:

- A company holds more than half of the share capital of another company.
- Such a company may have the power to appoint a director of another company.
- It has the power to remove directors of another company.

Question 3.

Foreign company

Answer:

- A company that is incorporated/registered outside India.
- It may conduct business in India.
- Bata India Limited, Nestle India Limited, Whirlpool Corporation, etc. are examples of foreign companies.

Question 4.

Company limited by guarantee

Answer:

- Such a company is formed under Section 2(21).
- This company may or may not have share capital.
- Member promises to pay a fixed amount at the time of liquidation.
- This fixed amount is mentioned in the Memorandum of Association.
- This amount is used to pay debts and liabilities.

Question 5.

Associate company

Answer:

- The firm over which another firm exercises control, which is less than the degree of control exercised over a subsidiary company.
- A company in which another company has a significant influence.
- It means control of at least 20% of total capital or of decisions under an agreement.

Question 6.

Limited Liability

Answer:

- The liability of shareholders is limited in Joint Stock Company.
- Personal property cannot be used to pay the debts of the company.
- Liability is limited to the unpaid part of the face value of shares held by a shareholder.
- Shareholders are not liable to pay debts and liability of the company.

Question 7.

Perpetual Succession

Answer:

- It means continuous existence.
- Joint Stock Company has perpetual succession.
- The life/existence of the company is not affected by the death, insolvency, or retirement of any member or director.
- The company enjoys long and stable life.

Question 8.

Listed company

Answer:

- It means a company that has any of its securities listed on any recognized stock exchange.
- A public company may be a listed or unlisted company.
- The listed company needs to follow the guidelines of SEBI.
- They have to follow the Companies Act.

Question 9.

One Person company

Answer:

- In this company, only one person is a member.
- It should follow all rules and formalities of a private company.
- It is conducted by one promoter with limited liability.
- Such a business organization is better as compared to a sole trader.

Question 10.

Government company

Answer:

- More than 51% of paid-up share capital is held by the Government.
- The government may be Central or State Government or partly Central Government and partly one or more State Government.

- It may be a subsidiary company of a Government company.
- It may be a Private company or a Public company.

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

1. Two promoters got 'Super Drinks Pvt. Ltd.' incorporated on 18th January 2018. The company has 100 members as of 31st March 2019.

Question (a).

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

Answer:

The maximum number of members for this company is 200 because this is a private company.

Question (b).

Can this company invite the general public to subscribe for shares?

Answer:

This company cannot invite the general public to subscribe for shares.

Question (c).

Can the shareholders of the company sell its shares to outsiders?

Answer:

Being a private company, there are restrictions to shareholders to sell these to outsiders.

2. Kali VFX Ltd. was incorporated on 1st January 2019 as a public limited company.

Question (a).

How many minimum numbers of members must be there in this company?

Answer:

A minimum number of members must be 7 in this company because it is a Public company.

Question (b).

Can the members of this company sell their shares to outsiders?

Answer:

Being a Public company member can sell its shares to outsiders. There is no restriction on the transferability of shares.

Question (c).

How many maximum numbers of members can this company have?

Answer:

In a public company, there is no limit for the number of maximum members as it is a Public company.

3. Sunset Printers Pvt. Ltd. was incorporated on 5th December 2015 as per the provisions of the 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.

Question (a).

Is this company a One Person company?

Answer:

Yes, this is a One Person company, because only one/single person is a member of this company.

Question (b).

Will the liability of Mr. Manoj be limited or unlimited?

Answer:

The liability of Mr. Manoj is limited.

Question (c).

Will the company close down on the death, insanity, or insolvency of Mr. Manoj?

Answer:

No, Company will not close down on the death, insanity, or insolvency of Mr. Manoj.

4. On 1st January 2018 Mr. John bought 100 shares of TIPS Paints Ltd. The face value of each share was ₹ 10. Mr. John paid the full amount of ₹ 1,000. In December 2018 the company suffered a loss of ₹ 10 crores.

Question (a).

Can the company ask Mr. John to pay any further money to the company?

Answer:

No, Company cannot ask Mr. John for further payment, because, he has already paid the full amount of face value.

Question (b).

Which feature of a Joint Stock company is referred to in this example?

Answer:

'Limited Liability is a feature, which is referred to in this example.

Question (c).

Explain the feature briefly.

Answer:

As per 'Limited liability' member of the company is not liable to debts of the company. Member is liable only up to the unpaid amount of share capital. Members' personal property will not be used for the liability of a company.

#### 4. Distinguish between the following.

Question 1.

Sole Trading Concern and Joint Hindu Family Business.

Answer:

Basis	Sole Trading Concern (STC)	Joint Hindu Family Business (JHFB)
1. Meaning	It is a business organization owned, financed, and managed by a single person.	It is a business organization owned and managed by members of the Joint Hindu Family.
2. Number of members	Only one or single person.	There is no limit on the minimum and maximum number of members.
3. Liability	Liability is unlimited.	Karta has unlimited liability while co-parceners have limited liability.
4. Secrecy	It ensures maximum business secrecy.	It maintains more business secrecy.
5. Management	A sole trader is responsible for the management of the business.	Karta is responsible for the management of the business.

Question 2.

Sole Trading Concern and Partnership Firm

Answer:

Basis	Sole Trading Concern (STC)	Partnership Firm (PF)
1. Meaning	It is a business organization owned, financed, and managed by a single person.	It is a business organization owned, financed, and managed by two or more persons collectively.
2. Number of members	Only one or single person is required to form Sole Trading Concern.	Minimum 2 and maximum 50 members are required for general business.
3. Registration	Registration is not necessary.	Registration is not necessary. But it is compulsory in Maharashtra.
4. Liability	The liability of a sole trader is unlimited.	Partners carry unlimited liability and joint and several.
5. Capital	Comparatively, it requires limited capital.	Compared to Sole Trading concern and Joint Hindu Family business it requires more capital.
6. Secrecy	It ensures maximum secrecy.	Secrecy may be shared by partners.
7. Management	A sole trader is responsible for the management of the business.	All partners are equally responsible for the management of the business.
8. Government Control	There is less government control.	There is limited government control on the working of the firm.

Question 3.

Partnership Firm and Joint Stock Company

Answer:



Basis	Partnership Firm (PF)	Joint Stock Company
1. Meaning	It is a business organization owned, financed, and managed by two or more persons collectively.	It is an association of persons formed under the Companies Act, to run a business.
2. Number of members	Minimum 2 and maximum 50 members are required for general business.	For Private company minimum 2 and maximum 200. For Public company minimum 7 and maximum unlimited.
3. Registration	Registration is not necessary. But is compulsory in Maharashtra.	Registration is compulsory under the Companies Act, 2013.
4. Liability	Partners carry unlimited liability, joint, and several.	The liability of all members is limited, to the extent of shares held by him.
5. Stability	It has no stability. Death or insolvency of a partner may affect stability.	It has a stable business. Death or insolvency of a member does not affect the stability.
6. Capital	Compared to Sole Trading concern and Joint Hindu Family business it requires more capital.	It requires a huge amount of capital.
7. Secrecy	Secrecy may be shared by partners.	It maintains less business secrecy.
8. Management	All partners are equally responsible for the management of the business.	The Board of Directors is responsible for the management of the Joint Stock Company.
9. Government Control	There is limited government control on the working of the partnership firms.	There is more government control on working of Joint Stock companies.

Question 4.

Joint Stock Company and Co-operative Society

Answer:

Basis	Joint Stock Company	Co-operative society
1. Meaning	It is an association of persons formed under the Company Act, 2013 to run a business.	It is a voluntary association of individuals which is formed for providing services to members.
2. Number of members	Private Company minimum 2 and maximum 200. Public company minimum 7 and maximum unlimited.	Minimum 10 and maximum no limit.
3. Registration	Registration is compulsory under the Indian company Act 2013.	Registration is compulsory under State Societies Act.
4. Capital	It requires a huge amount of capital.	Compared to Sole Trading concern and Joint Hindu Family business it requires more capital but less than Joint Stock Company.
5. Management	The Board of Directors is responsible for the management of Joint Stock company.	Managing Committee is a managing body for a Cooperative society.

Question 5.

Private Company and Public Company

Answer:

Basis	Private Company	Public Company
1. Definition	A company, which by its articles restricts the right to transfer of shares and limits maximum membership up to 200 is called a Private Company.	A company that is not a private company is called a Public Company.
2. Number of members	Minimum 2 and maximum 200 members.	Minimum 7 and maximum 'No limit' on membership.
3. Number of directors	Minimum 2 directors are essential, in Private Company.	Minimum 3 directors are essential in a Public Company.
4. Right to transfer shares	Shares of Private companies are not transferable.	Shares of public companies are freely transferable.
5. Issue of prospectus	A private company cannot issue a prospectus.	Public companies can issue prospectus.
6. Ending words	Name of the Private Company compulsory ends with "Private Limited."	Name of Public company compulsory ends with "Limited".

#### 5. Answer in brief.

Question 1.

How is LLP different from a partnership firm?

Answer:

LLP and Partnership Firm both look alike but are separate and have separate features:

- Legal base: Limited Liability Partnership is based on "Limited Liability Partnership Act, 2008" and regular partnership is based on "Partnership Act, 1932".
- A number of partners: In a Partnership firm, a minimum of two partners and a maximum of fifty partners are allowed and in LLP minimum of two partners and a maximum no limit.
- Liability: In LLP, partners have limited liability while in a partnership firm, partners have unlimited liability.
- Transfer of ownership: There is no restriction on joining and leaving the LLP, but in a partnership firm, partners cannot transfer their shares without the permission of other partners.

Question 2.

Explain the different types of companies on the basis of the liabilities of members.

Answer:

There are three types of companies on the basis of liabilities of members which are explained as under:

(i) Companies Limited by Shares: Such companies are formed as per Section 2(22) of the Companies Act, 2013. Such companies have to share capital and their members have limited liabilities up to unpaid part of the face value of shares held by them. At the time of winding up of the company, the personal property of shareholders is not used. They are liable only for the unpaid part of the number of shares purchased.

(ii) Company Limited by Guarantee: As per Section 2(21), such companies may or may not have share capital. Every Member promises to pay a specific amount for liabilities and debts of the company at the time of liquidation. Such amount is mentioned in Memorandum. Member simply gives guarantee and carries a specific amount of liability. Generally, such companies work for the promotion of sports, art, culture, charity, etc.

(iii) Unlimited Liability Company: As per section 2(92), members of these companies have unlimited liability. Members are fully liable to liabilities and debts of the company. It may be a private, public, or one-person company.

Question 3.

What are holding and subsidiary companies?

Answer:

Holding company:

- A company holds more than half of the share capital of another company.
- Such a company may have the power to appoint a director of another company.
- It has the power to remove directors of another company.

Subsidiary company:

- Such companies are controlled by holding companies.
- Holding company purchases more than half of the total share capital of the Subsidiary company.
- Holding Company has the power to appoint or remove all or a majority of its directors.
- A subsidiary company is just the opposite of a Holding company.

#### 6. Justify the following statements.

Question 1.

Registration of Joint Stock Company is compulsory.

Answer:

- In India, the Joint Stock Companies are governed by the Companies Act, 2013.
- Every company has to be registered under the Companies Act, 2013.
- Registration gives birth to a company.
- On registration, the company gets a separate legal entity/identity.
- Without registration, no company can come into existence.
- After getting a registration certificate, it becomes a corporate body.
- So, the registration of a Joint Stock Company is compulsory and not optional.
- Thus, registration of a Joint Stock Company is compulsory.

Question 2.

A Joint Stock Company is an artificial person.

Answer:

- A Joint Stock Company is an incorporated association, which is an artificial person created by law, having a separate name, a separate legal entity, and perpetual succession.
- It is an artificial person because it is the creation of law.
- It does not have a physical existence but has legal existence.
- It enjoys certain rights and also conducts business like any human being.
- A company is an artificial person because it is not developed by the process of a natural person.
- It is the law of the land that gives birth to a company, hence, it is an artificial but legal person.
- A company has a distinct name and a common seal.
- It can make contracts, appoint staff, borrow money, open an account in the bank, acquire assets and conduct other business activities by its office bearers and staff.
- It can sue and be sued by others. So, a Joint Stock Company is an artificial person, created by law.
- Thus, a Joint Stock Company is an artificial person.

Question 3.

The liability of shareholders of the company is limited.

Answer:

- The liability of shareholders of the company is always limited.
- It is limited to the extent of the unpaid part of the face value of the shares held by them. Personal property of shareholders will not be taken or sold to pay the creditors or loan of the company.
- Shareholders are not concerned with other liabilities of the company.
- eg. If a shareholder has bought 100 shares of ₹ 10/- each, then he is liable only for ₹ 1000/- and not more.
- Thus, the liability of shareholders of a Joint Stock Company is limited.

Question 4.

The ownership and management are separated in Joint Stock Company.

Answer:

- A Joint Stock Company is a voluntary association of individuals for profit, having its capital divided into transferable shares, the ownership of which is the condition of membership.
- The members of a joint-stock company are many and they are scattered all over.
- It becomes very difficult for them to manage the business of the company.
- Lots of time may be wasted as all the shareholders are not able to come together at one place at the same time and as a result, there is a delay in decision making.
- To avoid these problems, the shareholders elect their representatives known as "Board of Directors".
- The Board of Directors handles the business of the company on behalf of the shareholders.
- But, all important decisions pertaining to the company are not taken without the consent of all the shareholders.
- The owners of the company are the shareholders.
- The managers of the company are the Board of Directors.
- So, there is a separation of ownership and management in Joint Stock Company.
- Thus, the ownership and management are separated in Joint Stock Company.

Question 5.

The Joint Stock Company collects huge capital from the public.

Answer:

- A company requires large capital to carry out its activities.
- This capital is being collected from the public as it is not possible for an individual to contribute such a big amount.
- A company issues shares, debentures, bonds and also accepts public deposits for raising its capital.
- A company can also take loans from banks and financial institutions.
- A large number of members bring in a large number of funds that can be profitably invested in the expansion of the company.
- So, for a large-scale business, large capital is collected by the Joint Stock Company.
- Thus, the Joint Stock Company collects huge capital from the public.

#### Question 6.

There is more Government control and supervision over the working of a Joint Stock company.

Answer:

- A Joint Stock Company is controlled and supervised by the Government.
- A company has to follow numerous provisions of the Companies Act and other Acts.
- The company has to follow all rules and regulations of the Government.
- If any of the legal provisions are violated, various charges are levied on the company.
- Government control protects the financial interest of a large number of investors.
- If any of the business of a company is carried out illegally, strict actions are taken by the Government authorities on the working of the company.
- So, there is more Government control and supervision over the working of Joint Stock companies.

#### 7. Answer the following questions.

##### Question 1.

State the features of Sole Trading Concern.

Answer:

Features of Sole Trading Concern.

- No separate law: There is no separate law or act for sole trading concern. But, while conducting the business, it should follow routine laws which are applicable.
- Ownership: In a sole trading concern, only one person is the sole owner.
- Capital: Capital is contributed by the owner and an owner is a single person. Hence, capital is collected by a single person. So the size of capital is very small.
- Division of earnings: A sole trader is a single person, so there is no division of profit or loss. All profit is enjoyed by the owner and also bears all the losses of the business.
- Management: The business activities of Sole Trading Concern are managed by a single owner. Such an owner is a decision-maker.
- Secrecy: Sole Trader can ensure maximum business secrecy. The owner is not required to discuss the business matter with any outsider. Thus, maximum secrecy can be maintained.
- Liability: The liability of Sole Trader is unlimited. The owner's personal property can be used for debts and liabilities of the business concern.
- Legal Status: Sole Trading Concern does not enjoy a separate legal status. There is no business registration by law. So, it does not have legal status.
- Suitable for small-scale business: Sole Trading Concern is suitable for small-scale business activity. Sole Traders can collect limited capital and thus cannot undertake large-scale business activity.
- Government control: There is no much government control over such type of business.

##### Question 2.

State the features of Joint Hindu Family Business.

Answer:

Features of Joint Hindu Family Business:

- Membership: Membership of Joint Hindu Family business is possible only by birth. Every child born in a family is considered a member of the Joint Hindu Family business.
- Karta: 'Karta' is the head of the family. Generally, a senior person of the family plays the role of Karta in the Joint Hindu Family business.
- Co-parceners: 'Co-parceners' are the members of the family, rather than 'Karta'. They play a supporting role in the family and have limited liability.
- The number of members: There is no limit on the minimum and maximum number of members.
- Liability: Liability of 'Karta' is unlimited, while the liability of 'Co-parceners' is limited in Joint Hindu Family business.
- Decision making: Being ahead of a Joint Hindu Family business, 'Karta' is the sole decision-maker. Thus, quick decision-making is possible in such type of business.
- Management: 'Karta' is head of Joint Hindu Family business activity, so such person is considered as manager, controller, and co-ordinator of business.
- Profit-sharing: The profit-sharing ratio keeps on changing in the Joint Hindu Family business. This ratio depends on the number of family members, which keeps on changing on birth and death in a family member.
- Legal Act: Joint Hindu Family business is governed by Hindu Succession Act, 1956. But, it does not need any registration. There is less government control on the Joint Hindu Family business.

##### Question 3.

State the features of the Partnership Firm.

Answer:

Features of Partnership Firm:

- Meaning: The business organization, which is owned, managed, and controlled by two or more persons under Partnership Act, 1932 is called a partnership firm.
- Registration: As per Partnership Act, 1932, registration is not compulsory. But, registration has been made compulsory in the state of Maharashtra.
- A number of members: The minimum number of members is 2 partners and a maximum of 50 partners for general business.
- Capital: The capital of a partnership firm is contributed by all the partners.

- Liability: In a partnership firm, the liability of partners is unlimited and is joint and several. The personal property of partners can be used to pay off the liabilities and debts of the partnership firm.
- Legal status: Partners of partnership firm enter into business with an agreement which is made as per Partnership Act, 1932. But, such firms do not enjoy separate legal statuses.
- Transfer of shares: In a partnership firm, partners cannot transfer their shares without the permission of other partners.
- Management: The business of a partnership firm is conducted, managed and controlled by all the partners. They are the joint owners and joint managers of a firm.
- No separation of ownership and management: As per the Partnership Act, 1932 all partners of the firm are owners, and as such it is the responsibility of all the partners to manage the business. So there is no separation of ownership and management.
- Profit-sharing: Being an owner of a firm, all the partners share profits and losses as per the ratio which is mentioned in the partnership deed.

Question 4.

State the features of Co-operative Society.

Answer:

Features of Co-operative Society:

- (i) Meaning: Co-operative society is a voluntary association of persons, formed to provide services and economic welfare to its members.
- (ii) Registration: The registration of a Co-operative society is compulsory in the state of Maharashtra, under Maharashtra State Co-operative Societies Act, 1960.
- (iii) Membership: Membership of a Cooperative Society is open to all. Any person of sound mind can enter in Cooperative society.
- (iv) Number of Membership: Minimum ten members are required and maximum there is no limit to join Co-operative Society.
- (v) Liability: Members of the Cooperative society carry limited liability. The personal property of a member cannot be used for liability or debts of the society.
- (vi) Aim of society: Generally, another form of business organization has its aim as profit. But, a Cooperative society has no aim of maximization of profit. They are formed with an aim of providing service and economic welfare to the members.
- (vii) Legal status: Co-Operative societies are formed under a specific act, so they enjoy independent legal status different from its members.
- (viii) Management: Management in a Cooperative society is based on the principle of 'Democracy'. Shareholder/member enjoys equal voting right to decide management authority. 'One Person One Vote' principle is followed by the Cooperative society.
- (ix) Government control: There is strict Government control and supervision on working of Co-operative society. Generally, the state Government controls the activity of Cooperative society.

Question 5.

State the features of a Limited Liability Partnership.

Answer:

Features of Limited Liability Partnership (LLP):

- Meaning: It is a combination of features of a partnership firm and a Joint Stock company. The liability of all partners in such a partnership firm is limited.
- Legal entity: Limited Liability Partnership has a separate legal entity. Partners and Limited Liability Partnership are distinct from each other i.e. it is a body corporate.
- the number of members: In a Limited Liability Partnership, a minimum of two partners are required. There is no limit on a maximum number of partners in a Limited Liability partnership.
- Capital: The capital of a business organization is collected from all partners. There is no requirement for minimum capital contribution.
- Business operation: It is simple to form and easy to operate.
- (vi) Liability: Limited Liability Partnership carry limited liability. The liability of each partner is limited to his share as written in the agreement.
- Cost of formation: As compared to a Joint Stock Company, the formation of a Limited Liability Partnership is very simple and easy. It has a low cost of formation.
- Transfer of share: In a Limited Liability Partnership, there is no restriction on the transfer of ownership/shares, except to follow rules of the partnership agreement, In short, there is less restriction on joining and leaving the Limited Liability Partnership.
- In a Limited Liability Partnership, double taxation is avoided and there is no tax on share in profit.

Question 6.

Define Joint Stock Company and explain its features.

Answer:

Definition of Joint Stock Company:

- As per Section 2(20) of the Companies Act, 2013: "Company means a company incorporated under this Act or under any previous company law".
- According to Prof. H.L.Haney: "A Joint Stock Company is a voluntary association of individuals for profit, having its capital divided into transferable shares, the ownership of which is the condition of membership".

Features of Joint Stock Company:

(i) Voluntary association: It is a voluntary association of individuals. Membership is open to all. Any person can join and leave the company subject to rules of the Articles of Association of the company.

(ii) Incorporated Association: Company is an association of persons formed and incorporated/registered under the Companies Act, 2013. Registration is compulsory. After incorporation, an association obtains the status of a Joint Stock Company.

(iii) Separate legal entity: The company enjoy a separate legal status different from its members and directors. Though the members are the owners, yet they are not liable for the actions of the company.

(iv) Artificial person: A company is a creation of law. A company does not have a physical existence, but it can conduct various activities like a human being.

E.g. enter into a contract, open a bank account, purchase or sell assets, appoint employees, etc. The company has corporate existence.

(v) Perpetual succession: A company has a perpetual succession means continuous existence. The company can enjoy a long and stable life. It is not affected by the death, insolvency, or retirement of any member.

(vi) Common seal: A company has a common seal of its own and all its activities are conducted under this seal. A company is an artificial person, its seal is the substitute for its signature. This seal is a name or any other recognition of a company.

(vii) Limited liability: The liability of members/shareholders of the company is limited. It is limited up to the unpaid part of the face value of shares held by shareholders. The personal property of a shareholder cannot be used for repayment of debts of the company.

(viii) Separation of ownership and management: As per the Companies Act, shareholders are the owners of the company, but they are unable to manage the day-to-day business activities as they are large in number, scattered and they keep on transferring shares. So, they appoint directors for management purposes. Thus, ownership and management are separate in the case of a Joint Stock Company.

(ix) Transferability of shares: The shares of a public company are transferable. They can be transferred freely whenever shareholder desires to sell. Shares of private companies are not freely transferable.

(x) Number of members: A company is owned by a large number of members. For private companies, minimum of 2 members and a maximum of 200 members are required and for the public company a minimum of 7 members and a maximum no limit.

(xi) Capital: Due to a large number of members, a huge amount of capital can be collected by the company in the form of shares, debentures, bonds, public deposits, etc. It can also borrow loans from banks and financial institutions.

(xii) Government control: There is strict control and supervision by the Government on the working of the company. The company has to follow the regulations and file Profit and Loss Account, Balance Sheet, and other financial statements with the Registrar. It should maintain all required books of accounts.

#### Question 7.

Define a 'company'. Explain the types of companies on the basis of the liability of members.

Answer:

Definition of Joint Stock Company:

- As per Section 2(20) of the Companies Act, 2013: "Company means a company incorporated under this Act or under any previous company law'.
- According to Prof. H.L.Haney: "A Joint Stock company is a voluntary association of individuals for profit, having it's capital divided into transferable shares, the ownership of which is the condition of membership".

Types of Companies on the basis of liability of members:

(i) Companies Limited by Shares: Such companies are formed as per Section 2(22) of the Companies Act, 2013. Such companies have to share capital and their members have limited liabilities up to unpaid part of the face value of shares held by them. At the time of winding up of the company, the personal property of shareholders is not used.

(ii) Company Limited by Guarantee: As per Section 2(21) of Companies Act, 2013 such companies may or may not have share capital. Every Member promises to pay a specific amount for liabilities and debts of the company on liquidation. Such amount is mentioned in the Memorandum of Association. Members give guarantees and they carry a specific amount of liability. Generally, such companies work for the promotion of sports, art, culture, charity, etc.

(iii) Unlimited Liability Companies: As per Section 2(92) of the Companies Act, 2013 such companies have members with unlimited liability. Members are fully liable to liabilities and debts of the company. It may be a private, public, or one-person company.

#### Question 8.

Explain any four types of companies.

Answer:

Following are the types of companies:

(A) On the basis of Incorporation:

- Statutory Company: Statutory companies are incorporated by Special Act. Such Act is passed in Central or State legislation.
- E.g. Reserve Bank of India, State Bank of India, Unit Trust of India, Life Insurance Corporation, etc.
- Registered Company: Such companies are formed under the Companies Act, 2013 or any previous company law.

(B) On the basis of Number of Members:

(i) Private Company: It is a company having minimum paid-up capital as prescribed by its Articles. Such companies restrict the rights of their members to transfer their shares and also restrict the maximum number of its members up to 200. Such companies are also prohibited to invite the public to subscribe to their securities or deposits.

(ii) Public Company: It is a company having a minimum paid-up share capital as prescribed by its Articles. Such companies do not restrict the rights of their members to transfer their shares. It requires minimum of 7 members to form a company and there is no limit on the maximum number of members. Such companies can invite the public to subscribe for its securities or deposits.

(iii) One Person Company: It is a company, in which one person is a member. Such a company is managed by a single person, having limited liability. It should follow the rules of a private company. It may have one or more directors.

(C) One the basis of Liability of Members:

(i) Companies Limited by Shares: Such companies are formed as per Section 2(22) of the Companies Act, 2013. Such companies have to share capital and its members have limited liabilities up to unpaid part of the face value of shares held by them. At the time of winding up of the company, the personal property of shareholders is not used.

(ii) Company Limited by Guarantee: As per Section 2(21) of Companies Act, 2013 such companies may or may not have share capital. Every Member promises to pay a specific amount for liabilities and debts of the company on liquidation. Such amount is mentioned in the Memorandum of Association. Members give guarantees and they carry a specific amount of liability. Generally, such companies work for the promotion of sports, art, culture, charity, etc.

(iii) Unlimited Liability Companies: As per Section 2(92) of the Company Act, 2013 such companies have members with unlimited liability. Members are fully liable to liabilities and debts of the company. It may be a private, public, or one-person company.

(D) On the basis of Control:

(i) Holding Company: A company holding more than half of the share capital of another company is called a Holding Company. This company has the power to appoint directors of another company and remove directors of another company.

(ii) Subsidiary Company: The company which is controlled by a holding company is called a Subsidiary Company.

#### Activity (Text Book Page No. 25)

Identify the type of following companies:

1. Bajaj Auto Limited
2. Coal India Limited
3. Microsoft India
4. Kirloskar Foundation

Answer:

1. Bajaj Auto Limited – Public Limited Company
2. Coal India Limited – Government Company
3. Microsoft India – Subsidiary Company of American Software Company Microsoft Corporation
4. Kirloskar Foundation – Company Not for Profit (Corporate Social Responsibility)