



# INDIAN SCHOOL AL WADI AL KABIR

<b>Class: XI</b>	<b>Department: Commerce</b>
<b>Worksheet No: 2B</b>	<b>Topic: Forms of Business Organizations</b>

## Multiple Choice Questions Tick the appropriate answer

- Provision of residential accommodation to the members at reasonable rates is the objective of  
(a) Producer's cooperative (b) Consumer's cooperative (c) **Housing cooperative** (d) Credit cooperative
- Minimum number of members to form a private company is  
(a) **2** (b) 3 (c) 5 (d) 7
- Minimum number of members to form a public company is  
(a) 5 (b) **7** (c) 12 (d) 21
- Application for approval of name of a company is to be made to  
(a) SEBI (b) **Registrar of Companies** (c) Government of India (d) Government of the State in which Company is to be registered  
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- A proposed name of Company is considered undesirable if  
(a) It is identical with the name (b) It resembles closely with that of an existing company the name of an existing company (c) It is an emblem of Government (d) **In case of any of the above**
- A prospectus is issued by  
(a) A private company (b) **A public company seeking investment from public** (c) A public enterprise (d) A public company

## Answer the following in one or two sentences:

- What is the main motive of a cooperative society?  
To serve its members for their mutual help and welfare
- Who can form a cooperative society?

Any ten adults having a common interest can form a cooperative society

3. Under which Act, cooperative societies are required to be registered?

Cooperative Societies Act, 1912.

4. How is the capital raised by a cooperative society?

Capital is raised from its members through issue of shares.

5. State the feature which lends the cooperative society 'a democratic character'?

Control by an elected managing committee

6. Name the cooperative societies formed to protect the interest of small producers against big capitalists.

Producers cooperative society

7. Which cooperative society helps in improving the yield and returns to the farmers?

Farmer's cooperative society

8. Name the cooperative society which improves competitive position of its members by securing a favorable market for the products.

Marketing cooperative society

9. What is minimum subscription?

It means the minimum amount which should be subscribed by the public. According to SEBI, minimum subscription is 90% of the total issue.

10. Name the document which contains all the relevant information to the issue and through which the company invites the public to apply for securities

Prospectus

11. What is the nature of liability of owners of joint stock company?

They have limited liability

12. How Oligarchic management in a company affects the interest of the shareholders?

Due to Oligarchic management, the board of directors may exercise their powers, contrary to the interest of shareholders.

13. Which company is required to maintain an index of members?

Public company

14. Who controls the joint stock company?

Board of Directors

15. Give two examples each of a public and private company

Public : BHEL, SAIL

Private: Surya pvt ltd., Nexus Pvt ltd

### **True/False Answer Questions**

16. It is necessary to get every company incorporated, whether private or public.

**True**

17. The registration of a cooperative society is optional **False**

18. The minimum number of directors required for a public company is 2. **False**

19. Statement in lieu of prospectus can be filed by a public company going for a public issue. **True**

20. A public company can commence business after incorporation. **False**

21. Experts who help promoters in the promotion of a company are also called promoters. **False**

22. If a company is registered on the basis of fictitious names, its incorporation is invalid. **False**

23. 'Articles of Association' is the main document of a company. **False**

24. Every company must file Articles of Association. **False**

25. If a company suffers heavy issues and its assets are not enough to pay off its liabilities, the balance can be recovered from the private assets of its members. **False**

26. Preliminary Contracts are Contracts signed by promoters with third parties before the incorporation of company. **True**

27. Provisional Contracts are Contracts signed after incorporation but before commencement of business. **True**

28. It is necessary to get every company incorporated, whether private or public. **True**

29. Statement in lieu of prospectus can be filed by a public company going for a public issue. **False**

30. A company can commence business after incorporation **False**

31. Articles defines the relationship of the members and the company **True**

33. Kiran is a sole proprietor. Over the past decade, her business has grown from operating a neighborhoods corner shop selling accessories such as artificial jewellery,

bags, hair clips and nail art to a retail chain with three branches in the city. Although she looks after the varied functions in all the branches, she is wondering whether she should form a company to better manage the business. She also has plans to open branches countrywide.

(a) Explain any two benefits of remaining a sole proprietor (Any two benefits of sole proprietorship)

(b) Explain any two benefits of converting to a joint stock company (Any two benefits of a company)

(d) What legal formalities will she have to undergo to operate business as a company  
Steps in the formation of a company – Promotion, Incorporation, Capital Subscription  
(In case of Public Ltd company)

34. Every day Amul collects 4, 47,000 liters of milk from 2.12 million farmers (many illiterate), converts the milk into branded, packaged products, and delivers goods worth Rs. 6 crore (Rs. 60 million) to over 5, 00,000 retail outlets across the country. It all started in December 1946 with a group of farmers keen to free themselves from intermediaries, gain access to markets and thereby ensure maximum returns for their efforts. Based in the village of Anand, the Khera District Milk Cooperative Union (better known as Amul) expanded exponentially. It joined hands with other milk cooperatives, and the Gujarat network now covers 2.12 million farmers, 10,411 village level milk collection centres and fourteen district level plants (unions). Amul is the common brand for most product categories produced by various unions: liquid milk, milk powder, butter, ghee, cheese, cocoa products, sweets, ice-cream and condensed milk. Amul's sub-brands include variants such as Amulspray, Amulspree, Amulya and Nutramul. The edible oil products are grouped around Dhara and Lokdhara, mineral water is sold under the Jal Dhara brand while fruit drinks bear the name Safal.

a) Identify the form of organization – Cooperative society

b) Explain any four types of organization identified above from the given information.

#### 1. Consumer's Cooperative Society:

- The consumer cooperative societies are formed to protect the interests of consumers.
- The members comprise of consumers who are interested in obtaining good quality products at reasonable prices.
- The society aims at eliminating middlemen to achieve economy .
- It purchases goods in bulk directly from the wholesalers and sells goods to the members.

- Profits, if any, are distributed on the basis of either their capital contributions to the society or purchases made by individual members

## **2. Producer's Cooperative Society**

- These societies are set up to protect the interest of small producers.
- The members comprise of producers interested in procuring inputs for production of goods to meet the demands of consumers.
- The society supplies raw materials, equipment and other inputs to the members and also buys their output for sale.
- Profits among the members are generally distributed on the basis of their contributions to the total pool of goods produced or sold by the society.

## **3. Marketing Cooperative Society**

- Such societies are established to help small producers in selling their products.
- The members consist of producers who wish to obtain reasonable prices for their output.
- The society aims to eliminate middlemen and improve competitive position of its members by securing a favourable market for the products.
- It pools the output of individual members and performs marketing functions like transportation, warehousing, packaging, etc., to sell the output at the best possible price.
- Profits are distributed according to each member's contribution to the pool of output.

## **4. Farmer's Cooperative Society**

- These societies are established to protect the interests of farmers by providing better inputs at a reasonable cost.
- The members comprise farmers who wish to jointly take up farming activities.
- The aim is to gain the benefits of large scale farming and increase the productivity.
- Such societies provide better quality seeds, fertilisers, machinery and other modern techniques for use in the cultivation of crops.
- This helps not only in improving the yield and returns to the farmers, but also solves the problems associated with the farming on fragmented land holdings.

## **5. Credit Cooperative Society**

- Credit cooperative societies are established for providing easy credit on reasonable terms to the members.

- The members comprise of persons who seek financial help in the form of loans.
- The aim of such societies is to protect the members from the exploitation of lenders who charge high rates of interest on loans.
- Such societies provide loans to members out of the amounts collected as capital and deposits from the members and charge low rates of interest.

#### 6. Cooperative Housing Society

- Cooperative housing societies are established to help people with limited income to construct houses at reasonable costs.
- The members of these societies consist of people who are desirous of procuring residential accommodation at lower costs.
- The aim is to solve the housing problems of the members by constructing houses and giving the option of paying in instalments.
- These societies construct flats or provide plots to members on which the members themselves can construct the houses as per their choice. (Any 4)

35. Rashmi wants to set up a cooperative society which can protect the farmers in rural areas from the exploitation of money lenders, who charge high rates of interest on loans. Through this, she will also promote saving habits in them. Identify and explain the type of cooperative society she will form.

#### Credit Cooperative Society

- Credit cooperative societies are established for providing easy credit on reasonable terms to the members.
- The members comprise of persons who seek financial help in the form of loans.
- The aim of such societies is to protect the members from the exploitation of lenders who charge high rates of interest on loans.
- Such societies provide loans to members out of the amounts collected as capital and deposits from the members and charge low rates of interest.

36. (a) Who is a promoter?

(b) State the stages involved in formation of a private company.

Ans. As per section 69, a promoter is a person

Who has been named as such in a prospectus or is identified by the company in the annual return

Who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or

In accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act

b. Promotion and Incorporation

37. An idea may be good but technically not possible to execute. If the required outlay for the project is so large that it cannot easily be arranged within the available means, the project has to be given up.

Discuss the feasibility studies mentioned above.

Ans. Technical and Financial Feasibility Studies

38. State two cases when the proposed name of the company is considered Undesirable

Ans. Another company exists with the same name or a very similar name or the preferred name is misleading

39. Explain the process of capital subscription for a public limited company.

Ans. SEBI Approval

Filing of Prospectus

Appointment of Bankers, Brokers, Underwriters

Minimum Subscription

Application to Stock Exchange

Allotment of Shares

40. Name the necessary documents required to be filed with the Registrar of Companies

a. Memorandum of Association

b. Articles of Association

c. Consent of proposed directors

d. Agreement, if any, with proposed managing or whole time director

e. Statutory declaration