



## MORE QUESTIONS SOLVED

### I. Multiple Choice Questions

Question 1. Name the form of business organization found only in India.

- (a) Sole Proprietorship
- (b) Partnership
- (c) Joint Hindu Family
- (d) Cooperatives

Question 2. Choose the type of business in which sole proprietorship is very suitable.

- (a) CA Firm
- (b) Beauty Parlour
- (c) A shopping mall
- (d) All of these

Question 3. Name the person who manages a Joint Hindu Family Business.

- (a) Manager
- (b) Minor
- (c) Members
- (d) Karta

Question 4. Name the law which governs Joint Hindu Family Business.

- (a) Partnership Act
- (b) Hindu Law
- (c) Companies Act, 1956
- (d) Contract Act

Question 5. Which document is called charter of a company?

- (a) Memorandum of Association
- (b) Articles of Association
- (c) Prospectus
- (d) All of the above

Question 6. What is the minimum number of persons required to form a co-operative society?

- (a) 2
- (b) 7
- (c) 10
- (d) 20

Question 7. Which of the following has unlimited liability in business?

- (a) Sole Proprietor
- (b) Karta
- (c) Partners
- (d) All of the above

Question 8. Name the type of company which must have a minimum paid up capital of 5 lacks,

- (a) Public Company
- (b) Private Company
- (c) Government Company
- (d) All of the above

Question 9. Which of the following has a separate legal entity?

- (a) Joint Stock Company
- (b) Co-operative Society
- (c) Both of the above

(d) None of the above

Question 10. Minor can be full-fledged member of:

(a) Co-operative Society

(b) Joint Stock Company

(c) Joint Hindu Family

(d) Partnership

Answer:

1. (c)

2. (b)

3. (d)

4. (b)

5. (a)

6. (b)

7. (d)

8. (a)

9. (c)

10. (c)

## II. Short Answer Type Questions

Question 1. Explain the concept of mutual agency in partnership with suitable example.

Answer: The right of all the partners in a partnership to act as the agents for the partnership's normal business activities, with the authority to bind the partnership in to business agreements which have been entered into is called mutual agency. This statement sums up the partnership relationship. The relationship should offer flexibility, opportunity and balanced against that, risk. In partnership you entrust to fellow partners your future reputation and prosperity. Each of us has within our power the ability to enter into undertakings which could bankrupt our fellow partners.

Question 2. What is the role of Karta in Joint Hindu Family business?

Answer: In a Hindu Joint Family, the Karta or Manager occupies a pivotal and unique place. In that there is no comparable office or institution in any other system in the world. His office is independent and hence, his position is termed as sui generis.

Karta's position is sui generis. As had been explained earlier, his position/ office is independent and there is no comparable office in any system in the world.

- He has unlimited powers and even though he acts on behalf of other members, he is not a partner or agent.
- He manages all the affairs of the family and has widespread powers.
- Ordinarily he is accountable to none. The only exception to this rule is if charges of misappropriation, fraud or conversion are levelled against him.
- He is not bound to save, economise or invest. That is to say that he need not invest in land if the land prices are about to shoot up, and hence, miss out on opportunities etc. He has the power to use the resources as he wishes, unless the above mentioned charges are levelled against him.
- He is not bound to pay income of joint family in any fixed proportion to other members. This means that the Karta need not divide the income generated from the joint family property equally among the family members. He can discriminate one member from another and is not bound to treat everyone impartially. Only responsibility is that he has to pay everyone something so that they can avail themselves of the basic necessities such as food, clothing, shelter, education etc. Karta's Liabilities:

Apart from all the unlimited powers that are bestowed upon the Karta, he also has liabilities thrust on him.

- Karta has to maintain all the members of the joint family properly. If there is any shortfall in his maintenance, then any of the members can sue for maintenance.
- He is responsible for marriage of all the unmarried members in the family. Special emphasis is laid with respect to daughters in this case.
- In case of any partition suit, the Karta has to prepare accounts.
- He has to pay taxes on behalf of the family.
- Karta represents the family in all matters including legal, religious and social matters.

Question 3. Explain procedure of registering a partnership firm.

Answer: Procedure for Registration: In order to get a partnership firm registered an application in the prescribed form must be filed with the Registrar of Firms. The application should contain the following information:

1. The name of the firm,
2. The principal place of business of the firm,
3. Names of other places where the firm's business is carried on,
4. Names in full and permanent addresses of the partners,
5. The date on which each partner joined the firm,
6. Duration of partnership, if any.

The application should be signed and verified by each partner. A small amount of registration fee is also deposited along with the application. The application is to be submitted to the Registrar for registration of the firm for its verification.

If everything is in order and all legal formalities have been observed, the Registrar shall make an entry in the register of firms. He will also issue a certificate of registration.

Any change in the information submitted at the time of registration, should be communicated to the Registrar. Registration does not provide a legal entity to the partnership firm.

Question 4. Is registration of partnership firm compulsory? What are the consequences of non-registration?

Answer: Registration of a partnership firm is not compulsory under law. The Partnership Act, 1932 provides that if the partners so desire they may register the firm with the Registrar of Firms of the state in which the main office of the firm is situated.

Consequences of Non-Registration: An unregistered partnership firm suffers from the following situations:

1. It cannot enforce its claims against a third party in a court of law.
2. It cannot claim adjustment for any sum exceeding Rs 100.  
Suppose an unregistered firm owes ₹ 1200 to A and A owes Rs 1000 to the firm the firm cannot enforce adjustment of ₹ 1000 in a court of law.
3. It cannot file a legal suit against any of its partners.
4. Partners of an unregistered firm cannot file any suit to enforce a right against the firm.
5. A partner of an unregistered firm cannot file a suit against other partners. Non-registration of a firm, however, does not affect the following rights:
  - The right of a partner to sue for the dissolution of the firm or for the accounts of a dissolved firm or to enforce any right or power to realise the property of a dissolved firm.
  - The power of an Official Assignee or Receiver to realize the property of an insolvent partner.
  - The rights of the firm, or its partners, having no place of business.
  - Any suit or set off in which the claim does not exceed

rupees one hundred.

- The right of a third party to sue the unregistered firm or its partners.

Question 5. What are the steps required for raising funds from public?

Answer: Following steps are required for raising funds from public:

1. SEBI Approval: SEBI regulates the capital market of India. A public company is required to take approval from SEBI.
2. Filing of Prospectus: Prospectus means any documents which invites offers from the public to purchase share and debenture of the company.
3. Appointment of Bankers, Brokers, Underwriters: Bankers of the company receive the application money. Brokers encourage the public to apply for the shares. Underwriters are the persons who undertake to buy the shares if these are not subscribed by the public. They receive a commission for underwriter.
4. Minimum Subscription: According to the SEBI guidelines, minimum subscription is 90% of the issue amount. If minimum subscription is not received then the allotment cannot be made and the application money must be returned to the applicants within 30 days.
5. Application to Stock Exchange: It is necessary for a public company to list their shares in the stock exchange. Therefore, the promoters apply in a stock exchange to list company shares.
6. Allotment of Shares: Allotment of shares means acceptance of share applied. Allotment letters are issued to the shareholders. The name and address of the shareholders is to be submitted to the Registrar.

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