

Definition of Sole Trading concern:

L.H. Haney:- the head of which is an individual who is responsible, who directs its operations and who alone runs the risks of failure.

James Stephenson:- A person who carries on business exclusively by and for himself, he is not only the owner of the capital of undertaking, but is usually the organizer and manager and takes all the profits and responsibility of losses.

Elbourne:- It is a business initiated and operated by one individual who carries all financial risk.

Features of sole Trading concern

(i) Individual initiative.

- (3) Unlimited liability :- They can take personal asset.
Liability is not restricted to the business assets.
- (4) Motivation :- We ~~can~~ get direct amount, proportional to our hard work. No need of sharing business.
- (5) Secrecy :- In case of Tenders, the amount required - budget must be confidential. It is a vital requirement to run a business.
- (6) Risk :- In cases of losses, the individual will only be responsible and has the only risk.
- (7) Uncertain existence :- If a person alone is running the business, and suddenly becomes ill, & didn't explain anything to his family. So generally, ~~is~~ in sole proprietorship, when proprietor dies, the business dies. So, uncertain existence. In partnership, other partner takes care.
- (8) Scope of Operations :- It is limited, they are restricted to one place, one product etc.
- (9) Govt. regulations :- no much govt. contrd. Registration is not mandatory. It may be mandatory for only some.

Merits of Sole Trading concern :-

- (1) Easy Formation :-
- (2) Facility of direct control :- Have full direct control.
- (3) Maintenance of Business Secrets :-
- (4) Easy to raise finances :-
- (5) Quick Decision making :- In case of Joint stock, a decision is taken by a meeting with board - it is lengthy. In sole proprietorship, we can take immediate decision.
- (6) Cost effective management :-

- (1) Good relation with customers:- Absolute relationship.
- (2) Immediate rewards for efforts :-
- (3) Minimum Govt. regulations.
- (4) Socially Desirable.

Demerits:

- (1) Limited Financial Resources
- (2) Unlimited Liability.
- (3) Limited Managerial ability.
- (4) Uncertain existence.
- (5) No large scale economies:- as it is limited to one place or product.
- (6) Heavy risk.
- (7) May not able to face the competition :-
- (8) Dominance of Employees.
- (9) No support in making decisions.

Definition of Partnership form:-

Kimball & Kimball:- It is a group of men joined capital or services for the prosecution of some enterprise.

Prof Honey:- It is the relationship b/w persons who agree to carry on a business in common with a view to private gain.

As per section 4 of partnership Act 1932, It is the relation b/w persons who have agreed to share profits of a business carried on by all (or) any of them acting for all.

Partnership Deed:-

Name of the firm.

Nature of the business

Place of the Business

Name & Address of the partners

Date of agreement.

Duration of the partnership.

Capital investment made by the partners.

Profit & loss sharing ratio - Capital sharing & profit sharing may be different.

Interest on loans advanced by the partners.

Amount of withdrawals allowed to partners and the rate of interest.

Amount of salary etc. payable to the active partners.

Duties, Rights & liabilities of partners.

Maintenance of accounts and audit etc.

Mode of valuation of goodwill on Admission, retirement or death of a partner.

Procedure for dissolution of partnership and settlement of accounts.

Methods of settlement of disputes among partners.

Features:-

Association of two or more individuals.

Agreement b/w people.

Sharing of profits and losses.

Implied Authority

Joint & Several Liability (Unlimited).

Principal - agent relationship.

(Partnership) (Partners)

Restrictions on Transfer of shares :- for any transfer of shares, ~~the~~ all other partners.

Mutual Trust.

Partnership & Partners are one.

Management.

Capital Subscription.

Duration.

Merits:-

Easy formation.

Availability of more resources.

Quick decisions. (not quick as sole proprietorship, but quicker)
Individual supervision.

Reduced Risk. (loss is divided acc. to sharing ratio)

Flexibility in activities.

Maintenance of secrecy.

Protection of minority interests (it is responsibility of other partners)

Direct Relationship with customers.

Scope of Expansion.

Demerits.

• Disintegration among partners.
Limited resources.

Instability.

Danger from implied authority

Unlimited liability.

Restriction on Transfer of share.

Delay in decision making

Reduced Public confidence.

Kinds of Partners:-

(a) Active Partner

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Joint stock company

Definition of Joint stock company :-

James stephenson:- A company is a association of several persons who contribute money or money's worth to a common stock and employ it in some trade or business and who share the profit or loss arising there from.

Prof L.H. Flancy:- It is a voluntary association of individuals for profit, having a capital divided into transferable shares, the ownership of which is the condition of membership.

Justice Marshal:- A corporation is an artificial being, invisible, intangible and existing only in contemplation of the law as an artificial person created by law, it possesses the characters of perpetual succession and a separate legal entity.

Classification of companies :-

Incorporation.

Chartered companies:- Ex:- East India.

Statutory companies:- Ex:- Reserve Bank of India,

Special act is passed, acc.to that

Unlimited:

- Private company
- Proprietary company
- Partnership firm
- Joint stock company
- Non-resident Indian company
- Foreign company
- Foreign branch
- Branch office
- Head office
- Subsidiary
- Associate
- Holding company
- Multinational company

Holding company: - more than one subsidiary.

Indian companies: - 51% or more by Indians, registered office in India and doing business all over the world.

Foreign companies: - registered office in foreign & doing business in our country.

Pvt Ltd companies:

Public Ltd companies: - min 7 & max. unlimited. The shares are distributed to the people.

Bajaj Finance Ltd, Reliance Ltd.

Features :-

- A group of persons.
- Separate Legal entity (Name & stamp registered)
- Limited Liability (Take max. of business share but not personal assets)
- Official seal.
- Transferability of shares (No need of approval from other officials).
- Ownership and Management are different.
- Perpetual Existence
- Registration (under the companies Act 1956).
- Publication and Filing of accounts.

Merits :-

- Facility of Limited Liability.
- Availability of Large Funds.
- Perpetual existence (death of any one active person doesn't lead to closure of the company)
- Facility of Transfer of shares.
- Scope for efficient management.
- Scope for Business expansion. (Due to huge profits also)
- Public confidence
- Diffused risk. (Risk is divided into many people)
- More economies
- Democratic Administration (Directories are elected by share holders)
- Facility of Tax Relief.
- Social Benefits.

Incorporation of a company

Necessary Documents before approaching the registrar of companies.

- (1) An industrial license if the proposed business is covered by Industries Act 1951.
- (2) An import license if the machinery or equipment is to be imported.
- (3) Approval of Govt., in case of Foreign Collaborations.
- (4) Approval of the Govt. under monopolies and restrictive trade practices Act 1961 if necessary.
- (5) Certificate accepting the name.

& required Doc's:-

(1) Memorandum of association (it is the constitution of any company)

(2) (powers, scope of the company, responsibilities, ...)

Name Name should be presented in all register offices in one local lang. & also english. It should not be similar to previous company's or existing company's name.

Emblems and Names Act prohibited some emblems & names. Should not use them.

Should not use those which resemble nation.

If a company is based on promotion of art, culture, heritage, then at the end of the name → Ltd.

If a private company - Pvt Ltd.

Situation public company - Ltd.

(3) Should provide address of registration office of the comp.

objectives Should present all the objectives of the company.

Main obj's, subsidiary obj's and other obj's.

liability mention whether it is limited or unlimited or limited by guarantee.

Capital how much capital is needed.

Subscription

of Association

class

Declaration from Shareholders that we are associated together.

(2) Affidate of association :- Defines ways & means to achieve the objectives mentioned in Memorandum.

(3) List of the directors:- Their details, signature, capital contribution should be mentioned.

(4) Consent letter of the directories.

(5) Name Approval certificate.

(6) Statement of Authorised Capital.

(7) Statutory declaration :- ^{self} declaration that followed all acts, rights, and authorised by supreme court lawyer or high court lawyer.

(8) Receipt of Registration

Issue of certificate of incorporation prospectus.

Certificate of commencement of business.

Public sector enterprises:- it is owned, managed and controlled by the central govt. or any state govt. or any local authority.

Also called as public undertakings or public sector undertakings.

The forms of organizing Public enterprises are as follows.

Departmental undertakings.

Public corporations.

Government companies.

Characteristics :-

(1) State ownership.

(2) State control.

(3) State financing.

(4) Socio economic objectives. (providing emp...)

(5) Public accountability.

Rationale behind Public sector enterprises:-

(1) Need for planned development.

(2) Need for infrastructural facilities.

(3) Need for balanced regional development.

(4) Need for Generation of Employment.

(5) To act as model Employer.

(6) Social welfare.

(7) Need for equitable distribution of economic gains.

(8) Need for Nationalisation.

Unitz ACCOUNTING

→ Recording of Transaction according to rules.

identify transactions and apply rules to them and record somewhere.

Transactions :- any business event expressed and measured in terms of money

Selling a car, taking advance from customers, giving salaries.

Monetary events :- Transactions possible to express in terms of money.

Non-monetary events :- Transactions not possible to express in terms of money.

Events / Monetary \Rightarrow Selling goods, . . .

Non-monetary \Rightarrow conducting interviews, entertaining.

Monetary events also known as transaction.

(1) Appointment letter given to a sales manager - Not a Tran.

(2) Discussion with suppliers - N

(3) Giving information to customer - N.

(4) Cash deposited in your bank. - y

upto 1494, accounts are written \Rightarrow amount received - 10000

This is known
as single entry
book keeping
system.

Books - 2000
Dress - 2500.
Shoes - 500
Total - 5000
Remaining - 5000.

Every transaction has two effects - Debit, credit

\Rightarrow Double entry Book keeping system.

Books - got a book
cash. | Loan given

one is debit & other is credit (dual way).

Proposed in 1494

but got popular in 18th century

Transactions

Personal

Impersonal

Real

Nominal.

Personal :- deals with persons (humans or artificial persons)

Real :- dealing with assets.

Nominal :- dealing with expenses / incomes.

given money to Ramesh - human

deposited money in SBI bank - artificial.

paid fees to GVP - artificial person.

Personal  ~~Human~~ Normal person

Artificial person

Representative Personal a/c.

(paid advance went to the owner)

Real :- assets (land, buildings, watches, ...)

tangible 

(can see & feel)

(furniture, machinery)

(land)

non-tangible

(can't feel & see)

(copyrights, goodwill)

Nominal :- dealing with expenses (taxes paid, bills paid)

(salaries paid, rents paid)

& incomes (received, rents received, discount received).

salaries paid \rightarrow \$5000 \rightarrow salaries, cash

(nominal) (real)

watch purchased \rightarrow watch, cash

(real) (real) both are assets.

Personal :- Debit the receiver

Credit the giver.

Real :- Debit what comes in.

Credit what goes out

Nominal :- Debit all expenses & losses

Credit all incomes & gains.

(1) Cash received from Ganesh.

\rightarrow Cash - real - cash coming in - Debited.

\rightarrow Ganesh - Personal - Ganesh is the giver - Credited.

(2) Cash deposited in ICICI Bank.

\rightarrow Cash - real - cash goes out - Credited.

\rightarrow ICICI Bank - Personal - it is receiver - Debited.

(3) Purchased Furniture

- Furniture - real - comes in - debited
- Cash - real - goes out - credited.

(4) Salaries paid Rs. 20,000

- Salary - Nominal - expenditure - Debited.
- Cash - real - goes out - Credited.

(5) Sold machinery for Rs. 1,00,000.

- Machinery - real - goes out - Credited.
- Cash - real - comes in - Debited

(6) Sold machinery to Ram & Co for Rs. 1,00,000. (pays later)

- Machinery - real - goes out - Credited
- Ram & Co - Personal - he is received - Debited.

Recording: - It will be recorded in Journal ^{primarily a book known as}.

So, Journal is known as Prime book of entry.

Should write in a chronological way (Date wise like diary).

So, also known as Business Diary.

also known as Chronological book.