

PART-A

Note : Answer *all* the questions.

I. Choose the most suitable answer from the given alternatives and write the option code and the corresponding answer : [40×1 =40]

1. Which of the following is not the characteristic of sole proprietorship?
 - (a) Single ownership
 - (b) One man control
 - (c) Whole profit to proprietor
 - (d) Non-flexibility
2. A multinational company is also known as:
 - (a) Global giant
 - (b) Partnership
 - (c) Co-operative society
 - (d) Public corporation
3. Sole trading business can be started by:
 - (a) At least two persons
 - (b) At least seven persons
 - (c) Any one person
4. Sole proprietorship is suitable for:
 - (a) Large scale concerns
 - (b) Medium scale concerns
 - (c) Small scale concerns
5. A Sole trader:
 - (a) Cannot keep his business secrets
 - (b) Can keep his business secrets
 - (c) None of the above
6. A partnership is formed by:
 - (a) Agreement
 - (b) Relationship among persons
 - (c) The direction of government
7. A partnership firm may be registered under:
 - (a) 1949 Act
 - (b) 1956 Act
 - (c) 1932 Act
8. Registration of partnership is:
 - (a) Compulsory
 - (b) Optional
 - (c) Not necessary
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. Shares can be forfeited for:
 - (a) non-payment of any debt due to the company
 - (b) not attending three annual general meetings consecutively
 - (c) for non-payment of call money
 - (d) for violent activities at the annual general meetings
11. Where the shares are issued at a discount and the nominal value of share is ₹100, the maximum discount that can be allowed :
 - (a) ₹ 5
 - (b) ₹ 10
 - (c) ₹ 20
 - (d) ₹ 15
12. Debenture holders of a company are its :
 - (a) Creditors
 - (b) Members
 - (c) Credit customers
 - (d) Borrowers
13. A person can hold directorship of not more than _____ public limited companies :
 - (a) 10
 - (b) 15
 - (c) 20
 - (d) limitless

14. 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.
15. The interval between two annual general meetings shall not exceed:
- 15 months
 - 12 months
 - 18 months
 - 20 months
16. Stock exchanges deals in:
- Goods
 - Services
 - Financial securities
 - Country's currency
17. Number of recognised stock exchange in India:
- 20
 - 21
 - 22
 - 24
18. An optimistic speculator is:
- Bull
 - Bear
 - Stag
 - Lame duck
19. Co-operative society can be started:
- Only at villages
 - In towns and villages
 - Only in cities
 - Only in urban areas
20. Public can also subscribe to the share capital of:
- Public Corporation
 - Departmental undertaking
 - Government Company
 - None of these
- II. Fill in the Blanks :**
21. Division of work is called _____.
22. The profit and loss of a Partnership firm is shared in the _____ among the partners.
23. The partners liability in India is _____.
24. The maximum number of members in non-banking firm is _____.
25. A partner who does not take part in the working of the firm is called _____ partner.
26. The minimum of a number of members in a public limited company is _____.
27. The manner in which the internal management of a company carried on is contained in _____.
28. When a company has issued shares of ₹ 6000 each only, the minimum number of qualification shares that a director should hold is _____.
29. Directors act as _____ trustees and officers of the company.
30. A statutory report must be sent to every member of the company atleast _____ days before the meeting is to be held.
31. The minimum number of members required for a meeting is known as _____.
32. Joint stock companies require _____.
33. Debentures denote _____ interest.
34. BOLT is the online trading system in use at _____ stock exchange.
35. The Latin word 'Co-operari' means _____.
36. The father of the co-operative movement was _____.
37. Super market refers to large scale _____.
38. Public Corporations are managed by a _____ nominated by the Government.
39. The oldest form of public enterprise is _____.
40. When the Government takes over an existing private concern, it is called _____.

PART-B

- Note :** (i) Answer *any ten* questions.
(ii) Answer to each question should **not exceed four** lines.

[10 × 4 = 40]

41. What is scalar principle ?
42. Who is a KARTA?

43. What is unlimited liability?
44. Define partnership.
45. What is Limited Partnership? Explain.
46. What is share premium?
47. What is cumulative preference share?
48. What is proxy?
49. What is a statutory meeting?
50. What is prospectus?
51. What is listing?
52. Who are Rochdale pioneers?
53. What is Patronage Dividend?
54. How can we establish state enterprises?
55. What is a Government Company?

PART-C

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

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

56. Write notes on any four principles of organisation.
57. What are the contents of partnership deed?
58. Briefly explain any four contents in Memorandum of Association.
59. What are the conditions for issuing shares at a discount?
60. How are directors appointed in a public limited company?
61. Explain the different kinds of speculators.
62. Briefly explain any eight demerits of co-operative societies.
63. Write any eight differences between public and private Sector.

PART-D

Note : (i) Answer *all* questions.

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

64. (a) List out the various types of business organisation and explain any five types of organisations.

(OR)

- (b) Explain the objectives of state enterprises.

65. (a) Explain the role of sole trading concern in the society.

(OR)

- (b) Explain clearly the important features of co-operative organisation. (any ten)

66. (a) What are the circumstances under which a partnership firm is dissolved?

(OR)

- (b) Explain the objectives, features, functions and powers of SEBI? (any 20)

67. (a) Bring out the distinction between a company and a partnership. (any ten)

(OR)

- (b) Discuss the powers of directors and restrictions placed on them.

ANSWERS

PART - A

- I
 1. (d); 2. (a); 3. (c); 4. (c);
 5. (b); 6. (a) 7. (c); 8. (b);
 9. (c); 10. (c); 11. (b); 12. (a);
 13. (b); 14. (a); 15. (a); 16. (c)
 17. (b); 18. (a); 19. (b); 20. (c);
- II
 21. Departmentation
 22. Agreed ratio
 23. Unlimited
 24. 20
 25. Sleeping
 26. Seven
 27. Articles of Association
 28. One
 29. Agents
 30. 21
 31. Quorum
 32. Enormous capital

33. creditorship
34. Mumbai
35. To work with
36. Robert Owen
37. Retailing
38. Board of directors
39. Departmental Organisation
40. Nationalisation

PART - B

41. 1. Scalar principle is one of the principles of organisation.
2. The line of authority must proceed from the highest executive to the worker at the bottom level through a downward flow.
3. This is known as "chain of command".
4. The superior has a direct authority over his immediate subordinate.
5. He is responsible for efficient performance of the work entrusted.
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) The liability of the proprietor for the debts of the business is unlimited.
- (ii) The creditors have the right to recover their dues even from the personal property of the proprietor in case the business assets are not sufficient to pay their debts.
- (iii) This is known as unlimited liability.
44. According to the section 4 of Indian partnership Act of 1932, "partnership is the relationship between persons who have agreed to share the profits of a business carried on by all or anyone of them acting for all."
45. (i) A partnership in which the liability of the partner is limited is called limited partnership.
- (ii) The law does not permit the formation of a limited partnership in India.
- (iii) But in Europe and U.S.A. limited partnership is allowed.
- (iv) A limited partnership firm must have at least one partner whose liability is unlimited.
- (v) The liability of remaining partners is limited.
- (vi) Thus, limited of partnership consists of two types of partners, general partners and limited 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 otherwords, 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. (i) 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.
- (ii) Dividends not declared and paid get accumulated so that they may be paid out of profits of subsequence years as arrears of dividend before any dividend is paid to equity shareholders.
48. (i) The term 'proxy' may refer to a person who is authorised by a member for the purpose of attending a meeting.
- (ii) It also means the instrument by which the proxy is authorised.

49. The first meeting of the shareholders of a public limited company is known as statutory meeting.
2. It is compulsory for every public limited company and a guarantee company.
 3. This is held only once in the life time of the company.
 4. It should hold within 6 months and not earlier than one month from the date on which the company is entitled to commence business.
50. The word prospectus means any document described or issued as a prospectus and includes any notice, circular, advertisement or other documents inviting the public to subscribe the shares or debentures of the company.
51. (i) The inclusion of the name of the company in the official trade list of a stock exchange is called 'Listing'.
- (ii) Listing is made compulsory for all public companies.
52. ROBERT OWEN started the first co-operative movement in the year 1844 with 28 members called as Rochdale Society of Equitable pioneers.
53. The profit of co-operative societies is distributed to the members in proportion of purchases made by them. This is known as patronage dividend.
54. The state enterprises can be established by the government in two ways:
- (i) By starting a new unit;
 - (ii) By taking over an existing industrial or commercial unit owned by private persons. (This is known as 'Nationalisation')
55. According to Indian Companies Act, 1956, "Government company means any company in which not less than 51% of the paid-up share capital is held by the central government or by any state governments

or government or partly by the central government and partly by one or more state governments and includes a company which is a subsidiary of a government company."

PART - C

56. **Four principles of organisation :**

a. Unity of objectives:

1. The term objective means a goal to be achieved.
2. The organization structure depends upon the objectives of the enterprise.
3. Therefore, the objectives of an enterprise must be clearly fixed.
4. Every part of the organization should be designed to facilitate the accomplishment of common objectives.

b. Unity of command:

1. Each individual should receive orders from only one boss.
2. A person cannot serve under two masters.
3. He is accountable to his immediate superior.
4. Dual subordination should be avoided.
5. It creates disorder and confusion and leads to indiscipline.

c. Unity of Direction:

1. There must be one head and one plan for a group of activities directing towards the same objectives.
2. This is necessary to ensure completion of tasks and co-ordination of activities.

d. Span of control :

1. No executive in the organization should be required to supervise more subordinates than he can effectively manage.
2. An executive should be asked to supervise a reasonable number of subordinates.

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. 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.

59. Conditions for issuing shares at a discount :

- (i) The shares to be issued at a discount must be of a class already issued.
- (ii) It means a company cannot originally issue shares at a discount. Only subsequent issues can be at a discount.
- (iii) It must be authorised by an ordinary resolution
- (iv) It should be sanctioned by the Central Government.
- (v) The resolution must specify the maximum rate of discount at which the shares are to be issued
 - It should not exceed 10% of nominal value.
 - However, higher percentage of discount may be allowed by the Central Government under special circumstances.
- (vi) At least one year should have elapsed since the company was entitled to commence business.
- (vii) Shares at a discount must be issued within 2 months from the date of sanction by the Central Government.

60. First directors: First directors are usually named in the Articles. If the articles are silent, the signatories to the memorandum shall be deemed to be the first directors of the company.

(a) Appointment of Director by the Company

- (i) The subsequent directors are elected by shareholders at the Annual General Meetings.
- (ii) If a company adopts, the principle of retirement by rotation, one – third of the directors, must retire by rotation.
- (iii) The retiring directors are eligible for reappointment.

(b) Appointment by Board of Directors:

- (i) The Board can appoint additional directors. They can fill up casual vacancy caused by death, resignation, etc.
- (ii) They can also appoint alternate directors. If empowered by articles, the Board may appoint an alternate director during his absence for a period of not less than 3 months from the date in which meeting of the board are ordinarily held.

(c) Appointment by third parties :

If authorised by Articles, third parties such as vendor of the business, banking or financial institutions which have advanced loans to the companies, can appoint their nominees on the Board.

(d) Appointment by Central Government :

The Central Government can also appoint directors on an order passed by the Company Law Board.

61. **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.

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.

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.

S.No	Public Sector	Private Sector
1.	Service motive – with twin goals – achieve economic development with democratic values and economic equality	Profit motive – maximise the profits.
2.	Sufficient, unlimited resources, successful in mobilising savings through banks, bonds etc.	Limited resources; not successful in mobilising the resources of the country.
3.	Checks concentration of economic power in the hands of a few	Leads to concentration of economic power in the hands of a few individuals.
4.	Develop those sectors which are neglected by the private sector.	Develop those industries/sectors in which risk is less and returns are more.
5.	Preserves national wealth.	Exploitation of natural resources like forests, mines etc., for personal advantage.
6.	Brings in balanced growth; starts industries in backward areas.	Do not establish industries in backward areas.
7.	Heavy, basic and defence industries are reserved for public sector.	Consumer goods industries, agriculture are in private sector.
8.	Consumer welfare is considered important. They are supplied goods and services at cheaper prices.	Consumers are exploited.

PART - D

64. (a)

Types of business organization	
Individualistic Institutions	Government Institutions
a. Sole trading institution	a. Departmental undertaking
b. Joint Hindu family	b. Public corporation
c. Partnership	c. Government company
d. Co-operative society	d. Board organization
e. Joint stock company	
f. Multinational companies	

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.

e. Co-operative society

- (i) It is a voluntary association of persons.
- (ii) Person hailing from the same locality voluntarily join together to achieve a common economic objective.
- (iii) A person can join a co-operative society whenever he likes and leave it whenever he wishes.
- (iv) "One man One vote" is the important principle of co-operatives.

f. Multinational companies

- (i) It may be defined as 'a company that operates in several countries. Such a company has factories, branches of offices in more than one country'.

- (ii) They operate in more than one country simultaneously.
- (iii) They are generally very large in size.
- (iv) Their purpose is to reduce transport cost and to make use of raw materials, labour, capital and market of foreign countries.

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) The main objectives of state enterprises are as follows.

1) Helping all round industrialisation:

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

2) Developing Basic Industries:

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

3) Establishing Enterprises Requiring Heavy Investment:

- (i) Some undertakings need heavy investment and the gestation period may also be longer.
- (ii) Private industrialists cannot afford to make such huge investments. Hence, Government enters into these fields and establishes industries.
- (iii) For example, railways, ship-building, energy producing concerns, etc.

4) To Provide Necessities:

- (i) Government undertakes to provide various necessities like electricity, water, coal, gas, transport, communication facilities to the people.
- (ii) The aim is to provide these basic facilities at cheaper rates.
- (iii) So, public utilities are provided by government undertakings.

65. (a)

Role of sole proprietorship in the society:

Consumers are the kings. They decide success of a business. Their needs, desires and expectations are to be satisfied by the businessmen. Sole proprietorship occupies a pivotal role in satisfying the multifarious needs of consumers regarding goods and services. This form of organisation has social desirability. It provides valuable services to the society. They are as follows :

a. Solution to unemployment problem :

Sole trader business organisation gives large employment opportunities to the less educated and uneducated persons and helps to reduce the unemployment problem in the society.

b. Provides investment avenues : Sole trader organisation provides a chance for small investors who has small amount of capital to utilise in the productive line.

c. Provisions of goods at low price : Goods are sold by sole traders at a price lesser than the maximum retail price (MRP) mentioned on the packages of the goods. This is possible due to inexpensive management.

d. Helps to small producers : Most of the goods sold by sole traders are procured locally from local producers. Thus small local producers are benefited by the sole traders.

e. Supply of quality goods : Sole traders sell goods of high quality nowadays to maintain their reputation. They even accept return of defective goods. This ensures enhancing the welfare of the public.

f. Philanthropic Activities : Sole traders form small trading organisation among themselves and undertake a number of social welfare activities such as conducting eye camps, maintaining parks, provision of barricades on the roads, supplying furniture to schools etc.

g. Equal distribution of income and wealth : Equal distribution of income and wealth is ensured as there are more entry of sole proprietors in trading activities.

h. Helpful to consumers : The sole traders supply the goods to the consumers at their door steps. So the time and energy of the consumers are saved.

(OR)

65. (b) **Features of co-operative society :****a. Voluntary organisation:**

A Co-operative society is a voluntary association of persons. Any person can join the society. No compulsion to become a member of the co-operative society.

b. Equality: In a co-operative society all persons are equal. Its members have equal rights.**c. Democratic Management:**

Co-operative societies are managed on democratic lines. Every member has only one vote irrespective of the number of shares held by him. The society is formed under the principle "of one man one vote".

d. Combination of resources: In this organisation members pool their own resources. They use their resources in the interest of all members.**e. Concentrated Effort:** In this organisation all individuals work together. The main principle of co-operation is that "Each for all and all for each"**f. Spirit of Service:** Service is primary and the profit is secondary is the objective of all co-operative societies. It provides many services to the members, such as provision of credit facilities, construction of buildings, supply of seeds, fertilisers, etc.**g. Plural membership:** It is an association of persons. A minimum of 25 persons are required to form a co-operative society. There is no limit for the maximum membership.**h. Legal capacity:** An individual must have the legal capacity to make any agreement. The members forming the co-operative society must have attained the age of majority.**i. Open membership:** Any man or woman having a common interest can join a co-operative society at any time. No discrimination is made on the basis of caste, creed or religion.**j. Finance:** The capital of co-operative society is divided into many shares of equal value. The society gets the capital from its members.

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

- a) Death of a partner.
- b) Expiry of the time, of partnership if for a fixed period.
- c) Completion of the venture for which the firm was formed.
- d) 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) **SEBI:**

- (i) The SEBI was set up as an administrative body in April, 1988.
- (ii) It was given a statutory status by passing a Special Act in the parliament on 30.01.1992, called SEBI Act.

Objectives:

- a. The basic purpose of establishing SEBI is to protect the interest of the investors in securities.
- b. To promote, develop and regulate the securities market and deal with the matters connected therewith or incidental thereto.

Features of SEBI

1. The SEBI shall be a body corporate established under SEBI Act with perpetual succession and a common seal.
2. The head office of the board shall be at Mumbai. SEBI can have branch offices at other places in India.
3. The board shall consist of the following members.
 - (i) A Chairman.
 - (ii) Two members from amongst the officials of the Ministries of the Central Government dealing with finance and law.
 - (iii) One member from amongst the officials of the Reserve Bank of India.

- (iv) Two other members.
The chairman and other members are appointed by the central government.
4. The general superintendence, direction and management of the SEBI shall rest in the Board of members.
Those members exercise all powers and do all acts and things which may be exercised by the Board.
 5. Central government shall have the power to remove a member or the chairman appointed to the Board.
 6. Central government shall provide finance and also make appropriate grants to the Board.
 7. Central government has power to issue direction to the Board on the policy matters and shall supercede the board in the event of default by the Board.

Functions of SEBI

SEBI undertake the following functions

1. Regulating the business in stock exchanges.
2. Registering and regulating the working of stock brokers, sub brokers, issue bankers, underwriters and such other intermediaries who may be associated with securities markets in any manner.
3. Registering and regulating the working of collective investment schemes including mutual funds.
4. Promoting and regulating self-regulatory organisations.
5. Prohibiting fraudulent and unfair trade practice relating to securities market.

6. Promoting investor's education and training of intermediaries of securities market.
7. Prohibiting insider trading in securities.
8. Regulating substantial acquisition of shares and take-over of companies.
9. Calling for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges.
10. Performing such functions as may be delegated to it by the central government.

Powers of the SEBI

The following powers are given to SEBI.

1. It may call periodical returns from the stock exchanges.
2. It has the power to prescribe maintenance of certain documents by the stock exchanges.
3. SEBI may call upon the exchange or any member to furnish explanation or information relating to the affairs of the stock exchange or any member.
4. It has the power to approve bye-law of the stock exchange for regulation and control of the contracts.
5. It can amend bye-laws of the stock exchange.
6. In certain areas it can grant license to the dealers in securities.
7. It can compel a public company to list its shares.

67. (a)

S.No	Basis of difference	Partnership Firm	Joint Stock Company
1.	The Acts	It is governed by the Indian Partnership Act 1932.	They are governed mainly by the provision of the Companies Act 1956.
2.	Registration	Registration with the Registrar of Firm is only optional.	Registration with the Registrar of Companies is compulsory.
3.	Number of Members	A minimum of two person is necessary to form a partnership. The maximum is restricted to 10 in the case of banking business and 20 in other types of businesses.	The minimum number of persons required for starting is 7 in the case of public limited company. The maximum number of member is restricted to 50 exclusive of present or past employee members in the case of private limited company and it is limitless for a public limited company.
4.	Legal Status	It has no separate existence. Partners collectively constitute the firm.	It is an artificial person created by law. Its existence is independent of its members.
5.	Liability	The Liability of a partner is joint, several and unlimited. The personal assets of the individual partners can also be attached for satisfying the firm's debts. Any one partner can also be used for this purpose.	The liability of the shareholder is limited to the unpaid amount of shares held. If the shares are fully paid up, no further liability is attached to the share holders.
6.	Transfer of shares	A partner cannot transfer his interest in the firm without the consent of all other partners.	Shares are fully transferable. However, certain restrictions are placed on transfer of shares in the case of private limited companies.
7.	Management	Management of a firm is carried on by all or by any of them acting for all. In other words, every partner is entitled to participate in the management.	Direct participation of share holders in the management of the company is not allowed. It is entrusted to the Board of Directors elected by them.
8.	Stability	It is not stable. Its continuity is threatened by certain contingencies such as death, insanity or insolvency of any one or all its partners.	A company is stable as it is totally unaffected by any such contingencies.
9.	Procedural complexities	Both for formation and dissolution the procedures are simple.	Both the formation and winding up are subject to many legal formalities.
10.	Financial resources	The capital contribution as well as the finance that can be raised tend to be limited.	The scope for mobilising larger resources is very wide.

(OR)

67. (b) **Powers of Directors:**

- a. General Powers:** The Board of directors of a company is entitled to exercise all such powers and to do all such acts and things as the company is authorised to do.
However, the Board shall not do any act which is to be done by the company in general meeting.
- b. Statutory powers:** By means of resolutions passed at the Board meetings, the following powers can be exercised by the directors.
- i) To make calls
 - ii) To issue debentures
 - iii) To borrow money otherwise than on debentures
 - iv) To invest the funds of the company
 - v) To make loans
- c. Other powers to be exercised at the Board Meetings**
- i) To fill up casual vacancy in the office of directors
 - ii) To appoint additional directors, if authorised by articles.
 - iii) To appoint an alternate director, if authorised by articles.
 - iv) To accord sanction to contracts in which any director or his relative is interested.

- v) To recommend a certain rate of dividend to be declared at the annual general meeting.
 - vi) To make investments in the companies in the same group.
 - vii) To appoint the first auditors of the company
 - viii) To fill up the casual vacancy in the office of an auditor not caused by resignation.
- d. Restrictions on the powers of directors:** The following powers cannot be exercised by the Board without the consent of the shareholders in the general meeting.
- i) To sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company.
 - ii) To extend time for repayment of any debt due by a director.
 - iii) To borrow money where the money to be borrowed together with that already borrowed is in excess of the aggregate of the paid up capital and free reserves.
 - iv) To contribute to charitable funds in excess of the prescribed limit.

