

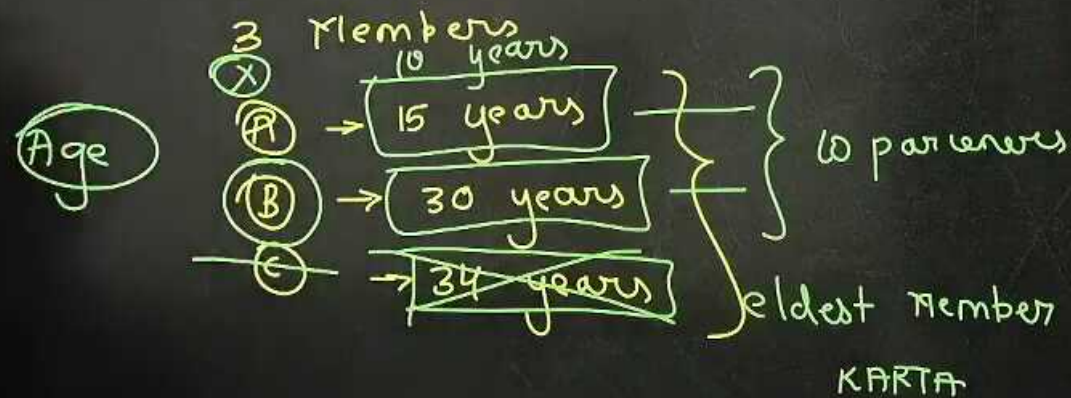
## Joint Hindu Family Business

HUF - Hindu Undivided Family Business



- Joint Hindu family business is a specific form of business organisation found only in India.
  - It refers to a form of organisation wherein the business is owned and carried on by the members of the Hindu Undivided Family (HUF).
  - It is governed by the Hindu Law.
  - The basis of membership in the business is birth in a particular family and three successive generations can be members in the business.
- The business is controlled by the head of the family who is the eldest member and is called Karta.
- All members have equal ownership right over the property of an ancestor and they are known as co-parceners.

## Joint Hind Family



## Features



(i) **Formation:** For a joint Hindu family business, there should be at least two members in the family and ancestral property to be inherited by them.

(ii) **Liability:** The liability of all members except the Karta is limited to their share of co-parcener property of the business.

(iii) **Control:** The control of the family business lies with the Karta

1] Atleast 2 Male members in the family.

2] Presence of Ancestral Property.



## Features



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(iii) **Control:** The control of the family business lies with the Karta

Loss  $\rightarrow$  12 lakhs  
10 lakh  
2 lakh Karta

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Karta - [Unlimited]  
Coparceners - Limited

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Ancestral Property  
10 lakh Rs.  
HUF  
10 Members  
every member  $\rightarrow$  1 lakh liability

(iv) Continuity: The business continues even after the death of the Karta as the next eldest member takes up the position of Karta.

(v) Minor Members: The inclusion of an individual into the business occurs due to birth in a Hindu Undivided Family.

## Merits



- (i) Effective control: The Karta has absolute decision making power. This avoids conflicts among members as no one can interfere with his right to decide.
- (ii) Continued business existence: The death of the Karta will not affect the business as the next eldest member will then take up the position.
- (iii) Limited liability of members: <sup>Co-parceners</sup> The liability of all the co-parceners except the Karta is limited to their share in the business.
- (iv) Increased loyalty and cooperation: Since the business is run by the members of a family, there is a greater sense of loyalty towards one other.



## Limitation



- (i) **Limited resources:** The joint Hindu family business faces the problem of limited capital as it depends mainly on ancestral property.
- (ii) **Unlimited liability of Karta:** The Karta is burdened not only with the responsibility of decision making and management of business, but also suffers from the disadvantage of having unlimited liability.
- (iii) **Dominance of Karta:** The Karta individually manages the business which may at times not be acceptable to other members.
- (iv) **Limited managerial skills:** Since the Karta cannot be an expert in all areas of management, the business may suffer as a result of his unwise decisions.