

## BUSINESS STUDIES · CHAPTER 2

# Forms of Business Organisation

A 1-page guide for parents · 90-second read.

### EXPECTED MARKS

**8-10 out of the chapter's slice. Below 5 means the comparison across forms (especially liability) is not yet clear.**

### TIME TO MASTER

**8-10 hrs**

### HELPLINE

**70330 05444**

### WHAT THIS CHAPTER IS, IN PLAIN ENGLISH

This chapter teaches your child the different LEGAL ways a business can be owned and run. The five main forms are: SOLE PROPRIETORSHIP (one person owns everything — like a corner shop), JOINT HINDU FAMILY business (run by the eldest family member, called the Karta), PARTNERSHIP (two or more people agree to run a business and share profits), COOPERATIVE SOCIETY (a group joins voluntarily to help one another, like a milk cooperative), and JOINT STOCK COMPANY (a large business owned by shareholders, like the big companies on the stock market). The key idea running through the chapter is LIABILITY — in a shop or partnership the owner's personal property is at risk if the business fails (unlimited liability), but in a company the owners can lose only the money they put in (limited liability). The chapter ends by explaining how to CHOOSE the right form for a given business.

### 5 QUESTIONS TO ASK YOUR CHILD

- What is the difference between limited and unlimited liability? Which forms have which?
- Who is a Karta, and how is a Joint Hindu Family business different from a partnership?
- What is a partnership deed, and is registering a partnership compulsory?
- How is a private company different from a public company (members, share transfer)?
- What factors should a person consider when choosing a form of business organisation?

### WEAK-SPOT INDICATORS

- Cannot say which forms have limited vs unlimited liability.
- Thinks a partnership must be registered to be legal (it is optional).
- Confuses a sleeping partner (shares profit) with a nominal partner (only lends a name).
- Mixes up the member numbers for private (2-200) and public (7-no max) companies.
- Believes a company is always the 'best' form regardless of the situation.

### WHEN TO WORRY — AND WHAT TO DO

This is one of the longest, most detail-heavy chapters of the year, with many numbers and lists. Students who struggle usually memorise the forms separately without comparing them. The fix is to build ONE comparison table (forms across the top; liability, control, continuity, capital,

members down the side) and revise from it. If your child cannot fill that table, the chapter is not yet secure.

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