

## Lesson-6

# COMPANY FORM OF BUSINESS ORGANISATION

### Introduction

You must have heard the names of State Bank of India (SBI), National Thermal Power Corporation (NTPC), Reliance Industries Limited (RIL) and Tata Steel Limited. Do you know who owns these steel plants? These are all big business units and organized in the form of Joint Stock Companies. Now we shall learn in detail about the Joint Stock Company; its merits and limitations; and also discuss the factors that influence the choice of form of business organization. We will also learn about the factors influencing the choice of an appropriate form of business organization

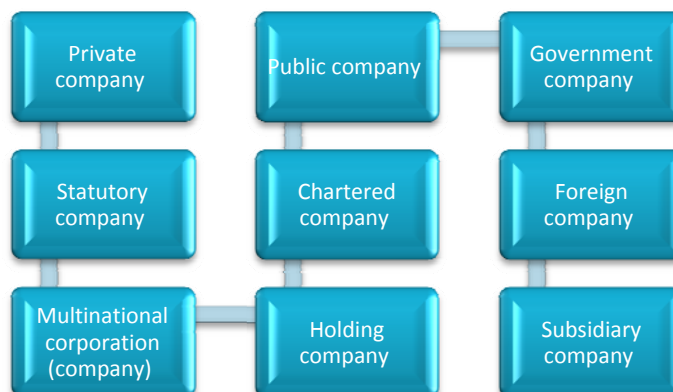
### Important points from the text:

1. A **joint stock company** is an artificial person, having a separate legal entity, with a perpetual succession.
2. The Characteristic of a Joint stock companies are :

**Characteristics Of A Joint Stock Company**

- Artificial legal Person
- Separate Legal Entity
- Perpetual Succession
- Limited Liability
- Common Seal
- Transferability of Shares
- Separation of Ownership and Management

### 3. Types of company



**4. Merits of Joint stock company**

- A joint stock company can arrange large resources.
- Its members enjoy the benefits of limited liability.
- The benefits of large scale business operation can only be derived from this form of organization. Its shares are easily transferable.
- It derives the benefit of professional management in its operation

**5. Demerits of Joint stock company**

- The formation of a joint stock company involves compliance with a number of legal formalities.
- It suffers from the limitations of excessive government control. It is very difficult to maintain secrecy in the business.
- All important decisions require the approval of Board of Directors or General body of the shareholders.
- It takes more time in taking certain decisions. The joint stock companies are practically managed by a specific group of people.

6. **Multinational corporation:** A business unit that is registered as a company in one country but carries on its business in a number of other countries by setting up factories, branches and subsidiary units is called a multinational corporation.

**7. Merits of Multinational corporation:**

- a) Investment of foreign capital
- (b) Generation of employment
- (c) Use of advanced technology
- (d) Growth of ancillary units
- (e) Increase in exports and inflow of foreign exchange
- (f) Healthy competition with domestic companies

**8. Demerits of Multinational corporation:**

- a) Least concern for priorities of host countries
- (b) Adverse effect on domestic enterprises
- (c) Change in culture of the people.

9. A joint venture is an enterprise set up jointly by two or more business concerns. It helps in pooling the funds, technical knowhow and managerial skills

10. A PPP is a partnership between a private sector enterprise and a public sector enterprise. Active government involvement, pooling of funds, expertise and experience, sharing of risk and responsibility etc. are the features of PPP form of enterprise. Faster implementation, high quality services, sharing of risk, accountability of the government are the merits of PPP.

### Learn new points:

- Liability- A liability is something a person or company owes, usually a sum of money. .
- Finance – *It* is a broad term that describes activities associated with banking, leverage or debt, credit, capital markets, funds, and investments
- Liquidity - The transferability of shares acts as an added incentive to investors as the shares of a public company can be traded easily in the stock exchange.

### Maximize your marks

- Read the chapter carefully
- Go through the learning key point
- Get into the little details of the above mentioned important points.