* Forms of Business Organisation.

On the basis of ownership and management business organisation can classify into four groups.
① Sole Trader Organisation ② Partnership Organisation
③ Company ④ Cooperative Organisation.

1. Sole Trader Organisation - One man business in which an individual produces independently with his own capital, skill and is entitled to recieve all the profits and assume all risks of ownership.

* Main Features of Sole Trader Organisation.
- One man ownership.
- No seperation of ownership and management.
- No seperate entity.
- All profits to proprietor.
- Individual Risk.
- Unlimited Liability.
- Less legal formalities.

* Merits of Sole Trader organisa
- Easy formation.
- Direct motivation.

- Full control.
- Quick decision.
- Flexibility in Operations.
- Secrecy
- Personal touch
- Dissolution easy.

* Limitations of Sole Trader organisation.
- Limited Resources.
- Limited managerial capability.
- Not suitable for large scale operation.
- Unlimited liability.
- Less stability.
- No check and control.

2. Partnership Form of Organisation - An association of two or more persons who have joined together to share the profits of business carried on by all or any of them acting for all.

* Main Features of partnership.
- Plurality of persons.
- Contractual relationship.
- profit sharing.

- Existence of business.
- Unlimited liability.
- Good faith and honesty.
- Restriction on transfer of share.

* Merits of partnership
- Easy formation.
- more capital available.
- More diverse skill and expertiese.
- flexibility.
- Secrecy
- keen interest.
- Diffusion of risk.

* Partnership Deed.
It is an agreement may be either written or oral to avoid misunderstanding and unnecessary litigations, It is always to have a written agreement.
A partnership deed, generally contains the following particulars.
- Name of the firm.
- Nature of the business to be carried out.
- Name of the partners.
- The town and the place where business will be carried on.

- The amount of capital to be contributed by each partner.
- The profit and loss sharing ratio of each partner
- Loans and advances by partners and the interest payable on them.
- The rate of interest on capital.
- Duties, powers and obligations of partners.
- Remuneration, if any payable to the active partner
- Maintenance of accounts and arrangement for Audit.
- The methods of evaluation of goodwill on death or admission or retirement of a partner.
- Arbitration in case of disputes among partners.
- Arrangements in case a partner becomes insolvent.

* Limitations of Partnership form of organisation.
- Limited capital.
- No public confidence.
- Non-Transferability of interest.
- Uncertainty.
- Conflict among partners.
- Unlimited liability.
- Secrecy problems.

3. Company form of Organisation.

* Company - An association of persons registered under the Companies Act.. It is an artificial person created by law, with a distinctive name, a common seal and perpetual succession of its members.

* Main Features of company form of Organisation.
- Incorporation - It comes into existence only after registration under the comanies Act.
- Artificial person - It has no body, no soul, no consience, still it is a position to exist. Like any other person it can own property, conduct a lawful business, enter into contract with others, buy, sell and hold property all under its own name and its own seal
- Common Seal.
- Limited Liability.
- Transferability of shares.
- Number of members - In the case of public limited company the minimum number is seven (7) and there is no maximum limit. In the case of private limited company the minimum number is two and the maximum is fifty (50.).
- Statutory regulations - It has to follow various provisions of government Act.
- Separate legal entity.
- Perpetual Succession - It provides stability to the company form of organisation.
- Regidity of objects.

* Merits of company form of Organisation.
- Large capital.
- Limited Liability.
- Stability of existence.
- Economies of scale - It works on a large scale operations so it can provide goods to consumers at cheaper price.
- Public Confidence due to government control and regulation
- Tax benefits.
- Transferability of shares.
- Professional management - Experienced persons are elected as directors. Day-to-day activities are managed by salaried managers who are the experts in their fields.

* Limitations of company form of Organisation.

- Difficulty in formation- Due to a lot of legal formalities.
- Lack of secrecy.
- Delay in decision making.
- Neglect of minority interest.
- More government restrictions.
- Concentration of economic power.

* Classification of companies.-

It can be classify on many basis-

⇒ Based on mode of incorporation.

- Statutory company- established by a special Act of parliament or State legislature.
- Registered company- All companies established under the private sector belong to this.
- Chartered company- incorporated under a special charter granted by monarch. Ex- British East India company.

⇒ Based on the types of liability

- Unlimited companies- are those in which the liability of the members is unlimited.

- Companies limited by Guarantee.
- Companies limited by shares- the liability of members is limited to the amount of shares held by them.

⇒ On the basis of ownership/shareholders.

- Private Limited Company-
  - Restrict the right to transfer shares.
  - Limits the number of its members two to fifty.
- Public limited company-
  - Allow its members to transfer his shares.
  - minimum seven members and maximum limit.
  - Invites public to subscribe its shares & debentures.

- Government Company- A company in which not less than 51 percent of the paid up share capital is held by the central or the state government or jointly by the both government.

⇒ Based on the Jurisdiction of functioning.

- National Company- operations within the boundaries of country in which it is registered.
- Multinational Company- Operations are extended beyond the boundaries of country in which it is registered.

4. Cooperative form of organisation.
A voluntary association of persons established under the Cooperative societies Act. desirous of pursuing a common objective.

* Main feature of cooperative form of organisation

1. Voluntary association- Any person can become a member irrespective of his caste, creed, religion, colour, sex etc.

2. Autonomy and stability - It is a self governing organisation.

3. Democratic management- Every member has equal rights like one member one vote.

4. Capital - procured from its members in the form of share capital and the major part is raised from governmental institution as loan.

5. Government Control - It is registered under cooperative societies Act. So it has to follow governments regulations.

6. Service motive - Its primary objective is to provide service to its members. Rest all three objective is to earn profits.

7. Limited return on capital - As it try to develope economic & social condition of its members earns normal surplus.

8. Distribution of surplus- surplus is distributed equally among the members.

* Classification of cooperatives:- There are several types of cooperatives societies. Some important types are as below-

1. Consumer Cooperatives.
2. Producer's cooperatives.
3. Marketing cooperatives.
4. Housing cooperatives.
5. Credit cooperatives.
6. Farming cooperatives.

* Merits of cooperative Societies.

- Easy formation.
- Limited Liability.
- Social services.
- State assistance.
- Open membership.
- Supply of goods at cheaper rates.

* Limitations of cooperative societies.

- Lack of business acumen.
- Absence of mutual interest.
- lack of interest.
- lack of coordination.
- Corruption.
- lack of secrecy.
- Insufficient motivation.

As it is voluntary association beyond expertise there are all above problem faced in cooperative societies. But it is successfully running with government control and its democratic management.