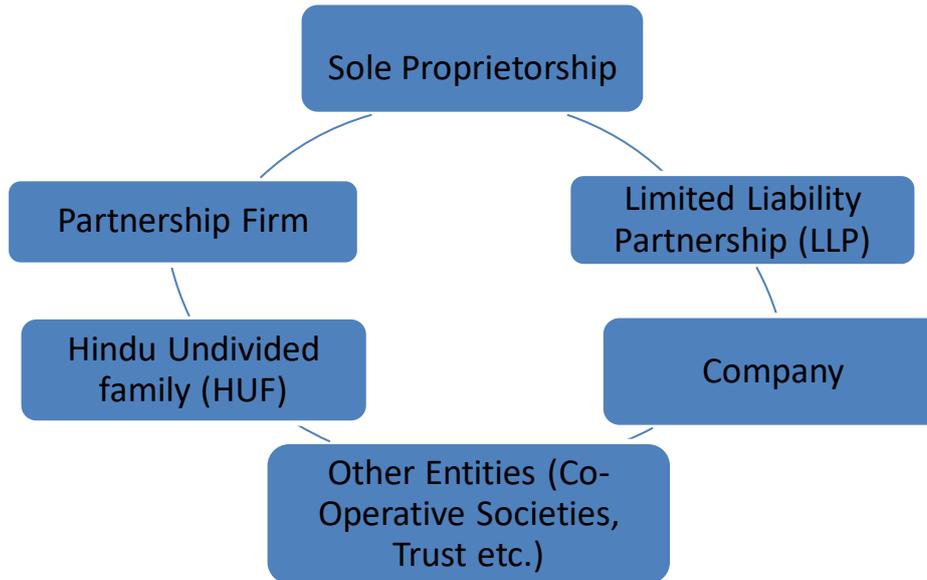


# BIHAR SKILLS DEVELOPMENT MISSION

## Modes & Types of Business Organisation

Business organisation refers to all necessary arrangements required to conduct a business in a **optimized manner**. It refers to all those steps that need to be undertaken for establishing and maintaining relationship between **men, money, material and machinery** to carry on the business **efficiently for earning profits**. This may be called the process of **Planning and organising** which are the integral part of the **Business Management**.

### Types of Business Entities:



1. **Sole Proprietorship (Single Ownership):** The sole Proprietorship is a form of business that is owned, managed and controlled by an individual. He has day-to-day responsibility for running the business. He has to arrange capital for the business and he alone responsible for its management. Therefore, he is entitled to the profit and has to bear the loss of business. He also assume complete responsibility for any of its liabilities or debts. In the eye of the law and public, the sole proprietor and the business are one and the same. It is the simplest and most easily formed business organisation.

**Example:** Beauty Parlor, Repair shops, Small Retail Stores, Consulting Agencies, Accounting Concern, Medicine Stores, Tailoring Shops, Decorators etc.

**Sole Proprietorship** = Shop Establishment Act + Professional Tax (State) + MSMED + IDRA + GST + IPR + Bank A/c.

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2. **Partnership:** Partnership is an association of persons who agree to combine their financial resources and managerial abilities to run a business and share profit in an agreed ratio. It is regulated by Indian Partnership Act, 1932 & earlier by Indian Contract Act, 1872. Registration of Partnership Firm is optional.

**Meaning of Partnership:** As per section 4 of the Indian Partnership Act, 1932, "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all. Persons who have entered into partnership with one another are called individually "**Partners**" and collectively "**a Firm**", and name under which their business is carried on is called the "**Firm Name**".

## **Types of Partnership:**

1. Partnership at Will ( Discretion of Partners)
2. Particular Partnership (Project Bound)
3. Partnership for a fixed duration (Time Bound)

**Registration of Partnership Firm** = With Registrar of Firm + Form 1 & Form 3 + Partnership Deed + Fees + Name of Firm + Principal Place of Firm + Object of Business.

### ➤ **Effect of Non Registration of Firm?**

**3. Limited liability Partnership (LLP):** A Limited Liability Partnership or LLP is an alternative corporate business form which offers the benefits of **limited liability** to the partners at low compliance costs. It also allows the partners to organize their internal structure like a traditional partnership. A limited liability partnership is a **legal entity**, liable for the full extent of its assets. The liability of the partners, however, is limited. Hence, LLP is a hybrid between a company and a partnership.

## **Salient Features of LLP**

- (a) Perpetual Succession (b) Separate Legal Entity (c) Mutual Agency (d) LLP Agreement  
(e) Limited Liability (f) Artificial Legal Person (g) E- Filing (f) Min- Max Partners

**4. Hindu Undivided Family (HUF):** The joint Hindu Business family is a distinct form of organisation peculiar to Indian. Joint Hindu Family Firm is created by the operation of law. It does not have any separate and distinct legal entity from that of its members. The laws that govern HUFs are not codified and are read along with the **Hindu Succession Act, 1925 and the Income Tax Act, 1961.**

There are two schools of Hindu Law, One **Dayabhaga** which is prevalent in **Bengal & Asam** and the other is **Mitakshara** prevalent in the **rest of the country**. As per Mitakshara Law, there is a **son's right by birth** in the property of joint family. It means when a son is born in family, he acquires an interest in the property jointly held by the family.

The business of the Joint Hindu Family is controlled and managed by one person who is called '**Karta**' or '**Manager**'. The Karta works in consultation with other members (Co-

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Parceners) of the family. The **liability of Karta is unlimited** while the **liability of other members is limited** to their shares in the business.

**5. Company:** There are many definitions of a Company by various legal experts. However, Section 2(20) of the Companies Act, 2013, defines the term 'Company' as follows: "Company means a company incorporated under this Act or under any previous company law."

Hence, in order to understand the meaning of a Company, it is important to look at the distinctive features that explain the realm of a Company.

## **Salient Features of Company:**

- (a) Perpetual Succession
- (b) Separate Legal Entity
- (c) Contractual rights
- (d) Limited Liability
- (e) Artificial Legal Person
- (f) E- Filing

**Types of Companies:** (a) One Person Company, (b) Private Company, (c) Public Company, (d) Holding Company, (e) Subsidiary Company, (f) Government Company, (g) Listed Company, (h) Nidhi Company, (i) Producer Company, (j) Small Company, (k) Banking Company, (l) Insurance Company etc.

**6. Trust:** Business trust is a form of business organization which is similar to a corporation, in which investors receive transferable certificates of beneficial interest. The trustees are administer it for the advantage of its beneficiaries who hold equitable title to it. They administer the trust based on the terms set forth in the declaration of trust. The beneficiaries receive certificates of beneficial interest as evidence of their interest in the trust, which is freely transferable. Profits and losses resulting from the use and investment of the trust property are shared proportionally by the beneficiaries according to their interests in the trusts.

**7. Co - Operative Society:** A cooperative society is not a new concept. It prevails in all the countries, this is almost a universal concept. The cooperative society is active in all countries worldwide and is represented in all the sectors including agriculture, food, finance, healthcare etc. It is regulated by State Co - Operative Society Law.

To protect the interest of weaker sections, the co-operative society is formed. It is a voluntary association of persons, whose motive is the welfare of the members and promote the interest of members.

***THANK YOU !!***