SYLLABUS

B.Com. I YEAR (Hons)

Subject – Business Organization and Communication

UNIT – I	**Business Organization: Definition, Concept, Characteristics, Objectives, Significance, Components, Functions. Business ethics, Social responsibilities of Business, Promotions of Business: Meaning, Functions, Stages of Promotion. Forms of Business Organization: Detailed Study of Sole Proprietorship and Partnership and cooperative society form of organization.**
UNIT –II	Company Organisation : Meaning, Definition, Formation of Private and Public Company, Merits and Demerits, Types of Companies, Cooperative Organisation -Need, Meaning, Significance and its Merits- Demerits. Public Enterprises- Concept, Meaning, Characteristic, Objectives and Significance. Multi National Corporations.(MNC'S) - An Introduction In India.
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UNIT – IV	Non-Verbal communication, Body Language, Paralanguage, Sign Language, visual and Audio Communication, Channel of communication, Barriers in Communications. Written Business Communication - Concept, Advantages, Disadvantages, Importance. Need and kinds of business Letters, Essentials of an Effective Business Letter.
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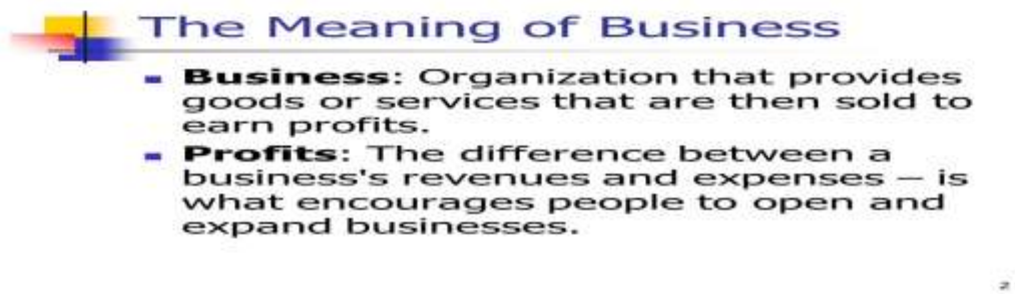
UNIT – I

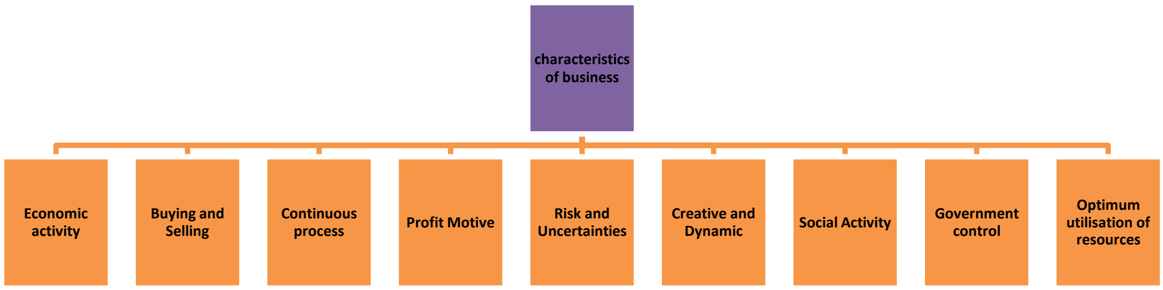
Business –

Business implies those activities which are carried on with a view to earn profit/wealth. It is the human activity directed towards the acquisition of wealth through the production and exchange of goods and services.



Features or characteristics of business:

The following are the ten important characteristics of a business:



1. Economic activity:

Business is an economic activity of production and distribution of goods and services. It provides employment opportunities in different sectors like banking, insurance, transport, industries, trade etc. it is an economic activity corned with creation of utilities for the satisfaction of human wants.

2. Buying and Selling:
The basic activity of any business is trading. The business involves buying of raw material, plants and machinery, stationary, property etc. On the other hand, it sells the finished products to the consumers, wholesaler, retailer etc. Business makes available various goods and services to the different sections of the society.

3. Continuous process:
Business is not a single time activity. It is a continuous process of production and distribution of goods and services. A single transaction of trade cannot be termed as a business. A business should be conducted regularly in order to grow and gain regular returns.

4. Profit Motive:
Profit is an indicator of success and failure of business. It is the difference between income and expenses of the business. The primary goal of a business is usually to obtain the highest possible level of profit through the production and sale of goods and services. It is a return on investment. Profit acts as a driving force behind all business activities.

Profit is required for survival, growth and expansion of the business. It is clear that every business operates to earn profit. Business has many goals but profit making is the primary goal of every business. It is required to create economic growth.

5. Risk and Uncertainties:
Risk is defined as the effect of uncertainty arising on the objectives of the business. Risk is associated with every business. Business is exposed to two types of risk, Insurable and Non-insurable. Insurable risk is predictable.

6. Creative and Dynamic:
Modern business is creative and dynamic in nature. Business firm has to come out with creative ideas, approaches and concepts for production and distribution of goods and services. It means to bring things in fresh, new and inventive way.

7. Customer satisfaction:
The phase of business has changed from traditional concept to modern concept. Now a day, business adopts a consumer-oriented approach. Customer satisfaction is the ultimate aim of all economic activities.

Modern business believes in satisfying the customers by providing quality product at a reasonable price. It emphasize not only on profit but also on customer satisfaction. Consumers are satisfied only when they get real value for their purchase.

The purpose of the business is to create and retain the customers. The ability to identify and satisfy the customers is the prime ingredient for the business success.

8. Social Activity: Business is a socio-economic activity. Both business and society are interdependent. Modern business runs in the area of social responsibility. Business has some responsibility towards the society and in turn it needs the support of various social groups like investors, employees, customers, creditors etc. by making goods available to various sections of the society, business performs an important social function and meets social needs. Business needs support of different section of the society for its proper functioning.

9. Government control:

Business organisations are subject to government control. They have to follow certain rules and regulations enacted by the government. Government ensures that the business is conducted for social good by keeping effective supervision and control by enacting and amending laws and rules from time to time.

10. Optimum utilisation of resources:

Business facilitates optimum utilisation of countries material and non-material resources and achieves economic progress. The scarce resources are brought to its fullest use for concentrating economic wealth and satisfying the needs and wants of the consumers.

Objectives of Business:

the objectives of business may be classified as;

A. Economic Objectives

B. Social Objectives

C. Human Objectives

D. National Objectives

E. Global Objectives

A. Economic Objectives:

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which include, creation of customers, regular innovations and best possible use of available resources.

(i) Profit Earning:

Profit is the lifeblood of business, without which no business can survive in a competitive market. In fact profit making is the primary objective for which a business unit is brought into existence. Profits must be earned to ensure the survival of business, its growth and expansion over time.

Profits help businessmen not only to earn their living but also to expand their business activities by reinvesting a part of the profits. In order to achieve this primary objective, certain other objectives are also necessary to be pursued by business, which are as follows:

(a) Creation of customers:
A business unit cannot survive unless there are customers to buy the products and services. Again a businessman can earn profits only when he/she provides quality goods and services at a reasonable price. For this it needs to attract more customers for its existing as well as new products. This is achieved with the help of various marketing activities.

(b) Regular innovations:
Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Business units, through innovation, are able to reduce cost by adopting better methods of production and also increase their sales by attracting more customers because of improved products.

Reduction in cost and increase in sales gives more profit to the businessmen. Use of power looms in place of handlooms, use of tractors in place of hand implements in farms etc. are all the results of innovation.

(c) Best possible use of resources:
As we all know, to run any business we must have sufficient capital or funds. The amount of capital may be used to buy machinery, raw materials, employ men and have cash to meet day-to-day expenses. Thus, business activities require various resources like men, materials, money and machines.

The availability of these resources is usually limited. Thus, every business should try to make the best possible use of these resources. Employing efficient workers. Making full use of machines and minimizing wastage of raw materials, can achieve this objective.

B. Social Objectives:
Social objective are those objectives of business, which are desired to be achieved for the benefit of the society. Since business operates in a society by utilizing its scarce resources, the society expects something in return for its welfare. No activity of the business should be aimed at giving any kind of trouble to the society.

If business activities lead to socially harmful effects, there is bound to be public reaction against the business sooner or later. Social objectives of business include production and supply of quality goods and services, adoption of fair trade practices and contribution to the general welfare of society and provision of welfare amenities.

(i) Production and Supply of Quality Goods and Services:
Since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business he objective of business should be to produce better quality goods and supply them at the right time and at a right price It is not desirable on the part of the businessman to supply adulterated or inferior goods which cause injuries to the customers.

They should charge the price according to the quality of e goods and services provided to the society. Again, the customers also expect timely supply of all their requirements. So it is important for every business to supply those goods and services on a regular basis.

(ii) Adoption of Fair Trade Practices:
In every society, activities such as hoarding, black- marketing and over-charging are considered undesirable. Besides, misleading advertisements often give a false impression about the quality of products. Such advertisements deceive the customers and the businessmen use them for the sake of making large profits.

This is an unfair trade practice. The business unit must not create artificial scarcity of essential goods or raise prices for the sake of earning more profits. All these activities earn a bad name and sometimes make the businessmen liable for penalty and even imprisonment under the law. Therefore, the objective of business should be to adopt fair trade practices for the welfare of the consumers as well as the society.

(iii) Contribution to the General Welfare of the Society:
Business units should work for the general welfare and upliftment of the society. This is possible through running of schools and colleges better education opening of vocational training centres to train the people to earn their livelihood, establishing hospitals for medical facilities and providing recreational facilities for the general public like parks, sports complexes etc.

C. Human Objectives:
Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training. The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

(i) Economic Well-being of the Employees:
In business employees must be provided with tan remuneration and incentive for performance benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc. By this they feel more satisfied at work and contribute more for the business.

(ii) Social and Psychological Satisfaction of Employees:
It is the duty of business units to provide social and psychological satisfaction to their employees. This is possible by making the job interesting and challenging, putting the right person in the right job and reducing the monotony of work Opportunities for promotion and advancement in career should also be provided to the employees.

Further, grievances of employees should be given prompt attention and their suggestions should be considered seriously when decisions are made. If employees are happy and satisfied they can put then best efforts in work.

(iii) Development of Human Resources:
Employees as human beings always want to grow. Their growth requires proper training as well as development. Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time. Thus, it is important that business should arrange training and development programmes for its employees.

(iv) Well-being of Socially and Economically Backward People:
Business units being inseparable parts of society should help backward classes and also people those are physically and mentally challenged. This can be done in many ways. For instance, vocational training programme may be arranged to improve the earning capacity of backward people in the community. While recruiting its staff, business should give preference to physically and mentally challenged persons. Business units can also help and encourage meritorious students by awarding scholarships for higher studies.

D. National Objectives:
Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations. The goal of the country may be to provide employment opportunity to its citizen, earn revenue for its exchequer, become self-sufficient in production of goods and services, promote social justice, etc. Business activities should be conducted keeping these goals of the country in mind, which may be called national objectives of business.

The following are the national objectives of business.

(i)Creation of Employment:
One of the important national objectives of business is to create opportunities for gainful employment of people. This can be achieved by establishing new business units, expanding markets, widening distribution channels, etc.

(ii) Promotion of Social Justice:
As a responsible citizen, a businessman is expected to provide equal opportunities to all persons with whom he/she deals. He/ She is also expected to provide equal opportunities to all the employees to work and progress. Towards this objectives special attention must be paid to weaker and backward sections of the society.

(iii) Production According to National Priority:
Business units should produce and supply goods in accordance with the priorities laid down in the plans and policies of the government. One of the national objectives of business in our country should be to increase the production and supply of essential goods at reasonable prices.

(iv) Contribute to the Revenue of the Country:
The business owners should pay their taxes and dues honestly and regularly. This will increase the revenue of the government, which can be used for the development of the nation.

(v) Self-sufficiency and Export Promotion:
To help the country to become self-reliant, business units have the added responsibility of restricting import of goods. Besides, every business units should aim at increasing exports and adding to the foreign exchange reserves of the country.

E. Global Objectives:
Previously India had very restricted business relationship with other nations. There was a very rigid policy for import and export of goods and services. But, now-a-days due to liberal economic and export-import policy, restrictions on foreign investments have been largely abolished and duties on imported goods have been substantially reduced.

This change has brought about increase in competition in the market. Today because of globalisation the entire world has become a big market. Goods produced in one country are readily available in other countries. So, to face the competition in the global market every business has certain objectives in mind, which may be called the global objectives. Let us learn about them.

(i) Raise General Standard of Living:
Growth of business activities across national borders makes quality goods available at reasonable prices all over the world. The people of one country get to use similar types of goods that people in other countries are using. This improves the standard of living of people.

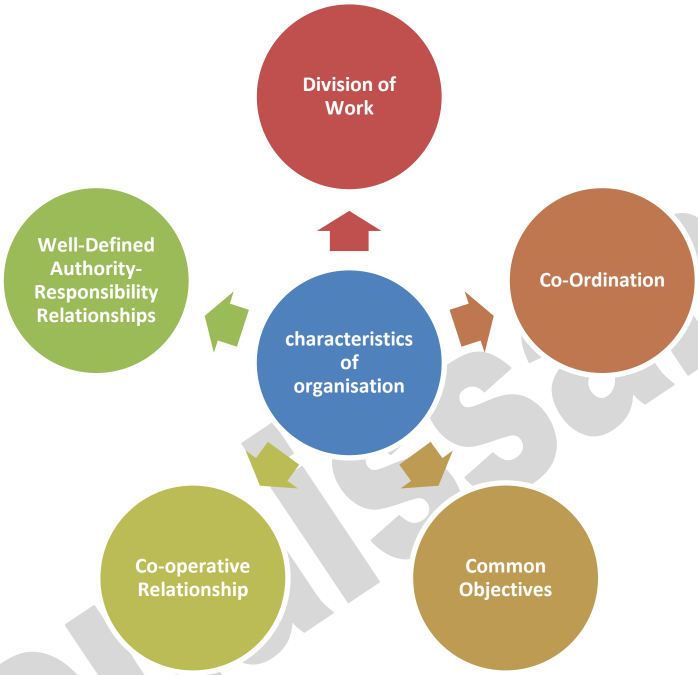
(ii) Reduce Disparities among Nations:
Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation. By way of capital investment in developing as well as underdeveloped countries it can foster their industrial and economic growth.

(iii) Make Available Globally Competitive Goods and Services:
Business should produce goods and services which are globally competitive and have huge demand in foreign markets. This will improve the image of the exporting country and also earn more foreign exchange for the country.

Organization –
Organization is the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives." In the words of Allen, organization is an instrument for achieving organizational goals. The work of each and every person is defined and authority and responsibility is fixed for accomplishing the same.

According to Koontz and Donnell :- " Organisational is structural relationship by which an eneterprise is bound together and the framework in which individual effort is coordinated**.**

Some of the characteristics of organisation are studied as follows:



1. Division of Work:

Organisation deals with the whole task of business. The total work of the enterprise is divided into activities and functions. Various activities are assigned to different persons for their efficient accomplishment. This brings in division of labour. It is not that one person cannot carry out many functions but specialization in different activities is necessary to improve one's efficiency. Organisation helps in dividing the work into related activities so that they are assigned to different individuals.

2. Co-Ordination:

Co-ordination of various activities is as essential as their division. It helps in integrating and harmonizing various activities. Co-ordination also avoids duplication and delays. In fact, various functions in an organisation depend upon one another and the performance of one influences the other. Unless all of them are properly coordinated, the performance of all segments is adversely affected.

3. Common Objectives:

All organisational structure is a means towards the achievement of enterprise goals. The goals of various segments lead to the achievement of major business goals. The organisational structure should build around common and clear cut objectives. This will help in their proper accomplishment.

4. Co-operative Relationship:

An organisation creates co-operative relationship among various members of the group. An organisation cannot be constituted by one person. It requires at least two or more persons. Organisation is a system which helps in creating meaningful relationship among persons. The relationship should be both vertical and horizontal among members of various departments. The structure should be designed that it motivates people to perform their part of work together.

5. Well-Defined Authority-Responsibility Relationships:

An organisation consists of various positions arranged in a hierarchy with well defined authority and responsibility. There is always a central authority from which a chain of authority relationship stretches throughout the organisation. The hierarchy of positions defines the lines of communication and pattern of relationships.

Business Organization –

Business organization is concerned with the study of the methods and procedures of establishing and operating business enterprises with the purpose of earning profits by rendering service to the society. The scope is very wide. It comprises business ownership, the types of traders engaged in the supply of goods and services, the institutions which facilitate trade, the financial arrangements used to conduct business, the problems of location and layout of the undertaking, the principles of management, forms of combinations, methods of wage payment, etc.

Objectives of Business Organization

1) Unity of objectives
2) Efficiency
3) Division of work
4) Span of control
5) Scalar principle
6) Delegation
7) Functional definition
8) Absoluteness of responsibility
9) Unity of command
10) Coordination

Functions of Business Organization –

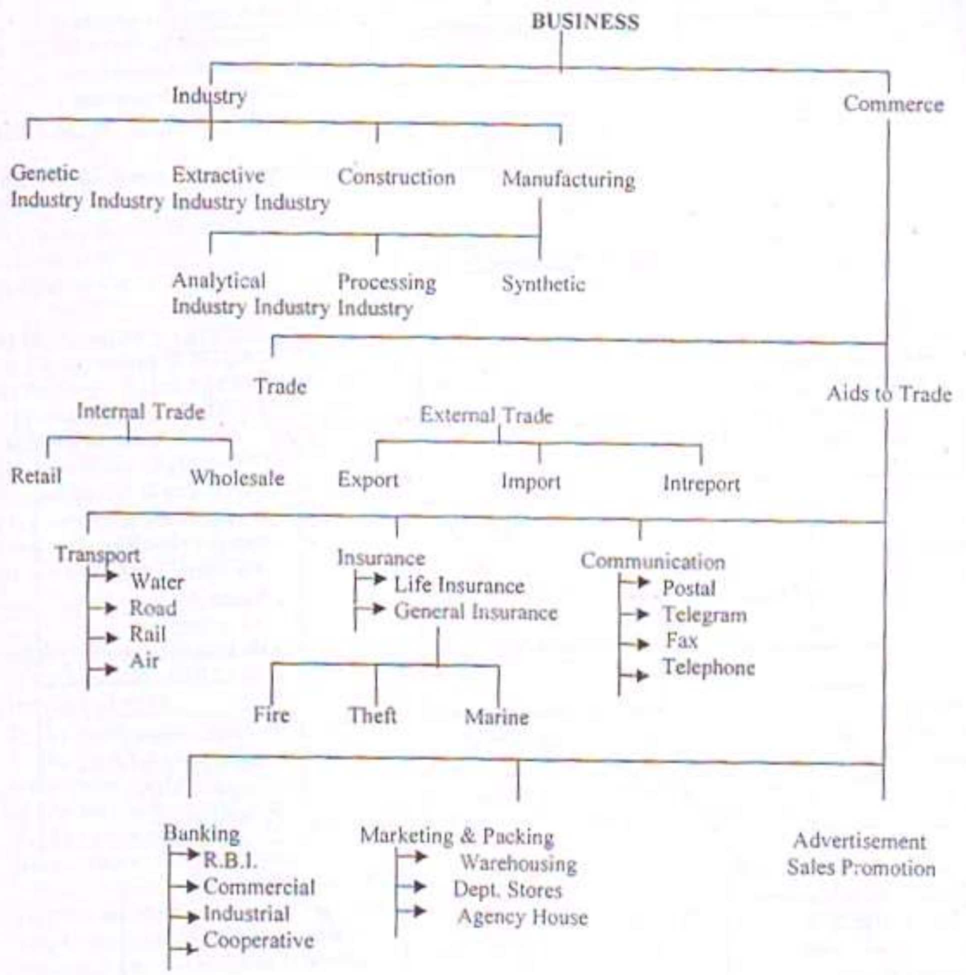
1) Production function
2) Marketing function
3) Finance function
4) Personnel function
5) Other functions

Significance of Business Organization –

1) Facilitates administration
2) Ensures specialization
3) Facilitates growth and diversification
4) Encourages creativity
5) Optimum use of technological improvements
6) Facilitates coordination
7) Rapid economic development
8) Best utilization of physical and human resources
9) Employment orientation
10) Increase in government revenue

Components of Business Organization –

COMPONENTS OF BUSINESS



I. Industry

The main characteristics of industry are-

(i) It is a primary activity of business,

(ii) It involves process of conversion of form.

(iii) Utility is created in it.

(iv) Main activity of industry is conversion of raw material into useful finished goods.

(v) Manufacturing process has an object of profit.

(vi) Form of material is chahged altogether.

II. Commerce

Commerce means those activities which are done from production of commodities and their supply to consumers with the object of earning profit.

Characteristics-

(i) Trade is included in commerce.

(ii) Subsidiary activities of trade like insurance, banking, transportation are also included in commerce.

(iii) Commerce is a link between a producer and a consumer.

(iv) Commerce creates time and place utility.

(v) Commerce removes obstacles arising in exchange of commodities.

III. Trade

Purchase and sale of goods in a business in order to earn profit is called trade. Thus the following are the characteristics of trade-

(i) Purchase and sale of commodities and services.
(ii) Two parties- Buyer and sellers. Middleman are also included in it.
(iii) The main object of trade is to earn profit.
(iv) Medium of trade is money.
(v) Element of risk and enterprise exists in trade.
(vi) Business activities remain regular and continues.
(vii) Purchase of a commodity is meant for sale.

IV. Auxiliaries to Trade :-

Commerce also includes several 'Aids to Trade' which fecilitate exchange of goods and services. These auxiliary services may be described as below :

1) Transportation
2) Warehousing
3) Insurance
4) Packaging
5) Banking
6) Advertising
7) Stock Exchange

Social Responsibility of Business:-

Social responsibility means the objective concern for the welfare of society.

"Social responsibility is to pursue those policies and decisions or to follow those lines of actions which are desirable in terms of the objective and value of our society."

The term 'Social Responsibility' is based on the principle of trusteeship. **According to Mahatma Gandhi**, the philosophy of trusteeship in business lays stress on the fact that **'Those who own money or property should hold it in trust for the society.'**

Features:

1. Social responsibility is a two-way traffic
2. It is related with business organizations
3. Universal concept
4. Supremacy of public interest
5. Scope of social responsibility is not limited
6. Establishes new socio-economic values: it establishes new economic and social values such as decentralization of power, equal and justified distribution of resources, business morality, etc.
7. Source of gaining social power
8. Basis of business success
9. It is a continuous process

Objectives:

1. Social Welfare
2. Satisfaction of human wants and improvement of standard of living.
3. Promotion of business
4. Creation of positive public image
5. Development of nation.

Methods of Discharging Social Responsibility

1. Adoption of different types of social programs

(a) pursuing the goal of economic growth and efficiency by improving productivity and cooperating with the government.
(b) Helping colleges and universities through grants, donations, funding of research programme, maintenance of interaction, training and placement of students.
(c) Retraining and placement of disadvantaged or retiring workers.
(d) Undertaking urban development programmes such as low cost housing, adoption of backward areas.
(e) Pollution and effluent control.
(f) Ecological conservation and recreation.
(g) Patronizing art and culture through and to institutions engaged in such tasks.
(h) Designing low cost medical care programmes.
(i) Improving management in government.

2. Substituting optimum profits against maximum profits When a company is operating under voluntarily imposed restraints, it is said to be satisfying rather than maximizing profits.

3. Cooperating with various Stockholder

4. Prescription of social goals as integral part of the corporate policy

Causes for growing concern for social responsibilities

1. Public Opinion.
2. Trade Union Movement
3. Consumerism
4. Education
5. Public Relation
6. Managerial revolution.

Scope of social Responsibility:

Social responsibility is two-way traffic.

I. Social responsibility of business towards different sections of the society.
II. Social responsibility of different sections of the society towards the business.

I. Social responsibility of business Towards Different Section of the Society:

1. Towards the business itself
2. Towards the owners of business
3. Towards the creditors
4. Towards the employees
5. Towards the suppliers of goods
6. Towards professional institutions
7. Towards other business institutions
8. Towards local community
9. Towards the government
10. Towards the world society

II. Social Responsibility of Different Section of Society Towards Business:

1. Responsibility of owners
2. Responsibility of employees
3. Responsibility of consumers
4. Responsibility of investors
5. Responsibility of suppliers
6. Responsibility of professional institution: The professional institution of Management Studies, Chartered Accountants, cost Accountants, etc. should inform the business about the latest professional knowledge and techniques developed by them through publications, organizing the seminars and conferences. The business managers may be invited to participate in such programmes.
7. Responsibility of top level managers
8. Responsibility of the community

Significance social responsibility of Business:

1. Need to balance power with Responsibility
2. Voluntary actions would prevent government regulation
3. To promote long-run profits
4. Recognition of moral obligations by business
5. Vastness of resources and intricate social problems
6. Correction of business causing social business
7. Creation of positive public image
8. Response to changing public expectations.

Limitations of Social Responsibility:

1. Unsupported by logic
2. Militates against the test of market place
3. Cost burden on consumers
4. Non-availability of social skills
5. Correction of ironical situations
6. Diversion from the main objective
7. Adverse impact on economic efficiency

Arguments for and against the assumption of social responsibilities of business :-

The case for Social Responsibilty :-

1) Long term self interst of Business
2) Ensuring Law and Order
3) Maintenance of Free Enterprise
4) Creation of Society
5) Moral Justification
6) Profitable Opportunities

The Case against social responsibility :-

1) Dilution of profit-maximisation
2) Loss of Incentive
3) Lack of Yardstick
4) Business lacks social skills
5) Power without Accountability
6) Burden on consumers

PROMOTION OF BUSINESS

PROMOTION

'Promotion of a business enterprise' refer to the act and process of establishing a new business unit. Promotion may e defined as the discovery of business opportunities and the subsequent organization of funds, property and managerial ability into a business concern for the purpose of making profits there from.

According to G.W. Gerstenberg :- " Promotion may be defined as the discovery of business opportunities and the subsequent organization of funds, property and managerial ability into a business concern for the purpose of making profits therefrom."

Methods/Stages in Promotion –

1) Discovery of Idea
2) Investigation and verification
3) Assembling
4) Financing the proposition

PROMOTER

The term 'Promoter' stands for a person who conceives the business idea and takes various steps to bring the enterprise into existence and to grow is as a successful venture.

According to Chief Justice Cockburn :- " A promoter is one who undertakes to form a company with reference to a given object and to set it going and who takes the necessary steps to accomplish that purpose."

Types of Promoters:-

1. **Occasional Promoters:** The are those entrepreneurs who promote a business enterprise and manage its affairs after it comes into being. Promotion is not occupation of such entrepreneurs.
2. **Professional Promoters:** these person are specialists in promoting new business ventures. Promotion is their whole time occupation.
3. **Financial promotes:** their main object is to make use favorable investment climate to earn profits.
4. **Technical Promoters:** they are expert in technical matters. Areas of their expertise may relate to law, engineering, consultants, architects, etc. such promoters are given fee for their consultancy services.
5. **Specialised institutions:** These institutions float new business enterprises either at their own or by collaborating with other entrepreneurs. Example of such entrepreneurs are IDBI (Industrial Development Bank of India), NIDC (National Industrial Development Corporation).
6. **Government as a Promoter**
7. **Political Promoters**

FUNCTIONS OF PROMOTERS

(A) Procedural functions /

1. Selection of the line of business.
2. The size of the unit
3. Location of Business
4. Choice of form of organization
5. Financial Planning
6. Physical facilities needed
7. Plant layout
8. Tax planning
9. Project Report
10. Launching the Enterprise

(B) Legal Functions :- Under the head are included the legal formalities pertaining to promotion. For example, the promoter should manage to get the permission from the appropriate authorities before launching the project.

Qualities of Successful Promoter:-

1. Winning Personality with leadership Qualities
2. Wide knowledge
3. Initiative and Foresight
4. Dynamic Outlook
5. Adaptability
6. Self confidence
7. Business ethics and Social responsibility
8. Consistent in behavior
9. Business connection and Goodwill
10. Aptitude for research, analysis and growth

Forms of Business Organization

Sole Proprietorship:-

Meaning

Sole proprietorship is a form of business organization in which an individual introduces his own capital, uses his own skill and intelligence and is totally responsible for the results of its operations.

Definition:-

According to Wheeler :- "The sole proprietorship is that form of business ownership which is owned and controlled by a single individual. He receives all the profits and risks all of the property in the success of failure of the enterprise."

Features of sole proprietorship business:

1. Easy formation
2. No separate legal entity
3. Unlimited liabilities
4. Individual risk bearing
5. Freedom of operation
6. Full Management
7. One man control
8. Continuity

Advantages of sole proprietorship

1. Easy to formation and dissolution
2. Direct motivation and incentive
3. Quick decision and prompt action
4. Economy and elimination of wastage
5. Flexibility
6. Personal element and direct supervision
7. High Secrecy
8. Benefit of inherited goodwill
9. Freedom of business
10. Minimum cost of management

Disadvantages of sole proprietorship

1. Limited capacity of an individual
2. Difficulties of outside finance
3. Indispensability of the owner
4. Unlimited liability
5. Limited scope for expansion
6. Difficulty of personal contact in widely separated areas
7. Uncertainty of duration
8. Hasty decision
9. Monotony and hard work

10. Stunted growth of business

Partnership:-

Definition of Partnership:

"Partnership is the relation existing between person competent to make contracts who have agreed to carry on a lawful business in common, with a view of private gain"

The Indian Partnership Act 1932 defines "Partnership" as the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting you all"

Characteristics of Partnership:

1. Formation (two or more person)
2. Agreements- among partners
3. Legal business as per the registration under partnership Act.
4. Profit Motive
5. Unlimited liability
6. Non transferability of share
7. Full management and control
8. Mutual agency
9. Utmost good faith
10. Individuality of the partner
11. No separate entity
12. Partnership is a contract of *uberrimae fidei*

Advantages of Partnership

1. Easy formation
2. Benefit of greater resources
3. Sharing of risks
4. Protection of minority interests
5. Flexibility
6. Balanced judgment
7. Personal supervision
8. More scope for expansion
9. Free from various expenses
10. Benefit of personal contracts of partners

Disadvantages of Partnership

1. Unlimited liability
2. Limited resources
3. Non-Transferability of shares
4. Instability
5. Lack of quick decisions
6. Lack of public confidence
7. Conflicts

8. Lack of secrecy and privacy
9. Absence of separate legal status

Partnership Deed:-

Meaning

The partnership Deed is a document which embodies the terms and conditions of the partnership agreement laying down the mutual rights, duties and obligations of partners. The deed is stamped in accordance with the stamp Act.

Contents: The common contents of Partnership Deed are

1. Name of the firm
2. Name and address of the partners
3. Nature of the business
4. Capital contributed by each partner
5. Proportion of division of profit and losses
6. The duties, powers and obligations of the partners
7. The mode of maintaining accounts
8. Management of business
9. Provision regarding retirement and dissolution
10. Arbitration in case of dispute among partners
11. Whether loans will be accepted form a partner
12. The amount salary payable to partners
13. The rate of interest payable to partners on their capital
14. The amount to be allowed as drawings and the rate of interest on amount withdrawn by them.

Different types of Partnership:-

1. **Partnership at will:** The partnership formed to carry on business without specifying and period of time is known as partnership at will
2. **Particular partnership:** When a partnership is formed for a fixed period or for a completion of a definite venture.
3. **Joint venture:** it is organized for a specific enture is a specified period. Member of joint venture do not enjoy general agency rights are defined. No member can withdraw from joint venture before the completion of specific venture.
4. **Limited Partnership:** In this liability of partners is limited except that of one or more partners.

Different kinds of partners:

1. **Active Partner:** a partner who is activity engaged in the conduct and management of the business.
2. **Sleeping or dormant partner:** The partner who does not participate in the management of the firm. They contribute capital ad get share in the profit or loss of the firm.
3. **Nominal Partner:** Nominal partner is a partner who lends his name to the firm without having any interest in the management and profit of the business.

4. **Partner in profit only:** Such partner is a partner who shares the profits of the business without making himself responsible for the losses.
5. **Limited partner:** Limited partner is a partner whose liability is limite to the amount he has invested in the firm as capital.
6. **Sub Partner:** When a partner enters into a new agreement to share his profits with an outsides such an outsider is known as partner.
7. **Partner by estoppels of holding out:** It a person represents to the outside world by words spoken or written or by his conduct or by lending his nam, that he is a partner in a certain partnership fir, such person by estoppels or holding out.

Requisites of an ideal partnership:

1. Mutual faith and understanding
2. Common approach
3. Minimum number and mutual confidence
4. Skills and talents of partners
5. Adequate long term capital
6. Long duration
7. Written agreement
8. Registration

REGISTRATION OF PARTNERSHIP

Under the Partnership Act, it is not compulsory for a firm to be registers, but there are certain disabilities to an unregistered from which it desirable, even virtually compulsory, that the firm be registered.

Procedure of Registration :-

The statement should contain information relating to the following particulars:

(i) The name of the firm
(ii) The principle place of business
(iii) Name of other places where the firm varies on business
(iv) The dates on which various partners joined the firm
(v) The names in the full and addresses of the partners and
(vi) The duration of the firm.

DISSOLUTION OF PARTNERSHIP:-

According to section 39 of the Indian Partnership Act. 1932, the dissolution of partnership between all the partners of a firm is called the dissolution the firm. Section 48 of the partnership act, 1932 lays down the following procedure for the settlement of accounts between partners after the dissolution of the firm:

1. Losses including deficiencies of capital should be made good

(a) First of profits
(b) Then out of capital
(c) If need be out o personal contributed of partner in their profit sharing rations.

2. The assets of the firm including any sum contributed by partners to make up deficiencies of capital will be applied for setting the debts of the firm, in the following order, subject to any agreement to the contrary.

a) First, in paying of the debts of the firm due to third parties.
b) Then in paying to each partner ratably any advance or loans given by him in addition to or apart from his capital contribution.
c) If any surplus is available after discharging the above liabilities, the capital contributed by the partner may be returned, if possible, in full or otherwise ratably.
d) The surplus, if any, shall be divided among the partner in their profit sharing rations.

MODES OF DISSOLUTION :-

(A) DISSOLUTION WITHOUT INTERVENTION OF COURT

1. Dissolution by agreement.
2. Dissolution by notice.
3. Dissolution or the happening of certain contingencies.
   i. By the expiry of the term of duration of the firm.
   ii. By the completion of the adventure or task of which the firm was contributed.
   iii. By the death of a partner.
   iv. By the adjudication of a partner as insolvent.

1. Compulsory dissolution:
   a) When all the partner except one become insolvent.
   b) When all the partners become insolvent.
   c) When the business becomes illegal.
   d) When the number of partners exceeds twenty in case of ordinary business and ten in case of banking business.

(B) DISSOLUTION BY COURT:- At the suit of a partner, the court may dissolve a firm on any of the following grounds :

1. When a partners becomes of unsound mind.
2. When a partner suffers from permanent incapacity and become permanently incapable of performing his duties as a partner.
3. When a partner is guilty of misconduct affecting the business of the rm.
4. When a partner commits willful or persistent breaches of agreement.
5. When a partner has transferred the whole of the interest in the firm to third party.
6. When the business of the firm cannot be carried on except at a loss.
7. When the court is satisfied as to grounds which render it just and equitable to dissolve the firm.

Minor As Partner :-

According to section 30 of the Partnership Act, " A person who is a minor according to law, may not be a partner in the firm, but with the consent of all the partners for the time being, he may be admitted to the benefits of partnership.' Thus a minor cannot be full-fledged partner , he can be admitted in an existing partnership to his benefits.

Following are the rights and liabilities of a minor admitted to the benefits of partnership.

(A) Before attaining majority rights:

1) He is entitiled to such share of the property and of the profit of the firm as may be agreed upon.
2) He is entitled to have access to and insoect and copy any of the accounts of the firm.
3) He may sue the partners for accounts or payment of his share.
4) If a minor partner is expressly authorized to act on behalf pof the firm. He can bind the firm by his act.

Liabilities :- 1) A minor is not personally liable for the debts of the firm nor his private property is liable to attachment by creditors. However his interest in partnership may be taken over by creditors in settlement of a debt.

2) A minor cannot be declared insolvent :- but if the firm is declared insolvent. His share will rest in the official receiver.

(B)On attaining majority :-On attaining majority, he has to decide within six months whether he wants to be a regular partner or not. The choice of either way has to be intimated through a public notice within this period. Failure to give such notice would imply that he shall become a partner in the firm on the expiry of the said six months.

1) When he becomes a partner

2) When he decided not to become a partner

UNIT-2

Company Organization

Meaning of joint stock company: a joint stock company as an artificial person created by law, having separate legal entity from its owner with perpetual succession and a common seal..

Features of a Company :-

- **Artificial Person**
- **Separate legal Entity**
- **Perpetual Existence**
- **Limited liability of shareholders**
- **Common Seal**
- **Transferability of Shares**
- **Management**
- **Membership**
- **Formation**

1.. **Artificial Person :** A Joint Stock Company is an artificial person as it does not possess any physical attributes of a natural person and it is created by law. Thus it has a legal entity separate from its members.

2. **Separate legal Entity :** Being an artificial person a company has its own legal entity separate from its members. It can own assets or property, enter into contracts, sue or can be sued by anyone in the court of law. Its shareholders can not be held liable for any conduct of the company.

3. **Perpetual Existence :** A company once formed continues to exist as long as it is fulfilling all the conditions prescribed by the law. Its existence is not affected by the death, insolvency or retirement of its members.

4. **Limited liability of shareholders :** Shareholders of a joint stock company are only liable to the extent of shares they hold in a company not more than that. Their liability is limited by guarantee or shares held by them.

5. **Common Seal :** Being an artificial person a joint stock company cannot sign any documents thus this common seal is the company's representative while dealing with the outsiders. Any document having common seal and the signature of the officer is binding on the company.

6. **Transferability of Shares :** Members of a joint stock company are free to transfer their shares to anyone.

7. **Capital :** A joint stock company can raise large amount of capital by issuing its shares.

8. **Management :** A joint stock company has a democratic management which is managed by the elected representatives of shareholders, known as directors of the company.

9. **Membership :** To form a private limited company minimum number of members prescribed in the companies Act is 2 and the maximum number is 50. But in the case of public limited company the minimum limit is 7 and no limit on maximum number of members.

10. **Formation :** Generally a company is formed with the initiative of group of members who are also known as promoters but it comes into existence after completing all the formalities prescribed in Companies Act 2013.

Advantages:

Following are the advantages of Joint Stock Company:

1. Limited Liability : Liability of members of Joint Stock Company is limited to the extent of shares held by them. Hence shareholders assets will not be on stake. This feature attracts large number of investors to invest in the company.

2. Perpetual Existence : A company is an artificial legal person created by law which has its own independent legal status. Its existence is not affected by the death or insolvency of its members.

3. Large Scale Operation : The capacity of the corporate organizations to raise the funds is comparatively high which provide capital for large scale operations. Hence opens the scope for expansion.

4. Transferability of Shares : In a joint stock company it is easy to transfer shares to anyone. But the same is not permitted to private limited company.

5. Raising of Funds : It is easy to raise a large amount of funds as the number of persons contributing to the capital are more.

6. Social Benefit : It offers employment to a large number of people. It facilitates promotion of various ancillary industries. It also donates money for education, community service.

7. Research and Development : It invests a lot of money on research and development for improved production process, improving quality of product, designing and innovating new products etc.

Disadvantages:

Disadvantages of Joint Stock Company:

1. Formation is not easy : To act as a legal entity a company has to fulfill various legal and procedural formalities making it a complicated process.

2. Double Taxation : This is the biggest disadvantage which the company faces. Firstly, company needs to pay tax for the earned profits and again the shareholders are taxed for the earned income.

3. Control by Board of Directors : After electing directors of the company which manage the business for the company the shareholders become ignorant of their responsibilities. This may be due to lack of interest and lack of proper and timely information.

4. Excessive Government Control : A company has to comply with provisions of several acts, non-compliance of which can cause a company heavy penalty. This affects the smooth functioning of a company.

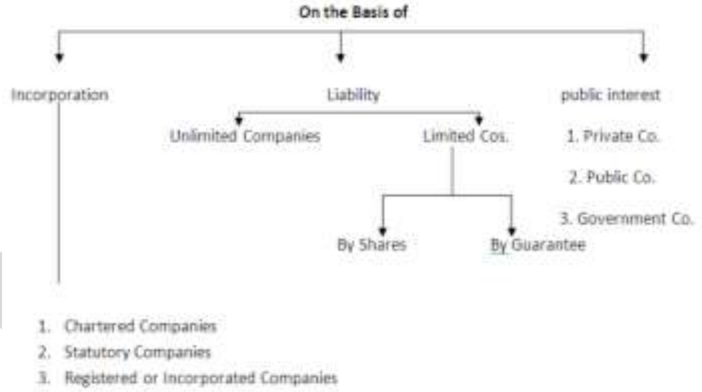
5. Delay in Policy Decisions : All the legal and procedural formalities which are required to fulfill before making policies of the company delay the policy decisions.

6. Speculation and Manipulation: As the shares of a joint stock company are easily transferable thus the shares are purchased and sold in the stock exchanges on the value or price of a share based on the expected dividend and the reputation of the company.

KINDS OF COMPANIES

There are three main bases of company classification and they are as know:

CLASSIFICATION OF COMPANIES



On the basis of incorporation:-

(1)Chartered Companies

These companies are formed under a special charter by the monarch or by a special order of a king or a queen. Few examples of royal chartered companies are BBC, East India Company, Bank Of England, etc.

(2)Statutory Companies

These companies are incorporated by a special act passed by the central or state legislature. These companies are intended to carry out some business of national importance. For example, The Reserve Bank of India was formed under RBI act 1934.

(3) Registered or Incorporated Companies

These companies are formed/incorporated under the companies act passed by the government. These companies come into existence only after these are registered under the act and the certificate of incorporation is passed by the Registrar of companies.

On the basis of liability :-

(1)Companies Limited By Shares

These companies have a defined share capital and the liability of each member is limited by the memorandum to the extent of the face value of shares subscribed by him.

(2)Companies Limited By Guarantee

These companies may or may not have a share capital and the liability of each member is limited by the memorandum to the extent of the sum of money (s)he had promised to pay in the event of liquidation of the company for payments of debts and liabilities of the company.

(3) Unlimited Companies

There is no formal restriction to the amount of money that the shareholder/member of the company has to pay in the event of the liquidation of an unlimited company.

On the basis of public interest :-

(1)Private Limited Company: A private company is one which, by its Articles:

- Limits the number of its members to fifty, excluding past and present employees:
- Restricts the right of the members to transfer the shares; and
- Prohibits the invitation to public to subscribe to the company's shares and debentures

(2)Public Limited Company: A public company does not limit the number of members to fifty, it does not restrict the right of members to transfer their shares and finally it does not prohibit invitation to public to subscribe to its shares and debentures.

(3)Government Companies: A government company is one in which at least 51% of the paid up capital is held by the Central Government or by any State Government or partly by the Central Government and partly by one or more State Government

Table Distinctions between a Private Company and a Public Company.

Basis of	Private Company	Public Company

Difference		
1. Members	The minimum number of is two maximum is fifty.	The minimum number of is seven and there is no maximum limit.
2. Directors	Minimum members of directors needed is two.	Minimum number of directors needed is three.
3. Prospectus	Filling of prospectus or a statement 'in lieu of prospectus with the Registrar of Companies is not necessary before company can allot shares.	Filling of Prospectus of a statement 'in lieu of prospectus' with the Registrar or Companies is necessary.
4. Documents	Two members need to sign the memorandum and articles of association.	Seven members need to sign the documents.
5. Allotment of shares	If may commence allotment of shares before minimum subscription has before minimum subscription has been applied for.	It cannot commence allotment of shares unless minimum subscription has been applied for.
6. Commencement of Business	It can commence business soon after incorporation.	It cannot commence business without obtaining a certificate to that effect.
7. Transfer of Shares	Transfer of shares is restricted by the articles.	Shares are freely transferable.
8. Filing of Balance Sheet	It need not file its balance sheet with the Registrar.	It must file its balance sheet with the Registrar.
9. Statutory Meeting	It need not hold the statutory meeting not it is necessary for it to forward the statutory report to the Registrar.	It must hold a statutory meeting and forward the same the Registrar.
10. Directors	No provision of the Companies Act regarding appointment of directors, their consent to act or to pay for qualification shares apply to them.	These provisions apply to at least three directors of a public company.

<u>Promotion of a Company</u>

The procedure for the formation of a company may be divided into four principal stages-

(a) **Promotion:** Promotion means discovery of business opportunities and the subsequent organization of funds, property, management ability into a business enterprise for the purpose of making profit there from.

(b) **Incorporation Stage:** After preliminary steps, the following documents are required to submit for the purpose of registration-

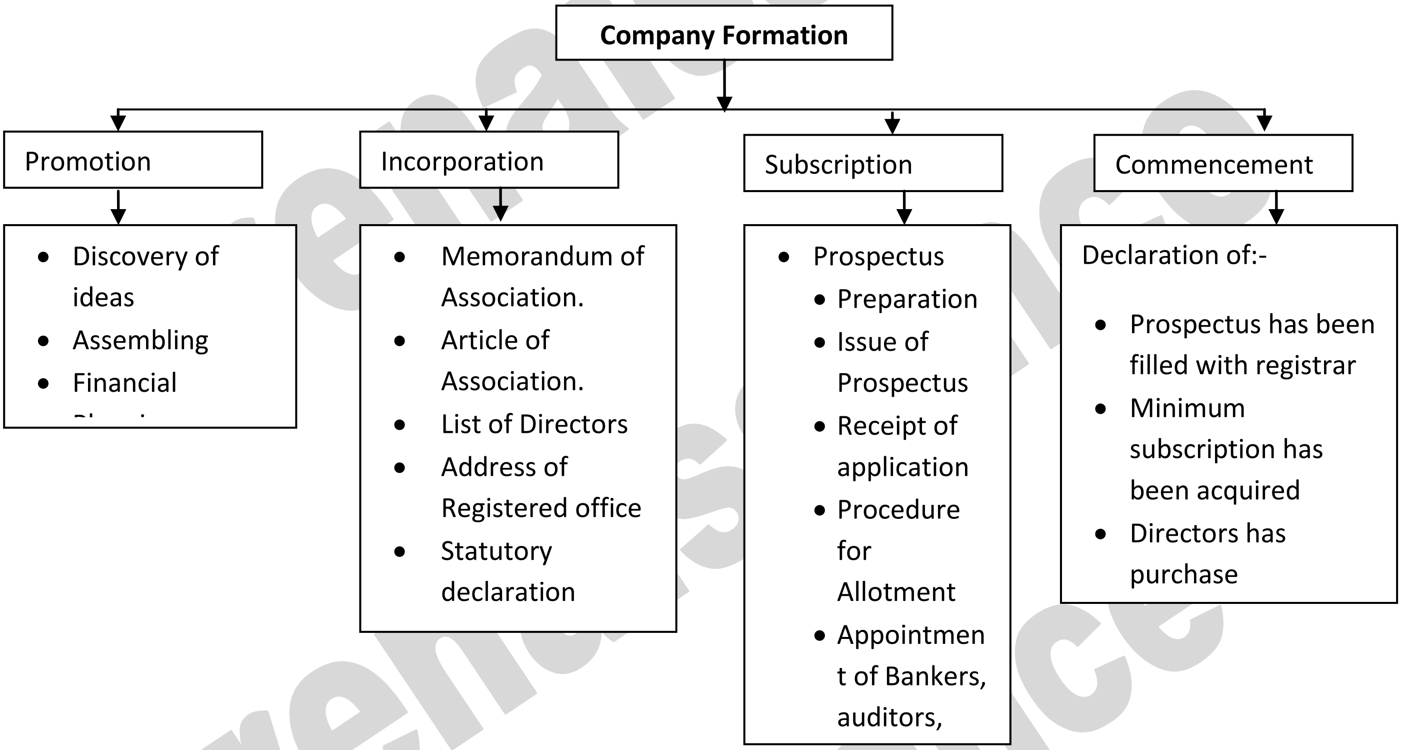
1. Memorandum of Association
2. Article of Association
3. Notice of address of Registered Office
4. Contracts with managing agents, secretary & reassures etc.

5. Consent of the directors.
6. List of directors with their name, address, occupation and age.
7. Statutory declaration

(c) **Capital subscription stage-** A public company having a share capital has to pass through the capital subscription stage before it can commence the business.

(d) **Commencement of Business-** To obtain this certificate a company will have to file following documents with the Registrar-

1. Prospectus or statement in lieu of prospectus
2. Declaration of fulfillment of minimum subscription
3. Declaration of fulfillment of directors of contract to purchase qualification shares.
4. Statutory declaration.



Memorandum of Association:-

According to section 2 (28) of the Companies Act "memorandum means the memorandum of Association of a company as originally framed or as altered from time to time in purchase of any previous companies law or of this act.

Features

1. Fundamental document
2. Essential for every company
3. Originally framed
4. Limitations for power

5. Unalterable

Contents Memorandum of Association:-

1. Name clause
2. Registered office on place clause
3. Object clause
4. Liability clause
5. Capital clause
6. Association of subscriber clause

Article of Association

Article is the association is the document of a company which contains rules, regulation or laws of company .

Content of Articles

1. Share capital and rights attached to different clauses of shares.
2. Adoption of Preliminary contract
3. Calls & lien on shares
4. Redemption, Transfer, forfeiture of share
5. Alteration capital
6. General meetings
7. Appointment & removal of directors
8. Dividend relevance.
9. Accounting related

Prospectus:-

A prospectus s any document which is described or issued as a prospectus by a company for any or the following purpose.

1. For inviting deposits from the public
2. For inviting offers fro public for purchasing of share and debenture.

Contents of Prospectus:-

1. Objective of company
2. Information related to share capital
3. Information related to Directors
4. Information related to auditing
5. Remuneration relate to promoters
6. Preliminary expenses
7. Reserve & surplus
8. Auditing

Statement in lieu of Prospectus:-

1. Condition of filing
2. Contents

3. Delivery to registrar
4. Signature
5. Penalty
6. Liability for untrue statement
7. Void able allotment

CO-OPERATIVE FORM OF ORGANIZATION

Co-Operative form of business ;- **Meaning:-** Co-operation is a form of organization, where in persons voluntary associate together as human being on the basis of equality for the promotion of economic interest of them self.

Definition :-

According to Indian Cooperative Societies Act, 1912. " A Co-Operative society is a society which has its objects the promotion of the economic interests of its members in accordance with co-operative principles."

According to Calvert " Cooperation is a form of organization , wherein persons voluntarily associate together as human beings on a basis of equality, for the promotion of economic interests of themselves."

Features of Co- Operative Organization :-

1) Open membership
2) Equal voting right
3) Democratic management
4) Service motto
5) No-dividend hunting element and fair return on capital
6) Facility of admission
7) Cash Sale
8) Government control and corporate status

Advantages of Co-Operatives form of organization :-

1) Limited liability

2) Reduction in the cost of marketing
3) Development of human values
4) Free and voluntary service
5) Inseparable tie
6) Availability of Government assistance

Disadvantages of Co-Operatives form of organization :-

1) Limited Scope
2) Lacks of business leadership
3) Lack of initiative and incentive
4) Other weaknesses
5) Limited Success
6) Excessive state participation

Types of co-operative Societies :-
(1) Cooperative credit societies
(2) Consumers Cooperative societies
(3) Industrial or Producers Cooperatives
(4)Marketing Cooperatives
(5)Cooperative Farming Societies
(6) Cooperative Housing Societies
(7) Multi-Purpose Cooperative Societies

1. **Consumers' Co-operative:** A consumer co-operative store ensures supply of consumer services of standard quality to its members, at fair prices. It purchases gods on wholesale basis and sells to its members on retail basis at reasonable prices.
2. **Producers' or Industrial co-operative societies:** Generally, small-scale and cottage industries are set up under the system of co-operative organization. Industrial co-operative is undertake the functions of purchasing and supplying raw materials. Tools and equipment to its members, marketing their finished goods, securing contracts from government, public bodies and other and setting hem executed with the help of members.
3. **Co-operative marketing societies:** Marketing co-operative are established by producers for selling their products at remunerative prices. Modern marketing is a complicated procedure. It involves various marketing functions like standardization, grading, warehousing, branding, packing and packaging, advertising and promotion.

4. **Co-operative housing societies**: Low and middle income group, especially in metropolitan cities, may find it difficult to construct their own houses. Housing co-operative help people to construct their own houses.
5. **Co-operative credit societies:** such societies are formed by socially and economically backward sections of society such as industrial workers, agriculturists, artisans, salary earners, etc. in order to meet their financial demands.
6. **Co-operative farming societies:** Co-operative farming societies are formed by the farmers, who pool their land jointly conduct their agricultural operations.

Important of Co-operative Organization

1. Easy to form
2. Open membership
3. Democratic management
4. Limited Liability
5. Stability and continuity
6. Economic operation
7. Cheaper and better commodities
8. Privileges
9. State patronage
10. Non Economic benefits

Formation of Co-operative: A co-operative society must be formed under the Co-operative Societies Act, 1912 or under the relevant state co-operative society's law. A co-operative society can be formed by alteast 10 adult members. The members willing to form a society must have common bond among them. They may be the residents of same locality, employees of some organisation, belonging to some group having affinity etc. The basic idea is that all the persons intending to form a society should have some common objectives to achieve.

The application for forming a society must have the following information:

(a) Name and address of the society.

(b) Aims and objectives of the society.

(c) Names and addresses of members of the society.

(d) Share capital and its division.

(e) Mode of admitting new members.

(f) A copy of the bye laws of the society.

The required documents are filed with the Registrar of Societies. The Registrar scrutinizes the documents, if these are as per requirements then the society's name is entered in the register. A certificate of registration is also issued to the society. The society will become a corporate body from the date mentioned in the certificate.

Public Enterprises

Meaning

A public enterprise may be defined as an enterprise which may be (i) owned by the state, (ii) managed by the state or (iii) owned and managed by the state.

Characteristics of Public Enterprise

1. State Ownership: Wholly owned by the Central Govt. or a state Govt. or local authority or two or more of them.
2. State Control: The state retains the ultimate management and control of public enterprises so far as the appointment of personnel are concerned.
3. Service Motive: Generally run with a service motive.
4. Governing Financing: The financial needs are met by the Govt. through appropriation from the budget.
5. Public Accountability: Public enterprises are accountable for their performance to the public at large.

Need of Public enterprises:

1. Need for planned economy.
2. Balanced regional development
3. Generation of employment opportunities
4. Need for sound industrial base.
5. Equitable distribution of national income.
6. Generation of surplus for economic growth.
7. Provision of infrastructural facilities.

Advantages:

1. Growth o key and heavy industries (e.g. Steel Industry)
2. Avoidance of uncertainty
3. Greater, better and cheaper products
4. Helps in preservation of national wealth
5. Encourages the industrial growth of under developed countries.
6. No exploitation of labour, capital or management.
7. Planned progress.
8. Prevents the concentration of wealth
9. Helps in the social and economic welfare by keeping the public utility concerns out of the clutches of the private sector.

Disadvantage

1. Cheaper, better and cheaper production is a myth
2. Top heavy administration expenses.
3. Nepotism and favoritism (reference to relative of legislators and officials in appointment)
4. Delay in decision.

Objective of Public Enterprise

1. To promote rapid economic development.
2. To provide basic infrastructure facilities
3. To reduce disparities in income.
4. To have balanced regional development and dispersal of economic activity.
5. To avoid concentration of economic power in a few hands.
6. To have social control and regulation of long term finance.
7. To create employment opportunities on an increasing scale.
8. To increase exports and earn foreign exchange.
9. To have control over sensitive areas.

Importance

1. Creation of the social basic facilities for balanced economic growth.
2. Speed up the pace of industrialization.
3. Remove regional economic imbalances by the industrialization of backward areas.
4. Have equitable and just distribution of wealth.
5. Increase job opportunities.
6. Nationalize sick mills
7. Solve the problem of unemployment
8. Encourage private sector to supplement the economic growth of the country.

Forms of Organisation and Management of Public Enterprises

In our country public enterprises are primarily organized in three forms:-
I. Departmental Undertaking
II. Public (or Statutory) Corporation
III. Government Company

I. Departmental Undertaking:- Under this form of organisation a public enterprise runs as a department of the government. This is the oldest form of organizing public enterprises. The traditional public enterprises like railways, posts and telegraphs, broadcasting, and telephones are even today operated in the form of departmental organizational.

The examples of departmental undertaking are Chittaranjan Locomotive Works, Gun Carriage Factory, Integral Coach Factory, Delhi Milk Scheme, Overseas Communication Service, and Tarapur Atomic Energy Plant.

Features

1. The department is subject to direct ministerial control.
2. It is entirely financed by the treasury.
3. It is subject t budget, accounting and audit control.
4. Department is attached to a particular ministry.
5. The employees are all state employees.
6. Its income is paid into the treasury.

Merits

1. Effective control is there.
2. Employees would be more loyal and responsible to the government.
3. The risk of misuse of public money is relatively less.
4. Govt. revenue is likely to increase
5. It can maintain absolute secrecy.

Demerits:

1. Suppers from the evils of bureaucracy, red tapism, absence of initiative etc.
2. Due to absence of competition and profit motive, losses are not taken seriously.
3. Frequent changes of policy affect adversely the smooth working of enterprise.
4. Risk taking, initiative and bold approach is missing in such organization.
5. No incentive to maximize its earnings due to no powers to utilize its revenues.

II. Public (or Statutory) Corporation:- A public corporation may be defined as a body corporate created by the legislature under a special act which sets out its powers, duties, and privileges. The idea behind establishing the public corporation device is to secure "a combination of public ownership, public accountability and business management for public ends."

Features

1. It is an autonomous body created by a special act of the parliament.
2. Directors are nominated by the Govt.
3. It enjoys administrative autonomy and financial autonomy also.
4. Public accountability is important feature of its form.
5. The capital is mostly provided by the central or the state Government.

Merits

1. Public corporation Enjoy administrative and financial autonomy.
2. There is adequate flexibility AND INITIATIVE.
3. It can employ trained and expert managers.
4. Accountability of parliament that the corporation is not managed against the public interests.
5. The interests of the consumers are protected due to the service motive.

Demerits

1. Autonomy is mere myth, in practice, the minister, government officers very often interfere.
2. Due to big in size they create problems of management.
3. Amendment can be done only by parliament, it gives rigidity.
4. Public accountability is a great problem associated with public corporation.

III. Government Company :- A "Government company" is defined under Section 2(45) of the Companies Act, 2013 as "any company in which not less than 51% of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company".

A subsidiary of a government company is also a government company. Most of the government companies in India are fully owned by the state.

Some examples of Government Companies

Features

1. A Govt. company is incorporated under the Companies Act 2013.
2. Except nominal share capital, entire share capital is owned by the Govt. of India.
3. Govt. company is subject to ministerial control.
4. Govt. has the authority to appoint majority of the directors.
5. The comptroller and auditor General of India advises the appointment of the companies auditor.
6. Annual reports are to be laid before both the houses of parliament.

Merits:

1. There is no complex and politically difficult apparatus of special Registration.
2. It is a flexible form and run like a private enterprise in regard to finance, operation and taxation.
3. There is no under departmental interference.
4. Unlike the public corporation, it is created by an executive decision of the government without Parliaments specific approval having been obtained.
5. Its funds are obtained from the government , and in some cases from private shareholders and through revenue from the sale of its goods and services.
6.

Demerits:

1. The democratic character of management becomes a more fiction or myth because Govt. is the major shareholders.
2. Ministerial interference is found to be frequent.
3. Lack of imitativeness.

4. Parliament has no effective control, only annual audit reports are discussed here.
5. The autonomy is vitiated by the executive order of the Govt. issued without reference to the parliament.