INDIAN SCHOOL AL WADI AL KABIR

Class: XI	**Department: Commerce**
Worksheet II	**BUSINESS STUDIES**
Topic	**Chapter 2- Forms of Business Organisations.**

Q. No	**CASE BASED DESCRIPTIVE QUESTIONS**
1	Kiran is a sole proprietor. Over the past decade, her business has grown from operating a neighbourhood corner shop selling accessories such as artificial jewellery, bags, hair clips and nail art to a retail chain with three branches in the city. Although she looks after the varied functions in all the branches, she is wondering whether she should form a company to better manage the business. She also has plans to open branches countrywide. (a) Explain two benefits of remaining as a sole proprietor. (b) Explain two benefits of converting to a joint-stock company. (c) What role will her decision to go nationwide play in her choice of a form of the organization? (d) What legal formalities to undergo to operate business as a company?
2	Read the following text and answer the questions that follow on the basis of the same and your previous knowledge: Neha, a bright final year student was waiting for her results to be declared. While at home she decided to put her free time to use. Having an aptitude for painting, she tried her hand at decorating clay pots and bowls with designs. She was excited at the praise showered on her by her friends and acquaintances for her work. She even managed to sell a few pieces of unique hand pottery from her home to people living in and around her colony. Operating from home, she was able to save on rental payments. She gained lot of popularity by word of mouth publicity as a sole proprietor. She further perfected her skills of painting pottery and created new models and designs. All this generated great interest among her customers and provided a boost to the demand for her products. By the end of summer, she found that she had been able to make a profit of $2500 from her paltry investment in colours, pottery and drawing sheets. She felt motivated to take up this work as a career. She has, therefore, decided to set up her own artwork business. She can continue running the business on her own as a sole proprietor, but she needs more money for doing business on a larger scale. Her father has suggested that she should form a partnership with her cousin to meet the need for additional funds and for sharing the responsibilities and risks. Side by side, he is of the opinion that it is possible that the business might grow further and may require the formation of a company. She is in a fix as to what form of business organisation she should go in for. Questions: (a) State any two merits of the forms of business organisations discussed in the above case. (b) Explain any three factors affecting the choice of a form of business organisations. (c) What limitations she might face if she enters into a partnership business?
3	Identify and explain the type of partnership: a) Rajat and Vidhu are partners running a textile shop as partnership firm. Being familiar with the business practices, they would like to dissolve their existing

	business and start business separately. They have agreed to give a notice of withdrawal to liquidate the firm at the earliest. b) Two builders have agreed to construct a bridge connecting two villages. They started to function on 1^{st} April 2022 and their tasks got over on 15^{th} December 2024. They have decided to continue till 31^{st} December 2024. The bridge was open for public on 1^{st} January 2025. c) Anu, Binu and Manu agreed to start a firm where they have agreed that their liability in the firm is joint and unlimited and all of them will take part in the management of the firm. d) Era, Sera and Meera agreed to start a business as partnership firm where Era's share in liabilities of the firm is unlimited but the others have limited liability only. Sera and Meera won't enjoy rights in the management of the firm.
4	Radhika opened a boutique along with four workers. No problem of any type was faced in opening the boutique. At her boutique special dresses made for marriages and parties are sold. Despite there being a lot of competition in the market, the boutique was earning a good profit. Since all the profit went into her pocket, Radhika was getting inspired to work with great efficiency. With the increase in workload, the number of workers was increased from 4 to 6 by her. All of them were happy since the business was running successfully. Unfortunately, one day the boutique caught fire due to a short circuit. Consequently, Radhika had to suffer a heavy loss. The circumstances deteriorated so much that she had to dispose of her personal properties to repay the boutique's debts. In order to revive the boutique, she approached a bank which did not give a long-term loan to her. (a) Identify the form of business organisation discussed in the above para. (b) Explain any two features of the form of business organisation identified in (a) by quoting the lines from the above para. (c) What advantages she could have gained if she would start her business as a partnership firm. (d) Also explain any two limitations of the form of business organisation identified in (a) by quoting the lines from the above para.
5	Gopal Sharma and Balram Sharma are two brothers. who inherited some ancestral property. They decided to form a Hindu Undivided Family (HUF) business consisting of four male members. Gopal Sharma is the elder brother. So he became the 'Karta'. The business took a loan of 20 lakh from Punjab National Bank having a maturity period of 5 years. Due to poor financial position of the business, they were unable to repay the loan. They sold the ancestral property for 10 lakh and paid the same to Punjab National Bank. They could not pay of the balance amount of loan with interest. The bank filed a case for recovery of the balance amount. Gopal Sharma pleaded with the court that the loan was taken out for the purpose of business, therefore, all the members of the business were liable to repay the loan. The court held that all other members were responsible only to the extent of their share in the business, and the business property was already sold. However, Gopal Sharma, being 'Karta would have to repay the balance amount even by selling his personal properties. Gopal Sharma had to sell some of his personal assets to repay the balance amount of bank loan. (a) Is the court's decision justified? Give reasons in support of your answer. (b) State any three other features of HUF businesses.
6	Piyush and Prateek have decided to convert their partnership business into a Private Limited Company on the advice of their friend Ghanshyam. Ghanshyam advises them on

	certain documents which need to be attached with the application tor registering the company. He asks them to get a document prepared, which will define the powers & objectives of the company. In addition to this, a document containing the rules of internal management of the company should also be prepared, which will indicate how the objectives of the company are to be achieved. Furthermore, the directors of the proposed company have to give an undertaking to purchase the qualification shares. He asks them to first get these three documents prepared and then contact him for further information on the remaining documents. a. Identify and explain the various documents which are described in the above case. b. Explain the difference between a promoter and a shareholder. c. Write any three merits of such form of organisation.
7	Akhil was living in a small town of Orissa and was engaged in his family business of making rubber and plastic products. As he was not able to get a reasonable price for his products, he contacted Rohit, who convinced him that he would take his products to the city every fortnight and sell them at a higher price. Akhil was very happy to hear this. Although, Rohit used to take his products to the city, he used to charge very high commission for this. As a result. Akhil contacted all the small producers of his town and formed a cooperative society. He pooled the output of all the individual members and took it to the city to sell the output at the best possible/price. (a) Identify and explain the type of society form in the above case. (b) Under which Act, the society must have been formed? (c) State the liability of the members of the society so formed. (d) Explain any three merits of the society so formed.
8	“It is said to be an artificial person created by law, having separate entity with perpetual succession and common seal”. What is the form of organisation mentioned here? Elaborate up points of lighted features.
9	Analyse the following statements and identify the feature/ merit/ demerit of partnership firms and justify your point. (a) Two people coming together for charitable purposes will not constitute a partnership. (b) The death, retirement, insolvency or insanity of any partner will always bring an end to the business. (c) The maximum number of partners in a firm can be 50. (d) A partner is bound by the acts of other partners in a firm. (e) In case a partner desires to leave the firm, this can result in termination of partnership. (f) The confidence of the public in partnership firms is generally low.
10	Read the following case and answer the questions that follow on the basis of the same and your previous knowledge. Rani is a friend of Seema who is a partner in a software firm -Simplex Solutions. On Seema's request, Rani accompanies her to a business meeting with Mohan Software solutions and actively participates in the negotiation process for a business deal and gives the impression that she is also a partner in Simplex Solutions. Mohan Software solutions extends credit to Simplex Solutions on the basis of these negotiations. (a) Will Rani be considered as a partner in Simplex Solutions? Explain. (b) Would Rani be liable for repayment of firm's debt? Explain.
11	Read the case carefully and answer the questions that follow:

	Anjali and her friends decide to start a new business. They approach a lawyer who helps them in preparing Memorandum of Association, Articles of Association and other necessary documents. They submit the documents to the Registrar of Companies and receive a Certificate of Incorporation. Later, they plan to raise funds by issuing shares to the public. Questions: Q1. Identify the stage of formation of company Anjali and her friends are currently in. Q2. What is the legal significance of Certificate of Incorporation? Q3. In which form will they invite the public to subscribe to their shares? Q4. Name any two important documents prepared at the time of incorporation.
12	Partners in a firm has different roles and liabilities, Identify and explain the type of partner in a firm from the given examples: a) Rama is a partner in a business who has no actual interest in business, trade or its profits but she is paid fees by the firm for lending its name to firm. b) In Ram Hari Associates, Ram & Hari declare Gopal as a partner, knowing that Gopal remains silent then he will be liable to third parties for any loss. c) What type of partner is Geeta if she only contributes capital, share profit and loss if any in a firm? d) What type of partner is Giri in Ram Hari Associates where he is an outsider but represent himself as a partner.
13	a. Differentiate between private co. and public company. b. What is a One Person Company?
14	If registration is optional, why do partnership firms willingly go through this legal formality? Explain the reason with procedure to get them registered.
15	Riya along with her friends formed a public limited company. After incorporation, the company was required to raise huge funds. A legal advisor guided Riya and friends to prepare a prospectus explaining the details of company, its objectives, capital structure, and risk factors, and file it with the Registrar before inviting the public. Questions: Q.1 What is a prospectus? Q.2 Is issuing a prospectus compulsory for a public company? Q.3 Can a private company issue a prospectus? Why/Why not? Q.4 State any two contents that are usually mentioned in a prospectus