INDIAN SCHOOL AL WADI AL KABIR

Class: XI	Department: Commerce
Subject:	BUSINESS STUDIES
Worksheet : 1	Chapter 2: Forms of Business Organisation

Q.no.	OBJECTIVE TYPE QUESTIONS
1	Ajeet started its Travel Agency in the year 2000 by taking a small room on Rent in Delhi. He invested money and efforts to build his business. Quality and timely services provided by his Travel Agency made him popular in Delhi. Name the form of business organization owned and operated by Ajeet. (a) Partnership (b) One Person Company (c) Joint Venture (d) Sole Trading Concern
2	After completing high studies in Hotel Management courses from one of the highly reputed Hotel Management Institutes of India, Mahesh decided to start his own Bakery at his home town. His father arranged funds and supported him to commence his business. He recruited some staffs, purchased required equipments and machineries. Within few months, he started manufacturing bakery products in the market and sold at reasonable prices. His quality products and reasonable prices helped him in making good profit. Identify the form of business organization highlighted in the above case. (a) Company (b) Joint Hindu Family Business (c) Sole Trading concern (d) Partnership
3	Identify the related feature of a company," its Assets and liabilities are separate from those of its owners." (a) Artificial person (b) Perpetual succession (c) Common seal (d) Separate legal entity
4	The relation between persons who have agreed to share the profit of the business carried on by all or any one of them acting for all. (a) Sole proprietorship (b) Joint Hindu family business (c) Partnership (d) Cooperative societies
5	A ....partner is one whose association with the firm is unknown to the general public. (a) Secret (b) Active (c) Sleeping (d) Nominal
6	Registration is compulsory in this form of business. (a) Partnership and Joint Hindu Family (b) Cooperative societies and Joint stock company (c) Joint Hindu Family and Sole Proprietorship (d) Parrtnership and Joint stock company
7	The liability of members of a cooperative society is .... to the extent of their capital contribution.

	(a)Born (b) Shared (c) Unlimited (d) Limited
8	Assertion (A) In a limited partnership the liability of at least one of the partners is unlimited. Reason (R) The liability of a partner by estoppel is limited. (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of (A) (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of (A) (c) Assertion (A) is true, but Reason (R) is false (d) Assertion (A) is false, but Reason (R) is true
9	The society aims to eliminate middlemen and improve competitive position of its members by securing a favourable market for the products. (a) Consumer's cooperative societies (b) Producer's cooperative societies (c) Marketing cooperative societies (d) Farmer's cooperative societies
10	The liability of all the co-parceners except the..........is limited to their share in the business, and consequently, their risk is well-defined and precise. (a) Karta (b) Partners (c) Members (d) Shareholders
11	Assertion (A) Timely decisions of sole proprietor help him/her to take advantage of market opportunities as and when they arise. Reason (R) Sole proprietorship can be easily started or dissolved at any time with minimum legal formalities. (a) Both Assertion (A) and Reason (R) are true and (R) is the correct explanation of (A) (b) Both Assertion (A) and Reason (R) are true, but (R) is not the correct explanation of (A) (c) Assertion (A) is true, but Reason (R) is false (d) Assertion (A) is false, but Reason (R) is true
12	Suppose Lucky is a shareholder in a company holding 5000 shares of Rs.10 each on which he has already paid Rs. 8 per share. His liability in the event of losses or company's failure to pay debts can be only up to (a) Rs. 40000 (b) Rs. 50000 (c) Rs. 10000 (d) Rs. 20000
	DESCRIPTIVE TYPE QUESTIONS
1	Reyansh Communication Limited and Aayansh Communication Limited entered into partnership contract to produce a movie based on the social issue of female foetic to showcase the future of the country, if we keep killing the girl child. In context of the above case: (a) Identify and explain the type of partnership being described in the above lines (b) Also, state the category of types of partnership to which it belongs. (c) Describe in brief, any other type of partnership belonging to the same category.
2	Sharma Brothers inherited some ancestral property. They decided to form a Hindu Undivided Family (HUF) consisting of four male members and invested the ancestral property into the business. The family is headed by Mr. Sunil Sharma; hence he is regarded as the Karta. He is the one who takes all the decisions and manages the business. The business took a loan of Rs. 10 lakh from Punjab National Bank which was to be returned within three years. Due to poor financial position of the business, they were unable to repay the loan. The bank filed a suit for the recovery of loan. Mr. Sunil Sharma pleaded to the court that as the entire loan was taken for the purpose of

	business, all members of the business were liable for the repayment of the loan. The court held that all the members except Karta were also responsible but only to the extent of their share of co-parcenery property of business. However, Mr. Sunil Sharma being karta of the HUF held an unlimited liability. Hence, he had to pay the balance amount even if it had to be from his personal property. (a) What are the two conditions for formation of Joint Hindu Family Business? (b) In the given case who has unlimited liability and why? (c) How is membership acquired in Joint Hindu Family Business?
3	NHPC Ltd. is a public limited company involved in manufacturing electrical appliances. The company took a loan of 90 lakhs from XYZ Finance Ltd. for its growth and expansion. The company was unable to repay it because of heavy losses. The company asked its shareholders to come forward and contribute towards the repayment of loan. The shareholders refused as they had already paid the full amount due on their shares. XYZ Finance Ltd. filed a case against NHPC Ltd for not repaying the loan amount. The court decided that NHPC Ltd. was a public company and hence its shareholders had limited liability. They were liable only upto the unpaid amount on shares held by them. They couldn't be called to repay loan out of their personal property. It was the duty of NHPC Ltd. to use company's assets to repay loan. (a) In the given case, what type of liability is enjoyed by shareholders of NHPC Ltd.? (b) The members of the NHPC Ltd were not liable to contribute towards the repayment of loan. This decision was based on which concept? (c) Members may come and members may go but the company continues to exist. Identify the related feature of a Joint Stock Company.
4	Sunny sent an email to his friend Suresh who resides in US asking for financial help. Sunny shared with him that due to a prolonged illness, his business suffered a lot. As a result, he was not able to repay the bank loan which he had taken for the expansion of his business. He also informed him that his warehouse has been confiscated by the bank authorities to settle his claims. Sunny also reminded Suresh of his good times in business when he had helped Suresh financially being the sole recipient of all the business profits. In context of the above case: (a) Identify the related feature and liability of the form of business been described in the above paragraph. (b) Explain in brief, any two merits of this form of business which have not been mentioned in the paragraph.
5	Reyansh is the sole owner of a shoe manufacturing factory. He took loan of 20 lakhs from ABC Finance Company for the expansion of his business. Because of continuous losses however, he was not able to repay the loan on time. Assets of the business were not enough for repaying liabilities in full. As a result, the Finance Company asked him to repay their loan. He refused to do so on the ground that the loan was taken by his business and not by him for his personal use. The Company filed a case against him. The court gave decision in favour of the Company on the ground that Reyansh was operating as the sole proprietor and a sole proprietor did not have a separate entity distinct from his own. The Court further stated that Reyansh had unlimited liability and held him liable to repay the loan even by selling his personal property if need be. (a). Name the form of business which is being carried out by Reyansh. (b). What type of liability is enjoyed by Reyansh? (c). Why did Court hold Reyansh responsible for paying his business liabilities out of his personal assets? (d). Name that characteristic of sole proprietorship which facilitates the sole proprietor to take all decisions related to his business without consulting anybody.

6	Jai and Viru belonged to a small town in Jharkhand and aspired to be famous movie star. As the luck shined on Jai, he became a superstar in Jollywood cinemas. Whereas, after working in a few films as a supporting actor, Viru decided to start an advertising agency in Ranchi. In order to give a boost to his business right from its inception he asked his friend Jai to become a partner in his business. Jai agreed to do so and allowed the use of his name by the firm. But he refused to participate in the management of the business. (a) Identify and explain the type of partners being mention in the given paragraph. (b) Also comment upon liability, capital contribution and shares in profit and loss with regard to the types of partners as identified in part (a) of the question.
7	Ram, Rahim, Rohan, Sohan and Mohan are partners in a partnership firm. The firm has different types of partners. Mr. Ram has contributed capital and participates in the management of firm. He shares profits and losses and is liable to an unlimited extent to the creditors of firm. Mr. Rahim has contributed capital and shares its profits and loses. He also has unlimited liability but he does not take part in day-to-day activities of business. Association of Mr. Rohan with firm is unknown to general public but in all other respects he is like an active partner. Mr. Sohan has allowed the firm to use his name as he enjoys good reputation among client but he does not either contribute capital or take part in the management, Master Mohan, 15 years of age is entitled to the benefits of partnership with mutual consent of all other members. He is not eligible to take part in management of firm and shares only profits and not losses. (a) In the given case, how many types of partners are involved in the partnership firm? (b) Who is working as an active partner and what is the nature of his liability? (c) Who is working as a sleeping partner and what is the nature of his liability? (d) Who is working as a secret partner and what is the nature of his liability? (e) Who is working as a nominal partner? Can he be held liable for the losses of the business? What is the nature of his liability? (f) Is Master Mohan a legal partner? Can he be held liable for the losses of the business? What is the nature of his liability?
8	Identify the types of partners: a) Partners who do not take part in the day-to-day activities of the business however, contributes capital to the firm, shares its profits and losses, and has unlimited liability. b) Partner is one who allows the use of his/her name by a firm, but does not contribute to its capital. He/she does not take active part in managing the firm, does not share its profit or losses but is liable, like other partners, to the third parties, for the repayments of the firm's debts. c) Suppose Rekha is a friend of Sandya who is a partner in a firm ABC Solutions. On Sandya's request, Rekha accompanies her to a business meeting with XYZ company and actively participates in the negotiation process for a business deal and gives the impression that she is also a partner in ABC Solutions. If credit is extended to ABC Solutions on the basis of these negotiations, Rekha would also be liable for repayment of such debt, as if she is a partner of the firm.
9	Suman and Angela have decided to start a business together and share the profits that they will earn. Angela suggested they register their business with the concerned authorities. But Suman suggested it is going to be a tedious task and that it is possible to run the business without registration. On the basis of the information provided above, answer the following questions:

	a. Identify the form of business. b. Imagine yourself as Angela and explain the consequences of not registering the form of business identified in (a) to Suman
10	Aiyana visited her native village during her vacations and found that the money lender in the village was exploiting the farmers. He was charging a very high rate of interest on the money he had landed to the farmers. Aiyana decided to help farmers. She met all the farmers along with her grandfather and told them about the various options for raising funds instead of going to a money lender. She was able to convince farmers to pool their own resources and form an organisation. so that the members can take loans from this organisation at reasonable interest, as and when funds are required. The purpose of opening such an organisation was not to make profits but to provide help to members. From the above case: a. Name the form of organisation opened by farmers on the plea of Aiyana. b. What is the minimum number of persons required to form such organisation? c. Under which Act, these organisations are governed?