

GOVERNMENT ARTS AND SCIENCE

COLLEGE

NAGERCOIL

DEPARTMENT OF COMMERCE

I B.Com

BUSINESS ORGANISATION

AMCO12

Dr.ANGELINE SHEBA ALBERT

UNIT I

BUSINESS ORGANISATION

Business

An idea for a business that includes basic information such as the service or product, the target demographic, and a unique selling proposition that gives a company an advantage over competitors. A business concept may involve a new product or simply a novel approach to marketing or delivering an existing product. Once a concept is developed, it is incorporated into a business plan.

Business Definition

A business (entity) is an organization or any other entity engaged in commercial, professional, charitable or industrial activities. It can be a for-profit entity or a not-for-profit entity and may or may not have a separate existence from the people/person controlling it.

A business (activity) is a commercial activity which involves providing goods or services with a primary motive of earning profits.

Concept Of Business

The business concept is the fundamental idea behind the business. The business model, plan, vision, and mission are developed based on this concept. Uber, for example, was started on the concept of aggregating taxi drivers and providing their services on demand under one brand. Every other business strategy was developed based on this concept.

Objective Of The Business

The business objective is what makes the business go on and conduct its activities in a long run. It is the reason why the business exists. While most of the people argue that profit making is the core objective of every business. Few have come up with the new underlying objective.

According to the traditional concept, business exists only to earn profits by providing the goods and services to the customers.

According to the modern concept, the underlying objective of every business is customer satisfaction as this is what results in most profits. If the customer is satisfied, business excels.

Types Of Business

Businesses can be classified into but are not limited to 4 types. These are

—

Manufacturing

Manufacturing businesses are the producers who develop the product and sell it either directly to the customer or the middlemen to conduct sales. Examples of manufacturing businesses are steel factories, plastic factories, etc.

Service

Business deals in selling intangible goods to the consumers. Unlike tangible goods, services cannot be stored or separated from the provider.

Service firms offer professional services, expertise, commission-based promotions, etc. Examples include salons, schools, consultancy etc.

Merchandising

Merchandising is a middlemen business strategy where the business buys products from a manufacturer, wholesaler, or other partners, and sells the same at the retail price. It is usually known as a 'buy and sell' business as they make profits by selling the products at a price higher than their cost price.

Examples of a merchandising business are grocery stores, supermarkets, distributors etc.

Hybrid

Hybrid businesses have the characteristics of two or more types of businesses explained above. For example, a restaurant develops its own dishes (manufacturing), sells the products like cold drinks which are manufactured by

other businesses (merchandising), and provide service to the customers (service).

Forms of Business Ownership

Business ownership comes in many forms based on the number of owners, the liability of the owners, representation, and motives. These are –

Sole Proprietorship

Sole proprietorship is a business owned and operated by a single individual. It is easy to set-up, operate, and register. All the profits of the business belong to the owner and he's also liable for all the liabilities incurred.

The biggest drawback of this business that the owner faces unlimited liability. This means that the creditors of the business can go after the personal assets of the owner if the business is unable to pay them.

Partnership

When two or more persons join hands to run a business, they usually come into partnership. Partnerships come in two forms – general and limited. A general partnership is like sole proprietorship but with more than one owner where all the owners face unlimited liability. In limited partnerships, some or all of the partners have limited liability.

Corporation

A corporation is a business which has a separate legal identity from the people who own or run it. Ownership is usually represented in the form of shares of the stock.

Owners enjoy limited liability but are not necessarily involved in running the business. The business is operated by a group (board of directors) elected by the shareholders.

Limited Liability Company

A limited liability company is a hybrid form of business which has characteristics of both a corporation and a partnership. A partnership because it is not incorporated and a corporation because all of the partners/owners enjoy limited liability.

Essential of a successful business

The present day business system is very complex and elaborate. The businessman has to take certain line of action to make his business a success. They are:

1. Objectives

For the success of any business organization, determination of its objective is very essential. It should be clearly described and also be realistic. It may be primary or/and secondary. Each activity of the organization should be directed towards the achievement of its objectives.

2. Planning

Planning refers to the rational and orderly thinking about the ways and means for the achievement of the firm's objectives. It analyses the problem and find out the solutions with reference to the objectives of the firm. It enables the firm to run smoothly and thereby reduces the risk of loss. Thus, it is considered as the essence of business.

3. Research

Research is necessary for the organization in order to improve the methods and techniques of production, quality of the products and also to introduce new products. It enables the businessman to meet the changing needs of customers, demand and also competition among the producers.

4. Location and Size

Favorable location and suitable size have a great bearing on the success of any business concern. The businessman in selecting a suitable location and also in determining its size must exercise proper care

5. Sound Organization

Sound organization is very essential for the success of any business. It is a medium for exercising effective control and management of any business. A good organizational chart is necessary for staffing the organization with sufficient number of personnel with different talents and skills, dividing work among people etc.

6. Adequate Finance

Finance is the lifeblood of the organization. Inadequate finance may lead to losses in the firm. Hence, arrangements should be made to meet the short-term and long-term requirements of the organization. Flow of funds and employment of funds should be planned well in advance.

7. Effective Management

In order to achieve its objectives, effective and efficient management is essential. No firm can achieve success unless it has an efficient management. It is possible only when the managers are competent in performing their duty.

8. Effective Distribution System

The goods produced have value only when they are made available to the consumers. The object of producing goods itself is to distribute it for value. Therefore, in every business organization it is essential to have effective distribution system.

9. Maintenance of Better Employee relationship

Cordial employee-employer relationship is very essential for the successful operation of the business concern. Employees are to be rewarded, well treated and also provided with all amenities to ensure job satisfaction. This will definitely boost up the employee morale and ensure their cooperation.

Top 10 Qualities of Successful Businessmen

Table of Contents

- Qualities of Successful Businessmen
 - 1. Determination and will to succeed
 - 2. Initiative and quick decisions
 - 3. Smart thinker
 - 4. Integrity and morality
 - 5. Education and training
 - 6. Continuous Learning and Updation
 - 7. Ability to forecast
 - 8. Dynamic Leadership
 - 9. Risk taking ability
 - 10. Personal Qualities

Qualities of Successful Businessmen

In today's highly competitive business environment, running a business is very challenging. Globalized business environment, information revolution, new forms of competition, ever demanding customers, rapidly changing technology and fluctuations in economic activity provide both opportunities and challenges. To capitalize on the opportunities and convert the challenges into opportunities, businessmen should possess the following qualities:

Top 10 Qualities of Successful Businessmen

1. Determination and will to succeed

A businessman should have courage and fighting spirit. There might be initial failures and setbacks. He should not let them affect his focus and concentration. He should possess patience and perseverance to fight against all problems and overcome all hindrances to achieve success.

For example, When Infosys was being set up in 1981, many banks denied them loans, there was a long delay in importing computers and customers were reluctant to place orders. In spite of the difficulties, the promoters (N.R.Narayanamurthy, Nandan Nilekani, Dinesh, Gopalakrishnan, N.S.Raghavan, and Shibulal) struggled hard and persisted in their efforts and today it is globally renowned for its quality of services.

2. Initiative and quick decisions

A businessman cannot wait for things to happen. He has to grab the opportunities that emerge and convert them into successful businesses. He needs to be quick in taking decisions because any delay on his part would benefit the competitor. Speed to market is very important in today's intensely competitive environment.

For example Ratan Tata of Tata group identified an opportunity in the Indian small car segment. Though Tata Motors was manufacturing only light commercial and heavy commercial vehicles (trucks, lorries, buses, vans etc..) he took the initiative of entering into the car industry and today Tata Indica and Indigo cars enjoy good domestic and export markets.

3. Smart thinker

A businessman should be a smart thinker, understand changes that are happening, spot emerging opportunities and utilize them for the success of his business.

For example, Mr.C.K.Ranganathan, promoter of CavinKare identified the emerging consumer shift from chemical based to herbal based products. He introduced Fairever fairness cream with herbal extracts (saffron based) which captured substantial market share in the fairness cream market and even the market leader HLL was forced to introduce herbal based fairness creams such as Ayush etc. Similarly Meera herbal shikakai powder from the same company has enjoyed great success.

4. Integrity and morality

The reputation and image built by a business plays an important role in determining its success. Businessmen who indulge in corruption or resort to dishonest means cannot survive in the long run. Therefore a businessman should be fair in his dealings.

Globally it has been proved (e.g., WorldCom, Enron etc) that businesses which are unethical, fail in the long run. In India, promoters of Infosys, TVS group, Tata group etc., are some examples of businessmen building businesses with a spotless reputation and clean image.

5. Education and training

Though businessmen such as Henry Ford (Ford Motor Corporation) Dhirubhai Ambani (Reliance), Bill Gates (Microsoft), Mammen Mappillai (MRF), Rajagopal (Hotel Saravana Bhavan), Chandramogan (Hatsun Food Products-Arun Ice cream, Aroky and Komatha milk brands) etc were able to achieve success without the benefit of higher education, it is an accepted fact that education and training increase the chances of success.

The younger business leaders such as Mukesh Ambani, Anil Ambani, Kumar Mangalam Birla, Rajiv Bajaj, Jehangir Wadia (Bombay Dyeing group) are all highly educated (many in foreign Universities). Due to a strong theoretical foundation backed by practical exposure, they are able to take their businesses to greater heights.

6. Continuous Learning and Updation

The pace of change is rapid and highly unpredictable in today's business environment. Product life cycles have become shorter due to changing preference of customers and rapid advancements in technology. Therefore continuous learning and updation of knowledge is the key to success.

Businessmen should learn and keep themselves updated about the changes in the business environment including the latest trends, new products introduced by competitors, fashions, technology, business models, best practices etc.

As Alvin Toffler had rightly observed,

7. Ability to forecast

The future is full of uncertainty and change. To achieve success, a businessman should have the ability to forecast future trends in the market. This would help him to adapt his business according to the new trends or build new businesses to take advantage of new opportunities.

C.K. Prahalad and Gary Hamel, in their celebrated book, 'Competing for the future' say,

Sunil Mittal who was manufacturing bi-cycle spare parts and telecom components was able to forecast that the Indian mobile communications market would have huge potential for growth. He seized the opportunity and today his

company, Bharti Enterprises (Airtel) is the leading mobile service provider in India.

8. Dynamic Leadership

A businessman should have dynamic leadership qualities. He should be able to provide the right direction and guidance and motivate his employees to higher levels of performance. Sustained success of any business depends on the quality of leadership. There have been many instances where poor leadership has resulted in once profit making companies to fail, while effective leadership has turned around loss making entities into profit making organizations.

One of the reasons for Sundaram Fasteners of the TVS group to earn consistent profits, to win the 'Best Supplier Award' from General Motors for 4 consecutive years, and become the second largest automobile components exporter, is the visionary leadership of Mr. Suresh Krishna. He provided the right direction by emphasizing on quality and cost reduction right from the beginning and the company is now reaping the benefits.

9. Risk taking ability

Every business venture involves some amount of risk and uncertainty. Profits are not certain and there is possibility of incurring losses. At the same time it is true that '*nothing ventured, nothing gained*'. Therefore the businessman should have the ability to take calculated risks by analyzing the various business opportunities as well as the risk and return involved in them.

For example, Captain Gopinath of Deccan Airways took a calculated risk of entering into the airline industry and pioneered the low cost model in India. Many people doubted whether it would be a success, but Captain Gopinath had rightly analyzed the market, understanding the potential of the low cost model and today Deccan Airways is a success story. It now enjoys the Number two position in the Indian airline industry, next only to Jet Airways.

10. Personal Qualities

Apart from the above mentioned qualities, a businessman should possess commonsense, courage, dedication, patience, tact, charm and emotional stability to succeed in business.

Business:

Business is an economic activity, concerned with the provision of goods and services with an aim of earning a profit. There are two major classifications of business activities, i.e. industry and commerce. The industry is all about the production of goods, whereas commerce focuses on their distribution of goods and services.

Industry:

Industry implies all the activities that are concerned with the conversion of raw materials into finished goods. Conversely, commerce aims at providing goods at the right place, in proper quantity, in the right condition and at right time. In this article excerpt, we have compiled the basic difference between industry and commerce, have a look.

Comparison Chart

BASIS FOR COMPARISON	INDUSTRY	COMMERCE
Meaning	Industry is an economic activity, concerned with the procurement and processing of raw materials into finished products, that reaches the customer.	Commerce is a business activity, wherein exchange for goods and services for value, is done on a large scale.
Capital Required	High	Comparatively low
Involves	Conversion of resources into useful goods.	Activities essential for facilitating the buying and selling of goods.
Represent	Production part of business activities.	Distribution part of business activities.
Risk	High	Comparatively low

Definition of Industry

Economic activities associated with the procurement or extraction of raw materials and converting them into finished products which reach the final customer is known as an industry. The term 'industry' is used to denote those activities which involve the use of mechanical appliances and technical skills, i.e. activities with the manufacturing, production, and processing of products. It

indicates the supply side of the market. The activities covered under industry are as under:

- Extraction of materials such as coal, petroleum etc.
- Conversion of raw materials into useful goods like soaps, fans, cement, etc.
- Construction of buildings, dams, roads etc.

The industry represents a group of factories, specialized in a specific product line. The different types of industries are as under:

1. Primary Industry: Industry concerned with obtaining and providing natural raw materials like mining, agriculture or forestry.
2. Secondary Industry: Industry engaged in conversion activities, i.e. converting raw material provided by primary industry, into finished products.
3. Tertiary Industry: Industry that provides support services to the primary and secondary industry.

Definition of Commerce

The term 'commerce' means a business activity that involves buying and selling of goods or services for value (cash or kind) and that too, on a large scale, between businesses or entities, from one place to another. When there is a purchase or sale of a particular item, it is known as a transaction, but commerce refers to all the transactions associated with the buying and selling of that item in an economy.

All the economic activities which are in some way or the other related to exchange comes under commerce. It covers the distribution aspect of business, i.e. it facilitates consumption process by providing proper distribution channel. Therefore, it ensures the availability of goods and services to the customers, at the right time and place. It is broadly classified into two activities:

1. Trade: The process of buying and selling of goods and services for money.
2. Auxiliaries to trade: All the activities which assist trade directly or indirectly are auxiliaries to trade. It includes transportation, warehousing, banking & finance, advertising, insurance and so on.

Key Differences Between Industry and Commerce

The significant differences between industry and commerce are discussed in detail, in the points given below:

1. The industry is defined as an economic activity, concerned with the procurement and processing of raw materials into finished products, that reaches the customer. Commerce is described as a business activity, wherein exchange for goods and services for value is done on a large scale.
2. A huge capital investment is required to start an industry. On the other hand, commerce requires comparatively less capital investment.
3. Industry involves the conversion of resources into useful goods. As opposed to, commerce which involves activities that are essential for facilitating the buying and selling of goods.
4. The industry is an indicator of production part of business activities. Unlike commerce which deals with the making goods available to the customers, i.e. the distribution part.
5. Industry involves high risk in comparison to commerce

Industry and Commerce cover all the aspects of business. Industry looks after production, procurement, fabrication, extraction, construction activities of business. On the other hand, commerce looks after the movement of product from the source location through distribution channels (such as wholesalers, retailers, distributors, etc.), to the final consumer.

Meaning of Business System:

The system helps the business organizations to achieve their goals.

A business system is a combination of policies, personnel, equipment and computer facilities to co-ordinate the activities of a business organisation.

It establishes the rules and procedures of that organisation, which are to be governed.

Business system decides how data must be handled and is methodically processed. It also controls the procedures of the processed data and the results to be displayed. For e.g. a system may automatically order parts for an inventory, monitor future corporate profits or post credit card sales to the on line customer

accounts. The overall nature of the business system will reflect the efficiency of its designers.

Objectives of Business System:

The objectives of business system are:

1. To meet the user and customer needs.
2. To cut down the operating costs and increase savings.
3. To smooth the flow data through various levels of the organisation.
4. To speed up the execution of results with the reliable data available in a system.

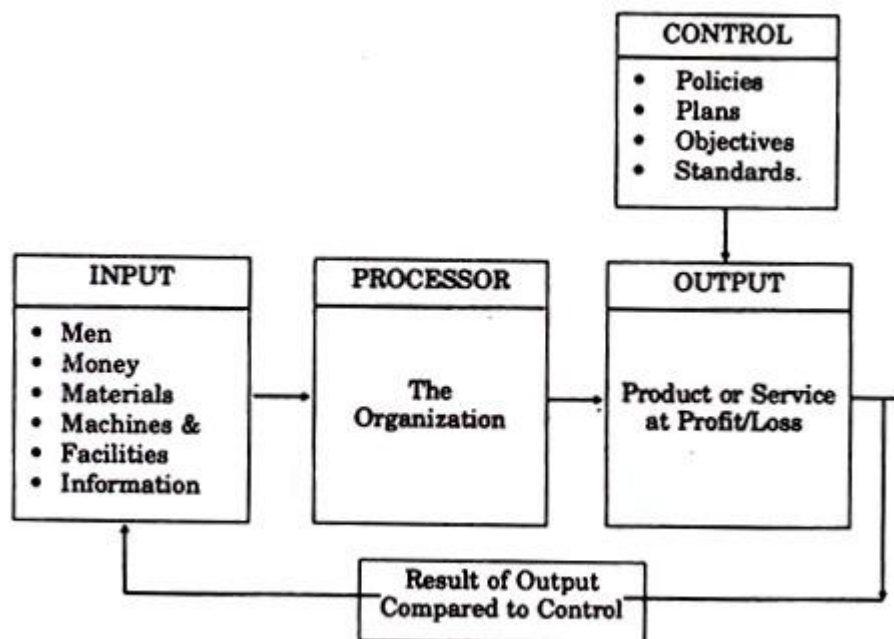


Fig. 13.5 General Business System.

5. To handle data efficiently and provide timely information to the management.
6. To establish the most desirable distribution of data, services and equipment's throughout the organisation.

7. To define a proper method of handling business activities.
8. To eliminate duplicated, conflicting and unnecessary services.

Types of Business Systems:

There are five major types of business systems (Fig. 13.6).

1. Payroll business system
2. Personnel business system
3. Accounts receivable system
4. Accounts payable system
5. Inventory system.

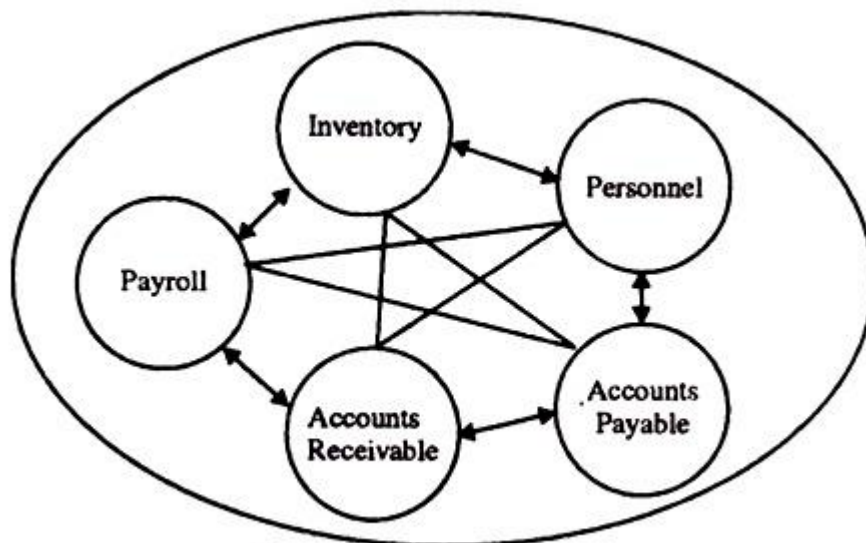


Fig. 13.6 Business System.

1. Payroll Business System:

A payroll system consists of all forms, procedures, files, equipment's, personnel, and computer support necessary to completely process the payment of employees. A payroll system fully handles all tax deductions, personal deductions, and the update of payroll data related to each employee.

It provides for the actual payment of employees, a record of that payment, the modification of all payroll records, and the preparation of payroll reports. The payroll system must also generate all tax documents to include pay-cheques, W-2 statements, 941 quarterly reports, and a wide range of state and municipal employment tax filings.

Another payroll responsibility is the accurate reporting of all personal deductions to include bonds, medical and life insurance, profit sharing plans, stock options, credit union deductions, and the garnishing of an employee's salary by a creditor.

These accumulated totals must be reported accurately to both the recipient of these monies and the individuals from whose salaries these amounts were deducted. The computer's support makes it possible to accurately and promptly process a payroll, providing the input data are properly handled on a timely basis.

2. Personnel Business System:

Personnel system describes varied aspects of an organisation's work force. The outputs generated by personnel systems are frequently used in compiling central & state labor power reports. Retail organisations are major users of accounts receivable systems, since these systems detail monies that are owed to an organisation.

Conversely, accounts payable systems focus on the monies that are owed to an organisation. These two systems parallel to each other, requiring the continued maintenance of files, their update reporting on monies due and owed, providing customer statements and invoices, and recording payments made.

3. Accounts Receivable System:

An account receivable systems are monitors the flow of money. An accounts receivable system monitors the people who owe money to a business. It provides the means to process all data for credit cards and other kinds of charge accounts.

The files contain the individual customer data, including names, addresses, financial charges like, payments received and current charges. The information is issued as monthly statements of each customer and also provides useful information for management's use.

4. Accounts Payable System:

Accounts payable system monitors the organisation to which money is owed. The file structures and input/output (I/O) formats are similar as the accounts receivable system. It contains the accounts of vendors to whom money is owed. Input will have goods and services received by the company while outputs include issue of payments and management reports.

5. Inventory System:

Inventory system monitors the status of items held in an inventory. These systems report on the quantities of goods on hand, as well as when items should be purchased to replenish stock and what critical items are needed. Inventory systems are crucial to organisations that maintain large and costly inventories.

UNIT – II

Sole Proprietorship

Sole Proprietorship in simple words is a one-man business organization. Furthermore, a sole proprietor is a natural person(not a legal person/entity) who fully owns and manages this type of entity. In fact, the business and the man are the same, it does not have a separate legal entity.

In addition, a sole proprietorship usually does not have to be incorporated or registered. Thus, it is the simplest form of business structure and the ideal choice to run a small business or medium [scale business](#)

Features/Characteristics of Sole Proprietorship

1] Lack of Legal Formalities

A sole proprietorship does not have a separate law to govern it. And so there are not many special rules and regulations to follow. Furthermore, it does not require incorporation or registration of any kind. In fact, in most cases, we need only the license to carry out the desired business.

2] Liability

Since there is no separation between the owner and the business, the personal liability of the owner is also unlimited. So if the business is unable to meet its own debts or liabilities, it will fall upon the proprietor to pay them. For instance, he may have to sell all of his personal assets (like his car, house, other properties etc) to meet the debts or liabilities of the business.

3] Risk and Profit

The business owner is the only risk bearer in a sole proprietorship. Since he is the only one financially invested in the company. As a result, he must also bear all the risk. In other words, if the business fails or suffers losses he will be the one affected.

However, he also enjoys all the profits from the business. He does not have to share his profits with any other stakeholders since there are none. So he must bear the full risk in exchange for enjoying full profits.

4] No Separate Identity

In legal terms, the business and the owner are one and the same. No separate legal identity will be bestowed upon the sole proprietorship. So the owner will be responsible for all the activities and transactions of the business.

5] Continuity

As seen above the business and the owner has one identity. So a sole proprietorship is entirely dependent on its owner. The death, retirement, bankruptcy, insanity, imprisonment etc will have an effect on the sole proprietorship. In such situations, the proprietorship will cease to exist and the business will come to an end.

Advantages of Sole Proprietorship

- A proprietor will have *complete control of the entire business*. Thus this will facilitate quick decisions and freedom to do business
- Law does not require a proprietorship to publish its financial accounts or any other such documents to any members of the public. As a result, there is enough *confidentiality* which is important in the business world
- The business owner derives *the maximum incentive* from the business. Because he does not have to share any of his profits. So the work he puts into the business is completely reciprocated in incentives.
- Being your own boss is a great sense of *satisfaction and achievement*. Moreover, you are answerable only to yourself. Hence it is a great boost to your self-worth as well

Disadvantages of Sole Proprietorship

- One of the biggest limitations of a sole proprietorship is the *unlimited personal liability of the owner*. If the business fails it can wipe out the personal wealth of the owner as well as affect his future business prospects too
- Another problem is that a sole proprietor has access to *limited capital*. The money he can borrow from his own personal savings may not be enough to expand the business. Moreover, banks and financial institutions are also wary of lending to proprietorships.
- The life cycle of a sole proprietorship is undecided and attached to its owner. An incapacitated owner may have a negative effect on the business, and it may even lead to the closure of the business. A sole proprietorship cannot carry on without its proprietor.
- A sole proprietor also has *limited managerial ability*. He cannot be an expert in all the fields of the business. Furthermore, limited resources may mean that he cannot hire competent people to help him out. As a result, the business may suffer from mismanagement and poor decisions.

Partnership:

A partnership is a kind of business where a formal agreement between two or more people is made and agreed to be the co-owners, distribute responsibilities for running an organization and share the income or losses that the business generates.

In India, all the aspects and functions of the partnership are administered under 'The Indian Partnership Act 1932'. This specific law explains that partnership is an association between two or more individuals or parties who have accepted to share the profits generated from the business under the supervision of all the members or behalf of other members.

Features of Partnership:

Following are the few characteristics of a partnership:

- **Contract or Formation** – A firm having multiple owners must have a legal agreement between all the partners. So, it is compulsory to have a partnership contract to establish a partnership firm.

- **Unlimited Liability** – All the partners are liable for the payment of the debts, even if they have to liquidate their personal assets.
- **Continuity** – In the context of death, bankruptcy, and retirement of any partners, the partnership will be dissolved, and the remaining partners must make a fresh agreement amongst each other. Similarly, a son cannot inherit his father's partnership. However, with the agreement of other partner members, he can be added as a new partner.
- **Number of Members** – There is no specific number as to the maximum number of members a partnership firm can have. However, according to the Companies Act, 2013, for banking, only ten (10) members are allowed. For companies, the maximum member should not exceed more than twenty(20).
- **Mutual Agency**- This means all the partners should take responsibility for a company's operation. But sometimes one partner on behalf of the rest of the partners can supervise or take actions.

Types of Partners

Not all partners of a firm have the same responsibilities and functions. There can be various types of partners in a partnership. Let us study the types of partners and their rights and duties.

- **Active Partner:** As the name suggests he takes active participation in the business of the firm. He contributes to the capital, has a share in the profit and also participates in the daily activities of the firm. His liability in the firm will be unlimited. And he often will act as an agent for the other partners.
- **Dormant Partner:** Also known as a sleeping partner, he will not participate in the daily functioning of the business. But he will still have to make his share of contribution to the capital. In return, he will have a share in the profits. His liability will also be unlimited.
- **Secret Partner:** Here the partner's association with the firm is not public knowledge. He will not represent the firm to outside agents or parties. Other than this his participation with respect to capital, profits, management and liability will be the same as all the other partners.

- **Nominal Partner:** This partner is only a partner in name. He allows the firm to use the name of his firm, and the attached goodwill. But he in no way contributes to the capital and hence has no share in the profits. He does not involve himself in the firm's business. But his liability too will be unlimited.
- **Partner by Estoppel:** If a person makes it out to be, through their conduct or behaviour, that they are partners in a firm and he does not correct them, then he becomes a partner by estoppel. However, this partner too will have unlimited liability.

Indian Partnership Act 1932

Most of the businesses in India adopt a partnership business, so to monitor and govern such partnership The Indian Partnership Act was established on the 1st October 1932. Under this partnership act, an agreement is made between two or more person who agrees to operate the business together and distribute the profits they gain from this business.

The five important elements of The Indian Partnership Act 1932 are:

- **Agreement for Partners** – It is an association of two or more individuals, and a partnership arises from an agreement or a contract. The agreement (accord) becomes the basis of the association between the partners. Such an agreement is in the written form. An oral agreement is even handedly legitimate. In order to avoid controversies, it is always good, if the partners have a copy of the written agreement.
- **Two or More Persons** – In order to manifest a partnership, there should be at least two (2) persons possessing a common goal. To put it in other words, the minimal number of partners in an enterprise can be two (2). However, there is a constraint on their maximum number of people.
- **Sharing of Profit** – Another significant component of the partnership is, the accord between partners has to share gains and losses of a trading concern. However, the definition held in the Partnership Act elucidates – partnership as an association between people who have consented to share the gains of a business, the sharing of loss is implicit. Hence, sharing of gains and losses is vital.
- **Business Motive** – It is important for a firm to carry some kind of business and should have a profit gaining motive.
- **Mutual Business** – The partners are the owners as well as the agent of their firm. Any act performed by one partner can affect other partners

and the firm. It can be concluded that this point act as a test of partnership for all the partners.

Advantages of Partnership:

- **Easy Formation** – An agreement can be made oral or printed as an agreement to enter as a partner and establish a firm.
- **Large Resources** – Unlike sole proprietor where every contribution is made by one person, in partnership, partners of the firm can contribute more capital and other resources as required.
- **Flexibility** – The partners can initiate any changes if they think it is required to meet the desired result or change circumstances.
- **Sharing Risk** – All loss incurred by the firm is equally distributed amongst each partner.
- **Combination of different skills** – The partnership firm has the advantage of knowledge, skill, experience, and talents of different partners.

Disadvantages of a partnership include that:

- the liability of the partners for the debts of the business is unlimited
- each partner is 'jointly and severally' liable for the partnership's debts; that is, each partner is liable for their share of the partnership debts as well as being liable for all the debts
- there is a risk of disagreements and friction among partners and management
- each partner is an agent of the partnership and is liable for actions by other partners
- if partners join or leave, you will probably have to value all the partnership assets and this can be costly.

Joint Stock Company

The simplest way to describe a joint stock company is that it is a business organization that is owned jointly by all its shareholders. All the Shareholders own a certain amount of stock in the company, which is represented by their shares.

Professor Haney defines it as “*a voluntary association of persons for profit, having the capital divided into some transferable*”

shares, and the ownership of such shares is the condition of membership of the company.”

Features of a Joint Stock Company

1] Artificial Legal Person

A company is a legal entity that has been created by the statutes of law. Like a natural person, it can do certain things, like own property in its name, enter into a contract, borrow and lend money, sue or be sued, etc. It has also been granted certain rights by the law which it enjoys through its board of directors.(BOD)

However, not all laws/rights/duties apply to a company. It exists only in the law and not in any physical form. So we call it an artificial legal person.

2. Separate Legal Entity

Unlike a proprietorship or partnership, the legal identity of a company and its members are separate. As soon as the joint stock company is incorporated it has its own distinct legal identity. So a member of the company is not liable for the company. And similarly, the company will not depend on any of its members for any business activities.

3] Incorporation

For a company to be recognized as a separate legal entity and for it to come into existence, it has to be incorporated. Not registering a joint stock company is not an option. Without incorporation, a company simply does not exist.

4] Perpetual Succession

The joint stock company is born out of the law, so the only way for the company to end is by the functioning of law. So the life of a company is in no way related to the life of its members. Members or

shareholders of a company keep changing, but this does not affect the company's life.

5] Limited Liability:

This is one of the major points of difference between a company and a sole proprietorship and partnership. The liability of the shareholders of a company is limited. The personal assets of a member cannot be liquidated to repay the debts of a company.

A shareholders liability is limited to the amount of unpaid share capital. If his shares are fully paid then he has no liability. The amount of debt has no bearing on this. Only the company's assets can be sold off to repay its own debt. The members cannot be made to pay up.

6] Common Seal

A company is an artificial person. So its day-to-day functions are conducted by the board of directors. So when a company enters any contract or signs an agreement, the approval is indicated via a common seal. A common seal is engraved seal with the company's name on it.

So no document is legally binding on the company until and unless it has a common seal along with the signatures of the directors.

7] Transferability of Shares

In a joint stock company, the ownership is divided into transferable units known as shares. In case of a public company the shares can be transferred freely, there are almost no restrictions. And in a public company, there are some restrictions, but the transfer cannot be prohibited.

Advantages of a Joint Stock Company

- One of the biggest drawing factors of a joint stock company is the *limited liability of its members*. Their liability is only limited up to the unpaid amount on their shares. Since their personal wealth is safe, they are encouraged to invest in joint stock companies
- The shares of a company are *transferable*. Also, in the case of a listed public company they can also be sold in the market and be converted to cash. This ease of ownership is an added benefit.
- *Perpetual succession* is another advantage of a joint stock company. The death/retirement/insanity/etc does affect the life of a company. The only liquidation under the Companies Act will shut down a company.
- A company hires a board of directors to run all the activities. Very proficient, talented people are elected to the board and this results in effective and efficient management. Also, a company usually has large resources and this allows them to hire the *best talent and professionals*.

Disadvantages of a Joint Stock Company

- One disadvantage of a joint stock company is the complex and lengthy procedure for its *formation*. This can take up to several weeks and is a costly affair as well.
- According to the Companies Act, 2013 all public companies have to provide their financial records and other related documents to the registrar. These documents are then public documents, which any member of the public can access. This leads to a complete *lack of secrecy* for the company.
- And even during its day to day functioning a company has to follow a numerous number of laws, *regulations*, notifications, etc.

It not only takes up time but also reduces the freedom of a company

- A company has many stakeholders like the shareholders, the promoters, the board of directors, the employees. the debenture holders etc. All these stakeholders look out for their benefit and it often leads to a *conflict of interest*.

Introduction

A cooperative society is not a new concept. It prevails in all the [countries](#) this is almost a universal concept. The cooperative society is active in all countries worldwide and is represented in all the sectors including [agriculture](#), [food](#), [finance](#), [healthcare](#), etc.

To protect the interest of weaker sections, the co-operative society is formed. It is a voluntary association of persons, whose motive is the [welfare](#) of the members.

Features of a Cooperative Society



(Source: encryptedbn0)

- As it is a voluntary association the membership is also voluntary. A person is free to join a cooperative society, and can also leave anytime as per his desire. Irrespective of their religion, gender & caste membership is open to all.
- It is compulsory for the co-operative society to get registration. The co-operative society is a separate legal identity to the society.

- It does not get affected by the entry or exit of its members.
- There is limited liability of the members of co-operative society. Liability is limited to the extent of the amount contributed by members as capital.
- An elected managing committee has the powers to take decisions. Members have the right to vote, by which they elect the members who will constitute the managing committee.
- The cooperative society works on the principle of mutual help & welfare. Hence, the principal of service dominates its working. If any surplus is generated, it is distributed amongst the members as a dividend in conformity with the bye-laws of the society.

What are the Advantages and Disadvantages of Cooperative Society?

Types of Cooperative Society

1] Producer Cooperative

To protect the interest of small producers, these societies are set up. The co-operative society members may be farmers, landowners, owners of the fishing operations. To increase the marketing possibilities and production efficiency, producers decide to work together or as separate entities.

They perform several activities like processing, marketing & distributing their own products. This helps in lower costs and strains in each area with a mutual benefit to each producer.

2] Consumer Cooperative

These businesses are owned and governed by consumers of a particular area for their mutual benefit. Their view is to provide daily necessary commodities at an optimum price. Rather than earning a

pecuniary profit, their aim is towards providing service to the consumers.

3] Credit Unions

Credit unions are generally member-owned financial cooperatives. Their principle is of people helping people. They provide credit and financial services to the members at competitive prices. Each and every depositor has the right to become a member. Members attend the annual meeting and are given rights to elect a board of directors.

4] Marketing Cooperative Society

With an aim of helping small producers in selling their products, these societies are established. The producers who wish to obtain reasonable prices for their output are the members of this society.

For securing a favorable market for the products they eliminate the middlemen and improve the competitive position of its members. It collects the output of individual members. Various marketing functions like transportation, packaging, warehousing, etc are performed by the cooperative societies to sell the product at the best possible price.

5] Housing Cooperative Society

To help people with limited income to construct houses at reasonable costs, these societies are established. Their aim is to solve the housing problems of the members. A member of this society aims to procure the residential house at lower cost.

They construct the houses and give the option to members to pay in installments to purchase the house. They construct flats or provide plots to members on which the members themselves can construct the houses as per their choice.

Advantages:

The cooperative form of organization offers the following advantages:

1. **Easy to Form-** A cooperative society is a voluntary association and may be formed with a minimum of ten adult members. Its registration is very simple and can be done without much legal formalities.
2. **Open Membership-** Membership in a cooperative organisation is open to all people having a common interest. A person can become a member at any time he likes and can leave the society at any time by returning his shares, without affecting its continuity.
3. **Democratic Management-** A cooperative society is managed in a democratic manner. It is based on the principle of **‘one man one vote’**. All members have equal rights and can have a voice in its management.
4. **Limited Liability-** The liability of the members of a co-operative society is limited to the extent of capital contributed by them. They do not have to bear personal liability for the debts of the society.
5. **Stability-** A co-operative society has a separate legal existence. It is not affected by the death, insolvency, lunacy or permanent incapacity of any of its members. It has a fairly stable life and continues to exist for a long period.
6. **Economical Operations-** The operation of a cooperative society is quite economical due to elimination of middlemen and the voluntary services provided by its members.
7. **Government Patronage-** Government gives all kinds of help to co-operatives, such as loans at lower rates of interest and relief in taxation.

ADVERTISEMENTS:

8. **Low Management Cost-** Some of the expenses of the management are saved by the voluntary services rendered by the members. They

take active interest in the working of the society. So, the society is not required to spend large amount on managerial personnel.

9. Mutual Co-Operation- Cooperative societies promote the spirit of mutual understanding, self-help and self-government. They save weaker sections of the society from exploitation by the rich. The underlying principle of co-operation is “self-help through mutual help.”

10. No Speculation- The share is always open to new members. The shares of cooperative society are not sold at the rates higher than their par values. Hence, it is free from evils of speculation in share values.

11. Economic Advantages- Cooperative societies provide loans for productive purposes and financial assistance to farmers and other lower income earning people.

ADVERTISEMENTS:

12. Other Benefits- Cooperative societies are exempted from paying registration fees and stamp duties in some states. These societies have priority over other creditors in realising its dues from the debtors and their shares cannot be decreed for the realisation of debts.

Disadvantages:

As against the advantages of co-operatives, the following limitations and drawbacks of this form of organization must also be noted:

1. **Limited Capital-** Cooperatives are usually at a disadvantage in raising capital because of the low rate of return on capital invested by the members.

2. **Inefficient Management-** The management of a co-operative society is generally inefficient because the managing committee consists of part-time and inexperienced people. Qualified managers are not attracted towards a cooperative on account of its limited capacity to pay adequate remuneration.

ADVERTISEMENTS:

3. Absence of Motivation- A cooperative society is formed for mutual benefit and the interest of individual members is not fully satisfied. There is no direct link between effort and reward. Hence, members are not inclined to put their best efforts in a cooperative society.

4. Differences and Factionalism among Members- Once the initial enthusiasm about the co-operative ideal is exhausted, differences and group conflicts arise among members. Then, it becomes difficult to get full co-operation from the members. The selfish motives of members begin to dominate and service motive is sometimes forgotten.

5. Rigid Rules and Regulations- Excessive Government regulation and control over co-operatives affect their functioning. For example, a co-operative society is required to get its accounts audited by the auditors of the co-operative department and to submit its accounts regularly to the Registrar. These regulations and control may adversely affect the flexibility of operations and the efficiency of management in a co-operative society.

6. Lack of Competition- Cooperatives, generally, do not face any stiff competition. Markets for their goods and services are more or less ready and assured. Hence, there is possibility of slackening of efforts.

ADVERTISEMENTS:

7. Cash Trading- The members of the societies are generally from poor sections of the society. These persons need credit facilities. On the other hand, private traders extend credit facilities to the consumers. Though the societies sell goods at lower prices but absence of credit facilities compel them to go to private traders for meeting their requirements.

8. Lack of Secrecy- The affairs of a co-operative society are openly discussed in the meetings of the members. Every member is free to

inspect the books and records of the society. Therefore, it becomes difficult to keep the secrets of business.

9. Weightage to Personal Gains- Mutual co-operation erodes away over a period of time and the members start giving weightage to their personal gains.

10. Lack of Incentive and Initiative- In a cooperative society form of organisation everybody is the owner of the society and over a period of time it becomes lifeless due to a lack of incentive and initiative as everybody is the owner, but business does not belong to any one of them.

NON PROFIT ORGANIZATION

A nonprofit organization serves public or mutual benefits and interests. Being a nonprofit does not mean that the organization does not generate profit, but simply that it doesn't generate revenue for the purpose of harvesting income. They typically serve a scientific, religious, educational, or charitable purpose and, with recognition by the IRS, are tax-exempt. Nonprofits can take the form of anything from soup kitchens, local churches, homeless shelters, to labor unions, museums, universities, and hospitals.

FEATURES OF NON – PROFIT ORGANISATION

1. Main Aim is Service

The basic aim of non-profit organizations is to serve the society. They are working for the benefit of the society as a whole.

2. Profit is not the Criterion

Non-profit organizations are formed for some idealistic purposes such as religious, charitable or providing education etc. Earning of profits can never be their aim.

3. Surplus Not Distributed

Among Its Members Though earning profit is not the criterion for nonprofit organizations, yet there may be excess of income over expenditure or excess of expenditure over income. The former is known as 'surplus' and latter is known as 'deficit'. Unlike other business, surplus or deficit of nonprofit organizations is not distributed among its members. They are adjusted in the capital fund of such organizations.

4. Separate Entity

The separate entity concept is equally applicable to non-profit organizations. Such organizations are treated as a separate entity distinct from its members.

5. Unique Names Connoting their Working

The names of non-profit organizations denote the nature and style of their functioning. For example, JMD Educational Society, Shri SaiKeertanMandli, Shri Sunder Dev Sports Club and Shri Santana DharamRamlila Committee etc.

6. Management by Elected Persons

These organizations are run and managed by elected members.

7. Major Funds from Contributions and Donations

Usually, non-profit organizations are not self-sufficient to run their activities with the revenue generated from their own sources, so they depend upon the subscriptions, donations and grants received from various government departments.

FUNCTIONS OF A NONPROFIT ORGANISATION

The function of a nonprofit depends on the goal of the organization. Nonprofits generally function to generate revenue and/or awareness in the interest of a certain purpose or mission.

Charity or Social Welfare

Charity and social welfare serve to provide aid and relief to those without access to such necessities. It is notable that since these organizations are tax-exempt due to the assistance they provide, they actually save money for the government. An example is women's shelters where women and children can seek refuge from abusive situations, with the organization providing direct relief and shelter for those in need.

Religious Functions

Religious functions are often directed to sharing a certain belief and working to do well in the name of said belief. There are religious organizations which provide charitable services to their communities, either through the existing organization or by establishing a new, separate non-profit organization to meet the needs of the people.

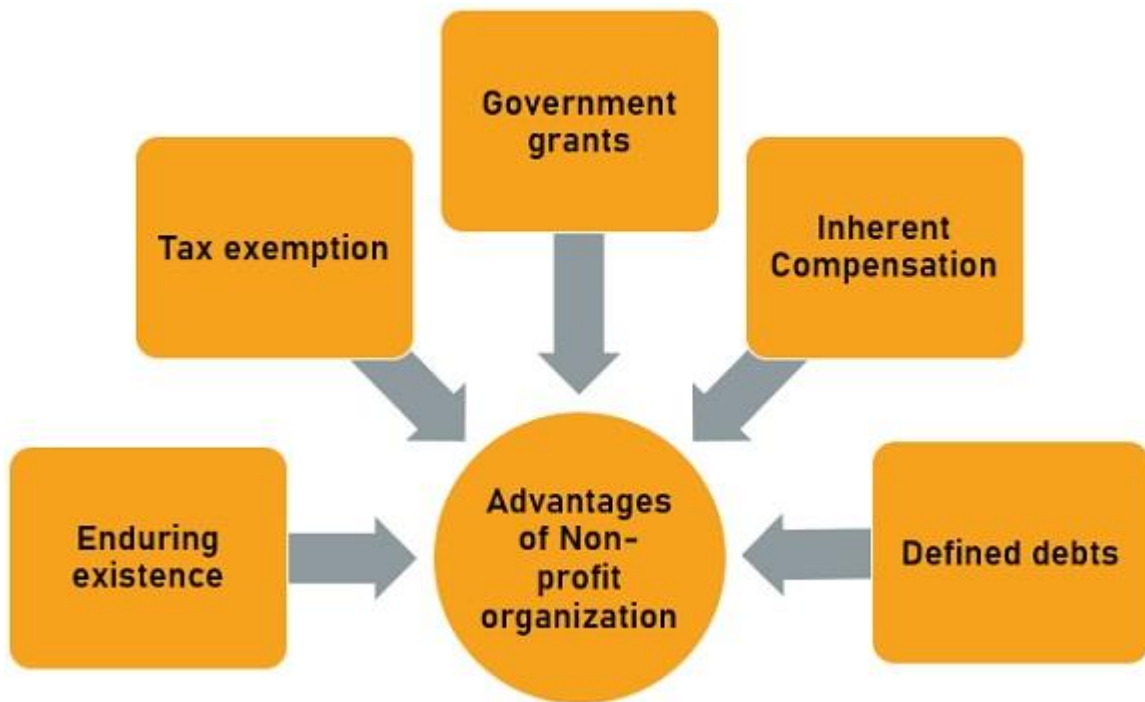
Trade

Trade organizations seek to further benefit the goals of a specific group of professionals, creating associations which include, but are not limited to teachers, nurses, and engineers. These groups function to give training to group members, as well as present an opportunity for networking.

Research and Education

Research and education non-profits seek to improve the conditions of the people around them through advancements in research and education. However, not all research organizations are non-profit, as some are sponsored by different companies. Educational organizations may recruit new teachers to educate students in places that need them most, like in rural school districts.

Advantages of Non-Profit Organization:



1. **Enduring existence:** Non- profit organizations have life even if the benefactor leaves the organization, as they stay admissible, and endure to make revenue.
2. **Tax exemption:** Non- trading organizations are excused from paying taxes to the government; thus, can regulate their whole income back in the organization's advancement.
3. **Government grants:** Non- profit organizations get a various allocation from the government for the betterment of the organization.
4. **Defined debts:** In case of any dispute creditors have explicit rights for suing on the organization; they can only recover their debts with the organization's assets, and the owner is not liable to pay any indebtedness with his personal assets.

5. **Inherent Compensation:** Non-profit organization administer services and favour to the overlooked or neglected section of the society, such as impoverished children.

Disadvantages of Non-Profit Organization



- Time and money
- Maintenance expenses
- Public enquiry
- Filling burden
- No gain

1. **Time and money:** For starting a non-profit organization, it takes a lot of money and devotion towards work, without any intention of earning profit in return.
2. **Maintenance expenses:** Non-profit organization has to maintain the costs incurred during the year from the limited available funds so that the organization continues for long run efficiently.
3. **Public inquiry:** Anyone from the general public can ask for the fillings of the non-profit organization and can review their incomes and expenditures. If you have a broad public-facing organization, you become liable to answer their questions to maintain the image of your organization.
4. **Filling burden:** To maintain the active and exempt status, the non-profit organization's need to acknowledge annual fillings to the government.

5. **No gain:** Non-profit organizations don't offer any profit to its shareholders; thus, it becomes difficult sometimes to bring out concern from the likely investors.

PUBLIC SECTOR

“Public enterprises are autonomous or semiautonomous corporations and companies established, owned and controlled by the state and engaged in industrial and commercial activities.”

1.State Ownership

The enterprise ownership has to be vested with the State. It could be in the nature of Central, State or local government ownership or any instrumentality of the state too can have the ownership of public enterprise.

2. State Control

Public Enterprise is controlled by the Government both in its management and functioning. The Government has the direct responsibility to manage the affairs of the enterprise through various devices and exercises control over it by means of a number of agencies and techniques.

3. Public Accountability

Public Enterprises owe accountability to people as they are funded through public money. This accountability is realised through legislature and its committees, ministers, audit institutions and other specialised agencies.

4. Autonomy

Public Enterprises function with utmost autonomy under given situations. They are free from day to day interference in their affairs and management.

5. Coverage

The public enterprise traverses all areas and activities. There is hardly any field of activity, which is not covered by the operations of public enterprises.

PUBLIC UTILITY

A public utility is a company that operates as a public service corporation, and provides essential services to the public such as electricity, telephone service, natural gas, water or postal services.

The public utility is typically regulated by the national, state or local government. The term 'public utility' may also refer to the service or product itself – water, natural gas, sewage, etc. – that these organizations supply to members of the public. A public utility often forms part of a natural monopoly. A natural monopoly is a monopoly that exists because a specific market's economies of scale make it the most cost effective way to provide consumers with the best quality and price.

Different Forms of Public Utilities

The Public Utility form of organisation is suitable in cases of the following essential areas: Domestic/Commercial LPG supplies Road Transport Railways and Tramways Electricity supplies Postal facilities and Telegraph facilities Telephones Communications Water supply Sewerage regulation facilities Medical facilities.

MERITS OF PUBLIC UTILITY

The following are the merits of the existence of public utilities.

1. **Absence of Competition** As the competition does not exist due to the monopoly of operation, the public is sure to get uninterrupted and efficient services.

2. **Absence of Discrimination** The public utilities provide uniform services at uniform rates to the users. There is no discrimination between the rich and the poor. The rich do not pay more and the poor do not get any concessions in rates charged by the public utilities.

3. **Unified Control** The control of utilities is directly in the hands of the Government. As a result, the control will be effective and certain, as the Government always favours the public interest at large.

4. **Service Motive** The primary objective of public utilities is to offer services to public and not make profits. This ensures provision of maximum benefit to the society at the minimum cost.

5. **Constant Revenue** As the utilities offer services to the public in an uninterrupted manner, they trade only on cash basis. This ensures regular and constant revenue to the utilities. The utilities offer services directly to the users. There is no chance of any middlemen being used in providing services, thereby the cost of services offered do not get appreciated.

DEMERITS OF PUBLIC UTILITIES

The public utilities, however, suffer from the following drawbacks:

1. Large Capital Requirements

Due to the density and spread of the population, the scope of coverage of the population in rendering services is also wide. This necessitates huge capital requirement due to heavy installation expenses and the cost of procuring land.

3. Lack Of Efficiency

Due to monopoly in operation and absence of competition, the quality of the services may not be very efficient. The existence of competition alone can ensure increase in the efficiency of the services offered by the utilities.

4. Absence Of Credit Facility

Credit facility is a part of normal business transactions. The business and commercial establishments may find it difficult without credit facility, because their use of the services could be at a high rate while their liquidity position might not be very good throughout the year.

4. Delay In Implementation Due to the bureaucratic set up at the Government office, there may be enormous delay in implementing the decisions, which may affect the nature of services offered by the utilities.

5. Absence Of Choice To Users The existence of monopoly gives the users no other choice, but to accept the nature, quality and quantity of the services offered by the utilities. They cannot do away with the utilities because the services are essentially required for the civilised and comfortable living of the users.

6. Presence Of Political Interferences Political interferences may affect the operation and efficiency of the services offered by the utilities. This gives room for chances of misuse of power by political leaders heading the concerned ministry.

Unit – III
Government Arts and Science College
Kovilpatti
Business Organisation

Class: I B.com

Sub Code: SMCO12

Partnership

Introduction:

Partnership means two or more persons join to undertake a business and sharing profit or losses. Partnerships allow partners to share their resources collectively and expand their business. Partnerships are not a separate legal entity but Indian Partnership Act 1932, has made a legal agreement between all the partners.

Meaning:

A partnership is a formal arrangement by two or more parties to manage and operate a business and share its profits. All partners share liabilities and profits equally, while in others, partners have limited liability

Definition:

According to **James Stephenson,**

“A Company is an association of persons who contributes money and who share the profits and losses arising their from”

Kinds of Partners:

Active Partner

An active partner is also known as Managing Partner. They mainly take part in the day-to-day running of the business and also take active participation in the conduct and management of the business firm.

Sleeping Partner

A sleeping partner is also known as a “dormant partner”. This partner does not participate in the day-to-day functioning activities of the partnership firm. This partner also brings share capital to the firm. He also continues to share the profits and losses of the firm.

Nominal Partner

Nominal partner is only lending his name to the firm and does not have a voice in the management of the firm. On the strength of his name, the firm can

promote its sales in the market or can get more credit from the market. This partner does not share any profit and losses.

Partner by Estoppels

A partner by estoppels is a partner who displays by his words, actions or conduct that he is the partner of the firm. This basically means that even though such a person is not a partner he has represented himself as such, and so he becomes partner by estoppels or partner by holding out.

Partner in Profits Only

This partner of a firm will only share the profits of the firm and won't be liable for any losses of the firm. He is not allowed to take part in management of the firm. Such kinds of partners are associated with the firm for their goodwill and money.

Minor Partner

A minor cannot be a partner of a firm according to the Contract Act. However, a partner can be admitted to the benefits of a partnership if all partners give their consent for the same. Such a minor partner on attaining majority (becoming 18 years of age) has six months to decide if he wishes to become a partner of the firm.

KINDS OF PARTNERS

Not all partners of a firm have the same responsibilities and functions. There can be various types of partners in a partnership. Let us study the types of partners and their rights and duties.

1. Active Partner:

An active partner is also known as Ostensible Partner. As the name suggests he takes active participation in the firm and the running of the business. He carries on the daily business on behalf of all the partners. This means he acts as an agent of all the other partners on a day to day basis and with regards to all ordinary business of the firm. He contributes to the capital, has a share in the profit and also participates in the daily activities of the firm. His liability in the firm will be unlimited. And he often will act as an agent for the other partners.

2. Dormant Partner:

Also known as a sleeping partner, he will not participate in the daily functioning of the business. But he will still have to make his share of contribution to the capital. In return, he will have a share in the profits. His liability will also be unlimited.

This is a partner that does not participate in the daily functioning of the partnership firm, i.e. he does not take an active part in the daily activities of the firm. He is however bound by the action of all the other partners. He will continue to share the profits and losses of the firm and even bring in his share of capital like any other partner. If such a dormant partner retires he need not give a public notice of the same.

3. Secret Partner:

Here the partner's association with the firm is not public knowledge. He will not represent the firm to outside agents or parties. Other than this his participation with respect to capital, profits, management and liability will be the same as all the other partners.

4. Nominal Partner:

This partner is only a partner in name. He allows the firm to use the name of his firm, and the attached goodwill. This is a partner that does not have any real or significant interest in the partnership. So, in essence, he is only lending his name to the partnership. He will not make any capital contributions to the firm, and so he will not have a share in the profits either. But the nominal partner will be liable to outsiders and third parties for acts done by any other partners.

5. Holding out Partner (Estoppel Partner):

If a person makes it out to be, through their conduct or behaviour, that they are partners in a firm and he does not correct them, then he becomes a partner by estoppel. However, this partner too will have unlimited liability. The person who thus becomes liable to third parties to pay the debts of the firm is known as a holding out partner.

6. Partner in Profits Only:

A partner sharing the profits of the business without making himself responsible for losses, if any, is known as partner in profits only. He contributes capital and is also liable to the third parties like other partners. This partner will only share the profits of the firm, he will not be liable for any liabilities. Even when dealing with third parties he will be liable for all acts of profit only, he will share none of the liabilities.

7. Quasi Partner:

A person who has retired from the running management life of the firm but he does not withdraw his capital from the business is known as quasi-partner. So his capital is considered as a loan and he receives interest at the rate varying with the profit. Really he is not a partner but he is a Deferred Creditor.

8. Salaried Partner:

An individual who does not bring anything i.e. amount or goods in the firm but has right to receive salary or share in the profit or both is named as salaried partner. He is known to the outside world as a partner and is liable for all the acts of the firm like other partners.

9. Minor Partner:

A minor cannot be a partner of a firm according to the Contract Act. However, a partner can be admitted to the benefits of a partnership if all partners give their consent for the same. He will share profits of the firm but his liability for the losses will be limited to his share in the firm. Such a minor partner on attaining majority (becoming 18 years of age) has six months to decide if he wishes to become a partner of the firm. He must then declare his decision via a public notice. So whether he continues as a partner or decides to retire, in both cases he will have to issue a public notice.

10. Incoming Partner & Outgoing Partner:

A person who is admitted as a partner in an existing partnership is called an incoming partner. A new person can be taken as a partner with the consent of all the partners. Incoming partner is not liable to the creditors of the firm for anything done before he became a partner.

A partner leaving the existing firm is known as an outgoing or retiring partner. An outgoing partner is liable for the debts and the obligations incurred before his retirement and will be liable for future obligations only if he fails to give public notice of his intention to retire from the partnership firm.

11. Limited Partner:

A person who has not to pay any obligation more than the share he holds in the firm is called limited partner. He cannot take part in the management of the firm. This kind of

partner exists in a limited partnership. But this type of organizational structure is rare in our country.

LEGAL DOCUMENTS REQUIRED FOR PARTNERSHIP REGISTRATION

A partnership is easy to form since no complex business formalities are required to be fulfilled. Partnership registration is not compulsory and in at the discretion of the partners whether they want to register t. But a partnership firm cannot avail legal benefits if it is not registered; hence it is always advisable to register it. Documents required for partnership formation (whether registered or not) are:-

- Û Partnership Deed
- Û Documents of Partners
- Û Documents of Firm
- Û Additional Documents in case of Registration
- Û GST Registration
- Û Current Bank Account

1. Partnership Deed

Although partnership deed can be oral, generally a partnership deed is written to avoid any future conflict. Partnership deed is created on a judicial stamp paper of Rs. 2,000/- and has to be signed by all the partners. It contains rights and duties of the firm and the partners.

2. Documents of Partners

- Û **Pan Card Of Partners** – All partners are required to submit their PAN number as identity proof.
- Û **Address Proof Of Partners** – Partners can submit Aadhar Card, Driving License, passport or Voter ID card as address proof. Name and other details on address proof should match PAN card details.

3. Documents of Firm

- Û **Pan Card Of Firm** – Partners need to apply for PAN of the firm. Form 49A has to be filed to apply for a PAN. It should be filled online. It can be filed online if the authorised partner signs the application using a digital signature certificate.
- Û **Address Proof Of Firm** – If the registered office place is rented, rent agreement and one utility bill (electricity bill, water bill, property tax bill, gas receipt etc.) have to be submitted. Also, NOC from landlord will be submitted.

If the registered office place is own, utility bill has to be submitted mentioning the name of the owner. Also, a NOC from the owner (owner as mentioned in utility bill) has to be submitted.

4. Additional Documents in Case of Registration

In case partners wish to register the partnership firm, they need to submit partnership deed, ID and address proofs of the firm as well as the partners to the Registrar of Partnerships. With it, an affidavits also required to be submitted certifying that all the details mentioned in deed and documents are correct.

5. GST Registration

For obtaining a GST registration, a firm needs to submit PAN number, address proof and identity & address proofs of partner. Authorised signatory will sign the application either using a digital signature certificate or E-Aadhar verification.

6. Current Bank Account

For opening a current bank account, a firm needs to submit following documents:

- û Partnership deed
- û Partnership firm PAN card
- û Address Proof of the partnership firm
- û Identity proofs of all the partners
- û Partnership registration certificate (if partnership has been registered)
- û Any registration document issued by central or state government (normally GST certificate is submitted)
- û Copy of electricity bill, telephone bill or water bill (not more than 3 months old)
- û Authorisation letter on the letterhead of the firm authorising a partner as authorised signatory for the bank account.

PROCEDURE FOR REGISTRATION:

According to the India Partnership Act 1932, there is no time limit as such for the registration of a firm. The firm can be registered on the date when it is incorporated or any such date after so. A simple procedure is followed for getting a firm registered. This procedure is divided into two parts:

(i) Filing an Application:

The first thing to be done is to file an application with the Registrar of Firms on a prescribed form. A small amount of registration fees is also deposited along-with the application.

û The application should contain the following information:

- û Name of the Partnership Firm
- û Name and address of all partners
- û Place of business (address of main and branch offices)
- û Duration of the partnership
- û Date of joining of partners
- û Date of commencement of business
- û The application form should be signed and verified by each partner or by his duly authorized agent.

(ii) Certificate:

The particulars submitted to the Registrar are examined. It is also seen whether all legal formalities required have been observed or not. If everything is in order, then the Registrar shall record an entry in the register of firms. The firm is considered registered thereon.

Alteration of Particulars:

Whenever a change or alteration is made in any of the following particulars then it should be communicated to the Registrar of firms and a suitable change is made in the register. The change to be made is sent in a prescribed form and with the prescribed fees.

Following changes or alterations are to be sent to the Registrar:

- û Any change in the name of the firm.
- û Any change in the principal place of business. The change in name or principal place of business almost requires a new registration. These changes should be sent in a prescribed form and should be signed by all the partners.
- û When constitution of the firm is changed i.e., an old partner may retire or a new partner may be added.

Û Any change in the name of a partner or his address.

Û When a minor partner attains the age of majority and he elects to become or not to become a partner.

Û When the firm is dissolved.

UNIT – IV

Company:

Meaning and Definition of a Company

“Company” in the common usage refers to a voluntary association of individuals formed for the purpose of attaining a common social or economic end. Strictly speaking, the term “Company” has no technical or legal meaning. In the common law, a company is a juristic personality or legal person separate from its members. Thus, it exists only in the contemplation of law.

In other words, a company is an artificial or legal person created and devised by the laws for a variety of purposes such as promotion of charity, art, research, religion, commerce or business. The company, just like a natural person possesses similar rights and owes similar obligations, but has neither a mind nor a body of its own.

Eminent scholars and writers have defined the term. Some of the definitions are give below:

Definition of Yale Law Journal: “A company is an intricate, centralized, economic, administrative structure run by professional managers who hire capital from the investors”.

Characteristics of a Company

The definitions quoted above illuminate the principal attributes of a company, otherwise known as a corporation. They are given below:

1. Legal Personality

The law divides person into two kinds viz.,

- i. natural persons, and
- ii. legal persons.

Natural persons are human persons such as men, women, children etc. The natural persons are the creations of nature.

Legal persons or artificial persons, on the other hand, are created and devised by human laws i.e. created by a legal process and not through natural birth. An artificial person, though abstract, invisible and intangible, can do everything like a natural person except a few acts, which only natural persons can do.

A company is a distinct legal person, existing independent of its members. The independent corporate existence is the outstanding feature of a company.

2. Limited Liability

The principle of limited liability is a feature as well as a privilege of the corporate form of enterprise. In other words, the liability of the members is limited. It means that the shareholders enjoy immunity from liability beyond a certain limit. A shareholder cannot be called upon to pay anything more than the unpaid value of the share that he has undertaken to pay under a contract between himself and the company.

3. Perpetual(continuity) Succession

As a juristic person, a company enjoys perpetual succession. In other words, a company never dies, nor its life depends on the life of its members. Even if all the members die, it shall not affect the privileges, immunities, estates and possessions of the company.

4. Right to Property

A company, being a legal person has a right to acquire, possess and dispose of property in its own name. Its property is not that of the shareholders. Although the members contribute the capital and assets of company, the property of the company will not be considered as the joint property of the members constituting the company

5. Common Seal

The common seal is considered as the Official Signature of the company. Its common seal must authenticate all the acts. When common seal is affixed on a document, it is considered as the authoritative document of the company. The secretary of the company

should keep the seal under lock and key. He should make use of it only according to the directions of the Board of Directors.

6. Transferability of Shares

The capital of a company is divided into several small parts known as shares. The primary objective of joint stock companies is that it should be able to transfer shares easily. The law also considers the share of a company as movable property and hence like any other movable asset, the shareholder can transfer his title over his share to some other person.

7. Capacity to Sue and be Sued

A company being a legal person, can sue other persons in its corporate name. Similarly, others can also sue the company in their own name. It can also be fined for contravening any law but it cannot be imprisoned for a criminal offense.

8. Not a Citizen

Although a company is a legal person, it is not a citizen under the Indian Constitution. It can act only through natural persons.

What is a Private Company?

A private company cannot offer its share to the general public as it is restricted, in a private company the shares are privately held by the

members or investors. The private company the suffix after its name Private Limited (PVT LTD), the main advantage of a private company is they don't need to disclose their financials to the general public. The public company is only answerable to its members/investors only.

What is a Public Company?

A public company under the companies act 2013 means a company that is listed on a stock exchange and can sell its securities to the general public.

To become a public company; the company needs to offer an IPO to the public. Publicly listed company means their shareholders can sell securities freely on a stock exchange. A public company needs to disclose its annual report to all the stakeholders. A public company can expand its business by issuing more shares to the general public.

Head to head comparison between Public Company and Private Company(Infographics)

Below are the top 15 differences between Public Company vs Private Company



Public Company VS Private Company

#1. Meaning

Public Company



Public Company is owned and traded publicly on the stock exchange.

Private Company



A Private Company is owned and traded privately.

#2. Use of Suffix

Public Company



Limited can use after the public company name (Example- ABC Limited).

Private Company



Private Limited can be used after the private company name. (Example- ABC Private Limited).

#3. Min. Members

Public Company



Minimum 7 members must be required to form a public company.

Private Company



Minimum 2 members must be required to form a private company.

#4. Max Members

Public Company



There is no maximum limit of the member in public company.

Private Company



The maximum limit of the member in a private company is 200.

#5. Min Directors

Public Company vs Private Company Comparison Table

Let's discuss the top comparison between Public Company vs Private Company

Basis for Comparison	Public Company	Private Company
Meaning	Public Company is owned and traded publicly on the stock exchange.	A Private Company is owned and traded privately.

Use of Suffix	Limited can use after the public company name (Example- ABC Limited).	Private Limited can be used after the private company name. (Example- ABC Private Limited).
Min. Members	Minimum 7 members must be required to form a public company.	Minimum 2 members must be required to form a private company.
Max Members	There is no maximum limit of the member in public company	The maximum limit of the member in a private company is 200.
Min Directors	At least 3 directors are required in a public company.	At least 2 directors are required in a Private company.
Start of Business	Certificate of incorporation and commencement of business is required to start the business.	The only certification of incorporation is required to start the business.
Public Subscription of Shares	Public subscription of share is allowed in public companies.	Public subscription of share is not allowed in private companies.

Quorum at AGM	5 members should be present personally at AGM.	2 members should be present personally at' AGM.
Statutory Meeting	The statutory meeting is compulsory.	The statutory meeting is Optional.
Issue of Prospectus	It is their mandate to issue the prospectus.	It is not required in a private company.
Shares Transferability	Share can be transferred freely in public companies.	Transfer of share is restricted in private companies.
Managerial Remuneration	There is no restriction is managerial remuneration.	Managerial remuneration can exceed 11% of the Net Profit.
Disclosure of Financial Report	A public company needs to disclose its financial reports quarterly and annual.	There is no such obligation for a private company to disclose their financial results to the normal public.
Size	Generally, the size of the public company is very huge.	Normally the size of a private company is small in comparison to the public company. But a

		private company also be a big company.
Funding	A public company can raise funds by issuing an IPO in the general public.	Private companies can raise funds through private investors.

Conclusion

Meaning of Partnership Firm

A partnership firm is a type of business entity that is formed by the association of two or more members who have agreed to share the profits of the business, which is carried on by all partners or one partner acting for all.

According to Indian Partnership Act, 1932, Section 4 defines Partnership as – “An agreement between persons who have agreed to share profits of the business carried on by all or any one of them acting for all.”

The members involved in the partnership are known as partners individually, while they are jointly known as a firm. The agreement on which terms and conditions of a partnership are written is known as [Partnership Deed](#).

Meaning of Company

A company is a legal entity that is an association of a certain number of persons with the common objective of providing goods and services to customers.

According to The Indian Companies Act, 2013 Section 2(20) defines the term “company” to mean “a company incorporated under the Companies Act 2013 or any previous company law.”

A company can be formed by 50 members if it is a private limited, while there is no restriction on the number of members for a public limited company.

In the following table, we present the most fundamental differences between a partnership firm and a company to help students get a clear idea about the two different business entities.

Partnership Firm	Company
Definition	

Partnership Firm is a mutual agreement between two or more persons to run the business and share profit and loss mutually.	Company is an association of persons with a common objective of providing goods and services to customers.
Applicable Act	
Indian Partnership Act, 1932	Indian Companies Act, 2013
Minimum Number of Members Required	
2 members for a partnership firm	7 for public limited, 2 for Private Limited,
Maximum Number of Persons allowed	
10 members	Maximum 200 members for a Private Limited, unlimited members for a Public Limited
Essential Documents Required	
Partnership Deed required for the creation of a partnership firm	Memorandum of Association and article of association is mandatory for incorporating a company
Capital Requirement	
No such amount required	1 Lakh minimum for a Pvt Ltd and 5 lakh in case of Public Company
Requirement of Audit	
No audit required	Mandatory audit is required every year
Transferability of Shares	
Consent required from all partners before transferring	Can be transferred

Is it considered a Legal Entity?

Not considered

It is considered a legal entity

Unit V: Co-Operative Organization: Formation of Co-operative organization under the Societies Registration Act and Tamil Nadu Co-operative Societies Act-Management of Cooperative organizations-Co-operatives versus Companies-Cooperatives versus Partnership-Types of Co-operatives-Co-operative Movement in India.

Cooperative Society Organization :

A [business organization](#) can take many forms. One such form is that of a cooperative society. Such societies have unique features of joint [ownership](#) and [democratic leadership](#). Let us take a brief look at their features and some types of societies.

Introduction

A cooperative society is not a new concept. It prevails in all the [countries](#), this is almost a universal concept. The cooperative society is active in all countries worldwide and is represented in all the sectors including [agriculture](#), [food](#), [finance](#), [healthcare](#), etc.

To protect the interest of weaker sections, the co-operative society is formed. It is a voluntary association of persons, whose motive is the [welfare](#) of the members.

Features of a Cooperative Society



(Source: encryptedbn0)

As it is a voluntary [association](#), the membership is also voluntary. A person is free to join a cooperative society, and can also leave anytime as per his desire. Irrespective of their [religion](#), [gender & caste](#), membership is open to all.

It is compulsory for the co-operative society to get registration. The co-operative society is a separate legal identity to the [society](#).

It does not get affected by the entry or exit of its members.

There is limited [liability](#) of the members of co-operative society. Liability is limited to the extent of the amount contributed by members as [capital](#).

An elected managing committee has the powers to [take decisions](#). Members have the right to vote, by which they elect the members who will constitute the managing [committee](#).

The cooperative society works on the principle of mutual help & welfare. Hence, the principal of service dominates its working. If any surplus is generated, it is distributed amongst the members as a dividend in conformity with the bye-laws of the society.

Types of Cooperative Society

1] Producer Cooperative

To protect the [interest](#) of small producers, these societies are set up. The co-operative society members may be farmers, [landowners](#), owners of the fishing operations. To increase the marketing possibilities and [production efficiency](#), producers decide to work together or as separate entities.

They perform several activities like processing, [marketing](#) & [distributing](#) their own products. This helps in lower costs and strains in each area with a mutual benefit to each producer.

2] Consumer Cooperative

These businesses are owned and governed by consumers of a particular area for their mutual benefit. Their view is to provide daily necessary commodities at an optimum price. Rather than earning a pecuniary profit, their aim is towards providing service to the consumers.

3] Credit Unions

Credit unions are generally member-owned financial cooperatives. Their principle is of people helping people. They provide credit and financial services to the members at competitive prices. Each and every depositor has the right to become a member. Members attend the annual meeting and are given rights to elect a board of directors.

4] Marketing Cooperative Society

With an aim of helping small producers in selling their products, these societies are established. The producers who wish to obtain reasonable prices for their output are the members of this society.

For securing a favourable market for the products they eliminate the middlemen and improve the competitive position of its members. It collects the output of individual members. Various marketing functions like [transportation](#), [packaging](#), [warehousing](#), etc are performed by the cooperative societies to sell the product at the best possible price.

5] Housing Cooperative Society

To help people with limited income to construct houses at reasonable costs, these societies are established. Their aim is to solve the housing problems of the members. A member of this society aims to procure the residential house at lower cost.

They construct the houses and give the option to members to pay in installments to purchase the house. They construct flats or provide plots to members on which the members themselves can construct the houses as per their choice.

Cooperative Movement and Cooperative Societies in India

The Cooperative Societies can be defined as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. India is an agricultural country and laid the foundation of World's biggest cooperative movement in the world. Here, we are giving a brief summary of the Cooperative Movement and Cooperative Societies in India for general awareness.

The Cooperative Societies can be defined as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise". India is an agricultural country and laid the foundation of World's biggest cooperative movement in the world. The need for profitability is balanced by the needs of the members and the wider interest of the community, the Cooperative Movement was started by the weaker sections of society for protecting its members

from the clutches of profit hungry businessmen. Here, we are giving a brief summary of the Cooperative Movement and Cooperative Societies in India for general awareness.

Cooperative Movements in India :

The Cooperative Movements in India can be studied into two phases:

1. Co-operative Movement in pre-Independence era
2. Co-operative Movement in post-Independence era

Importance of Cooperative sector for India

The Cooperatives play very important role in India because it is an organization for the poor, illiterate and unskilled people. The importance of Cooperative sector for India is given below:

1. It provides agricultural credits and funds where state and private sectors have not been able to do very much.
2. It provides strategic inputs for the agricultural-sector; consumer societies meet their consumption requirements at concessional rates.
3. It helps to overcome the constraints of agricultural development.

Difference between partnership firm and co- operative societies:

Partnership Firm	Co-operative Societies
Liability: Liability of partners is unlimited	liability of members is limited
Stability Partnership firm may be dissolved be due to death, retirement and insolvency of any one partner.	Co-operative society may not wound up due to death, retirement and insolvency of any one member
Membership	The minimum number of members required is

The minimum number of members is 2 and maximum number is 10 in case of banking business and 20 in case of other business	25 and maximum is unlimited.
Secrecy Secrecy can be maintained because partnership firm need not publish their accounts	Secrecy cannot be maintained because the accounts of co-operative societies are to be published
Regulation act A partnership is governed by the Indian partnership act, 1932.	A co-operative society is governed by the co-operative societies act, 1912.
Government interference There is no legal formalities and restrictions to control the affairs of partnership business.	Excessive state participation and affects the voluntary character of co-operations and flexibility operations.
Object The aim of a partnership firm to earn profit	The aim of a co-operative society is to render services.

Difference between a company and co-operative society:

Company	Co-operative society
Regulation act A company is government by the Indian companies act, 1996.	A co-operative society is governed by the co-operative societies act, 1912.
Purpose The purpose of a company is to earn profit	The purpose of a co-operative organization is to render services.
Minimum members The minimum numbers of members in a privative is 2 and in a public company is 7	The minimum number of members in a co-operative organization is 25
Maximum members The maximum numbers of members in a private company is 50 and in a public company	The maximum number of members in a co-operative organization in unlimited

in unlimited	
Voting right The voting right in a company depended upon the number of shares held by each shareholder and equality does not prevail	One member has one vote all members are equal among members
Refund of share capital A company can refund its share capital to its members only at the time of winding up	A member can withdraw his share capital at any time
Transfer of interest A member can transfer his shares to any person	A member cannot transfer his shares to any person but he can withdraw his shares
Dividend A high rate of dividend may be declared	A low rate of dividend will be declared
Tax concessions A company is charged lesser amount of tax. Tax compared to sole trader and partnership business	A co-operative organization is charged lesser amount of tax compared to a company business
Capital A company can raise large amount of capital by issuing various types of securities	A co-operative society cannot raise large amount of capital since it cannot issue various types of securities

Management of Cooperative organizations:

Meaning:

Cooperative management, also **co-management**, tries to achieve more effective and equitable systems of resource **management**. In **cooperative management**, representatives of user groups, the scientific community, and government agencies should share knowledge, power, and responsibility.

Functions:

Four functions are recognized for management to meet this responsibility—

- Planning,
- Organizing,
- Motivating, and
- controlling

The board is responsible for determining and systematically arranging all the main factors to achieve the **goals** and objectives of the business.

Cooperative Principles

- Open and **Voluntary** Membership. ...
- Democratic Member Control. ...
- Members' Economic Participation. ...
- **Autonomy** and Independence. ...
- Education, Training, and Information. ...
- **Cooperation Among Cooperatives.** ...
- Concern for Community.

Formation of Co-operative organization under the Societies Registration Act and Tamil Nadu Co-operative Societies Act

- ✓ This Act may be called the Tamil Nadu Co-operative Societies Act, 1983.
- ✓ It extends to the whole of the State of Tamil Nadu.
- ✓ It shall come into force on such date as the Government may, by notification, appoint.

The Registrar. - The Government may appoint any officer of the Government to be Registrar of Co-operative Societies for the State of Tamil Nadu or any portion of it or for any class or classes or category or categories of registered societies and may, by general or special order, confer on any other officer of the Government [or any officer of any body corporate owned or controlled by the Government] all or any of the powers of a Registrar under this Act.

Societies which may be registered. - Subject to the provisions of this Act, a society which has as its object the promotion of the economic interests or general welfare of its members in accordance with co-operative principles, or a society established with the object of

facilitating the operations of such a society maybe registered under this Act with limited or unlimited liability:

Provided that the liability of-

- (i) a society of which a registered society is a member; and
- (ii) an agricultural service co-operative society registered after the commencement of this Act, shall be limited.

Change of liability. - (1) Subject to any rules made in this behalf, any registered society may, at a meeting of its general body specially called for the purpose of which at least fifteen clear days' notice shall be given to its members, resolve to change its liability from unlimited to limited and to amend its bye-laws for this purpose.

(2)(i) When a registered society has passed a resolution under sub-section

(1), a copy of the said resolution shall be sent to all the members and creditors of the society.

(ii) Any member of such society may, notwithstanding any bye-law to the contrary, by notice given to the society within a period of two months from the date of receipt by him of the resolution, intimate his intention not to continue as a member of the society and to withdraw his share or interest in the capital and other moneys due to him.

(iii) Any creditor of such society may, notwithstanding any agreement to the contrary, by notice given to the society within a period of two months from the date of receipt by him of the resolution, intimate his intention to demand a return of the amount due to him.

(3) Every member or creditor who has given notice under clause (ii) or clause (iii) of sub-section (2), shall be entitled to receive his share or interest in the capital and other moneys due to him, if he be a member and the amount in satisfaction of his dues, if he be a creditor.

(4) If the Registrar is satisfied that the re-payment of the share or interest in the capital and other moneys due to all the members and the satisfaction of the claims of all the creditors referred to in sub-section (3) have not been made, he may refuse to register the amendment of the bye-law.

Conditions of registration. - (1) No society, other than a society of which a member is a registered society, shall be registered under this Act which does not consist of at least twenty-

five independent persons qualified to be admitted as members under this Act and residing or owning immovable property in the area of operation of the society.

Explanation I. - For the purposes of this sub-section, an independent person means a person who is not dependent upon another person joining in the application for the registration of the society for his means of livelihood and who does not belong to the family of any other person joining in the application for the registration of the society.

Explanation II. - For the purposes of Explanation I, "family" includes husband or wife, as the case may be, and the dependent children and dependent parents.

(2) The word "limited" shall be the last word in the name of every society with limited liability registered under this Act.

Power of Registrar to decide certain questions. - When any question arises whether for the purposes of this Act any person is an independent person or is a resident of, or owns immovable property in the area of operation of a society, the question shall be decided by the Registrar within such period as may be prescribed.

Application for registration.

(1) An application for registration shall be made to the Registrar in the prescribed form.

(2) The application shall be signed-

(a) in the case of a society of which no member is a registered society, but at least twenty-five persons qualified in accordance with the requirements of sub-section (1) of section 6 and sub-section (1) of section 21 and who are not disqualified for admission as members under sub-section (1) of section 23; and

(b) in the case of a society of which a member is a registered society, by a duly authorised person on behalf of every such registered society, and where all the members of the society are not registered societies, by twenty-five other members or, when there are less than twenty-five other members, by all of them.

(3) The application shall be accompanied by a copy of the proposed bye-laws of the society and the chief promoter shall furnish such information in regard to the society as the Registrar may require.

Explanation. - For the purposes of this section and sections 9 and 10, "chief promoter" means the person who has signed the application for the registration of the society and who has been nominated in this behalf by the persons who have signed that application.

Registration. - (1) If the Registrar is satisfied that-

- (a) the application for registration of the proposed society complies with the provisions of the Act and the rules;
- (b) the objects of the proposed society are in accordance with the provisions of section 4;
- (c) the proposed society complies with the requirements of sound business and has reasonable chances of success;
- (d) the area of operation of the proposed society does not overlap the area of operation of another registered society of the same class or category save as permitted by the Registrar; and
- (e) the proposed bye-laws of the society are not contrary to the provisions of this Act or the rules or to the co-operative principles or to any other law applicable to the society;

he may, within a period of one hundred and twenty days from the date of receipt by him of the application for registration, register the society and its bye-laws.

(2) If the Registrar refuses to register a society and its bye-laws, he shall communicate within the period of one hundred and twenty days specified in sub-section (1), the order of refusal together with the reasons for the refusal to the chief promoter.

(3) Where no order of refusal is communicated under sub-section (2) within the said period of one hundred and twenty days, it shall be deemed that the Registrar has registered the society and its bye-laws on the one hundred and twentieth day from the date of receipt by the Registrar of the application for registration.

(4) Notwithstanding any thing contained in sub-section (3), the Registrar shall, review within such period as may be prescribed, the case of every society which is deemed to have been registered under sub-section (3), and satisfy himself whether such society complies with the provisions of sub-section (1) and in case such society does not comply with any of the provisions of the said sub-section (1), the Registrar shall, notwithstanding anything contained in section 137, by an order in writing direct the winding-up of such society and the provisions of sections 138 to 142 shall apply to such society which has been ordered to be wound-up under this section.

Evidence of registration. - Where a society is registered or deemed to have been registered under sub-section (1) or, as the case may be, under sub-section (3) of section 9, the Registrar shall issue to the chief promoter a certificate of registration signed by him, which shall be conclusive evidence that the society therein mentioned is duly registered unless it is proved that the registration of the society has been cancelled.

Amendment of the bye-laws of registered society. - (1) No amendment of any bye-law of a registered society shall be valid until the same has been registered under this Act.

(2) An application for the registration of an amendment of the bye-laws of a registered society shall be made to the Registrar in the prescribed manner and shall be accompanied by a copy of the amendment of the bye-laws.

(3) If the Registrar is satisfied that an amendment of the bye-laws is not contrary to the provisions of this Act or the Rules or to the co-operative principles or to any other law applicable to the society, he may within such time as may be prescribed register the amendment: Provided that no order refusing to register the amendment of the bye-laws shall be passed except after giving the registered society an opportunity of making its representations.

(4) If the Registrar refuses to register an amendment of bye-laws of a registered society, he shall communicate within the time prescribed under sub-section (3) the order of refusal to the registered society together with the reasons for the refusal.

(5) When the Registrar registers an amendment of the bye-laws, he shall issue to the registered society a copy of the amendment of the bye-laws certified by him, which shall be conclusive evidence that the amendment has been duly registered.

(6) Where no order of refusal is communicated under sub-section (4) within the time specified in that sub-section, it shall be deemed that the Registrar has registered the amendment on the last date of the time specified in sub-section (4).

(7) Notwithstanding anything contained in sub-section (6), the Registrar shall review within such period as may be prescribed, the case of every amendment of the bye-laws which is deemed to have been registered under sub-section (6), and satisfy himself whether such amendment of the bye-laws complies with the provisions of sub-section (3) and in case such amendment does not comply with any of the provisions of the said sub-section (3), the Registrar shall annul the amendment of the bye-laws deemed to have been registered.

(8) An amendment of the bye-laws of a registered society shall take effect from the date, if any, specified in the amendment. Where no such date is specified, the amendment shall take effect from the date on which it is registered.

(9) Without prejudice to the provisions of this section, where any amendment of the bye-laws proposed by a society involves, in the opinion of the Registrar, a material change in the objects or operations of the society, the amendment shall be registered only subject to such Rules as may be made in this behalf.

(1) Where the Registrar is satisfied that, for the purpose of altering the area of operation of a registered society or for the purpose of improving the services rendered by it or for any other purpose specified in the Rules, an amendment of the bye-laws is necessary, he may, after consulting in the manner prescribed the board of the financing bank, if any, to which the society is affiliated, by notice in writing, call upon the society to show cause, within such time as may be specified in the notice, why the amendment should not be made:

Provided that if the board of the financing bank does not communicate its comments within sixty days of the receipt of the communication from the Registrar in this regard, it shall be deemed that the board of the financing bank has no comments to make on the amendment proposed to the bye-laws under this subsection.

(2) If, within the time specified in the notice referred to in sub-section (1), the registered society fails to make the amendment, the Registrar may, after giving the society an opportunity of making its representations, register the amendment and issue to the society a copy of such amendment.

(3) Any amendment of the- bye-laws registered under sub-section (2) shall have the same effect as an amendment of the bye-laws registered under section 11 unless the registration is cancelled in pursuance of a decision in appeal.