



SNS COLLEGE OF TECHNOLOGY

(An Autonomous Institution)



COIMBATORE-35

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DEPARTMENT OF ELECTRICAL AND ELECTRONICS ENGINEERING

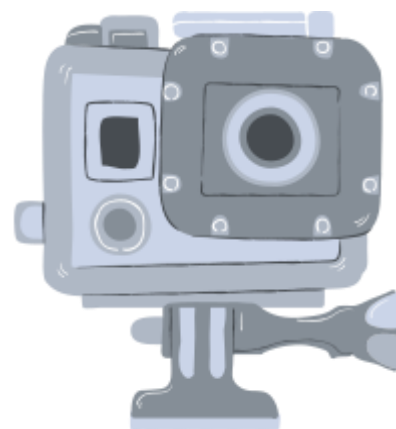
**COURSE NAME: 19MEE301/ ENGINEERING ECONOMICS AND COST
ANALYSIS**

III YEAR / V SEMESTER

Unit III – ORGANISATION

Topic 1: FORMS OF BUSINESS

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Contents:

- What is Business Organisation?
- Forms of Business

WHAT IS A BUSINESS ORGANISATION?



The term "business organization" refers to how a business is structured.

It refers to a commercial or industrial enterprise and the people who constitute it.



TYPES OF BUSINESS ORGANISATIONS



- **Sole Proprietorship**
- **Joint Hindu Family Business**
- **Partnership Firm**
- **Joint Stock Company**
 - 1.) **Private Limited**
 - 2.) **Public Limited**
- **Co-operative Society**



Choosing a Form of Business Organisation

The choice of the form of business is governed by several interrelated and interdependent factors :-

- The nature of business is the most important factor
- Scale of operations i.e. volume of business (large, medium, small) and size of the market area (local, national, international)





- **The degree of control desired by the owner(s)**
- **Amount of capital required for the establishment and operation of a business**
- **The volume of risks and liabilities as well as the willingness of the owners to bear it**
- **Comparative tax liability**





SOLE PROPRIETERSHIP

When the ownership and management of a business are in control of one individual the form of business is called sole proprietorship.





CHARACTERISTICS



- **The business enterprise is owned by one single individual (i.e. both profit and risk belong to him)**
- **Owner is the Manager**
- **Owner is the only source of Capital**
- **The proprietor and business enterprise are same in the eyes of the law.**





ADVANTAGES OF SOLE PROPREITORSHIP



- **Easy formation**
- **Better Control (Prompt decision making and Flexibility in Operations)**
- **Subject to fewer regulations**
- **Not subject to corporate income tax**
- **Ownership of all profits**



DISADVANTAGES OF SOLE PROPRIETORSHIP

- **Owner has unlimited liability**
- **Difficult to raise capital**
- **Business has a limited life**
- **Difficult to do business beyond a certain size**





PARTNERSHIP FIRM

A Partnership consists of two or more individuals in business together





CHARACTERISTICS OF PARTNERSHIP

- **Minimum 2 number of partners and maximum 20 partners**
- **The relation between the partners is created in the form of a contract. Written contract is called “Partnership Deed”**
- **The firm means partners, the partners mean the firm**
- **The profit is divided in any as ratio as agreed**
- **No partner can sell/transfer his interest in the firm to anyone without the consent of other partners**



ADVANTAGES OF PARTNERSHIP

- **Easy Formation**
- **Larger Resources**
- **Sharing Of Risk**
- **Better Management and Flexibility of Operation**
- **No corporate income tax**
- **Subject to fewer regulations as compared to companies**





DISADVANTAGES OF PARTNERSHIPS

- **Unlimited Liability**
- **Limited Life**
- **Difficult to raise capital**
- **Chances of Dispute**





JOINT STOCK COMPANY

A joint stock company is a voluntary association of people who contribute money to carry on business





CHARACTERISTICS OF A CORPORATION

- It is considered as a separate legal entity
- It comes into formation after all formalities under the Indian Companies Act 1956 are completed
- Management and ownership is completely separate
- Capital is raised through shares which are transferable



Board
of Directors



ADVANTAGES OF A CORPORATION

- **Limited liability of the shareholders/promoter**
- **Can easily raise capital**
- **Have unlimited life**
- **Ease of transfer of ownership**





DISADVANTAGES OF A CORPORATION

- **Formation is not easy**
- **Excessive Government Regulation**
- **Subject to Corporate Tax and Dividend Tax (Double Taxation)**
- **Delay in Policy Decisions**
- **Control by a Group**





TWO TYPES OF CORPORATIONS

1. PRIVATE COMPANY

- Closely held by a few people
- Minimum 2 and maximum 50 shareholders
- Stocks cannot be traded on exchanges and private equity cannot be raised
- Less regulations as compared to Public Companies



2. PUBLIC COMPANY

- Stocks are held by a large number of people
- Minimum 7 shareholders and no limit for maximum
- Can be listed on stock exchange and can go public
- Have to follow many laws with regards to the board composition and AGM.





CO-OPERATIVE SOCIETY



It is a voluntary association of people or business to achieve a an economic goal with a social perspective





CHARACTERISTICS OF CO-OPERATIVE

- **Voluntary association**
- **Minimum membership requirement is 10 and there is no maximum limit**
- **Registration of Co-operative is must under the “Co-operative Societies Act” is a must. After the registration it enjoys certain privileges of a Joint Stock Company**



ADVANTAGES OF CO-OPERATIVE

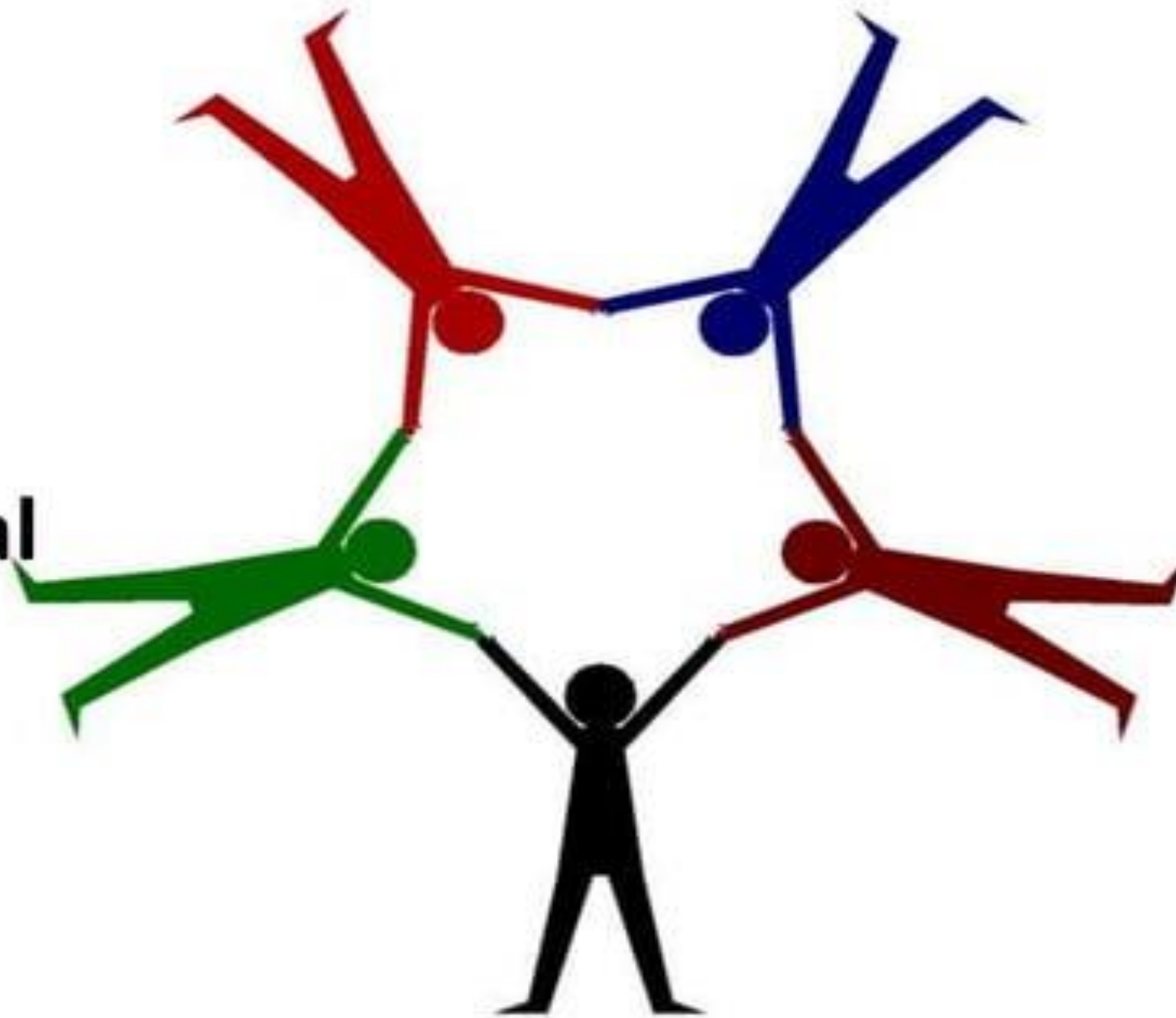
- **Easy Formation**
- **Limited Liability**
- **Stability**
- **Democratic Management**
- **State Assistance**





DISADVANTAGES OF A CO-OPERATIVE

- **Possibility of conflict**
- **Long decision making process**
- **Not enough capital**





STATE ENTERPRISE

- A state enterprise is a large, complex economic organization owned and operated by a government rather than by a private individual or organization.
- A government-owned corporation or state-owned enterprise (SOE) may resemble a not-for-profit corporation as it may not be required to generate a profit.
- These are established to support the general budget .



*Thank
You!*

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