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INTRODUCTION TO BUSINESS & BCK

THIS CHAPTER INCLUDES

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| <ul style="list-style-type: none">• Domains of Business and Commercial Knowledge (BCK)• Importance of BCK for Chartered Accountant• Human Activities-Economic and Non-Economic• Forms of Business Organisation | <ul style="list-style-type: none">• Sole Proprietorship• Hindu Undivided Family (HUF) Business• Partnership• Limited Liability Partnership (LLP)• Company |
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CHAPTER AT A GLANCE

| Topic | Important Highlight |
|---|--|
| Domains of Business and Commercial Knowledge (BCK) | <ol style="list-style-type: none">1. BCK is Vast2. BCK is Eclectic (Multidisciplinary)3. BCK is Ever Evolving and Expanding |
| Importance of BCK for Chartered Accountants | Business and commercial sector comprises a large share of their work arena. In this context BCK is likely to make them more aware and responsive. Each business has its own peculiarities and associated variation in notions of product, inventory, revenue, profit, etc. |

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| | <p>The Chartered Accountants shall be able to conduct the audit diligently only when they understand the nuances of the business whose accounts they prepare or audit.</p> |
| <p>Human Activities- Economic and Non-Economic</p> | <p>All that we do to earn a living comprise economic activities. Rest are referred to as non-economic activities.</p> <p>Usually economic activities are said to be driven by rationality – what do I get in return or what is in it for me - or self-interest. Non-economic activities are driven by emotional or sentimental reasons or altruism i.e. selfless concern for the welfare of others. Thus, human engagements in all social, religious, cultural, personal, recreational, charity and patriotic activities are bundled together as non-economic activities.</p> |
| <p>Distinguishing Characteristics of Economic Activities</p> | <ul style="list-style-type: none"> • Economic activities are income generating • Economic activities are productive • Even consumption is an economic activity • Savings, Investment and Wealth are economic activities |
| <p>Business as an Economic Activity</p> | <p>Business may be defined as an economic activity comprising the entire spectrum of activities pertaining to production, distribution and trading (exchange) of goods and services.</p> <p>Business may be defined as one's usual occupation of creating, owning and actively operating an economic organisation i.e., a firm.</p> |

**Distinguishing
Characteristics of
Business
vis-à-vis Other
Economic
Occupations**

- **Employment:** Employment is a contract of service between the employee and the employer. The contract elaborates job description and the periodic compensation known as wages & salaries. One has to undergo a detailed process of Recruitment & Selection for one's engagement in employment. Usually minimum qualifications- educational/ technical/ professional and prior work experience are prescribed.
- **Profession:** Profession is rendering of services of a specialised nature, necessitating prescribed qualifications, for a fee under a Certificate of Practice from an established certification / accreditation / examination & assessment body that also imposes a code of conduct. Professions can be pursued as independent practice or under a contract of employment too. Accountancy, Architecture, Designing, Engineering, Law, Medicine and increasingly even Management are assuming the attributes of a profession.
- **Job creator, not job seeker:** Business as an institution is a source of sustenance directly to the business owners and employees and indirectly to all those who derive opportunities from it. This is a unique characteristic of business that separates it from other occupations.
- **Provides momentum to economic growth:** Business output comprehensively contributes toward GDP and economic growth. Business, through research & development, education, and training & development of employees and by sheer guts and courage of experimenting and innovation brings about development.

- **Investment intensive:** Starting a business requires a sizeable investment of funds in accommodation, plant & machinery, inventories, etc. In accounting, investment requirements are estimated as the sum of fixed assets and net current assets. Indeed, investments are necessary for technological up gradation, modernisation and expansion. However, size of investment usually varies with the scale of business.
- **Gestation and uncertainties:** Investment takes time to fructify. And it is uncertain whether it will yield the returns as expected. Risk can be calculated in advance, uncertainty cannot.
- **Systematic, organised, efficiency oriented activity:** Business is not a random, stray, unorganised and occasional activity. It is a consciously created system of production. Thus, firm infrastructure needs to be in place, supply chain of materials needs to be developed, these materials need to be processed or transformed, products need to be marketed and sold, payments need to be collected, etc.
- **Objective oriented/ purposeful:** Profit is said to be the defining motive behind business. In economics, objective of the firm is set as maximisation of profits. Profits characterize income from business just as wages & salaries characterize labour; rent characterizes land; and interest characterizes capital. Idealistically, business must lead the world toward more egalitarian, participative and collective prosperity that is sustainable for generations.

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| Objectives of Business | <ol style="list-style-type: none">1. Interdependence.2. Multiple stakeholders.3. Amount of profit.4. Primacy of Customer.5. Performance is the precursor to profits. |
| Forms of Business Organisation | <p>It is important to take note of the following points about business ownership.</p> <ol style="list-style-type: none">1. Business ownership is a bundle of rights2. Business may be owned singly or jointly3. Business may be organised as a proprietary or a corporate concern |
| Sole Proprietorship | <p>When an individual makes a choice to start a business of one's own, to be one's own boss sole-proprietorship emerges. As such it can be regarded as the easiest and the earliest form of business as a human occupation. This form of business organisation is much appreciated in entrepreneurship literature. The sole entrepreneur is regarded as an economic hero, an autonomous individual who organises production, uses creativity and ingenuity in innovation, bears risks and uncertainty.</p> <p>On the flip side, products from such enterprises are often derogatorily called "local" (to distinguish from branded). In common perception, working conditions in these enterprises are poor. These enterprises are believed to follow hire and fire policy, lack employee welfare measures and lack systems to effectively deal with social and environmental concerns. Fate of the enterprise is linked with the personal well being of the owner.</p> |

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| Hindu Undivided Family (HUF) Business | HUF is an entity formed automatically by members of the common ancestry including their wives and daughters. A HUF cannot be formed by a group of people who do not constitute a family. As such, a joint Hindu family in India is, in fact and by default, a HUF. A HUF enjoys a separate entity status under the Income Tax Act. Though the word Hindu is conspicuous, the definition of HUF includes Buddhist, Jain, Parsi and Sikh families as well. |
| Partnership | Partnership implies contractual co-ownership of business. It is a relationship between two or more persons who agree to share the profits of a business. The business may be carried on by all or by some of the partners (called active partners) for and on behalf of all. The contract- an agreement enforceable at law - called 'deed' is the essence of a partnership. It may be verbal or written. |
| Limited Liability Partnership (LLP) | LLP form of business organisation is the one where the liability of the partners is limited. It has to be mandatorily incorporated /registered under the Limited Liability Partnership Act, 2009. Upon incorporation, LLP becomes a separate legal entity and has an identity (name and identification number) as well as life of its own much the same way as perpetual succession of a company. The features of mandatory incorporation and separate legal entity of the LLP makes it a hybrid form of business organisation i.e., containing the features of both the corporate form as well as proprietary form of business organisation. |

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| Company | <p>Company indeed is a body corporate, having an existence independent of all its members. It exists in the contemplation of law, has a distinct name, address (Registered Office) & identification number. The word company literally implies an association of two or more persons. However, as a legal artefact, there can be even a One Person Company (OPC). In addition, the Companies Act 2013 also provides for the incorporation of a small company in acknowledgment of the role of small-scale enterprises in India. Interestingly, the Act also provides for the incorporation of a dormant company that may be created for a future project or to hold an asset or intellectual property and has no significant accounting transaction.</p> <p>In order to make the system of diffused ownership of the joint stock companies and their management work, an elaborate system of corporate functioning and the regulation of capital market has to be in place. The Companies Act, 2013 focuses on the former; and the Securities & Exchange Board of India Act, 1992 focuses on the latter. A company has to file a Memorandum of Association (MoA) and Article of Association (AoA) along with application for incorporation. The MoA, among other things, spells out the objectives of the company and its business. The AoA focuses on its internal regulation. The company solicits capital contribution by issue of a prospectus.</p> |
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Questions of December 2012

1. _____ is a feature of partnership form of business.
 - (a) Separate legal entity from the firm
 - (b) Limited scope for raising finance
 - (c) The liability of a partner is limited to his contribution to capital
 - (d) Registration of partnership is compulsory
2. _____ form of business is/are appropriate for retail business.
 - (a) Sole proprietorship
 - (b) Partnership
 - (c) Company
 - (d) Both (a) and (b)
3. Which one of the following does not have perpetual succession?
 - (a) Company
 - (b) Statutory Corporation
 - (c) Sole Proprietorship
 - (d) Co-operative Society
4. In a Hindu Undivided Family, liability of _____ is unlimited.
 - (a) Karta
 - (b) Co-parceners
 - (c) Both a and b
 - (d) Neither a and b
5. In relation to business organisation structure, which one of the following is easy to form and wind up?
 - (a) A company
 - (b) A sole proprietorship
 - (c) Statutory corporation
 - (d) Public enterprises.
6. Which is not a feature of LLP?
 - (a) Separate legal entity
 - (b) All LLP have existence for fixed period.
 - (c) Partners in an LLP are required to turn into an agreement
 - (d) In an LLP, partners are not liable for the act of other partners.
7. Voting right that vests with each member of co-operative society is:
 - (a) One member one vote
 - (b) Right to vote in proportion of capital contributed
 - (c) Right to vote as mentioned in memorandum
 - (d) None of the above.
8. Gas Authority of India Limited is an example of:
 - (a) Limited liability partnership
 - (b) Private limited company
 - (c) Public enterprise
 - (d) None of the above.

Solutions of December 2012

1. (b) Following are the essential features of a partnership form of business:
 - (i) Can be started by minimum 2 persons.
 - (ii) Can have maximum 10/20 persons.
 - (iii) Scope for raising finance is limited.
 - (iv) Formed for earning profit
 - (v) Liability of all partners is unlimited.
 - (vi) Registration is voluntary.
 - (vii) There exist a principal-agent relationship.Thus, among the given options "**limited scope for raising finance**" is a feature of partnership form of business.
2. (d) Business providing direct services like retail business should be set up as sole proprietor; businesses requiring pooling of skills and funds should be set up as partnership, while manufacturing concerns of large size should be set up as companies.
Thus, both **sole proprietorship** and **partnership** form of business are appropriate for retail business.
3. (c) Perpetual succession means that the death / insolvency of any member of a concern does not affects its continuity.
Thus, its legal entity is separate from its members.
All except **sole proprietorship** are formed like a corporate form of organisation and thus, have perpetual succession.
4. (a) In HUF, liability of all the co-partners is limited except Karta, thus, enabling more efficient management.
Thus, the liability of **Karta** is unlimited.
5. (b) One of the advantages of sole proprietorship form of business is that no legal formalities are required for its formation. It can be started with a small amount of capital. Similarly, its winding up also is completely dependant upon sole proprietor.
Thus, **sole proprietorship** form of business have easy formation and winding up.

6. (b) Following are the features of a limited liability partnership:
- (i) Body corporate.
 - (ii) Separate Legal Entity.
 - (iii) Perpetual Succession.
 - (iv) Easy formation.
 - (v) Flexible operations.
 - (vi) No minimum capital contribution.
 - (vii) Easy dissolution.
 - (viii) Low cost of formation.
 - (ix) No partner liable for other partner's act.
 - (x) No restriction on maximum number of partners.
 - (xi) Mutual rights and duties of partners are governed by an LLP agreement.

Thus, among the given options, option B i.e. "All LLP have existence for fixed period" is not a feature of LLP.

7. (a) Co-operative societies have a democratic management i.e. every member have equal voting rights or **one member** have **one vote**, thus having equal voice in the management.
8. (c) Public enterprises refers to business organisation owned, managed and controlled by local, central or State Government. Whole or most of the investment is made by government itself.

Example: Gas Authority of India Limited, Hindustan Machine Tools, etc.

Questions of June 2013

1. Which one of the following is the oldest and simplest form of organisation?
- (a) Functional organisation
 - (b) Committee organisation
 - (c) Line and staff organisation
 - (d) Line organisation.
2. Which one of the following is treated as a separate legal entity different from its members?
- (a) Sole proprietorship
 - (b) Hindu undivided family
 - (c) Partnership
 - (d) Limited liability partnership.

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3. Why co-operative marketing society is formed?
- (a) To protect the interest of general consumers
 - (b) To sell the product of small farmers and producers
 - (c) To protect the interest of small producers
 - (d) To provide financial support to the members.

Solutions of June 2013

1. (d) The line type of structure is the oldest pattern of organisation. The oldest and simplest form of organisation is **line organisation**. Line functions are those which have direct responsibility for accomplishing the objectives of the enterprise.
2. (d) Limited Liability Partnership has a separate legal entity, liable to the full extent of its assets. The liability of the partner would be limited to their agreed contribution in the LLP. Thus, **Limited Liability Partnership** is treated as separate legal entity, different from its members. In all other cases the entity and its members are same persons.
3. (b) Co-operative marketing societies are formed by small producers and manufactures who find it difficult to sell their products individually. The society collects the products from the individual members and takes the responsibility of selling those products in market. Thus, co-operative marketing societies are formed to **sell products of small farmers and producers**.

Questions of December 2013

1. The choice of an appropriate form of business organisation largely depends upon:
- I. Ease of formation
 - II. Continuity and stability
 - III. Liability aspects

Correct option is —

- (a) I and II (b) II and III
(c) I and III (d) I, II and III.
2. The minimum number of members required to get a co-operative society registered is —
(a) 15 (b) 20
(c) 10 (d) 5.
3. Which of the following entity is created under an Act of the Parliament or an Act of the State legislature?
(a) Statutory corporation (b) Government companies
(c) Co-operative society (d) Limited Liability Partnership.
4. Which form of business organisation has a separate legal entity ?
(a) Hindu Undivided Family (HUF)
(b) Co-operative society
(c) Partnership firm
(d) Sole proprietorship.

Solutions of December 2013

1. (d) Before selecting any form of business organisation, one must consider the following factors:
- (i) Easy formation
 - (ii) Liability of owner
 - (iii) Continuity and stability
 - (iv) Capital Adequacy
 - (v) Flexibility of operations
 - (vi) Relationship between ownership, control & management. Thus I, II and III i.e. Ease of formation, continuity and stability and liability aspects, all are considered while making choice of an appropriate form of business organisation.

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2. (c) Co-operative society is a voluntary association of persons who join together to safeguard their own interest. It is a business activity without having any profit. Any **10** members can form co-operative society.
3. (a) **Statutory corporation** refers to an autonomous corporate body created under an Act of Parliament or as Act of state legislature. It is set up by statute.
4. (b) Co-operative society possess the following characteristics–
 - (i) Voluntary Association
 - (ii) Separate legal entity
 - (iii) Democratic management
 - (iv) Service motive
 - (v) Utilisation of surplus
 - (vi) Cash Trading
 - (vii) Fixed Rate of Return
 - (viii) Government control
 - (ix) Share Capital.

Thus, **co-operative society** has a separate legal entity.

Questions of June 2014

1. What is the liability of each partner under LLP?
 - (a) Limited
 - (b) Unlimited
 - (c) Partially Limited
 - (d) None of the above
2. Which of the following is not a form of organisation?
 - (a) Partnership
 - (b) Company
 - (c) Partners
 - (d) Sole Proprietorship
3. Who can be the head of Joint Hindu Family business?
 - (a) Karta
 - (b) Co-parcener
 - (c) Manager
 - (d) Director
4. Members of HUF are known as
 - (a) Partners
 - (b) Shareholders
 - (c) Members
 - (d) Co-parceners

5. Which amongst the following is a feature of LLP?
(a) Separate legal entity (b) Unlimited liability
(c) No perpetual succession (d) Not a body corporate
6. Head of HUF is known as –
(a) Karta (b) Co-parceners
(c) Manager (d) Head
7. In case of HUF what are liabilities of Co-parcener and Karta –
(a) Both have unlimited liability.
(b) Co-parcener's liability is limited while Karta's liability is unlimited.
(c) Karta's liability is limited while Co-parcener's liability is unlimited.
(d) Both have limited liability.

Solutions of June 2014

1. (a) Under Limited Liability Partnership, as the name represents all the partners have a form of **limited** liability for each individual's protection within the partnership.
2. (c) Partnership, Company, Sole proprietorship are forms of organisation while **partners** are the members of a partnership firm and not a form of business organisation.
3. (a) According to the Hindu Law of Society, only Karta i.e. the eldest male member of the Hindu family can be the head of Joint Hindu Family Business. Hence **option (a)** is correct.
4. (d) HUF is a most peculiar form of business organisation in which the family possesses some inherited property. Its **members** are known as **Co-parceners**.
5. (a) Following are the features of a LLP :
 - (i) Body corporate
 - (ii) Separate legal entity
 - (iii) Perpetual succession
 - (iv) Easy formation
 - (v) Flexible operations
 - (vi) No minimum capital contributions
 - (vii) Easy dissolution

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- (viii) Low cost of formation
- (ix) No partner liable for other partner's act
- (x) No restriction on maximum number of partners.
- (xi) Mutual rights and duties of partners are governed by an LLP agreement.

Thus, among the given options, **option (a) i.e. Separate legal entity** is a feature of LLP.

6. (a) HUF is the most peculiar form of business organisation in which the family possesses some inherited property and the head of the family, known as **Karta**, who manages its affairs.
7. (b) In HUF, liability of all the co-parceners is limited except Karta, thus enabling more efficient management.

Thus, **liability of Karta is unlimited and co-parceners is unlimited.**

Questions of December 2014

1. To form a partnership, the minimum capital contribution should be:
- (a) ₹ 1 Lakh
 - (b) There is no minimum limit
 - (c) ₹ 1 Crore
 - (d) ₹ 5 Lakh.
2. The Karta in Joint Hindu Family business has:
- (a) Unlimited liability
 - (b) Joint liability
 - (c) Limited liability
 - (d) No liability for debts.
3. The objects and powers of a statutory corporation:
- (a) May not change
 - (b) May not be changed easily
 - (c) May change easily
 - (d) None applicable.

Solutions of December 2014

1. (b) In a partnership, there are no complicated legal formalities involved in the establishment of partnership business. The partners entered into a partnership agreement can start their business, there is **no such any minimum capital contribution limit**. However, in case of sole proprietorship, the capital is limited to the savings of one owner or his borrowing capacity. Hence, **option B** is correct.

2. (a) The liability of the co-parceners is limited, except for that of the Karta. This makes the Karta to manage the business in the most efficient manner. Thus, the Karta in Joint Hindu Family business has **unlimited liability**.
3. (b) The objects and powers of a statutory corporation **may not change easily**. For this, special law passed by Parliament has to be amended for changing the objects or powers.

Questions of June 2015

1. Which corporation has both characteristics i.e. of a partnership and of a separate legal entity?
 - (a) Limited Liability Partnership (LLP)
 - (b) Company
 - (c) Partnership
 - (d) Statutory Body.
2. Kendriya Bhandar is a:
 - (a) Co-operative Credit Society
 - (b) Consumers Co-operative Society
 - (c) Producers Co-operative Society
 - (d) Co-operative Marketing Society.

Solutions of June 2015

1. (a) A Limited Liability Partnership, popularly known as LLP combines the advantages of both the company i.e. separate legal entity and partnership into a single form of organization.
2. (d) Kendriya Bhandar, Apna Bazar and Sahakari Bhandar are examples of consumer's Co-operative society.

Questions of December 2015

1. What is Karta's liability in HUF?
 - (a) Limited
 - (b) Unlimited
 - (c) Limited by guarantee
 - (d) None of these

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2. Which of these is not a statutory corporation?
(a) RBI (b) SBI
(c) LIC (d) Bank of Baroda
3. Liability of other Co-parceners are:
(a) Limited upto the extent of share except Karta
(b) Unlimited upto the extent of share except Karta
(c) Unlimited
(d) Limited

Solutions of December 2015

1. (b) The liability of the co-parceners is limited, except for that of the Karta. This make the Karta to manage the business in the most efficient manner. Thus, the Karta in Joint Hindu family business has **unlimited** liability.
2. (d) Statutory body is a body that is created under an Act of Parliament or an Act of state legislatures. Examples:- RBI, SBI, LIC. **Bank of Baroda is** a private institution. Hence, option(d) is correct.
3. (a) The liability of each member of the hindu undivided family business is limited to the extent of his share in the business while karta has unlimited liability.

Questions of June 2016

1. Business undertaking are generally exposed to:
(a) Risk and uncertainty both (b) Uncertainty only
(c) Risk only (d) Neither risk nor uncertainty.
2. A Public Corporation has:
(a) Public ownership
(b) Public accountability
(c) Business management for public
(d) All are applicable.

3. The liability of each member of the Hindu Undivided Family business is:
- (a) Limited to a sum as declared by him in general public
 - (b) Unlimited
 - (c) Limited to the extent of his share in the business except karta
 - (d) Limited to the extent of his share in the business including that of karta.

Solutions of June 2016

1. (a) Business undertakings are always exposed to **risk and uncertainty**. Business is influenced by future conditions which are unpredictable and uncertain. This makes business decisions risky, thereby increasing the chances of loss arising out of business.
2. (d) A public corporation is formed by the government to meet some governmental and political purpose. The very common examples are for the cities and town benefits.
3. (c) The liability of each member of the Hindu Undivided Family business is **limited to the extent of his share in the business except karta**. This makes the Karta to manage the business in the most efficient manner.

Questions of December 2016

1. The affairs of a company is overseen by:
- (a) Shareholders
 - (b) Employees
 - (c) Board of Directors
 - (d) Dividend Holders.
2. In case of Hindu Undivided Family, the individual share of each co-parcener:
- (a) depends upon his efficiency
 - (b) keeps changing on the death or birth of co-parcener
 - (c) is fixed
 - (d) keeps changing annually

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3. The size and structure of business depend on many factors which (are):
 - (a) In the control of enterprises
 - (b) Arbitrary and random
 - (c) Range from internal to external factors which are beyond the control of enterprises
 - (d) Beyond the control of enterprises.
4. Limited Liability Partnership is constituted under_____.
 - (a) The Companies Act, 2013
 - (b) Limited Liability Partnership Act, 2008
 - (c) Partnership Act, 1932
 - (d) None is applicable.

Solutions of December 2016

1. (c) A company is a voluntary association of people carrying on business. It is a Artificial Legal person whose management is separated from ownership. Ownership lies with shareholders who contribute share capital and management lies with the **Board of Directors** who oversee the affairs of company.
2. (c) In a Hindu Undivided Family Business, the share of each Coparcener **is fixed** but is liable to change due to death or birth of any member in the family.
3. (a) The Size and Structure of Business depend upon factor such as:
 - (a) District Ownership
 - (b) Lawful Business
 - (c) Separate Status
 - (d) Deals in Goods and Services
 - (e) Risk involvementThey are all **in the control of enterprise.**
4. (b) Limited Liability Partnership, the world wide recognized form of business organisation has been introduced in India by the way of **Limited Liability Partnership Act, 2008.**

Questions of June 2017

1. In case of Cooperative Societies minimum number of members are:
 - (a) 7
 - (b) 2
 - (c) 5
 - (d) 10
2. Sole proprietary business is suitable when market is:
 - (a) Non Existent
 - (b) National
 - (c) Local
 - (d) Global
3. Limited liability partnership is constituted under_____.
 - (a) Companies Act, 2013
 - (b) Limited Liability Partnership Act, 2008
 - (c) Partnership Act, 1932
 - (d) None is applicable

Solutions of June 2017

1. (d) In case of Co-operative society the minimum number of members required are **10** under the Co-operative Society Act, 1912 but the Act does not specify the maximum number of members for any co-operative society.
2. (c) The sole proprietorship business is most suitable where the market for the product is small and local, where the capital requirement is small and the risk involvement is not too heavy. Thus, Option C is correct.
3. (b) Limited Liability Partnership Act, 2008 came into effect by way of notification dated 31st March, 2009. Thus it is governed by **Limited Liability Partnership Act, 2008.**

Multiple Choice Questions

1. Following is not a characteristic of business organisation:
(a) Discontinuity of operations (b) Distinct ownership
(c) Lawful business (d) Risk involvement.
Answer:
2. _____ is a form of business that is owned, managed and controlled by an individual.
(a) Partnership (b) Company
(c) HUF (d) Sole Proprietorship.
Answer:
3. Individual owning and running the business is known as:-
(a) Single owner (b) Sole Trader
(c) Single Trader (d) Businessman.
Answer:
4. Which of the following is an advantage of sole proprietorship?
(a) Easy formation (b) Maintenance of business secrecy
(c) Both (a) and (b) (d) None of the above.
Answer:
5. Which of the following has most stable existence?
(a) Sole proprietorship (b) Partnership
(c) Company (d) HUF.
Answer:
6. Which form of organisation is only found in India?
(a) HUF (b) Co-Operative Society
(c) Joint Stock Company (d) Governmental Undertaking.
Answer:
7. The business affairs are managed by the head of the family, known as—
(a) Co-parcener (b) Owner
(c) Shareholder (d) Karta.
Answer:

8. Karta's liability is—
(a) Limited (b) Unlimited
(c) Limited by guarantee (d) None of the above.
Answer:
9. Mutual agency is an important feature of—
(a) HUF (b) Joint Stock Company
(c) Partnership (d) Co-operative Society.
Answer:
10. Company is managed by shareholders.
(a) True (b) False
(c) Can't say (d) None of the above.
Answer:
11. In which of the following, the ownership of venture is reflected by ownership of shares or stock?
(a) HUF (b) Partnership
(c) Corporations (d) Trusts.
Answer:
12. For having direct control over the business activities, which form is preferred—
(a) Partnership (b) Sole proprietorship
(c) HUF (d) Company.
Answer:
13. Which is not a characteristic of sole proprietorship?
(a) No sharing of profit and loss (b) One-man's capital
(c) Less legal formalities (d) Association of persons.
Answer:
14. What are the characteristics of HUF?
(a) Governed by Hindu Law
(b) Continuity
(c) Fluctuating share of each member
(d) All of these.
Answer:

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15. Cooperative society is that society which has been registered under the Cooperative Society Act _____?

- (a) 1920 (b) 1932
(c) 1912 (d) 1872.

Answer:

16. LLP, this forms of organisation has been introduced in India by way of?

- (a) LLP Act, 2009 (b) LLP Act, 2008
(c) LLP Act, 1932 (d) None of these.

Answer:

17. Which is the last step to end LLP?

- (a) Receive certificate
(b) Signature
(c) File electronically
(d) Track status.

Answer:

18. Direct motivation, maintenance of business secrets, close personal relations etc are the advantages of

- (a) Partnership
(b) Limited liability partnership
(c) HUF
(d) Sole Proprietorship

Answer:

19. The profit share of coparceners in a HUF

- (a) Depends on the Capital Contributed
(b) Depends on the decision of Karta
(c) Is equal
(d) None of the above

Answer:

20. In case of death of a partner

- (a) The partnership dissolves (b) The partnership firm dissolves
(c) Both (a) and (b) (d) Neither (a) nor (b)

Answer:

21. Greater Permanency, limited liability, ease of transfer of ownership are the advantages of

- (a) HUF
- (b) LLP
- (c) Sole Proprietorship
- (d) Company

Answer:

22. AMUL milk products is an example of

- (a) Co-operative Farming Society
- (b) Consumer Co-operative Society
- (c) Co-operative Credit Society
- (d) Co-operative Market Society

Answer:

23. The societies formed to provide financial support to the members are called

- (a) Co-operative Credit Society
- (b) Housing Co-operative Society
- (c) Co-operative Finance Society
- (d) None of the above

Answer:

24. Voluntary association, utilization of surplus, cash trading etc. are the characteristics of

- (a) Co-operative society
- (b) Company
- (c) Statutory body
- (d) All of the above

Answer:

25. Which of the following statement is true in respect of the voting rights of a member in a Co-operative Society?

- (a) Each member has one vote
- (b) Voting rights are proportionate to the capital contributed
- (c) Voting rights is not exercised by the members
- (d) None of the above

Answer:

