Question 3. Discuss the characteristics, merits and limitations of the cooperative form of organization. Also describe briefly different types of cooperative societies.
Answer: It is important to choose an appropriate form of organization as it will determine:
1. Extent of control;
2. Extent of liability;
3. Availability of resources;
4. Legal formalities.
All these in turn will determine profits of the business.
Different types of cooperative societies are explained below:

1. Producer's cooperative societies: The producer's cooperatives are established by the small producers. The members of the society produce goods in their houses or at common place. The raw materials, tools, money, etc. are provided to them by the society. The output is collected by the society and sold in the market at the wholesale rate. The profit is distributed among the members in proportion to the goods supplied by each member.
2. Consumer's cooperative societies: Consumer's cooperative societies are established to remove middlemen from the field of trade. These societies purchase foods at the wholesale prices and sell these goods to the members at cheaper rates than the market prices. However, the goods are sold to the non-members at the market rates. The profit, if any, is distributed among the members in the shape of bonus according to their purchase ratio.
3. Marketing cooperative societies: The marketing cooperative societies are formed by the small producers for the promotion of trade. The two main objectives of these societies are, to sell the good at reasonable prices by eliminating middlemen and to make there ready for the product of the member. These types of societies are formed by the small agriculturalist and artisans. These societies collect the products of its members and make its grading and keep them in warehouses and sell them in the market at whole sale rate when the market is ready for these products. The profit is distributed among the members according to the ratio of goods supplied by them.
4. Credit cooperative societies: These cooperative societies are formed for the financial help of the members. These societies provide loans to the members at low rate of interest. In rural areas these provide loans to the farmers for the purchase of seeds, fertilizers and cattle. In urban areas these societies provide loan to its members for the purchase of raw materials and tools.
5. Farming cooperative societies: These societies are formed by the small agriculturalist to get the benefits of large scale farming. These societies provide help to the farmer for the improve method of cultivations by providing large scale farming tools such as tractors, threshers and harvesters, etc.
6. Housing cooperative societies: These societies are formed for the procurement of land for the construction of houses on a homogeneous basis. These societies are formed by those members who are intended to construct their own home.

These societies provide loan to the members for the construction of houses. These also purchase construction materials in bulk and provide this material to its member at cheaper rates.

Question.4. Distinguish between a Joint Hindu family business and partnership.
Answer: Differences between Joint Hindu family systems and sole proprietorship are given below:

1. Regulating law: A partnership is governed by the provisions of the Indian Partnership Act, 1932. A Joint Hindu family business is governed by the principles of Hindu law.
2. Mode of creation: A partnership arises out of a contract, whereas a Joint Hindu family business arises by the operation of law and is not the result of a contract.
3. Admission of new members: In a partnership no new partner is admitted without the consent of all the partners, while in the case of a Joint Hindu family firm, a new member is admitted just by birth.
4. The position of families: In a partnership women can be full-fledged partners, while in a Joint Hindu family business membership is restricted to male members only. After the passage of the Hindu Succession Act, 1956, families get only co-sharer's interest at the death of a coparcener and they do not become coparceners themselves.
5. Number of members: In partnership the maximum limit of partners is 10 for banking business and 20 for any other business, but there is no such maximum limit of members in the case of Joint Hindu Family business.
6. Liability of members: In partnership, the liability of the partners is joint and several as well as unlimited. In other words, each partner is personally and jointly liable to an unlimited extent and if partnership liabilities cannot be fully discharged out of the partnership property each partner's separate personal property is liable for the debts of the firm.

In a Joint Hindu family business, only the 'Karta' is personally liable to an unlimited extent, i.e., his self-acquired or other separate property besides his share in the joint family property is liable, for debts contracted on behalf of the family business.

Question 5. Despite limitations of size and resources, many people continue to prefer sole proprietorship over other forms of organization. Why?
Answer: Despite limitations of size and resources, many people continue to prefer sole proprietorship over other forms of organization because of following merits:

1. Easy to start and close: It can be easily started and closed without any legal formalities.
2. Quick decision making: As sole trader is not required to consult or inform anybody about his decisions.
3. Secrecy: He is not expected to share his business decisions and secrets with anybody.
4. Direct incentive: Direct relationship between efforts and reward provide incentive to the sole trader to work hard.
5. Personal touch: The sole trader can maintain personal contacts with his customers and employees.
6. Social utility: It provides employment to persons with limited money who are not interested to work under others. It prevents concentration of wealth in a few hands.

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