

FORMS OF BUSINESS ORGANIZATION

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Forms of business organization

Corporation

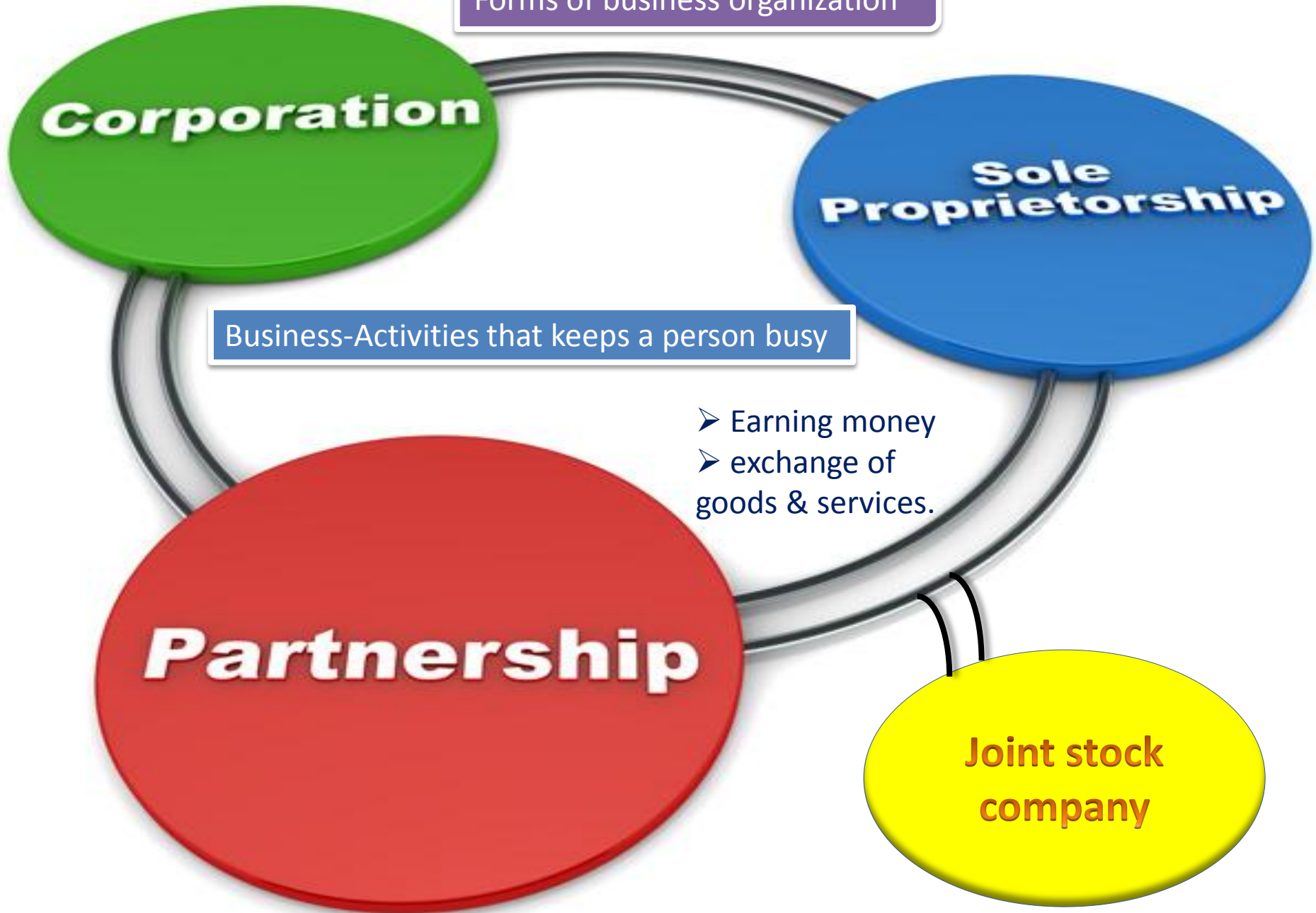
**Sole
Proprietorship**

Business-Activities that keeps a person busy

- Earning money
- exchange of goods & services.

Partnership

**Joint stock
company**





It is a business owned and operated by one individual.

- Own all assets of business and profits generated by it.
- complete responsibility for any of its liabilities.

Salient features of sole proprietorship

- ✓ It has full authorities over the affair o business.
- ✓ The ownership lies with one person only.
- ✓ No legal formalities required.
- ✓ The profit earned as well as losses borne by him.
- ✓ Liabilities is unlimited.

Advantages

- ✓ No registration
- ✓ Easy to start
- ✓ Easy decision making
- ✓ Keep secrets
- ✓ Complete control

Disadvantages

- ✓ Unlimited liabilities.
- ✓ Raising funds.
- ✓ Limited life
- ✓ Loss in absence.

Partnership

Legal relationship formed by the agreement between two or more individuals to carry on a business as co-owners.



- Max-limit 10 (banking)
- Other-20



Salient features

- ✓ In case of banking sector maximum partnership limit is 10 and in case of others 20.
- ✓ The agreement in writing is known as a “Partnership Deed”.
- ✓ Competence partners – Minor and insolvent person are not eligible.
- ✓ Sharing profit and loss, in absence of an agreement, they share it equally.
- ✓ Transfer of interest – No partners can sell or transfer his interest in the firm to any one without consent of other partners.
- ✓ Voluntary registration – Not compulsory, but since registration entitles the firms to several benefits.

Advantages

- ✓ Relatively easy to start.
- ✓ The ability to raise funds.
- ✓ More skilled person.
- ✓ Loss sharing.
- ✓ No loss in absence.

Disadvantages

- ✓ Unlimited liabilities.
- ✓ Profit sharing.
- ✓ Conflict
- ✓ Limited life.
- ✓ Transferability is difficult.

Partnership deed

The document containing the agreement between the partners are called partnership deed

Kinds of partnership



General partnership



Liabilities of every partner is unlimited.
In case of assets of the firm are not
sufficient to pay off liabilities, even the
private property of the partners may
be used to meet un discharged
liabilities.

Limited partnership

1 General partnership



Unlimited liabilities

2 Special or limited partnership



limited liabilities

(So, it is more stable)

✓ A special partner can not withdraw any part of the capital contributed by him.

✓ and also can not assign his share to an outsiders without consent of the general partners.



Active working partner



Takes an active part in the management

Bears unlimited liabilities.

Sleeping and inactive partnership

- Does not take any active part in the management.
- However, contribute capital and share the profit/loses of the firm.



Nominal partner

Neither invest
nor claim any
share..

Only lends his name
to the firms as a
partner.



Partner In profit only

❖ He/she invests his capital only with a view to earn a share in profits of the firm and has no liability as regards to any losses suffered by the firm.



Secret partner

A partner who does not want the fact of his being a partner to be known outsiders, is known as a secret partner, his liabilities of the firm's is unlimited.



SECRET

Minor partner

✓ Below the age of 18

✓ Does not enjoy the right of a full filled partner in a partnership firm since in law.

