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Machavaram, Vijayawada, Krishna District, AP-520 004

B.COM- SEMESTER- I



BUSINESS ORGANISATION AND MANAGEMENT

Department of Commerce

BUSINESS ORGANISATION AND MANAGEMENT

UNIT: I: Introduction Concepts of Business, Trade, Industry and Commerce:

SHORT ANSWERS:

1. Meaning and Definition of Business.
2. Functions of Business.
3. Explain Aids to Trade.
4. Explain Industry.
5. Define Commerce. Discuss the various components of Commerce.

ESSAYS:

1. Define Business. Explain the features of Business.
2. Explain different kinds of Trade.
3. Define Industry. Explain about the different types of Industries.
4. Discuss the factors that influence the choice of suitable form of business organization.

UNIT: II: Forms of Business Organizations:

SHORT ANSWERS:

1. Features of Sole Proprietorship.
2. Merits of Partnership Business.
3. Meaning and Features of Public Sector Enterprises (PSEs)
4. Define Multinational Corporations (MNCs). Explain its features.
5. Write short note on Public Limited Company.

ESSAYS:

1. What is Sole Proprietorship? State its merits and demerits.
2. Write the main features of Partnership Business.
3. Define a Joint Stock Company. State the features of a company.
4. Define Joint Stock Company. What are its merits and demerits?
5. Differences between Private Limited Company and Public Limited Company.

UNIT: III: Company Incorporation:

SHORT ANSWERS:

1. Certificate of Incorporation.
2. Certificate of Commencement of Business.
3. Memorandum of Association.
4. Articles of Association.
5. Prospectus.

ESSAYS:

1. What is Memorandum of Association? Explain the clauses in it.
2. Define Articles of Association? What are its contents?
3. State the contents of Prospectus.
4. Distinguish between Memorandum of Association and Articles of Association.

BUSINESS ORGANISATION AND MANAGEMENT

UNIT: IV: Management:

SHORT ANSWERS:

1. Define Management.
2. Scalar Chain.
3. Esprit de corps.
4. Top Level Management.

ESSAYS:

1. Define Management. Describe its main characteristics.
2. Explain Fayol's 14 Principles of Management.
3. What is Management? Is there a difference between management and administration?
4. Discuss the various levels of Management.

UNIT: V: Functions of Management:

SHORT ANSWERS:

1. Write short notes on Staffing.
2. Meaning and Definition of Planning.
3. Merits of Planning.
4. Span of Control.
5. Line and Staff Conflict.

ESSAYS:

1. Explain the different functions of Management.
2. What is Planning? Explain its Characteristics.
3. Explain the Principles of Organization.
4. Write the merits and demerits of Line and Staff Organization.

UNIT: I: Introduction Concepts of Business, Trade, Industry and Commerce

Business - Meaning, Definition, Features and Functions of Business - Trade Classification – Aids to Trade – Industry Classification and Commerce - Factors Influencing the Choice of Suitable form of Organisation

SHORT ANSWERS:

Q.1. Meaning and Definition of Business.

MEANING OF BUSINESS:

Business means an institution organized and operated in order to provide goods and services to the society under the incentive of profit gains.

DEFINITIONS OF BUSINESS:

1. “Business may be defined as human activities directed towards providing or acquiring wealth through buying and selling goods”. - **L.H. Elaney**
2. “Business may be defined as an activity in which different persons exchange something of value whether goods or services, for mutual gain or profit.” - **Peterson and Plowman**
3. “An institution organised and operated to provide goods and services to the society under the incentive of private gain”. - **Wheeler**

Q.2. Functions of Business.

Business means an institution organized and operated in order to provide goods and services to the society under the incentive of profit gains.

L.H. Elaney, “Business may be defined as human activities directed towards providing or acquiring wealth through buying and selling goods”.

BUSINESS FUCTIONS: A business has to perform a number of functions in order to achieve its objectives.

1. **Production function:** Production function involves transformation of raw materials into goods and services and making them useful for users.
2. **Purchase function:** The purchase department is entrusted with such activities as inviting tenders, locating the sources of supply, placing orders for the right quantity at the right time etc.,
3. **Marketing Function:** Marketing refers to the distribution of goods and services produced by the production department with the help of market intermediaries and distribution network.
4. **Finance Function:** Finance function refers to the procurement of finance and its judicious application for maximisation of returns.
5. **Personnel Function:** Personnel function refers to the recruitment of right person for the right job at the right time.
6. **Public Relations Function:** The public relations department is concerned with creating a favourable impression of the business organisation.
7. **Legal Function:** The legal department ensures that the business unit comply with various rules and regulations framed by the local, State and Central governments from time-to-time
8. **Research and Development (R&D) Function:** It is necessary for automation, modernisation and replacement of old and outdated methods and machines.
9. **Advertising and Sales Promotion Function:** It is necessary for a marketer to create a distinct image of a product in the minds of customers to attract consumers and strengthen its customer base.

Q.3. Explain Aids to Trade.

MEANING OF AIDS-TO-TRADE

Aids-to-trade remove these obstacles and ensure a smooth flow of goods and services for the benefit of both producers and consumers.

DEFINITION OF AIDS-TO-TRADE

“Aids-to-trade are those activities or agencies which help in the smooth conduct of trade, by removing or solving the different problems or difficulties or obstacles or hurdles or hindrances in trade”.

CLASSIFICATION OF AIDS-TO-TRADE:

(a) Transport:

With the help of transport facilities, we can create 'place utility' in goods.

(b) Distribution:

The chain of wholesalers, retailers, brokers, agents etc. operate between the producers and the consumers and remove the hindrance of persons.

(c) Banking:

The commercial banks help trade in the shape of overdraft, loans, or cash-credit. So, bank helps in overcoming financial problems.

(d) Warehousing:

There is a need to store goods up to a time these are required for consumption. The hindrance of time is overcome with the help of warehouses.

(e) Advertisement and Salesmanship:

The advertisement and salesmanship help in informing the consumers about the availability and usefulness of various products in the market.

(f) Insurance:

The fear of loss of goods due to any cause, acts as an obstacle in the development of trade. The insurance companies provide a coverage for all types of loss of goods.

(g) Communication:

The services of post offices, telephones, telegraph, telex, etc. are utilised for communicating purposes.

Q.4. Explain Industry.

MEANING OF INDUSTRY

Industry is that part of business, which creates form utility, i.e., converts raw materials into finished goods so as to increase their utility.

DEFINITION OF INDUSTRY

“An industry is composed of a group of firms which compete with each other in serving approximately the same set of buyers, offering products that are reasonably close substitute of one another.”- **B.O. Wheeler**

Industry manufactures three types of goods:

- a. Producer's or Capital Goods
- b. Consumers' Goods and
- c. Intermediate Goods.

CLASSIFICATION OF INDUSTRY: Industries may be divided into three categories:

1. Primary Industries:

Primary industries relate to all those activities which are connected with the extraction, production, processing of natural resources and reproduction of living species. These industries may be classified as Genetic Industry and Extractive Industry.

2. Secondary Industries:

Secondary industries are related to the processing of materials which have already been produced by primary industries. Secondary industry may further be divided into: Manufacturing and Construction Industries.

3. Tertiary or Service Industry

Service industry supplements the activities of primary and secondary industries. Service industry is the backbone of all business activities. These activities include Transport, Banking, Insurance, Warehousing, Advertising.

Q.5. Define Commerce. Discuss the various components of Commerce.

Meaning of Commerce:

Commerce is a comprehensive term for all forms of trade and also all forms of services which assist smooth conduct of trade.

Definition of Commerce:

“Commerce is an organised system for the exchange of goods between the members of the industrial world”. - **James Stephenson**

Classification of Commerce: Commerce includes

1. Trade:

Trade is that branch of commerce which is concerned with the exchange of goods and services. It may be a barter exchange, i.e., exchange of goods for goods or monetary trade, where money is used as a medium of exchange.

2. Aids-to-trade:

Aids-to-trade are those service-oriented industries which remove the difficulties or hindrances in the smooth flow of goods from the producers to the consumers. For example, banking, insurance, transportation, warehousing, etc.

ESSAYS:

Q.1. Define Business. Explain the features of Business.

MEANING OF BUSINESS:

Business means an institution organized and operated in order to provide goods and services to the society under the incentive of profit gains.

DEFINITIONS OF BUSINESS:

4. "Business may be defined as human activities directed towards providing or acquiring wealth through buying and selling goods". - **L.H. Elaney**
5. "Business may be defined as an activity in which different persons exchange something of value whether goods or services, for mutual gain or profit." - **Peterson and Plowman**
6. "An institution organised and operated to provide goods and services to the society under the incentive of private gain". - **Wheeler**

FEATURES OF BUSINESS:

1. **Economic Activity:** Business is an economic activity which is undertaken with the object of earning money or livelihood and not because of love, affection, sympathy, or psychological satisfaction.
2. **Production or Procurement of Goods and Services:** Business either produces or procures goods and services for offering them to customers.
3. **Sale or Exchange of Goods and Services:** Business involves sale or exchange of goods and services for a price. Purchase of goods or services for personal consumption is not business.
4. **Dealing on a Regular Basis:** Dealing in goods and services becomes business only if undertaken on a regular basis. An isolated transaction does not become a business.
5. **Profit Earning:** The main purpose of a business activity is to earn profits. The hope of earning profits brings people into business. No business can survive for long without earning profits.
6. **Uncertainty of Return:** It is not possible to predict how much profit a businessman will earn. There is no certainty that there would be profits also. There may be losses despite of the best efforts of the businessman.
7. **Element of risk:** An element of risk is prevalent in business. Risk implies the uncertainty of reward or the possibilities of loss. The factors on which business depends are never certain.
8. **Creation of Utility:** Business creates utility in goods so they these become useful for the users. The utility may be created by converting raw materials into goods so that the consumers are able to use them, this is called form utility. There can be a place, time and ownership utilities also.
9. **Consumer satisfaction:** The globalization of markets has compelled producers to think of consumer satisfaction. The goods and services should be produced as per the likings and preference of consumers. A business can earn profit only when its products are purchased by the consumers.

Q.2. Explain different kinds of Trade.

MEANING OF TRADE

Trade means an exchange of goods and services. There are two persons involved in trade namely, buyer and seller. Trade means buying and selling of goods and services, with the use of money or without the use of money.

DEFINITION OF TRADE

"Trade involves the transfer of the ownership of goods or services from one person or entity to another in exchange for other goods or services or for money."

Thus, trade may be a barter exchange or a monetary exchange.

(a) Barter Exchange: Barter exchange is a system of exchanging goods for goods, for example, wheat against rice.

(b) Monetary Exchange: Monetary exchange is a system of exchanging goods and services for money. Here, money acts as a medium of exchange.

CLASSIFICATION OF TRADE:

Trade may be classified as follows:

(A) INTERNAL TRADE OR HOME TRADE:

The purchase and sale of goods inside the country is called internal trade. Goods can be taken to any place but within the boundaries of the country. Internal trade may be sub divided as such

(i) **Local Trade:**

When the demand for products is limited only to a particular place, it is called local trade. Goods are produced according to the local needs of the customers. The producer and the consumer belong to the same place.

(ii) **Provincial or State Trade:**

These goods are of durable nature and are sent throughout the state or province. The trade is limited to the boundaries of the state. Sometimes, government puts some restrictions on the sale of goods outside the state.

(iii) **Inter-State Trade:**

The trade conducted throughout the country but within the national boundaries is called inter-state trade. The production of these goods is on a large-scale basis and they are sent to all parts of the country.

(B) External Trade or Foreign Trade:

When trade takes place between two countries, it is called foreign trade. External trade generally requires permission from the respective countries. External trade may be further classified as under:

(i) **Export Trade:**

Export means selling goods to the customers located in a foreign territory, outside the national boundaries of a country.

(ii) **Import Trade:**

Import means purchasing goods from a seller located in a foreign territory, outside the national boundaries of a country.

(iii) **Entrepot Trade:**

Trade that involves re-exporting of imported goods is referred to as entrepot or re-export trade

(C) Wholesale and Retail Trade

(i) Wholesale Trade:

In wholesale trade goods are purchased in large quantities and are sold to retailers. A wholesaler is a link between producer and the retailer.

(ii) Retail Trade:

Retail trade involves selling goods to the final consumers. The goods are sold in small quantities to the consumer. A retailer purchases goods from a wholesaler and sells them to the consumers. He provides a link between the wholesaler and the consumer.

Q.3. Define Industry. Explain about the different types of Industries.

MEANING OF INDUSTRY

Industry is that part of business, which creates form utility, i.e., converts raw materials into finished goods so as to increase their utility.

DEFINITION OF INDUSTRY

“An industry is composed of a group of firms which compete with each other in serving approximately the same set of buyers, offering products that are reasonably close substitute of one another.”- B.O. Wheeler

Industry manufactures three types of goods:

- a. Producer's or Capital Goods
- b. Consumers' Goods and
- c. Intermediate Goods.

CLASSIFICATION OF INDUSTRY

Industries may be divided into three categories, namely

- (1) Primary (2) Secondary and (3) Tertiary.

1) Primary Industries:

Primary industries relate to all those activities which are connected with the extraction, production, processing of natural resources and reproduction of living species. These industries may be classified as

- a) Genetic Industry:** Genetic industry is related to the re-producing and multiplying of certain species of animals and plants with the object of earning profits from their sale, Nurseries, cattle-breeding, fish-hatcheries, poultry farms are all covered under genetic industry.
- b) Extractive Industry:** The extractive industry is engaged in raising some form of wealth from the soil, climate, air, water or from beneath the surface of the earth. These industries are classified into two categories.
 - (i)** In the first category, workers merely collect goods already existing. Mining, fishing and hunting are covered in this category.
 - (ii)** In the second category, the goods are to be produced by the application of human skill, i.e., agriculture and forestry.

2) Secondary Industries:

Secondary industries are related to the processing of materials which have already been produced by primary industries. For example, the mining of iron ore is a primary industry, but manufacturing of steel is a secondary industry.

Secondary industry may further be divided into:

a) Manufacturing Industry: This industry is engaged in the conversion of raw materials into semi-finished or finished goods. Manufacturing industry may be sub divided as follows:

- (i) **Analytical Industry.** In this industry, a product is analysed and many products are received as final products, in the processing of crude oil, we will get kerosene, petrol, gas and diesel, etc.
- (ii) **Processing Industry:** In this industry a product passes through various processes to become a final product. The finished product of one process becomes the raw material of the receiving process and so on, the final process produces the finished goods. Sugar industry and paper industry are the examples of processing.
- (iii) **Synthetic Industry:** In this industry, many raw materials are brought together in manufacturing process to make a final product. In manufacturing cement, rocks, gypsum, coal, etc., are required.
- (iv) **Assembly Industry:** This industry assembles different components to make a new product, as in the case of television, cycle, car, computer etc.

b) Construction Industry. This industry is engaged in the creation of infrastructure for smooth development of the economy. These industries are engaged in the construction of buildings, roads, dams, bridges, and canals.

3) Tertiary or Service Industry

Tertiary or service sector deals with all those activities which smoothen the flow of goods and services from the manufacturers/producers to those who use them. Service industry is the backbone of all business activities. These activities include Transport, Banking, Insurance, Warehousing, Advertising.

Q.4. Discuss the factors that influence the choice of suitable form of business organization.

FACTORS INFLUENCING THE CHOICE OF SUITABLE FORM OF ORGANISATION

1. Capital Requirement.

The need for capital will depend upon the nature of business and scale of operators. A sole-trade business will be suitable if capital needs are less. A partnership concern may be able to meet the capital needs of a medium size unit. A joint stock company will be suitable if requirements are large.

2. Liability.

In sole-trade and partnership business, the liability of owners is unlimited. In case of companies the liability of shareholders is limited to the value of shares they have purchased.

3. Managerial Needs.

When the concern is small and it caters to local needs Sole- proprietorship form of organisation will be suitable for such a business. If the business caters to more areas, Partnership form of organisation will be suitable for such enterprises. When a business is run on a large-scale basis, company form of organisation will be most suitable for such concerns.

4. Continuity and Stability:

If the concern is stable and there is no fear of discontinuity, it will attract more investment.

A sole-trade business may be closed after the death of its owner.

A partnership firm too does not have a permanent life. It may be dissolved for a number of reasons.

Only a company form of organisation will be unaffected by the personal life of its shareholders. A company form of organisation will be suitable if stability of operations is essential.

5. Tax Liability.

A joint stock company has more tax liability as compared to a sole-trade business and a partnership firm

6. Government Regulations.

A number of formalities are required to be complied with while incorporating a company.

A sole-trade business is not expected to meet any legal requirements.

Similarly, a partnership concern is also free from government regulations.

7. Nature of Business Activities.

If a concern deals with local market, a seasonal product or perishable goods, then sole-trade business will be suitable.

On the other hand, if the concern caters to large markets and the scale of operations is large, then company form of organisation will be useful.

8. Relationship between Ownership and Management.

When the investors want to retain management in their own hands, then partnership or sole-trade form of organisation will be suitable.

If the investors want to make investment only then company form of organisation will be suitable.

9. Ease in Formation.

A joint stock company requires the services of qualified persons for getting it registered. It involves a lot of money at the time of incorporation too.

On the other hand, a sole-trade business can be started at any time without going through various formalities.

10. Flexibility.

A good form of organisation should also provide for flexibility in its operations. It should be possible to change or adjust its operations with the change in circumstances.

A sole-trading concern is more flexible than a partnership or a company.

Conclusion

- ❖ Selecting a suitable form of business organisation is a very important decision as it is very difficult to change the form of organisation later on.
- ❖ All these factors have to be balanced against each other as no single factor can determine an ideal form of organisation.
- ❖ This decision should not only be based on present considerations but future possibilities should also be taken into account.

Broadly speaking, sole-trader for small business, the partnership firm for medium business and the company form of organisation for big business is the most suitable form of business organisation.

UNIT: II: FORMS OF BUSINESS ORGANIZATIONS

Features, Merits and Demerits of Sole Proprietorship and Partnership Business- Features, Merits and Demerits of Joint Stock Companies – Public Sector Enterprises (PSEs) – Multinational Corporations (MNCs)- Difference between Private Limited & Public Limited Company

SHORT ANSWERS:

Q.1. Features of Sole Proprietorship.

Meaning of Sole Proprietorship:

A sole proprietorship is one of the oldest and simplest of all forms of business enterprises. A business unit which is owned and controlled by a single individual is known as sole proprietorship. The person who manages it, is called a sole proprietor.

Definitions of Sole Proprietorship:

1. **B.O. Wheeler,** "A sole proprietorship is that form of business organization which is owned and controlled by a single individual. He receives all profits and risks all of his property in the success or failure of the enterprise."
2. **James Stephenson,** "A sole proprietor is a person who carries business exclusively by and for him. He is not only the owner of the capital of the undertaking, but is usually the organizer and manager and takes all profits or responsibility for losses."

Characteristics of Sole Proprietorship:

1. Individual Initiative: This business is started by the initiative of a single person. He may employ other persons for assistance but all the profits and losses are taken by the single individual.

2. Unlimited Liability: The liability of proprietor is not limited only to his investments in the business but his private property is also liable for business obligations.

3. Management and Control: The proprietor manages the whole business himself. He prepares various plans and executes them under his own supervision.

4. Motivation: One person is the sole owner of the business. He takes all profits and bears losses, if any. There is a direct relationship between efforts and reward.

5. Secrecy: All important decisions are taken by the owner himself. He keeps all the business secrets only to himself.

6. Owners and Business Exist Together: In sole-trade business the business and owner exist together.

7. Limited Area of Operations: A sole-trade business has generally a limited area of operations, the reason being the limited resources and managerial abilities of the sole-trader.

Q.2. Merits of Partnership Business.

Meaning of Partnership:

Partnership is defined as an association of individuals competent to enter into contracts, who agree to carry on a lawful business in common with a view to earning and sharing profits. The persons who are the owners of a partnership are individually called 'Partners' and collectively called a 'Firm'. The name under which the partnership is formed is called a 'Firm name'.

Definition of Partnership:

The Indian Contract Act, 1872, "Partnership is the relationship which exists between the persons who have agreed to combine their property, labour and skill in some business and share the profits thereof among them".

MERITS OF PARTNERSHIP

- 1. Easy to Form:** This is a suitable type of organisation requiring no legal formalities. A simple agreement among partners is sufficient to start partnership firm.
- 2. Large Resources:** The resources of more than one person are available for the business. The partners can contribute to start a moderately large-scale concern.
- 3. Greater Managerial Talent:** The partners may be assigned duties according to their talent. Different functional departments may be managed and controlled by different partners.
- 4. More Credit-standing:** The liability of partners being unlimited, they will be able to raise more finances.
- 5. Promptness in Decision-Making:** The partners meet frequently and they can take prompt decisions.
- 6. Sharing of Risk:** The risk of business is shared by more persons.
- 7. Relationship between Reward and Work:** The partners try to put more labour to earn more and more profits. There is a direct relationship between reward and work.
- 8. More Possibility of Growth and Expansion:** As compared to a sole-trade business, partnership concern has more possibilities for expansion and growth of business activities.
- 9. Close Supervision:** The partners themselves look after the business; so, they can avoid wastages.
- 10. Flexibility in Operations:** Major changes in the business set-up can be made easily depending upon the business opportunities.
- 11. Secrecy:** The partners can keep the business secrets to themselves.

Q.3. Meaning and Features of Public Sector Enterprises (PSEs)

All the industrial and commercial undertakings owned, managed and controlled by the Government are called Public Sector Enterprises (PSEs).

Definition of Public Sector Enterprises:

"Public Enterprise means state ownership and operation of industrial, agricultural, financial and commercial undertakings"- A.H. HANSEN

Features of Public Sector Enterprises (PSEs):

- i. **Financed by Government:** Public Sector Enterprises (PSEs) are financed by government. They are either owned by the government or majority shares are held by the government.
- ii. **Government Management:** Public Sector Enterprises (PSEs) are managed by the government. Either government has started enterprises under its own departments or, government nominates persons to manage the undertakings.
- iii. **Financial Independence:** Public Sector Enterprises (PSEs) are not dependent on the government for their day-to-day needs. These enterprises arrange and manage their own finances.

- iv. **Public Services:** The primary aim of state enterprises is to provide service to the society. These enterprises are started with a service motive.
- v. **Useful for Various Sectors:** State enterprises do not serve a particular section of the society but they are useful for everybody. They serve all sectors of the economy.
- vi. **Monopoly Enterprises:** In most of the cases the public enterprises are monopoly enterprises. Private sector is not allowed to enter that line.
- vii. **Direct Channels for Using Foreign Money:** Financial and technical assistance received from industrially advanced countries is used in public enterprises.
- viii. **Helpful in implementing Government Plans:** Economic policies and plans of the government are implemented through public enterprises.
- ix. **Autonomous or Semi-Autonomous Bodies:** These enterprises are autonomous or semi-autonomous bodies, working under the control of government departments or established under official statutes and under Companies Act.

Q.4. Define Multinational Corporations (MNCs). Explain its features.

An MNC has its registered office in one country (called home country) and it carries its business operations in a number of foreign countries (called host countries). An MNC may control production and marketing facilities in more than one country.

For example, Coca Cola is a company registered in U.S.A and it has production and marketing facilities in many countries of the world, including India.

Definition:

1. **UNO**, "Enterprises which own or control production or service facilities outside the country in which they are based."
2. **W.H. Moreland**, "Multinational Corporations or companies are those enterprises whose management, ownership and controls are spread in more than one foreign country."

Features of Multinational Corporations:

- (i) **Operations in Several Countries:** These corporations operate in a number of countries. The parent corporation is in home country and production and marketing activities are carried on in a number of host countries.
- (ii) **Giant Size:** Multinational corporations are giant sized business enterprises. They operate at a large scale and supply products in various countries.
- (iii) **Centralised Management:** The management of MNC's is centralised. The plans and policies are framed in the parent country and subsidiaries and branches in host countries only implement them.
- (iv) **Professional Management:** Since multinationals have large financial resources at their command, they appoint professional managers to undertake various activities.
- (v) **Dominative Markets:** MNC's try to dominate markets wherever they operate their activities. They try to take over small or other competing enterprises so as to create monopolistic position in the market.

- (vi) **International Market:** MNC's market their products throughout the world. They may have production facilities at limited places but marketing is done everywhere.
- (vii) **Transfer of Resources:** MNC's transfer resources to those countries where these are needed. The transfer of these resources may be in the form of finance, materials, machinery, technical know-how, human resources etc.
- (viii) **Better Quality of Products:** An MNC has to compete on the world level. It, therefore, has to pay special attention to the quality of its products.

Q.5. Write short note on Public Limited Company.

Public Companies: Section 2 (7) of the Companies Act, 2013 **defines** a public company to mean a company which:

- a. Is not a private company.
- b. Has a minimum paid up capital of Rs.5 lakhs or such higher capital, as may be prescribed.
- c. Is a private company which is a subsidiary of a public company.

Features of a Public Company:

- i. It is formed with a minimum of seven members.
- ii. It invites general public to subscribe to its shares.
- iii. There is no restriction on the maximum number of members.
- iv. It permits the transfer of shares.
- v. It must allot share within 120 days from the issue of prospectus.
- vi. Before starting the business, it requires a certificate of commencement from the Registrar of Companies.

ESSAYS:

Q.1. What is Sole Proprietorship? State its merits and demerits.

Meaning of Sole Proprietorship:

A sole proprietorship is one of the oldest and simplest of all forms of business enterprises. A business unit which is owned and controlled by a single individual is known as sole proprietorship. The person who manages it, is called a sole proprietor.

Definitions of Sole Proprietorship:

1. **B.O. Wheeler,** "A sole proprietorship is that form of business organization which is owned and controlled by a single individual. He receives all profits and risks all of his property in the success or failure of the enterprise."
2. **James Stephenson,** "A sole proprietor is a person who carries business exclusively by and for him. He is not only the owner of the capital of the undertaking, but is usually the organizer and manger and takes all profits or responsibility for losses."

MERITS OF SOLE-PROPRIETORSHIP:

- 1. Easy in Formation:** Anybody wishing to start a sole-trade concern can do so without loss of time. This business is absolutely free from legal formalities
- 2. Better Control:** In this form of organisation one man is responsible for all types of activities. He controls all functions of the business.
- 3. Flexibility in Operations:** No legal formalities are required for making changes in operations.

4. Retention of Business Secrets: Being the sole proprietor, he is not expected to share his trade secret with anybody else.

5. Easy to Raise Finance: An individual entrepreneur is able to create goodwill for his business. The liability in sole-trade organisation being unlimited, the creditors can have a claim over the private property of the owner.

6. Direct Motivation: There is direct relationship in efforts and reward.

7. Promptness in Decision Making: All important decisions are taken by one person. He can take prompt decisions. He will not let an opportunity slip away.

8. Direct Accessibility to Consumers: The owner can have direct contact with customers. He can know the tastes and preferences of consumers.

9. Inexpensive Management: The sole-trader is the owner, manager and controller of the business. He personally supervises various activities and can avoid wastage in the business.

10. No Legal Restrictions: There are no legal requirements for starting a business. There is no special act governing the work of a sole proprietor.

DEMERITS OF SOLE-PROPRIETORSHIP:

1. Limited Resources: The resources of a sole proprietor are limited. He makes investments from his family sources only.

2. Limited Managerial Ability: The managing capacity of the proprietor is limited. Limited managerial capacity will hinder the growth of concern.

3. Unlimited Liability: The liability of a sole proprietor is unlimited. He tries to be cautious in taking risks. It acts as a detriment to the growth of business activities.

4. Uncertain Continuity: The business continues as far as sole proprietor is there. In case of his mobility or death, the business is discontinued.

5. Limited Scope for Employees: A sole-trader cannot attract trained and qualified persons for reasons of limited career opportunities.

6. No Large-Scale Economies: A large-scale enterprise will be able to have favourable terms of purchasing and selling of goods. So, this type of concern cannot enjoy the benefits of large-scale economies.

7. More Risk Involved: A sole proprietor is to take all decisions by himself. So, there is a possibility of taking wrong decisions.

8. Limited Span of Supervision: A sole-proprietor has to supervise various activities of the business himself. It becomes difficult for one person to supervise the work of every employee.

9. Weak Bargaining Position: A sole proprietor has a weak bargaining position, both as a buyer and also as a seller.

10. Higher Employee Turnover: The turnover in small scale concerns is generally higher because the employees are paid lower remuneration and have limited chances for growth.

Q.2. Write the main features of Partnership Business.

Meaning of Partnership:

Partnership is defined as an association of individuals competent to enter into contracts, who agree to carry on a lawful business in common with a view to earning and sharing profits. The persons who are the owners of a partnership are individually called 'Partners' and collectively called a 'Firm'. The name under which the partnership is formed is called a 'Firm name'.

Definition of Partnership:

The Indian Contract Act, 1872, "Partnership is the relationship which exists between the persons who have agreed to combine their property, labour and skill in some business and share the profits thereof among them".

FEATURES OF PARTNERSHIP

- 1. Association of Two or More Persons:** In partnership, there must be at least two persons. Partnership is the outcome of a contract, so there must be two or more persons.
- 2. Contractual Relation:** The persons joining the partnership enter into a contract for running the business. According to Partnership Act, the relation of partnership arises from contract and not from status.
- 3. Earning of Profits:** The purpose of the business should be to make profits and distribute them among partners. If a work is done for charity purposes or to serve the society it will not be called partnership.
- 4. Existence of Business:** Partnership can only be for some kind of business. The term 'Business' includes any trade, profession or occupation.
- 5. Implied Authority:** There is an implied authority that any partner can act on behalf of the firm. The business will be bound by the acts of partners.
- 6. Unlimited Liability:** The business liability of the partners of a firm is unlimited. The creditors can claim their dues from anyone of the partners or from all the partners. The partners are liable individually and collectively.
- 7. Principal and Agent Relationship:** It is not necessary that all partners should work in the business. Any one or more partners can act on behalf of other partners.
- 8. Utmost Good Faith:** The very basis of the partnership business are good faith and mutual trust. Every partner should act honestly and give proper accounts to other partners.
- 9. Restriction on Transfer of Shares:** No partner can sell or transfer his share to anybody else without the consent of the other partners. In case any partner does not want to continue in the partnership, he can give a notice for dissolution of the firm.
- 10. Common Management:** Every partner has a right to take part in the running of the business. Even if partnership business is run by some partners, the consent of all other partners is necessary for taking important decisions.
- 11. Partners and Partnership are One:** A partnership firm has no separate entity from the partners. A firm is only a name to the collective name of partners.
- 12. Capital Contribution:** The partners contribute to the capital of the firm. It is not necessary to have capital in profit sharing ratio. It is not essential that all partners must contribute to the firm's capital.

Q.3. Define a Joint Stock Company. State the features of a company.

A joint stock company is a voluntary association of persons who generally contribute money to a common stock and employs it in some trade or business to share profits and losses arising therefrom. The company has a very large capital which is divided into smaller parts called 'shares'. The persons who subscribe the shares are called 'shareholders' and they are the owners of the company. They receive a share called 'dividend' in the profits of the company.

Definitions of Joint Stock Company

1. "A company is an association of many persons who contribute money or money's worth to a common stock and employ it in some trade or business, and who share the profit and loss (as the case may be) arising therefrom". - **James Stephenson**
2. "A Joint Stock Company is a voluntary association of individuals for profit, having a capital divided into transferable shares, the ownership of which is the condition of membership." - **Prof. L.H. Haney**

Features of Joint Stock Company

1. **Artificial Person:** A company is created under law and exists independent of its members. A company is called an artificial person.
2. **Formation:** A company is formed under Companies Act. There are a number of formalities, which need to be completed before a company is formed.
3. **Separate Legal Entity:** The company is created under law. It has a separate legal entity apart from its members. A company acts independently of its members. The company can sue and be sued in its own name.
4. **Liability:** The liability of its shareholders is limited to the value of shares they have purchased.
5. **Control:** The owners of the company are shareholders but these are widely spread in the country. The shareholders elect Board of Directors to manage and control the company.
6. **Risk Bearing:** In a company form of organisation, the risk is borne by all the shareholders. Hence the risk of loss gets spread among all the shareholders.
7. **Common Seal:** A company being an artificial person cannot put its signatures. The law requires every company to have a seal and get its name engraved on it. The seal of the company is affixed on all important documents and contracts as a token of signature.
8. **Transferability of Shares:** The shares of a company can be transferred by its members. Whenever the members want to dispose of the shares, they can do by following the procedure devised for this purpose.
9. **Perpetual Succession:** The company has a permanent existence. The continuity of the company is not affected by the death, lunacy, insolvency of its shareholders or the shares of the company may change hands a number of times. The company can be wound up only by the operation of law.

Q.4. Define Joint Stock Company. What are its merits and demerits?

A joint stock company is a voluntary association of persons who generally contribute money to a common stock and employs it in some trade or business to share profits and losses arising therefrom. The company has a very large capital which is divided into smaller parts called 'shares'. The persons who subscribe the shares are called 'shareholders' and they are the owners of the company. They receive a share called 'dividend' in the profits of the company.

Definition of Joint Stock Company

Prof. L.H. Haney, "A Joint Stock Company is a voluntary association of individuals for profit, having a capital divided into transferable shares, the ownership of which is the condition of membership."

MERITS OF JOINT STOCK COMPANY

- 1. Limited Liability:** The liability of members in a company is limited to the nominal value of the shares they have acquired. If the share is partly paid, then he can be required to pay only the unpaid value of the share.
- 2. Transfer of Interest:** The shares of a public company are freely transferable. Stock exchange provides a ready market for the purchase and sale of shares.
- 3. Perpetual Existence:** When a company is incorporated, it becomes a separate legal entity. It is an entity with perpetual succession.
- 4. Scope of Expansion:** A company can arrange large financial resources as compared to sole-proprietorship and partnership forms of organisation.
- 5. Professional Management:** In company form of organisation, ownership is separate from management. It enables the company to appoint expert and qualified persons for managing various business functions.
- 6. Economies of Large-Scale Production:** The increase in scale and size of the business will result in economies in production, purchase, marketing and management, etc.
- 7. Ability to cope with Changing Business Environment:** Joint stock companies can afford to invest money on research projects. It will enable them to cope with changing business conditions.
- 8. Diffused Risk:** In company form of organisation, the number of contributories, is large; so risk is shared by a large number of persons.
- 9. Democratic Set-up:** The values of shares are generally small. Every individual has an opportunity to become a shareholder. Secondly, the Board of Directors is elected by the members. The company form of organisation is democratic both from ownership and management side.
- 10. Social Benefits:** The company form of organisation mobilises scattered savings of the community. These savings can be better used for productive purposes. The companies also enable financial institutions to invest their money by providing them avenues.

DEMERITS OF JOINT STOCK COMPANY

- 1. Difficulty in Formation:** A number of stages are involved in company promotion. A lot of legal formalities are required to be performed at the time of registration. Promotion of a company is both expensive and risky.
- 2. Lack of Secrecy:** The management of companies remains in the hands of many persons. Everything is discussed in the meeting of Board of Directors. The trade secrets cannot be maintained.
- 3. Impersonal Work environment:** There is a separation of ownership and management. It leads to a situation where there is lack of personal involvement on the part of company officers.
- 4. Numerous Regulations.** A large number of rules and regulations are framed for the working of the companies. The companies will have to follow rules even for their internal working.
- 5. Delay in Decision-Making.** In company form of organisation, no single individual can make a policy decision. All important decisions are taken either by the Board of Directors or are referred to general house. Decision-taking process is time consuming.
- 6. Oligarchic Management:** In practice the number of shareholders is large and they have no role in running the company. The management is in the hands of few persons and they perpetuate their control.
- 7. Conflict of Interest:** There may be conflicting interests of different stakeholders. It becomes difficult for the company to reconcile the interests of various stakeholders.
- 8. No Direct Relation between Efforts and Reward:** There is no direct relationship between efforts and rewards. The profits of the company belong to shareholders and the Board of Directors are paid only a commission.
- 9. Evils of Factory System:** The company form of organisation leads to large-scale production. The evils of factory system like insanitation, air pollution, congestion of cities is attributed to joint stock companies.
- 10. Speculation in Shares:** The joint stock companies facilitate speculation in the shares at stock exchanges.
- 11. Fraudulent Management:** The promoters and directors may indulge in fraudulent practices. The management is in the hands of those persons who have not invested much in the company.
- 12. Concentration of Economic Power:** The company form of organisation has helped concentration of economic power in a few hands. Some persons become directors in a number of companies and try to formulate policies which promote their own interests.

Q.5. Differences between Private Limited Company and Public Limited Company.

BASIS	PRIVATE LIMITED COMPANY	PUBLIC LIMITED COMPANY
1.MINIMUM NUMBER OF MEMBERS	Minimum two persons can form a company.	Seven persons are required to form public company
2.MAXIMUM NUMBER OF MEMBERS	It cannot be more than 200.	No restrictions on Maximum number of members.
3.TRANSFERABILITY OF SHARES	Restriction on transfer of Shares.	There is no restriction on transfer of shares.
4.PROSPECTUS	Private company cannot issue a Prospectus.	Public Company may invite subscription through issue of prospectus.
5.MINIMUM DIRECTORS	Must have at least two Directors.	Must have at least three Directors.
6.RETIREMENT OF DIRECTORS	Directors are not required to retire by rotation.	At least 2/3 rd of directors must be such who will retire in rotation.
7.QUORUM FOR MEETINGS	Two members is the quorum for meetings.	The quorum is five members.
8.MANAGERIAL REMUNERATION	There is no restriction on managerial remuneration.	Total managerial remuneration cannot exceed 11 percent of the net profits.
9.PUBLIC DEPOSITS	A private company cannot accept deposits from public.	It is free to accept public deposits.
10.PAID UP CAPITAL	Registered with a minimum paid up capital of Rs. 1 Lakh	No requirement of minimum capital.
11.COMMENCEMENT OF BUSINESS.	A private company can commence its operations on acquiring a Certificate of Incorporation.	A public company can commence its operations only on acquiring a Certificate of Commencement of Business.
12.STATUTORY MEETING	A private company need not hold any statutory meeting.	A Public limited company must hold a statutory meeting within six months from the date of commencement of business.
13.ANNUAL REPORTS	It is not necessary for a Private limited company.	A Public Limited Company has to file its Annual Report with the Registrar of the Companies.
14.QUALIFICATION SHARES	The Directors of a Private company need not sign an undertaking to acquire the qualification shares.	The Directors of a Public Company are required to sign an undertaking to acquire the qualification shares of the Public company.
15.NAME OF THE COMPANY	The name of the private limited company must end as "Private Limited".	The name of the public limited company must end as "Public Limited".

SHORT ANSWERS:

Q.1. Certificate of Incorporation.

Certificate of Incorporation: It is the certificate issued by Registrar stating that a particular named company was come into existence from the date mentioned on it.

The office of the Registrar of Companies will examine the e-filled data and the submitted documents. If the Registrar of Companies satisfied with the provided information, the Registrar will issue Certificate of Incorporation to the company, which is very important document, and it is the proof of existence of the company. Now, the company has its own legal identity and is distinct from its directors and shareholders. It comes into existence from the date mentioned on this certificate. It is similar to the date of birth certificate of an individual. It is the proof that a particular named company was come into existence from the date mentioned on it.

Q. 2. Certificate of Commencement of Business.

Certificate of Commencement of Business: It is the certificate stating that the company formation process is completed, and the company can start its business activities.

After gathering the capital and allotment of shares is completed, now the companies with share capital should follow the under mentioned regulations.

- (a) Filing Declaration by a Director of the company stating that all the subscribers to memorandum have paid the value of shares that they agree to take.
- (b) E- filing the Forms and uploading the required legal documents electronically.
- (c) Filing of verification of the Registered office within 30 days of incorporation in prescribed manner to the Registrar.
- (d) Issuing the Certificate of Commencement of Business and then only the company formation process is completed, and the company can start its business activities from now onwards.

- Declaration for commencement of business should be filed within 180 days from the issue date of Certificate of Incorporation.

Q.3. Memorandum of Association.

Memorandum of Association (MOA)

It is a fundamental and legal document which describes the purpose for which the company is formed. Therefore, it is called ‘Statutory’ and ‘Constitutional’ document.

Definition:

“The memorandum of association of a company as originally framed or as altered from time to time in pursuance of any previous company laws or of this Act” - Section 2(56) of the Companies Act, 2013.

Features of MOA:

- (a) It defines the powers of the company and its operating conditions.
- (b) It contains all the rules and regulations that govern a company's relations with the outsiders.
- (c) It is a public document through which any person can get information about the company.
- (d) Without mentioning in this document no company can take any activity.
- (e) Once the Memorandum of Association is registered it cannot be modified, except a rare situation.

Contents or Clauses of MOA:

Section 4 of the Companies Act, 2013 explains the contents of the Memorandum of Association. It explains the objectives of the firm and contains different clauses.

- A) Name Clause
- B) Situation Clause
- C) Object Clause
- D) Liability Clause
- E) Capital Clause
- F) Subscription Clause

Q.4. Articles of Association.

Articles of Association (AOA)

Apart from the Memorandum of Association another important required document which is to be submitted to the Registrar of companies before formation of the company is Articles of Association. It is secondary or supplementary document to memorandum of association. It contains rules, regulations, and procedural matters in the internal management of company's activities. It is similar to partnership deed of partnership firm. It regulates the rights and obligations of members and governs the relationship between company and its members.

Definition:

“Articles of association of the company as originally framed or as altered from time to time in pursuance of any previous company law or of this Act”- Sec 2(2) of the Companies Act, 2013.

A company may prepare its own articles of association, or it may adopt model tables of articles given in the Companies Act.

Features of Articles of Association:

- (a) The Articles of Association is governed by Memorandum of Association
- (b) It does not contradict or beyond the scope of Memorandum of Association.
- (c) It is also an important document to be filed with Registrar of Companies.
- (d) It explains the rules and regulations for internal governance of company.
- (e) It defines the powers, rights, and limitations of officers.
- (f) It is a contract between company and its members for achieving goals.
- (g) Company can do anything if Articles of Association permits.
- (h) It also explains the procedure of conducting meeting.

Q.5. Prospectus.

Prospectus

The promoters have to raise the capital after the certificate of incorporation is obtained. They will invite the public to purchase shares or debentures of the company through a notice or advertisement. Such notice, advertisement, circular or document is called “prospectus”. It is the invitation to public containing the complete information of company and stimulates them to subscribe the company shares.

Definition:

Section 2(70) of Companies Act, 2013 defines a prospectus as: *“Any document described or issued as a prospectus and includes a red herring prospectus referred to section 32 or shelf prospectus referred to in section 31 or any notice, circular, advertisement or other document inviting deposits from the public or inviting offers from the public for the subscription or purchase of any shares in, or debentures of a body corporate.”*

The words “inviting offers from the public” is important clause or condition in the definition of prospectus. Private companies should collect capital only from the private members and they should not collect capital from the public. Hence, they should not issue prospectus. Only public companies, which are raising their capital from public, will issue prospectus to public.

Essentials of Prospectus: A prospectus should have the following essentials:

- (a) It is an invitation offering to the public.
- (b) It should be issued on behalf of the company.
- (c) The invitation should be to subscribe/purchase of shares/debentures.

ESSAYS:

Q1. What is Memorandum of Association? Explain the clauses in it.

Memorandum of Association (MOA)

It is a fundamental and legal document which describes the purpose for which the company is formed. Therefore, it is called ‘Statutory’ and ‘Constitutional’ document.

Definition:

“The memorandum of association of a company as originally framed or as altered from time to time in pursuance of any previous company laws or of this Act” - Section 2(56) of the Companies Act, 2013.

Features of MOA:

- (f) It defines the powers of the company and its operating conditions.
- (g) It contains all the rules and regulations that govern a company’s relations with the outsiders.
- (h) It is a public document through which any person can get information about the company.
- (i) Without mentioning in this document no company can take any activity.
- (j) Once the Memorandum of Association is registered it cannot be modified, except a rare situation.

Contents or Clauses of MOA:

Section 4 of the Companies Act, 2013 explains the contents of the Memorandum of Association. It explains the objectives of the firm and contains different clauses.

- A) Name Clause:** This clause mentions the name of the company with which it is registered with Registrar of Companies and known to public from now onwards. If a company is a public company, then the word 'Limited' should be there in the name, if a company is a private company, then 'Private Limited' should be there in the name. But the name shall not be
- (i) Identical to the name of another company.
 - (ii) Too nearly resembling the name of an existing company.
- B) Situation Clause:** This clause identifies the company address where it is to be situated and registered. The exact address need not be mentioned at the time of incorporation of company, but it should be mentioned to the Registrar within 30 days after registration.
- C) Object Clause:** It is an important clause which explains the objectives of the company. The Object clause explains the investors about what purpose the investment is to be utilized and what type of operational activity is being taken up. This clause develops confidence among the creditors about their amount. This clause has again had two sub clauses. Main objects and Other Objects. The main object explains for what purpose the company is formed. Other object explains the extension activities or proposals of the firm. If company deviates from the object clause concern directors will be held personally liable.
- D) Liability Clause:** This clause provides the liability of the members to the amount unpaid on the shares owned by them in the Formation of company in India. In a limited liability company, the liability of the shareholders is limited to the face value of all shares they have subscribed. In case of winding up of company, they are liable to pay only unpaid amount on the shares.
- E) Capital Clause:** This clause explains the registered amount of capital, mode of issue of shares, type of shares, number of shares and value of each share, etc. For example, the authorized share capital by the Registrar to the company may be Rs. 50 lakhs with divided into 5 lakh shares of Rs. 10 each. The company cannot be issued for more than the said amount.
- F) Subscription Clause:** This clause gives the information about the subscribers who have signed to Memorandum with witness should give their address, descriptions, occupations, and consent of purchased shares. If it is a public company seven members and private company two members must be signed before formation of the company.

The some of the clauses of Memorandum of Association can be altered with special resolution such as., Name clause, Registered office clause, Object Clause, but the Capital clause can be altered by passing ordinary resolution. Subscription clause cannot be changed after the incorporation of the company.

Q2. Define Articles of Association? What are its contents?

Articles of Association (AOA)

Apart from the Memorandum of Association another important required document which is to be submitted to the Registrar of companies before formation of the company is Articles of Association. It is secondary or supplementary document to memorandum of association. It contains rules, regulations, and procedural matters in the internal management of company's activities. It is similar to partnership deed of partnership firm. It regulates the rights and obligations of members and governs the relationship between company and its members.

Definition:

“Articles of association of the company as originally framed or as altered from time to time in pursuance of any previous company law or of this Act”- Sec 2(2) of the Companies Act, 2013.

A company may prepare its own articles of association, or it may adopt model tables of articles given in the Companies Act.

Features of Articles of Association:

- (i) The Articles of Association is governed by Memorandum of Association
- (j) It does not contradict or beyond the scope of Memorandum of Association.
- (k) It is also an important document to be filed with Registrar of Companies.
- (l) It explains the rules and regulations for internal governance of company.
- (m) It defines the powers, rights, and limitations of officers.
- (n) It is a contract between company and its members for achieving goals.
- (o) Company can do anything if Articles of Association permits.
- (p) It also explains the procedure of conducting meeting.

Contents of Articles of Association:

The AOA normally contains the rules and regulations regarding the following issues

- (a) Share capital of the company and division of shares as equity and preference
- (b) Rights of each section of shareholders.
- (c) Procedures for allotment shares, make calls on shares and forfeiting of shares.
- (d) Altering share capital and buyback of shares.
- (e) Rules for transferring of shares
- (f) Lien rights of companies on unpaid shares
- (g) Appointment, remuneration and powers of directors
- (h) Accounting and auditing procedures and auditor's appointment
- (i) Process to convert stocks into shares or vice versa
- (j) Procedure to conduct meetings and voting rights of members
- (k) Creating reserves and payment of dividends
- (l) Borrowing powers of company and its process
- (m) Winding up of a company.

Alteration of Articles of Association

Altering the contents of AOA, if company wants, is not difficult like altering memorandum of association. The contents in the articles of association can be altered by passing a special resolution by the company.

Q3. State the contents of Prospectus.

Prospectus

The promoters have to raise the capital after the certificate of incorporation is obtained. They will invite the public to purchase shares or debentures of the company through a notice or advertisement. Such notice, advertisement, circular or document is called “prospectus”. It is the invitation to public containing the complete information of company and stimulates them to subscribe the company shares.

Definition:

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The words “inviting offers from the public” is important clause or condition in the definition of prospectus. Private companies should collect capital only from the private members and they should not collect capital from the public. Hence, they should not issue prospectus. Only public companies, which are raising their capital from public, will issue prospectus to public.

Essentials of Prospectus: A prospectus should have the following essentials:

- (d) It is an invitation offering to the public.
- (e) It should be issued on behalf of the company.
- (f) The invitation should be to subscribe/purchase of shares/debentures.

Contents of Prospectus:

- (a) Name and address of company
- (b) Particulars of signatories to the memorandum of association and the no. of shares taken by them
- (c) Number and classes of shares
- (d) Names, addresses and occupations of directors
- (e) Minimum subscription to be collected
- (f) The full details of underwriters
- (g) The opening and closing dates of subscription
- (h) The nature and extent of interest of every promoter in the promotion of company
- (i) Amount payable on application, allotment and on calls
- (j) Particulars about reserves and surplus
- (k) Details of preliminary expenses
- (l) Names and addresses of auditors
- (m) Particulars regarding voting rights.

Shelf Prospectus

“Shelf Prospectus means it is a prospectus in respect of which the securities included therein are issued for subscription in one or more issues over a certain period without the issue of a further prospectus” – Sections (31) of Companies Act, 2013.

Red Herring Prospectus

Section (32) of Companies Act, 2013 describes this concept “Red Herring Prospectus”. It is the first or preliminary prospectus in which the complete particulars on the price of and quantum of the securities are not included. A company may issue ‘Red Herring Prospectus’ before to the issue of prospectus.

Statement in lieu of Prospectus:

This concept was existed in The Indian Companies Act, 1956. Some public companies may be able to gather required capital from its members without issuing prospectus to the public. In such case, they don’t prepare prospectus and they file this statement in lieu of prospectus with the Registrar. But this concept has been removed in the Companies Act, 2013.

Q.4. Distinguish between Memorandum of Association and Articles of Association.

The Memorandum of Association explains the relationship with outside of the company. But Articles of Association deals with internal Management. Object clause of Memorandum of Association explains what the objectives are to be achieved, but Articles of Association explains how to achieve the objectives of the company. The differences between these two important documents are explained below:

Basis	Memorandum of Association	Articles of Association
1.Nature	It is primary document and like constitution to company. The company should work within the framework defined by memorandum of association.	It contains bye - laws for internal management of company. Articles of association should be prepared within the limits of memorandum of association.
2.Necessity	This document is compulsory to register the company.	Company may prepare its own articles of association or may adopt the model table of articles given in the Act.
3.Relationship	It describes the relationship between company and outside public.	It describes the relations among company and its members.
4.Provisions	It should not contain anything contrary to Companies Act.	It should not contain anything contrary to both its memorandum of association and Companies Act.
5.Effects of actions in contravention	If, in any cases, company actions are outside the scope of memorandum of association, then such actions are void.	If company performs any actions outside the purview of articles of association, then such actions may not be void as there is a chance to ratify the actions by passing a special resolution.
6.Alteration	Altering the contents of this document is difficult and can be done only in special circumstances by following many formalities.	It can be altered by passing special resolution only.

UNIT: IV: Management:

SHORT ANSWERS:

Q.1. Define Management.

Management starts with MAN. A man involves in many activities and interacts with many. But once goal is decided by them it should be planned, coordinated, and controlled in a proper way, otherwise, the objective may be futile. When a greater number of persons are involved in any activity it requires 'Management'.

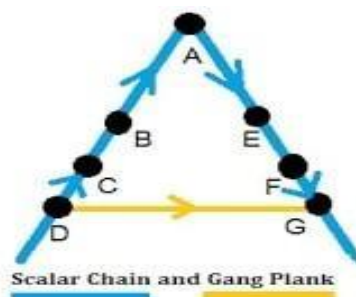
The people who are involved with responsibilities for achieving the common goals are called 'Managers'.

Definitions of Management

- i. "Management is the art of getting things done through and with people in formally organized groups. It is an art of creating the environment in which people can perform individuals yet cooperate towards attainment of group goals". - **Harold Koontz**.
- ii. "Management is the art of knowing what you want to do in the best and cheapest way". - **Taylor F W**.
- iii. "Management defined for conceptual, theoretical and analytical purposes as that process by which managers create, direct, maintain and operate purposive organization through systematic, coordinated cooperative human effort". - **McFarland**
- iv. "Management is principally the task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective". - **James L Lundy**

Q.2. Scalar Chain.

Fayol stressed that every organization should have a chain of authority and flow of communication chart that runs from top to bottom and should be followed by managers and subordinates.



In this chart there is one head 'A' who has two lines of authority under him. One line consists of B, C, D, in another line consists of E, F, G. They cannot interact with each other. D can directly contact with G through 'Gang Plank' as shown in figure, but they should be informed to superiors.

Q.3. Esprit de corps.

Esprit de corps ('Unity is strength'): The management should have a team spirit of unity and harmony among employees. This will rise to a spirit of mutual trust and belongingness. The "Divide and Rule" should not be encouraged by the management.

Q.4. Top Level Management.

It is made up of a board of directors, a CEO, and a managing director. Top management is the ultimate source of authority in an organisation, and it is in charge of setting goals and rules. It spends more time on functions such as planning and coordination.

The role of top management can be stated as follows:

- i. Top management establishes the enterprise's objectives and general policies.
- ii. It gives directions on how to prepare budgets, procedures, schedules, etc.
- iii. It creates the company's strategic plans and policies.
- iv. It appoints the middle-level executive, i.e., departmental managers.
- v. It supervises and coordinates the work of all departments.
- vi. It's also in charge of keeping in touch with the outside world.
- vii. It provides direction and guidance.
- viii. The board of directors is likewise accountable to the shareholders.

ESSAYS:

Q.1. Define Management. Describe its main characteristics.

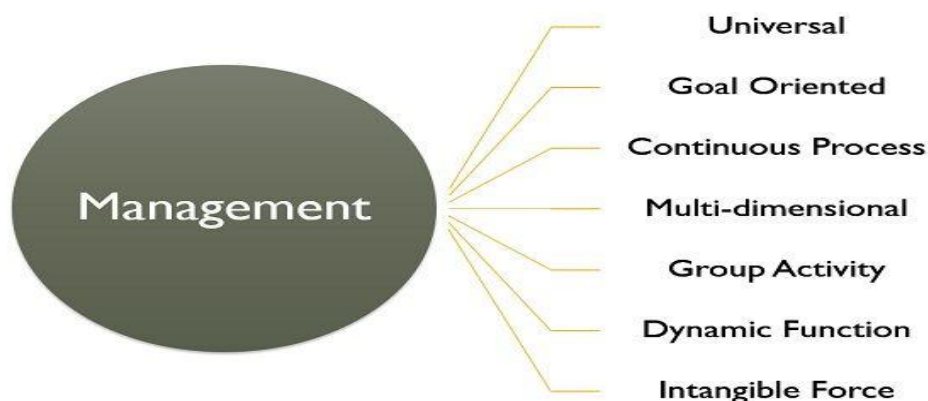
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Definitions of Management

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- iv. *"Management is principally the task of planning, coordinating, motivating and controlling the efforts of others towards a specific objective". - James L Lundy*

Features of Management:



- (i) **Universal:** Management is required by all organisations, whether profit-making or not, in order to manage their activities. As a result, it has a universal nature.
- (ii) **Goal Oriented:** Individuals and specific groups will not be able to fulfil these aims, if the management is stated to exist to achieve a shared goal. Top management of the transport organization seeks maximum profit, whereas operational managers seek maximum seat occupancy, drivers seek maximum fuel efficiency, foremen seek less maintenance, and conductors seek maximum revenue per trip, among other things.
- (iii) **Continuous Process:** It is a continuous process that will last as long as the organisation does. It is essential in all areas of the business, including production, human resources, finance, and marketing.
- (iv) **Multi-dimensional:** Management encompasses not only the administration of people, but also the management of work, processes, and activities, making it a multi-disciplinary endeavour.
- (v) **Group Activity:** the management is a group or team effort, not an individual activity.
- (vi) **Dynamic function:** A company exists in a business environment that includes social, political, legal, technological, and economic variables. Any one of these variables can have an impact on the organization's growth and performance. To deal with these developments, management devises and implements plans.
- (vii) **Intangible force:** Management can neither be seen nor touched but one can feel its existence, in the way the organization functions.

Specifically, all of the organization's functions, activities, and processes are integrated. It is the responsibility of management to bring them together in such a way that they assist in achieving the desired outcome.

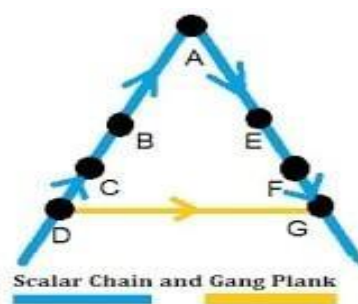
Q.2. Explain Fayol's 14 Principles of Management.

Fayol's 14 Principles of Management:

Henry Fayol is called as "Father of Modern Management". He has developed 14 administrative principles out of his experience as employee of the mining organization from worker to general manager between 1888 and 1918. Fayol proved that "Managers are made, but not born" in his experience. The administrative principles are:

- (i) **Division of Labour:** when people specialize, they can perform their work more efficiently and effectively.
- (ii) **Authority and responsibility:** Fayol emphasized that authority and responsibility go hand in hand. Authority is right to command but responsibility is a reward or penalty accompanying the use of authority. With this principle employees are empowered rather than managers.
- (iii) **Discipline:** All members of the organization should be followed the rules and regulations framed by the good leadership. Clear fair agreements judicious applications of penalties also should be honored.

- (iv) **Unity of Command:** Each employee should be received orders or command from one superior. That means dual subordination may give confusion and disturb the task.
- (v) **Unity of Direction:** In every organization a number of departments would be functioning. But all departments should be in same direction not to overlap. For example, Godrej Company is a manufacturer of several products in bath soap sector with several separate divisions.
- (vi) **Subordination of individual interest:** Every employee should be given top priority to organization objective rather than individual interest. There are so many stakeholders in every organization. For example, workers may demand higher wages, managers extract more working hours, creditors may expect more interest, debtors expect more discounts, owners expect more profit.
- (vii) **Remuneration:** remuneration given to workers and employees should be acceptable by all parties. 'Equal pay to equal work' that means remuneration should be equitable to all. It creates peaceful atmosphere in functioning of the organization.
- (viii) **Centralization:** in this principle, Fayol suggested that there is a need to balance subordinate involvement through decentralization with managers' retention of final authority through centralization. For example, vegetable prices in Reliance mart varies from one price to another in one town to another town due to decentralization purchases, whereas cosmetics and detergent prices are common in all units.
- (ix) **Scalar chain:** Fayol stressed that every organization should have a chain of authority and flow of communication chart that runs from top to bottom and should be followed by managers and subordinates.



In this chart there is one head 'A' who has two lines of authority under him. One line consists of B, C, D, in another line consists of E, F, G. They cannot interact with each other. D can directly contact with G through 'Gang Plank' as shown in figure, but they should be informed to superiors.

- (x) **Orders:** under this principle "Right person at right Place" is to be followed. Fayol recommended that men and material should place at appropriate time for maximum efficiency. If one person appoints at one place, he may get more experience so that the cost may be reduced proportionately.
- (xi) **Equity:** According to Fayol good sense and experience are needed to ensure fairness to all employees. That means efficient worker should not be dealt with lazy worker. No discrimination is to be shown based on gender, region, religion, and caste.

(xii) Stability of tenure: Fayol suggested maintaining organizational efficiency the labour turnover is to be minimized. If a number of workers leaving and joining into an organization in a particular period it may lead to operational loss, recruitment cost and training cost.

(xiii) Initiative: As per this principle, organization should encourage the workers or employees to take initiative to carry out new ideas. Employee suggestive system should be encouraged and rewarded.

(xiv) Esprit de corps ('Unity is strength'): The management should have a team spirit of unity and harmony among employees. This will rise to a spirit of mutual trust and belongingness. The "Divide and Rule" should not be encouraged by the management.

The above said Fayol's 14 principles are universally accepted by all organizations to understand the concept of management to solve several issues.

Q.3. What is Management? Is there a difference between management and administration?

Administration Vs. Management:

The terms administration and management are frequently used interchangeably. Some writers believe management is superior to administration, while others believe administration is superior to management. Some administration operations, such as direction, guidelines, and control mechanisms, are included in management, but the scope and functions are different in designing policies, giving goals, motivating employees etc.

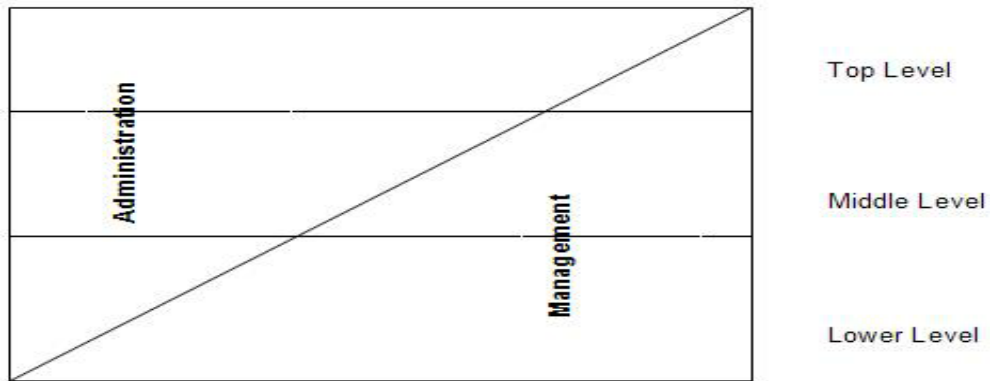
According to Oliver Sheldon, policy determination is made by administration, while policy execution is carried out by management. However, according to Breach, management encompasses the entire executive control process, while administration is a subset of management. For example, RTC is managed but follows guidelines set by the government administration. The principal's role in private educational institutions is unique administration.

The difference of these points will be discussed as follows:

- (i) Management makes decisions based on goals and objectives, whereas administration makes decisions based on policies.
- (ii) Management carries out the policy and achieves the goals, whereas administration makes the policy and tries to put it into action.
- (i) Management is a technique, whereas administration is a process.
- (iv) Employees are seen as subordinates by management, yet they are considered team members by administration.
- (v) While management employs incentive tactics, administration is limited to following laws and regulations.
- (vi) Management is a phrase used in nonprofit organisations that refers to profit or task-oriented management.

The RTC has many objectives at various levels, such as occupancy ratios, fuel efficiency indexes, profit maximisation with fewer human resources, and so on, but the administration does not. Both features are available to every manager or administrator. Both traits are necessary in a competitive environment. If a top-level manager focuses on administrative tasks, he is called a manager. If he focuses on worker performance and unit production, he is called a manager.

Levels of Management – Relation with Administration

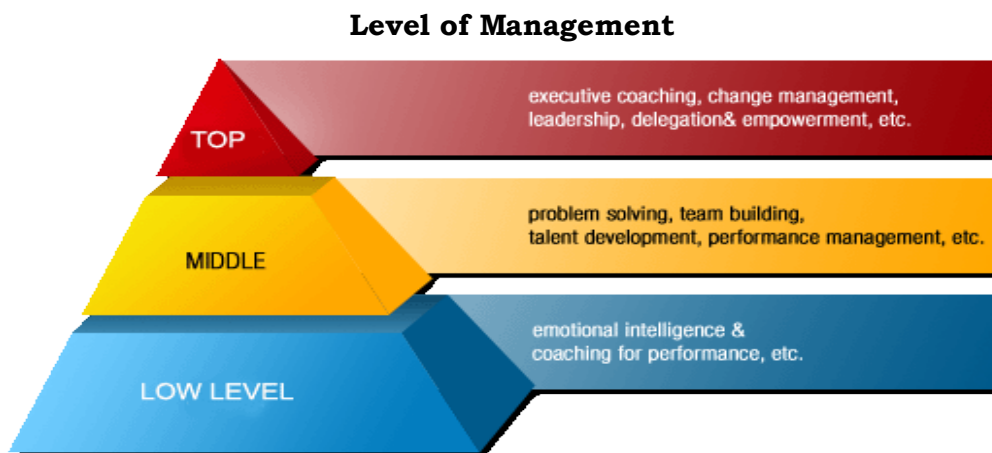


Q.4. Discuss the various levels of Management.

Levels of Management

A line of demarcation between distinct managerial positions in an organisation is referred to as "Levels of Management." When a company's size and workforce grow, so does the number of management levels, and vice versa. A chain of command, the quantity of authority, and the status of any managerial job are all determined by the level of management. The levels of management can be classified in three broad categories:

- (i) Top level / Administrative level
- (ii) Middle level / Executory
- (iii) Low level / Supervisory / Operative / First-line managers



(i) Top Level of Management:

It is made up of a board of directors, a CEO, and a managing director. Top management is the ultimate source of authority in an organisation, and it is in charge of setting goals and rules. It spends more time on functions such as planning and coordination.

The role of top management can be stated as follows:

- (a) Top management establishes the enterprise's objectives and general policies.
- (b) It gives directions on how to prepare budgets, procedures, schedules, etc.
- (c) It creates the company's strategic plans and policies.
- (d) It appoints the middle-level executive, i.e., departmental managers.
- (e) It supervises and coordinates the work of all departments.
- (f) It's also in charge of keeping in touch with the outside world.
- (g) It provides direction and guidance.
- (h) The board of directors is likewise accountable to the shareholders.

(ii) Middle Level of Management

The intermediate level is made up of branch level and departmental managers. They are in charge of their department's operations and report to upper management. There is only one layer of middle management in small businesses, but there may be senior and junior middle management in larger businesses. Their contribution can be summarized as follows:

- (a) They carry out the plans in accordance with the top management's policies.
- (b) They establish plans for the organization's sub-units.
- (c) They assist in the hiring and training of lower-level management personnel.
- (d) They translate and explain policies from upper management to lower management.
- (e) They're in charge of coordinating activities within the department.
- (f) It also delivers crucial reports and data to the highest levels of management.
- (g) They assess junior managers' performance.
- (h) They are in charge of motivating lower-level managers to improve their performance.

(iii) Lower Level of Management

The supervisory / operational level of management is also known as the lower level of management. Supervisors, foremen, section officers, superintendents, and others make up this group. Their activities include –

- (a) Assigning jobs and responsibilities to different employees.
- (b) They provide day-to-day guidance and instruction to employees.
- (c) They are in charge of both the quality and quantity of production.
- (d) They are also entrusted with the task of maintaining positive relationships.
- (e) They communicate higher-level aims and objectives to the workers, as well as worker problems, ideas, and recommendatory pleas, among other things.
- (f) They assist in the resolution of worker disputes.
- (g) They direct and supervise their subordinates.
- (h) They are in charge of providing workers with training
- (i) They gather the necessary materials, machines, and tools to complete the task.
- (j) They compile reports on the workers' performance on a regular basis.
- (k) They maintain enterprise discipline.
- (l) They inspire employees.
- (m) They are the image builders because they have direct contact with the employees.

UNIT: V: Functions of Management:

SHORT ANSWERS:

Q.1. Write short notes on Staffing.

Staffing

Staffing is the task of maintaining the organization's structure. Staffing's major goal is to match the correct person to the right task.

“The managerial function of staffing entails manning the organisation structure through correct and effective selection, assessment, and development of employees to fulfil the responsibilities intended in the structure,” - Koontz and O’Donnell.

Staffing entails:

- a) Manpower Planning
- b) Recruitment, Selection and Placement.
- c) Training & Development.
- d) Remuneration.
- e) Performance Appraisal.
- f) Promotions and Transfer.

Q.2. Meaning and Definition of Planning.

The first and most important managerial role is planning. Planning entails deciding on missions and objectives, as well as the measures that will be taken to attain them; it also necessitates decision making, which entails selecting from a variety of future options.

Definitions of Planning:

- a) *“Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the predetermined objectives”Henry Fayol*
- b) *“Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programs from among alternatives” ...M.S. Hurley*
- c) *‘Planning is deciding in advance what to do, when to do, and who to do, it bridges the gap from where we are to where we want to go’ - Koontz and O’Donnell*

Q.3. Merits of Planning.

- (i) Planning Provides Direction- By stating in advance, how work has to be done, planning provides direction for action.
- (ii) Planning Reduces the Risk of Uncertainties
- (iii) Planning Reduces Overlapping and Wasteful Activity
- (iv) Planning Promotes Innovative Ideas
- (v) Planning Facilitates Decision - With good planning, our decision making gets an accuracy, it gets feasible, and it also gets improved.
- (vi) Planning Establishes a Standard for Controlling
- (vii) Focuses Attention on Objectives of that Company

Q. 4. Span of Control.

The number of employees who report to a single boss is referred to as the span of control. It is the number of direct reports a manager has and for whose outcomes he is responsible. It's crucial for comprehending organisational design and the dynamics at play within a company. Within the same organisation, the span of control may shift from one department to the next.

The following factors influencing the span of control, while assigning the duties to employees based on the following factors:

- (a) Managerial Abilities
- (b) Competence of Subordinates
- (c) Nature of work
- (d) Delegation of Authority
- (e) Degree of Decentralization

Q.5. Line and Staff Conflict

The main function of staff people is to investigate, research and give advice to the line people, line people have to implement these plans.

Conflict between Line and Staff Personnel:

There are several reasons for conflicting between staff and line personnel at the time of implementation of decisions.

- (i) **Expertise knowledge:** Staff people feel they have superior to line personnel. Staff people, generally, more qualification and knowledge than line persons.
- (ii) **Lack of responsibility to staff:** Line people feels that staff would not be considered the practical problems of the organisation. They are outsiders of the organisation. They would not take into consideration of circumstances for implementations.
- (iii) **Differences in vision:** Line people always concentrate only on daily target, while staff people are more concerned with long run. Sometimes some materials and specialized skilled workers may not be available as suggested by staff. It may be reflected on production.
- (iv) **Recognition conflict:** Line personnel will be rewarded based on output or results. Though, staff people are involved by giving technical and managerial assistance their services will be considered as outsiders. It creates conflict between line and staff

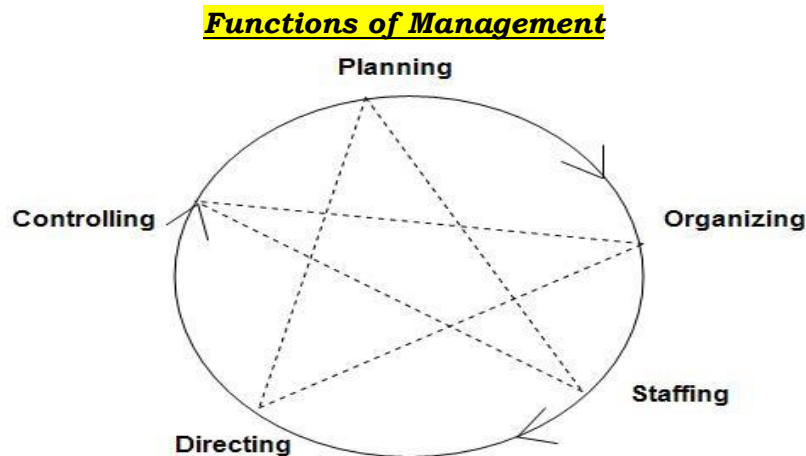
ESSAYS:

Q.1. Explain the different functions of Management.

Functions of Management:

Management functions have been classified by many specialists.

1. “There are four core functions of management- planning, organising, actuating, and controlling.”- **George and Jerry**
2. “To manage is to forecast and plan, to organize, to command, and to control,” - **Henry Fayol**
3. **Luther Gullick** has given a keyword ‘**POSDCORB**’ where **P** stands for Planning, **O** for Organizing, **S** for Staffing, **D** for Directing, **Co** for Co-ordination, **R** for reporting & **B** for Budgeting.
4. But the most widely accepted are functions of management given by **KOONTZ and O’DONNEL**, i.e., planning, organizing, staffing, directing, and controlling.



(i) Planning:

The first and most important managerial role is planning. Planning entails deciding on missions and objectives, as well as the measures that will be taken to attain them; it also necessitates decision making, which entails selecting from a variety of future options.

“Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the predetermined objectives” - **Henry Fayol**

(ii) Organizing:

It is the process of bringing physical, financial, and human resources together and building effective relationships between them in order to achieve organisational goals.

“To organize a firm is to supply it with everything useful for its functioning, i.e., raw material, tools, capital, and personnel,”- **Henry Fayol**.

Organizing a company entails identifying and allocating human and non-human resources to the organisational structure.

(iii) Staffing:

Staffing is the task of maintaining the organization's structure. Staffing's major goal is to match the correct person to the right task.

“The managerial function of staffing entails manning the organisation structure through correct and effective selection, assessment, and development of employees to fulfil the responsibilities intended in the structure,” - Koontz and O’Donnell.

Staffing entails:

- a. Manpower Planning
- b. Recruitment, Selection and Placement.
- c. Training & Development.
- d. Remuneration.
- e. Performance Appraisal.
- f. Promotions and Transfer.

(iv) Directing:

It is the element of the managerial role that enables organisational techniques to function effectively in order to achieve organisational goals.

The inter-personnel part of management that deals directly with influencing, leading, monitoring, and inspiring subordinates to achieve organisational goals is called direction.

The factors of direction are as follows:

- (a) Supervision
- (b) Motivation
- (c) Leadership
- (d) Communication

(v) Controlling:

It entails comparing accomplishments to standards and, if necessary, correcting deviations in order to ensure that corporate objectives are met. The goal of regulating is to ensure that everything happens according to the rules.

" Controlling is measurement and correction of subordinates' performance activities in order to ensure that the enterprise objectives and plans desired to achieve them are being fulfilled."

- Koontz and O’Donnell

As a result, controlling entails the following steps:

- Establishment of standard performance.
- Measurement of actual performance.
- Comparison of actual performance with standards and finding out deviation if any.
- Corrective action.

Q.2.What is Planning? Explain its Characteristics.

The first and most important managerial role is planning. Planning entails deciding on missions and objectives, as well as the measures that will be taken to attain them; it also necessitates decision making, which entails selecting from a variety of future options.

Definitions of Planning:

- a) *“Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the predetermined objectives”Henry Fayol*
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- c) *“Planning is deciding in advance what to do, when to do, and who to do, it bridges the gap from where we are to where we want to go” - Koontz and O'Donnell*

Features of Planning:

- (i) **Planning Contributes to the Objective** - Planning helps in achieving the objective. We cannot think of achieving any objective without any kind of planning. Planning is one of the foremost important primary steps in accomplishing the organisation.
- (ii) **Planning is Primary Function** - Planning is the first step that any manager or anyone adapts to use it to move towards any goal.
- (iii) **Pervasive** - Planning is universal. Planning is there in every organization, whether it is a small size, mid-size, or large size or at whatever level it is, every manager, every individual employee plans on at his/her level.
- (iv) **Planning is Futuristic** - We do plan for the future. Hence it is called a futuristic process. We always stay in the present and plan for the future. Planning is never done for the past.
- (v) **Planning is Continuous** - We begin planning for the next aim or objective as soon as one is completed. As a result, it's known as the Continuous Process. Every day, at every level, preparations are made for the future course of action.
- (vi) **Planning Involves Decision Making** - In planning, function managers evaluate various alternatives and select the most appropriate way to manage things.
- (vii) **Planning is a Mental Exercise** - In planning, assumptions and predictions regarding the future are made by scanning the environment properly. This activity requires a higher level of intelligence.

Q.3. Explain the Principles of Organization

Principles of Organization

1. Principle of Division of Work:

Work specialization, often known as division of labour or known as Departmentation. Each department has to carry out specific activities relevant to their specialised role. The departments are established based on: number of employees, by time, by function, by Territory, on customer wise, by Processes by Product categories.

2. Principle of Authority:

The legitimate power given to a manager to make decisions, issue instructions, and distribute resources on behalf of the company in order to meet organisational goals is known as authority.

The manager's job function includes exercising authority within the context of the organization's structure. The roles or positions at the top of the hierarchy are vested with more formal authority than are positions at the bottom.

3. Principle of Chain of Command:

The continuous chain of command that connects each employee to the highest organisational level via a managerial role at each subsequent layer. A chain of command establishes accountability and responsibility, which is based on the two principles of *Unity of command and Scalar Principle*.

4. Principle of Delegation:

Delegation is another essential idea that is directly tied to authority. It is the practice of delegating work-related activities and/or authority to subordinates. Managerial success hinges on the ability to delegate.

5. Principle of Span of Control:

The number of employees who report to a single boss is referred to as the span of control. The following factors influencing the span of control:

- ❖ Managerial Abilities
- ❖ Competence of Subordinates
- ❖ Nature of work
- ❖ Delegation of Authority
- ❖ Degree of Decentralization

Q.4. Write the merits and demerits of Line and Staff Organization.

Line and Staff Organisation

The top executives have to concentrate on legal, technical, environmental, political, and social issues. In such a situation some of the outsiders will be taken as advisors. These advisors are also known as 'staff'. The persons who are directly contributed to the organization's objectives were called as 'Line' functional people.

Definitions of Line and Staff Organizations:

- (i) *"Staff is a group of men who have the strength, knowledge and time in which the line manager may lack"* - **Henry Fayol**
- (ii) *"Line functions are those which have direct responsibility for accomplishment of objectives of the enterprise and that staff refers to those elements of the organisation that help the line to work most effectively in accomplishing the primary objectives of the enterprise"*

- **Koontz and O' Donnell**

Merits of Line and Staff Organization:

- i. **Relief to line of executives-** The line executive can concentrate on the execution of plans, and they get relieved of dividing their attention to many areas.
- ii. **Expert advice-** The line and staff organization facilitate expert advice to the line executive at the time of need.
- iii. **Benefit of Specialization-** Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This way every officer or official can concentrate in its own area.
- iv. **Better co-ordination-** Line and staff organization through specialization, helps in bringing co-ordination in work as every official is concentrating in their own area.
- v. **Benefits of Research and Development-** Advice of specialized staff, gives a wide scope to the line executive to bring innovations and go for research work in those areas.
- vi. **Training-** Due to the presence of staff specialists and their expert advice serves as ground for training to line officials.
- vii. **Balanced decisions-** The factor of specialization which is achieved by line staff helps in bringing better and balanced decision.
- viii. **Unity of action-** Unity of action is a result of unified control. In the line and staff authority all the officials have got independence to make decisions. This serves as effective control in the whole enterprise.

Demerits of Line and Staff Organization

- i. **Lack of Understanding-** In a line and staff organization, there are two authorities flowing at one time. This results in the confusion between the two. As a result, the workers are not able to understand as to who their commanding authority is. Hence the problem of understanding can be a hurdle in effective running.
- ii. **Lack of Sound Advice-** The line official get used to the expertise advice of the staff. At times the staff specialist also provides wrong decisions which the line executive have to consider. This can affect the efficient running of the enterprise.
- iii. **Line and Staff Conflicts-** Line and staff are two authorities which are flowing at the same time. The factors of designations, status influence sentiments which are related to their relation, can pose a distress on the minds of the employees. This leads to minimizing of co-ordination which hampers a concern's working.
- iv. **Costly-** In line and staff concern, the concerns have to maintain the high remuneration of staff specialist. This proves to be costly for a concern with limited finance.
- v. **Assumption of Authority-** The power of concern is with the line official, but the staff dislikes it as they are the one more in mental work.