

OCTOBER - 2016

[Time : 3 Hours]

STD. XII - COMMERCE (With Key)

[Max. Marks : 200]

PART-A

Note : Answer **all** questions.

I. Choose the **correct** answers :

[40×1 =40]

1. Co-operative Society can be started:
 - (a) Only in villages
 - (b) In towns and villages
 - (c) Only in cities
 - (d) Only in state headquarters
2. The most suitable form of organisation for defence industries is:
 - (a) Government company
 - (b) Public Corporation
 - (c) Departmental Organisation
 - (d) Board Organisation
3. Sole proprietorship is suitable for :
 - (a) Large scale concerns
 - (b) Medium scale concerns
 - (c) Small scale concerns
4. The liability of a sole trader is:
 - (a) Limited only to his investment in the business
 - (b) Limited to total property of business
 - (c) Unlimited
5. A partnership is formed by :
 - (a) Agreement
 - (b) Relationship among persons
 - (c) The direction of government
6. A partnership firm may be registered under:
 - (a) 1949 Act
 - (b) 1956 Act
 - (c) 1932 Act
7. Every partner has the right to receive interest on loans and advances at the rate of :
 - (a) 6 %
 - (b) 9 %
 - (c) 11%
8. The liability of shareholders of a Private Limited Company is limited to:
 - (a) The paid-up value of the shares
 - (b) Amount remaining unpaid on the shares
 - (c) The extent of private assets
 - (d) Amount called up
9. Table A of the Companies Act is a :
 - (a) Model minutes book
 - (b) Model form of balance sheet
 - (c) Model of Articles of Association
 - (d) Model of Memorandum of Association
10. Which of the following is created by a Special Act of Parliament or in state assemblies?
 - (a) Chartered company
 - (b) Foreign company
 - (c) Government company
 - (d) Statutory company
11. A person can hold directorship of not more than _____ public limited companies.
 - (a) 10
 - (b) 15
 - (c) 20
 - (d) Limitless

12. A company secretary is appointed by :
- Government
 - The institute of company secretaries of India
 - The board of directors
 - Shareholders in annual general meetings
13. The overall maximum managerial remuneration in a public limited company shall not exceed :
- 11% of net profits
 - 11% of paid-up capital and free reserves
 - 5% of net profits
 - 5% of paid-up capital and free reserves
14. Stock exchanges deal in:
- Goods (b) Services
 - Financial securities
 - Country's currency
15. Number of recognized stock exchanges in India:
- 20 (b) 21
 - 22 (d) 24
16. An optimistic speculator is:
- Bull (b) Bear
 - Stag (d) Lame duck
17. The minimum number of members required to form a Co-operative Society is:
- 2 (b) 7
 - 10 (d) 25
18. Dividend is declared in a Co-operative Society to its members on:
- Share capital
 - Number of shares purchased
 - Amount of patronage given
 - None of the above
19. Government companies are registered under:
- Special statute of State or Central Government
 - Indian Companies Act, 1956
 - Royal charter
 - Order of Government
20. In a Government Company the share capital of the Government must not be less than :
- 51% (b) 60%
 - 75% (d) 90%
- II. Fill in the Blanks :**
21. Delegation means the _____ of part of the work.
22. _____ is the oldest form of organisation.
23. The profit and loss of a partnership firm is shared in the _____ among the partners.
24. The liability of partners in India is _____.
25. A _____ is a person who has not completed 18 years of age.
26. The maximum number of members in a Non-banking firm is _____.
27. Preference shares which carry a right to get arrear of dividend are known as _____.
28. An advertisement inviting the public to buy the debentures of a public company is known as _____.
29. The minimum number of members in a private company is _____.
30. The aggregate nominal value of qualification shares shall not exceed ₹ _____.
31. Statutory meeting must be held not later than _____ months and not earlier than one month from the date of commencement of business by a company.
32. Altering the Articles of Association requires _____ resolution.
33. The Quorum for a General meeting of members of a public company is _____.
34. Secondary market deals with _____ traded in primary market.
35. _____ are the employees of the members of a stock exchange.
36. Minimum subscription is fixed at _____% of the issued capital.
37. The father of the Co-operative Movement was _____.

38. Consumers Co-operation was first successful in _____.
39. Public corporations are managed by a _____ nominated by the government.
40. Exploitation of consumers and employees is a feature of _____.

PART-B

Note : (i) Answer **any ten** questions.

(ii) Answer to each question should **not exceed 4 lines**. [10 × 4 = 40]

41. Define organisation.
42. Who is a KARTA?
43. What is a sole proprietorship business?
44. Define implied authority of a partner.
45. Who is a dormant partner?
46. What is share premium?
47. What are preference shares?
48. What do you mean by Quorum?
49. What is an agenda?
50. Define stock exchange.
51. What do you mean by ready delivery contract?
52. Who are Rochdale pioneers?
53. Give four examples of Co-operative Supermarket.
54. What is a public corporation?
55. Define state enterprises.

PART-C

Note : (i) Answer **any five** questions.

(ii) Answer to each question should **not exceed one page**. [5 × 8 = 40]

56. Write short notes:
- (a) Scalar principle
- (b) Unity of command
57. What are the contents of Partnership Deed?
58. What is Memorandum of Association ? What are its contents?
59. Briefly explain the features of the company form of organisation.
60. Explain the different kinds of speculators.

61. Explain the position of a director in a company.
62. Explain any eight demerits of Co-operative societies.
63. State the features of the departmental form of state enterprises.

PART-D

Note : (i) Answer **all** the questions.

(ii) Answer to each question should **not exceed two pages**. [4 × 20 = 80]

64. (a) Describe any eight types of business organisation.
- (OR)
- (b) Explain the functions and duties of a company secretary.
65. (a) Discuss the merits and demerits of sole trading form of business.
- (OR)
- (b) What are the benefits of stock exchange.
66. (a) What are the circumstances under which a partnership firm is dissolved?
- (OR)
- (b) Tabulate any ten differences between a Joint Stock Company and a Co-operative Society.
67. (a) Explain the different types of shares.
- (OR)
- (b) Explain the objectives of State Enterprises.

ANSWERS

PART - A

- I 1. (b); 2. (c); 3. (c); 4. (c);
5. (a); 6. (c) 7. (a); 8. (b);
9. (c); 10. (d); 11. (b); 12. (c);
13. (a); 14. (c); 15. (b); 16. (a);
17. (d); 18. (c); 19. (b); 20. (a).

- II**
21. Entrustment
 22. Sole proprietorship
 23. Agreed ratio
 24. Unlimited
 25. minor
 26. 20
 27. cumulative preference share
 28. Prospectus
 29. Two
 30. Five thousand
 31. 6
 32. special
 33. five
 34. Resale of securities
 35. Authorised clerks
 36. 90
 37. Robert Owen
 38. England
 39. Board of Directors
 40. private sector

PART - B

41. According to Lewis H. Haney "Organisation is a harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes".
42.
 1. A Joint Hindu family comprises father, mother, sons, daughters, grandsons and grand daughters.
 2. They do the business under the control of the head of the family.
 3. The head of the Joint Hindu Family is known as "KARTA".
43.
 - (i) Sole proprietorship business is a form of organization in which an individual invests the entire capital, uses his own skill and is solely responsible for the results of his business.
 - (ii) It is also known as individual proprietorship or one-man business.
 - (iii) The person who contributes capital and manages the business is called sole trader or sole proprietor.

44.
 - (i) An implied authority is a right vested with a partner to be used in emergency situations to protect the interest of the firm.
 - (ii) Where, there is no partnership agreement or where the agreement is silent, "the act of a partner which is done to carry on, in the usual way, business of the kind carried on by the firm, binds the firm." sec 19(1).
 - (iii) The authority of a partner to bind the firm is called "implied authority".
45. The partners who merely contribute capital and do not take active interest in the conduct of the business of the firm are called sleeping or dormant or financing partners.
46.
 - (i) A company can issue shares at a premium.
 - (ii) It means that the issue price can be higher than the face value of the shares.
 - (iii) In other words, the difference between the issue price and the face value constitutes share premium.
 - (iv) For instance, when a share of face value of Rs.10 is issued at Rs.12, share's premium amount is Rs.2.
 - (v) Share premium is usually collected along with allotment money.
47. **Preference shares**
The term preference shares focus certain preferential rights over other types of shares. There are
 1. A preferential right to get a fixed rate of dividend during the life of the company.
 2. A preferential right to the return of share capital at the time of winding up of the company.
 Preference share holders must carry both these preferential rights.
However, preference share holders have certain disabilities. For instance, they do not normally enjoy voting rights.
48.
 - (i) The word 'quorum' means the minimum number of members required to be personally present at a meeting for validly transacting any business.

- (ii) Usually, the quorum is fixed by the Articles.
- (iii) The quorum shall be two for a private company and five for a public company.
49. (i) Agenda means the list of business to be transacted at the meeting.
- (ii) It is generally prepared by the secretary in consultation with the chairman.
50. The Securities Contracts (Regulation) Act, 1956 defines stock exchange as "an association, organisation or body of individuals, whether incorporated or not, established for the purpose of assisting, regulating and controlling the business of buying, selling and dealing in securities".
51. (i) A ready delivery contract involves the actual payment of the amount by the buyer in cash and the delivery of securities by the seller.
- (ii) A ready delivery contract is to be settled on the same day or within the period fixed by the stock exchange authorities.
52. ROBERT OWEN started the first co-operative movement in the year 1844 with 28 members called as Rochdale Society of Equitable pioneers.
53. **Example of Co-operative super markets in Tamil Nadu are:**
1. Kamadhenu super market in Chennai.
 2. Chinthamani super market in Trichy and Coimbatore.
 3. Karpagam super market in Vellore and Villupuram districts; and
 4. Ponni Co-operative super market in Salem.
54. 1. This is established under a specific law passed by the parliament.
2. It is known as a statutory corporation because it is created by a statute.
3. The statute defines its objectives, powers and functions.
4. Reserve Bank of India, Life Insurance Corporation and Unit Trust of India are some of the examples of public corporation.
55. A.H. Hansen says "state enterprise means state ownership and operation of industrial, agricultural, financial and commercial undertaking."

According to S.S. Kher, State Enterprises are "The industrial, commercial and economic activities carried on by the central or by a state government and in each case either solely or in association with private enterprise, so long it is managed by self – contained management".

PART - C

56. (a) **Scalar principle:**
- (i) Scalar principle is one of the principles of organisation.
 - (ii) The line of authority must proceed from the highest executive to the worker at the bottom level through a downward flow.
 - (iii) This is known as "chain of command".
 - (iv) The superior has a direct authority over his immediate subordinate.
 - (v) He is responsible for efficient performance of the work entrusted.
- (b) **Unity Command:**
- (i) Each individual should receive orders from only one boss.
 - (ii) A person cannot serve under two masters.
 - (iii) He is accountable to his immediate superior.
 - (iv) Dual subordination should be avoided.
 - (v) This is called unity of command.
57. **Contents of a partnership deed :**
A partnership deed will usually provide for the following matters :
1. Name of the firm
 2. Date of agreement and principal place of business
 3. Names and addresses of all the partners
 4. Nature of business proposed to be carried on by the firm
 5. Duration of the partnership, if any
 6. Amount of capital contributed by each partner
 7. Amount of withdrawal of each partner
 8. Profit sharing ratio
 9. Salary payable to active partner or partners
 10. Interest on capital and interest on drawings

11. Procedure for admission or retirement of partners
 12. Manner of dissolving the firm and the mode of settlement of accounts on such dissolution
 13. Maintenance of books of accounts and their audit
 14. Interest to be allowed on partner's loans and advances to the firm
 15. Mode of valuation of goodwill on admission, retirement or death of a partner
 16. Procedure for settlement of disputes among partners by arbitration
58. **Memorandum of Association :**
- (i) It contains "the fundamental conditions upon which alone the company is allowed to be incorporated.
 - (ii) It defines the activities the company is permitted to undertake.
 - (iii) Any act done which is outside the scope outlined in its memorandum is ultra vires (beyond the powers of) the company and it is not binding on it.

Contents of the Memorandum

A Memorandum of Association must contain the following clauses viz.,

- a. Name Clause:** This states the name of the company.
- b. Situation Clause:**
 - (a) The state in which the registered office of the company is to be situated is stated here.
 - (b) Actual address need not be given.
- c. Objects Clause:**
 - (a) This is the most important clause as it states the activities in which the company can engage itself.
 - (b) The main objects and other objects are also to be specified.
- d. Liability Clause:**
 - (a) This clause states that the liability of members is limited.
 - (b) In the case of a company limited by guarantee, the amount each member undertakes to contribute in the event of winding up must also be mentioned.

e. Capital Clause:

The amount of share capital with which the company is to be registered and its division into shares of fixed amount are also stated here.

f. Association clause (or)

Subscription clause:

- (a) At least two persons in the case of a private limited company and seven in the case of public limited company must sign the memorandum and agree to take the number of shares shown against their names.
- (b) Further they also express their desire to form themselves into a company in pursuance to the Memorandum of Association.

59. **Salient features of joint-stock company:**

a. Separate legal entity:

- (i) A company is a person created by law.
- (ii) It means that it comes into existence only by complying with all formalities prescribed under the Companies Act, 1956. It enjoys a separate personality of its own, different from the members composing it.
- (iii) This enables a company to enter into valid contracts with others including its members and deal with the property in any way it likes.
- (iv) It can sue others in its own name and be sued in its own name by others including its members.

b. Perpetual succession—continuity of life

- (i) "Members may come and go but the company can go on forever" (Lord Gower).
- (ii) This is because company's existence does not depend upon the existence of even promoters who were instrumental in its formation.
- (iii) Neither change in the membership of the company nor the death of its members has any impact on the continuity of its life.

c. Common seal

- (i) Though the separate personality of the company is legally recognised, it needs human agency to act. Obviously it cannot sign.

- (ii) Any contract entered into by a company to be valid, must bear the official seal of the company.

d. Limited Liability

- (i) The liability of the members of a company is generally limited to the value of shares.
- (ii) When once the full value of the shares is paid up, there is no more liabilities for the shareholders.
- (iii) The feature of limited liability attracts a large number of investors to subscribe to the shares of the company.

e. Easy transferability of shares

- (i) In the case of public limited companies, their fully paid shares can be transferred to others without any difficulty.
- (ii) However, in the case of private limited companies, the right to transfer the shares is subject to certain restrictions.

60. Kinds of speculators

There are four types of speculators. They are

a. Bull:

- (i) A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.
- (ii) In anticipation of price rise he makes purchases of shares at present and other securities with the intention to sell at higher prices in future.
- (iii) He is an optimistic speculator

b. Bear:

- (i) A Bear or Mandiwala speculator expects prices to fall in future and sells securities at present with a view to purchase them at lower prices in future.
- (ii) A bear does not have securities at present but sells them at higher prices in anticipation that he will supply them by purchasing at lower prices in future.
- (iii) A bear is a pessimistic speculator

c. Stag:

- (i) A stag is a cautious speculator in the stock exchange.

- (ii) He applies for shares in new companies and expects to sell them at a premium, if he gets an allotment.

- (iii) He selects those companies whose shares are in more demand and are likely to carry a premium. He is also called a premium hunter

d. Lame Duck:

- (i) When a bear finds it difficult to fulfil his commitment, he is said to be struggling like a lame duck.
- (ii) A bear speculator contracts to sell securities at a later date.
- (iii) On the appointed time he is not able to get the securities as the holders are not willing to part with them.

61. Position of Directors :

a. Directors as agents:

- (i) When the directors enter into contract with third parties, sign documents for and on behalf of the company, etc. they act as the agent of the company.
- (ii) They bind the company by their acts.

b. Director as Trustees:

- (i) They are in a position of trustees, when they manage the assets and properties of the company.
- (ii) It means that they should safeguard the interest of the company.

c. Directors as officers:

- (i) Directors also act as officers of the company.
- (ii) When they have to manage the affairs of the company, they are in the position of Chief Executive Officers.
- (iii) Thus, the directors acts as agents, trustees and officers of the company.

62. The following are the demerits of a co-operative society.

a. Inefficient management

Members of the co-operative society do not generally possess the ability and experience to manage the business efficiently.

b. Limited Capital

- (i) A co-operative society is formed usually by people with limited means.

- (ii) Therefore, co-operative society often faces shortage of funds.
- c. Lack of motivation:**
Absence of profit motive and minimum 14% rate of dividend suppress the zeal and responsibility on the part of the management.
- d. Lack of co-operation:**
- (i) Sometimes the members may not have unity among themselves.
- (ii) It might affect the business of co-operatives.
- e. Domination of vested members:**
- (i) Some members try to command the society by virtue of their managerial interest and political power.
- (ii) They exploit the society as their own property.
- f. Non-transferability of interest**
- (i) The shares of a co-operative society are not transferable.
- (ii) A member has to surrender his shares and get his money back whenever he wishes.
- g. Lack of Secrecy:**
- (i) The business affairs of a co-operative society are openly discussed in the meetings.
- (ii) Therefore, it becomes difficult to keep the secrets of the business.
- h. Excessive government control**
- (i) The day to day working of a co-operative society is bound by legal rules and regulations.
- (ii) Reports have to be submitted to the registrar of co-operative societies.

63. Features of Departmental form of enterprises

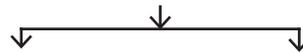
- a. Departmental undertakings are wholly dependent on government for finance.
- b. The management of the enterprises is in the hands of the government. The enterprises are managed and controlled by the civil servants of a government department with a minister at the top. The minister is responsible to answer to the parliament for the operations of the undertaking

- c. The downward delegation of authority is effected from the top executive to every part of the organisation i.e. it represents the line of authority relationship between the executives at various levels.
- d. It is financed through annual budget appropriations made by the legislature. State treasury provides finances and surplus money is deposited in the treasury.
- e. The affairs of the business are subject to strict government budgeting, accounting and auditing. The accounting and audit control, applicable to other government departments are applicable to state enterprises also.
- f. The departmental undertakings enjoy legal immunity i.e. it is part of the government. So, no legal action can be taken against it without the permission of the government.

PART - D

64. (a)

Types of business organization



Individualistic Institutions

- a. Sole trading institution
- b. Joint Hindu family
- c. Partnership
- d. Co-operative society
- e. Joint stock company
- f. Multinational companies.

Government Institutions

- a. Departmental undertaking
- b. Public corporation
- c. Government company
- d. Board organization

Individualistic Institutions:

They are established by a single individual or by a number of individuals.

They are:

a. Sole trading institution:

- (i) This is the oldest form of individualistic organization.

- (ii) Any business unit which is owned and controlled by a single individual is known as a sole trading concern.
- (iii) No legal formalities are required.
- (iv) He enjoys the entire profit and bears all the losses in the business, "All is he and he is all in all".

b. Joint Hindu Family:

- (i) The joint Hindu families have been engaged in occupation like agricultures, handicrafts, small industries, etc.,
- (ii) The firm is owned by the members of the family, who have inherited their ancestral property.
- (iii) The head of the family is called "KARTA".
- (iv) This system of joint Hindu family came into existence by the operation of Hindu Law.
- (v) A joint Hindu family comprises of father, mother, sons, daughters, grand sons and grand daughters.

c. Partnership

- (i) Two or more persons may join together and provide necessary capital and skills to do business.
- (ii) The persons who enter into partnership with one another are called partners.
- (iii) Partnership should carry on a lawful or legal business.
- (iv) Partners may share profit or loss in agreed ratio.

d. Joint-stock company

- (i) A company is an association of many persons.
- (ii) A company is called a joint-stock company as the capital is contributed by a large number of investors.
- (iii) It can enter into contract in its own name.
- (iv) It must have a common seal as it cannot sign documents.
- (v) The management of the company is entrusted to the Board of directors.

Government Institutions:

a. Departmental undertaking

- (i) This is considered as a department attached to the ministry of a government.

- (ii) Its administration is in the hands of the chief administrative officer of the ministry.
- (iii) This is the oldest form of organization of States enterprise.
- (iv) Railways, B.S.N.L. (telephones) Broadcastings, defence industries are the examples of Departmental undertakings.

b. Public corporation

- (i) This is established under a specific law passed by the parliament.
- (ii) It is also known as a statutory corporation. Because it is created by a statute.
- (iii) The corporation is wholly owned by the Government.
- (iv) Reserve Bank of India, Life Insurance Corporation, Unit Trust of India are the examples of public corporation.

c. Government Company

- (i) Government companies are established under the companies Act 1956.
- (ii) It is a company in which not less than 51% of paid up share capital is held by the central government or by one or more state governments or jointly by the central and state governments.
- (iii) Government companies are sometimes known as mixed ownership companies.
- (iv) Hindustan Steel Limited, Bharath Heavy Electricals Limited, Maruthi Udyog Limited are the examples of government companies.

d. Board organization

- (i) In this organization, management is carried on by a government nominated independent board.
- (ii) It has its own rules and regulations.
- (iii) Tamil Nadu Electricity Board, Tamil Nadu Housing Board, Tamil Nadu Water and Drainage Board are Examples of Board Organization.

(OR)

64. (b) **Functions and Duties of a company secretary:**

Functions:

- a. As a head of the Secretarial department, the secretary controls and supervises the activities of the department under his control.
As a principal officer of the company, he signs documents requiring authentication. He performs all such acts as authorised by the Board.
- b. The secretary arranges for the Board meeting, in consultation with the chairman of the Board, fixes a day, place and time of the meeting and prepares agenda and issues the notices of meetings.
- c. He ensures that the actions of the Board do not infringe the provisions of the Companies Act and are not beyond the scope of Memorandum and Articles of Association.
- d. The secretary functions in the best interest of the shareholders. He has to deal with the shareholders with tact.
He performs all legal formalities connected with the conduct of general meetings of shareholders and records the proceedings of the minutes in the Minute book.
He should ensure that all correspondence with shareholders is dealt with promptly and their queries answered carefully keeping in view the statutory provisions in this regard.
- e. His functions in relation to issue of allotment letters, share certificates, dividend warrants, share transfers, forfeiture of shares, and a host of other things are also important.
- f. As a Chief Officer closely connected with the Board, he has to co-ordinate the work of different departments.
- g. He has liaison between staff and directors, management and labour and other persons dealing with the company efficiently and effectively.
- h. He has to inspire confidence in their staff and win their co-operation.

Duties of a secretary:

The duties of a secretary can be classified into (a) statutory duties (b) General duties.

(a) Statutory duties:

1. To sign any document requiring authentication under any statute.
2. To arrange for filing statement in lieu of prospectus.
3. To deliver share or debenture certificate within 3 months of allotment or within 2 months of registration of transfer.
4. To file notice of situation of the registered office of the company.
5. To make a statutory declaration for getting certificate of commencement of business and file it with the Registrar.
6. To sign the annual return.
7. To send notices of general meetings to every member of the company.
8. To prepare minutes of every general and Board meetings or meetings of every committee of the Board within 30 days.
9. To maintain a number of statutory books such as register of members, register of debenture holders, etc.,

(b) General duties:

1. To discharge his duties most diligently and honestly and not to act beyond the scope of his authorities.
2. To maintain secrecy of confidential matters.

65. (a) **Merits :**

a. Easy formation:

- (i) Sole proprietorship is the only form of organisation where no legal formalities are required.
- (ii) No agreement is required and registration of the firm is not essential.
- (iii) Anybody willing to start a sole trading concern can do so immediately and without much legal formalities.

b. Direct motivation:-

- (i) The entire profit of the business goes to the sole trader.
- (ii) Nobody can claim a share in the profit.
- (iii) It motivates him to expand his business activities.

c. Flexibility:-

- (i) It is a highly flexible type of organisation.
- (ii) The proprietor can adapt and adjust the activities of the business to the

changing trends and market conditions because the sole trader is the sole owner of his business.

d. Retention of business secrets:-

- (i) The maintenance of utmost secrecy is of vital importance for the success of a business.
- (ii) A sole trader can maintain business secrets.
- (iii) Being the sole proprietor, he is not expected to share his trade secrets with anybody else.

e. Quick decision:-

- (i) The sole proprietor is his own boss and need not consult others while making any decision.
- (ii) He exercises exclusive control over the affairs of the firm.
- (iii) Therefore, he can take quick decision and implement them without any delay.

f. Higher reward:-

- (i) The fear of loss acts as a stimulant for hard work.
- (ii) Besides, it makes him very cautious in his approach.
- (iii) Hard work and cautious approach bring him more reward and improves efficiency and economy of the business.

g. Effective control : In this form of organisation, the business can be controlled effectively because business activities are planned and executed by a single man.

h. Increase in sales:-

- (i) A sole trader has direct relationship with the customers.
- (ii) It enables the proprietor to know the nature of their tastes, likes and dislikes.
- (iii) It enables him to make necessary changes in the quality and design of his products.
- (iv) It will boost his sales.

i. Smooth running of business:-

- (i) Since the sole trading concern is a small business, the sole trader appoints only a few employees who are personally known to him.

- (ii) Whenever a sole trader wants to close his business, he can do so without undergoing any formality.

j. Inexpensive management:-

- (i) The sole trader is the owner, manager and controller of the business.
- (ii) He does not appoint specialists for various functions. He personally supervises various activities and can avoid wastage in the business.
- (iii) In this way managerial expenses are reduced to a large extent.

Demerits:-

a. Limited capital:-

- (i) The resources of a sole proprietor are limited.
- (ii) He depends only on his personal resources and his borrowing capacity.
- (iii) It is obvious that financial resources of a single person will be insufficient for business expansion.
- (iv) Limitation of finance is a major handicap for sole trade business.

b. Limited managerial ability:-

- (i) The managerial ability of a sole trader is limited because a person may not be an expert in each and every field of business such as purchasing, selling, accounting, etc.
- (ii) The limited managerial capacity may hinder the growth of the business.

c. Unlimited liability:-

The unlimited liability of a sole proprietor may affect his enthusiasm and restrict introducing novel ideas in business.

d. Short life:-

- (i) Anything which affects the personal life of a sole trader affects his business also.
- (ii) Any prolonged illness or death of the sole trader brings the affairs of his business to a standstill.

e. Hasty decisions:-

- (i) The chances of wrong decision making are quite high in a sole trader business.
- (ii) This is because of the fact that the sole trader takes all the decisions of the business for himself without any assistance.

- (iii) This may lead to wrong decisions.
- (iv) The hasty decisions may result in loss and affect the sole trader.

f. Lack of specialization:-

- (i) The sole trader has to undertake all the works relating to business for himself such as buying, selling, accounting, financing, advertising, etc.
- (ii) So, the benefits of division of labour cannot be reaped and specialization cannot be achieved in this type of business.

g. Uneconomic size:-

- (i) Because of limited capital and skill, the sole traders have to work on a small scale basis.
- (ii) Thus he is deprived of economics of large-scale operation.

h. Lack of consultation:-

- (i) He has no one else to consult before taking any important decisions except his family members.
- (ii) This may result in heavy loss if his decisions go wrong.

i. Uncertainty:-

- (i) The life of the sole trader business is uncertain and unstable.
- (ii) The life of business depends upon the changes in taste and preferences of customers and changes in fashion and technology.
- (iii) If sole trader fails to cope up with the latest development he will land in trouble.

(OR)

65. (b)

(I) Benefits to Companies:

- 1) A company whose shares are dealt in on a stock exchange enjoys great reputation in the capital market.
- 2) The marketability of shares is ensured and in consequence, the company enjoys a wide market for its shares.
- 3) Because of their shares listed on the stock exchange, the market value of shares of a company is likely to be higher in relation to earnings, dividends and property values. This helps the company in merger plans.

4) New companies can raise funds easily from the capital market because of indirect support provided by the stock exchanges.

5. The activities of speculators save the listed securities from frequent fluctuations in the prices of the securities.

(ii) Benefits to Investors:

- 1) Stock exchange safeguards the interests of the investors. They are assured of a ready and continuous market for the securities held by them. The brokers cannot cheat the investors.
- 2) It provides liquidity of investments by providing a continuous market in shares and debentures.
- 3) Securities can be used as collateral security for loans.
- 4) Price quotations of stock exchange help the investor to know the real value of his investments.
- 5) Normally the securities of sound companies are traded in the stock exchange. The investors are saved from the risk of investment in unsound companies.

Benefits to the Community or Society:

- 1) The stock exchange helps in the economic development by encouraging investors to invest their savings in securities of corporate sector. It encourages capital formation in the country.
- 2) By encouraging marketability of securities, the stock exchange upholds the position of efficiently managed companies.
- 3) It facilitates a well managed enterprise to raise further funds easily.
- 4) It helps the Government to borrow from the public and thus enables it to undertake development projects of national importance.
- 5) Stock exchange helps in optimum utilisation of scarce financial resources.
- 6) A stock exchange is a barometer of the economic conditions of a country. It reflects the trends in the economy through fluctuation of prices of various securities.

66. (a)

a. Dissolution by agreement (sec. 40)

A partnership is created and dissolved by an agreement. A firm may be dissolved by an agreement either with the consent of all partners or in accordance with the contract among the partners.

b. Compulsory dissolution (sec. 41)

A firm is compulsorily dissolved either by the agreement, of all the partners or on the insolvency of all the partners except one. It may also be dissolved on the happening of an event which makes the object of the firm unlawful. Example, the passing of prohibition Act, declaration of war with another country.

c. Dissolution on the happening of certain contingencies. (sec. 42)

A partnership may be dissolved on the happening of the following contingencies

- Death of a partner.
- Expiry of the time, of partnership if for a fixed period.
- Completion of the venture for which the firm was formed.
- Adjudication of a partner as an insolvent.

d. Dissolution by notice of partnership at will (sec. 43)

Where the partnership is at will, the firm may be dissolved by any partner by giving a notice in writing to all the other partners of his intention to dissolve the firm.

e. Dissolution through court (sec. 44)

Any partner may bring a suit in a court of law to get the partnership dissolved on any of the following grounds.

1) Partner's insanity

If any partner becomes insane, the court may order dissolution.

2) Permanent incapacity

When a partner becomes permanently incapable of doing business the court may order dissolution.

3) Persistent breach of agreement

If a partner persistently violates the agreement and the other partner finds it impossible to do business in partnership with him then the other partner can move for dissolution.

4) Misconduct of a partner

If any partner is guilty of misconduct (misuse of money) then any partner can file a suit for dissolution of the firm.

5) Transfer of share

When a partner transfers his share in the business to a third party without the consent of other partners, then the other partners can move to the court for dissolution.

6) Continuous loss

When the business of the firm cannot be carried on except at a loss, then the court can order for dissolution.

7) Just and equitable grounds

When the court feels that it is just and equitable, it may order for dissolution of the firm. Eg. if A and B are partners but do not speak to each other, the court may order for dissolution.

(OR)

66. (b)

S. No	Basis of difference	Joint Stock Company	Co-operative Society
1.	Meaning	It is mainly organised with object of making profit. It is an association of persons formed for the purpose of doing a business.	It is a voluntary association of the weaker section of the people. It may make profit in the process of rendering services.
2.	Minimum Number	There must be at least two persons to form a private limited company and seven persons in public limited company.	In the case of co-operative societies the minimum number of members is 25 as per the Tamil Nadu Co-operative societies Act of 1983.
3.	Maximum Number	In a private company maximum is 50 and in a public company there is no maximum limit.	There is no limit to the maximum number of members in a co-operative society.
4.	Membership	The members of a public limited company belong to different parts of the country and even different countries of the world.	In the co-operative society the members belong to the same locality.

5.	Registration	A company is formed and registered as per the Companies Act of 1956.	A co-operative society is registered as per the Co-operative Societies Act of a state government.
6.	Management	In a joint stock company, the management is entrusted to the Board of directors elected by the shareholders.	All the members are entitled to participate in the management of co-operative societies with the help of the Board of directors.
7.	Object	Profit is primary motto of a joint stock company.	Service is the primary motto of a co-operative society.
8.	Purchase of Shares by member	In companies there is no limit in the purchase of maximum number of shares.	In co-operative societies maximum number of purchase of shares is limited.
9.	Facilities	Government do not provide any concession to joint stock companies.	The co-operative societies enjoys concessions like exemption from paying of income-tax, stamp duty, and registration fee, etc.
10.	Right to Vote	In Joint stock company one share one vote principle is followed.	In a co-operative society one man one vote principle is followed.

67. (a) **Kinds of shares.**

According to the Companies Act, 1956, a company can issue only two types or shares viz., (i). Preference shares,
(ii). Equity shares.

(i) Preference shares

The term preference shares focuses certain preferential rights over other types of shares. There are

1. A preferential right to get a fixed rate of dividend during the life of the company.
2. A preferential right to the return of share capital at the time of winding up of the company.

Kinds of preference shares

There are of different types based on differing rights. They are briefly describe below :

a. Cumulative Preference Shares

1. In case dividend is not declared because of inadequate profit, the right to dividend for that year does not lapse in the case of cumulative preference shares.
2. Dividends not declared and paid get accumulated so that they may be paid out of profits of subsequent years as arrears of dividend before any dividend is paid to equity shareholders.
3. Preference shares are always cumulative unless the contrary is expressly stated in the Articles of Association.

b. Non-cumulative Preference Shares

1. In this case, if dividend is not paid in any particular year, it lapses.
2. Dividend is not allowed to accumulate and such unpaid dividend will not be paid in subsequent years even though sufficient profits are earned.

c. Participating Preference Shares

1. In addition to the fixed rate of dividend, these shares carry a further right to participate with the equity shareholders in the surplus profits which remain after paying a certain rate of dividend to equity shareholders.
2. Thus, they get two kinds of dividend, one fixed rate and the other changing every years depending on the level of excess profits.
3. Similarly, such preference shares have a right to participate in the surplus assets of the company on its winding up after paying in full the preference and equity share capital.
4. The right to participate in the surplus profits or surplus assets at the time of winding up is available to preference shareholders only if it is specifically stated otherwise in the articles.

d. Non-participating Preference Shares

1. These shares are entitled to only a fixed rate of dividend.
2. They do not participate either in the surplus profit or in the surplus assets.

3. In such a case, the entire surplus goes to equity shareholders.
4. If the articles are silent with regard to this right to participate in the surplus profit or surplus assets, the preference shares will be considered to be only of non-participating type.

e. Convertible Preference Shares

Where preference shares entitle their shareholders to convert their preference shares into equity shares within a specified period, they are known as convertible preference shares.

f. Non-convertible Preference Shares

1. Where preference shares cannot be converted into equity shares, they are called non-convertible preference shares.
2. Once issued as preference share they continue to be only preference shares throughout the life time of the company without any change in their characteristics.
3. If the articles are silent regarding this right to convert, the preference shares will be considered to be only non-convertible preference shares.

g. Redeemable Preference Shares

1. If the articles of association authorise, a company can issue redeemable preference shares.
2. It means that the capital raised by means of these shares can be returned after a specified period or at any time at its options after giving notice as per terms of issue.
3. These shares can be redeemed either out of profits or out of the proceeds of a fresh issue of shares.
4. Redeemable preference shares can be redeemed if they are fully paid-up.
5. A company cannot convert existing preference shares into redeemable preference shares.

h. Irredeemable Preference Shares

Any preference shares that cannot be redeemed during the lifetime of the company is known as irredeemable preference shares.

(ii) Equity or ordinary shares

1. Equity shares are those, which are not preference shares.

2. They are also known as ordinary shares.
3. They are entitled to get dividend only after the fixed rate of dividend is paid to preference shareholders.
4. Similarly, at the time of winding up of the company, only after returning preference share capital in full and if there is any surplus, it will be paid to equity shareholders.
5. The rate of dividend varies from year to year depending on the profits earned by the company.
6. The larger the profits, the higher may be the dividend paid to equity shareholders.
7. In the case of reputed companies, rate of dividend paid to equity shareholders is far higher than the fixed rate paid to preference shareholders.
8. However, when there is no profit in any year, equity shareholders dividend for that year will not be paid as arrears of dividend in subsequent years even though profits may be very large.
9. Equity shareholders are entitled to vote on all resolutions.

67. (b)

The main objectives of state enterprises are as follows:

a. Helping all-round industrialisation

Private entrepreneurs will invest only in those industries where profit earning chances are more. They will not invest in an undertaking where profits are low, irrespective of its utility for people. State enterprises are necessary for those lines where private sector is hesitant to invest. It helps all-round industrialisation of the country.

b. Developing Basic Industries

Certain basic industries like iron and steel, chemicals are the most essential for economic growth. They must be developed only as state managed units.

c. Establishing Enterprises Requiring Heavy Investment:

Some undertakings need heavy investment and the gestation period may also be longer. Private industrialists cannot afford to make such huge

investments. In case of railways, ship-building, energy producing concerns, etc very huge investment is required which is beyond the means of private investors. Hence, government enters into these fields and establishes its own undertakings.

d. To Provide Necessities:

Government undertakes to provide various necessities like electricity, water, coal, gas, transport, communication facilities to the people. The aim is to provide these basic facilities at cheaper rates. Private sector cannot be relied upon to provide these services. Moreover, there are chances of public exploitation in these services. So, public utilities are provided by government undertakings.

e. To Run Monopoly Sectors

Some industries are to be developed only in public sector. The industries like defence, nuclear energy, etc., cannot be left in the hands of private sector. If defence industries are owned by private individuals or firms, in times of national emergency, they may not co-operate with the state. There is also the danger of defence secrets being given out to the enemy. So, for the security of the country, defence industries are always owned and managed by the state.

f. For Balanced Economic Growth

The aim of industrialisation is to develop all industries, essential for the country. Also, various regions of the country should be equally developed. Private sector may not establish industries in certain regions, where they do not find opportunities to earn more profit. They cannot be compelled to start their undertakings in backward regions. So, government starts industries in backward areas.

g. For Exploitation of Natural Resources

Private sector will not like to risk capital in exploiting natural resources. Oil

and Natural Gas Commission (ONGC) in India spends huge amount for finding out new sources of oil and gas. A private sector unit cannot spend such amounts on exploratory stages.

h. Preventing Concentration of Economic Power

If private sector is given a free hand, industrialisation will lead to exploitation of consumers. It will ultimately lead to concentration of economic power in fewer hands. The existence of state or public sector will be a check on private sector.

i. Making for Full Employment

Fullest employment is possible only under socialised production. No country has solved its 'unemployment problem', where the private sector is in full swing. The state, by proper centralised planning of industrial development, can aim at not only full employment of labour but also employment of all other available resources.

j. To Increase Government Resources:

Some of the state enterprises are run on commercial lines. The profits earned by such enterprises goes to the exchequer. Thus, it augments the resources of the government which is ultimately directed for the development of the economic schemes of national importance and spent on social welfare schemes like education, medical help, housing, road building, etc. The welfare schemes will improve the economic conditions of all the people, especially the poor people.

k. For Establishing Socialistic Pattern of Society

Under socialistic pattern of society, the gap between rich and the poor is reduced and the means of production are controlled by the state. In capitalistic society the poor becomes poorer and the rich becomes richer. The establishment of a strong public sector is essential for the equal distribution of wealth.

