

NIOS lesson adaptation project

By EMBRACE Volunteers

(A community initiative of Harchan Foundation Trust)

Chapter 4

Cooperative Societies And Joint stock companies

(Printable Version)

- **Simplified Lesson**
- **Previous Year Questions with Answers**
- **Terminal Questions**

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LESSON 4

Cooperative Societies

And

Joint stock companies

Meaning of co-operative Society

- Movement has been the outcome of the economic and social imbalances caused by the Industrial revolution.
- Voluntary association of persons who work to promote their economic interest.
- It is joined for the mutual help and not for profit.
- People pool their individual resources utilize them in the best possible manner and derive some common benefits

Characteristics of co-operative societies

1. Voluntary association: A member can join the society at any time and can stay as long as the person wants and leave at will.
2. Open membership:
Membership is open to all of those who have common interest.
3. Separate legal entity: to be registered under
 - Co-operative societies act, 1912
 - Relevant cooperative societies Act of the state government. A cooperative society has a separate legal existence distinct from its members.
4. Source of finance:
 - capital raised by members
 - loans and grants from government after its registration.
5. Service Motive: The primary goal is providing service to its members in the process of earning profits.
 1. Voting Power: only one vote for a member irrespective of the number of shares held by each one.

Types of co-operative societies

1. Consumer Co-Operative Societies:

- Protect the interest of general consumers
- Making consumer goods available at reasonable prices
- Purchase goods directly from producers
- Eliminate middlemen in the process of distribution

Examples

- Kendriya Bhandar
- Apana Bazar
- Super Bazar

2. Producers Co-Operative Societies

- Protect the interest of producers who are small
- Making available items needed for production
 - Raw materials
 - Tools
 - Equipments
 - Machinery

Examples– handloom societies like

- APPCO- Haryana handloom
- BAYANIKA

3. Marketing Cooperative Society

- Formed for small producers and manufactures who find it difficult to sell their products.
- Collect products from individual members and sell the products in the market.
- Example: Gujarat cooperative milk marketing society sells AMUL milk products.

4. Thrift and Credits Cooperative Societies

- Provide financial support to the members
- Accept deposits from members
- Grant loans at reasonable rates of interest in times of need.
- Example
- Village Services Co-operative Society
- Urban Cooperative Banks

5. Cooperative Group Housing Societies:

- Residential societies
- Provide residential houses to members
- Purchase land
- Construct houses or flats
- Allot to member

Advantages and disadvantages of co-operative society

ADVANTAGES	DISADVANTAGES
Voluntary organisation	Lack of motive
Democratic control	Limited capital
Open membership	Problems in management
Elimination of middlemen's profit	Lack of commitment
Limited liability	Lack of co-operation
Stable life	

JOINT STOCK COMPANIES

Meaning of Joint Stock Company(JSC)

- A company means formed and registered under this Act
- Indian Companies Act 1956
- An artificial person created by law having a separate legal entity with perpetual succession and a common seal.
- Capital of a company -----number of shares of equal value
- Members of the company are called shareholders

Characteristics of Joint Stock Company(JSC)

1.Artificial legal Person:

Company is called an artificial legal person as its birth, existence and death are regulated by law.

2.Separate legal Entity:

- Distinct from its members
- Can own property
- Enter into contract
- Can sue and can be sued in its own name

3.Perpetual succession:

Its life is not affected by the death, insolvency, lunacy of

- Members
- Directors

4.Limited Liability:Liability is limited to the value of shares the members hold.

5. Common Seal: A company has a common seal because being an artificial person it cannot sign for itself.

6. Transferability of Shares:

- Shares are freely transferable
- Separation of Ownership and Management:
- Large number of members, so they cannot be part of management
- Board of Directors elected by members manage the company

Types of companies

- Private limited company
- Public limited company
- Government company
- Multinational company

Private company

A company which has a minimum of paid-up capital of one lakh rupees.

A capital can be more than one lakh, if it is allowed by its articles.

Features

- Members cannot transfer their shares
- Only 50 members
- Public cannot subscribe to the shares or debentures of the company
- Only the members, directors or their relatives are allowed to invest money in the company.

Public Company

Any company which is not private company is public company.

Features

- Shares can be transferred freely
- Capital – five lakh or more.
- Members have limited liability
- Number of members - Minimum number of members must be seven.
- There is no limit on maximum number of members.

Difference between private limited and public limited company

	PRIVATE	PUBLIC
Minimum number of members	2	7
Minimum capital	Rs 1 lakh	Rs 5 lakh
Maximum number of members	50	No limit
Transfer of shares	Not transferable	Freely transferable
Issue of shares or debentures to	Cannot issue	Can issue

public		
No of directors	2	3
Commencement of business	Certificate of incorporation	Registrar of companies
Statutory meeting	Need not hold	Need to hold and file a statutory report with the Registrar
No of Members personally present to form the quorum	2	5

Advantages And Disadvantages Of Joint Stock Company

Advantages	Disadvantages
Limited liability	Difficulty of formation
Large financial resources	Excessive government control
Continuity	Oligarchic management
Transferability of shares	Delay in decision
Diffused risk	Lack of secrecy
Social benefits	

Suitability of Joint Stock Company

- Suitable for large business
- Can make large amount of capital required for large scale operations.
- Areas suitable for Joint Stock company
 - Machine manufacturing
 - Information technology
 - Iron and steel
 - Aluminium
 - Fertilizers
 - Pharmaceutical

Government Company

As defined by Indian companies Act 1956 is a company where

- 51% of the paid-up share capital held by government(Union or state)
- Audit done of comptroller and auditor general of India(CAGI)
- Reports are presented before Parliament
- Example : Hindustan Machine Tools(HMT)

- Coal India
- SAIL
- NTPC
- MTNL
- ONGC

Characteristics

- It has a separate legal existence
- 51% of total paid up capital is held by Government
- Directors or a majority of them are appointed by the company
- Employees are not civil servants

Multinational companies(MNC)

- The company carries business not only in the country of its incorporation but also in one or more countries
- The company may produce goods or arrange services in one or more countries.
- They will sell in same or other countries
- Examples of MNC's in India are:
 - Philips
 - LG
 - Hyundai
 - General Motors
 - Coca Cola
 - Nestle
 - Sony
 - McDonald's City Bank
 - Pepsi Foods
 - Cadbury

Advantages and Disadvantages of Multinational Companies

Advantages	Disadvantage
Investment of Foreign capital	Least concern for priorities of host countries
Generation of Employment	Adverse effect on domestic enterprises
Uses of Advanced Technology	Change in tradition.
Growth of Ancillary Units	
Increase in Exports and Inflow of Foreign Exchange	

PREVIOUS YEARS QUESTIONS

1). Explain any five characteristics of Joint Stock Company.

Explain the following characteristics of Joint Stock Company

a) Artificial person

b) Separate Legal Entity

ANSWER:

The five characteristics of Joint Stock Company are

1. Artificial legal Person:

A company is called an artificial legal person as its birth existence and death are regulated by law.

2. Separate legal Entity:

- Distinct from its members
- Can own property
- Enter into contract
- Can sue and can be sued in its own name

3. Perpetual succession:

Its life not affected by the death, insolvency, lunacy of

-Members

-Directors

4. Limited Liability: Liability limited to the value of shares they hold.

5. Common Seal: A company has a common seal because being an artificial person it cannot sign for itself.

2). State any six advantages of multinational companies.

Ans: The multinational companies enjoy several advantages by way of huge earnings due to large scale production and distribution activities across national borders. Explain any five such advantages. Multinational companies enjoy several advantages by way of huge earnings due to large-scale production and distribution activities across national borders. Discuss any four such advantages.

4). Describe briefly any five advantages of Multinational companies.

ANS:

- 1) Investment of foreign capital: direct investment of capital by multinational companies helps under -developed countries to speed up their economic development
- 2) Generation of employment: expansion of industrial and trading activities by multinational companies leads to creation of employment opportunities and raising the standard of living in host countries

- 3) Use of advanced technology: they undertake research and development which provide them with improved methods and process of production thus resulting in increased quality products. Gradually other countries will also get these technologies.
- 4) Growth of ancillary units: suppliers of materials, services, ancillary industries grow in host countries.
- 5) Increase in exports and inflow of foreign exchange: goods produced in host countries are exported thus resulting in earned contributes to the foreign exchange reserves
- 6) Healthy competition: efficient production of quality products by multinational companies forces domestic producers to improve their quality also.

5) Distinguish between private limited and public limited companies on any six bases.

ANS:

	PRIVATE	PUBLIC
Minimum number of members	2	7
Minimum capital	Rs 1 lakh	Rs 5 lakh
Maximum number of members	50	No limit
Transfer of shares	Not transferable	Freely transferable
Issue of shares or debentures to public	Cannot issue	Can issue
No of directors	2	3

6). Explain any two features of co operative societies.

ANS:

Separate Legal entity

Voluntary Association:

a. Separate legal entity: to be registered under

-Cooperative societies act, 1912

-Relevant cooperative societies Act of the state government.

A cooperative society has a separate legal existence distinct for its members.

b. Voluntary association: A member can join the society at any time and can stay as long as the person wants and leave at will

7). what is meant by a private company? State any three features of a private company?

ANS:

A company which has a minimum of paid-up capital of one lakh rupees or such higher paid up capital, as may be prescribed, and by its articles.

Features

- Members cannot transfer their shares
- Only 50 members
- Public cannot subscribe to the shares or debentures of the company
- Only the members, directors or their relatives are allowed to invest the money in the company.

8). What is meant by a Multinational Company? State any four advantages of Multinational Company.

ANS:

- The company carries business not only in the country of its incorporation but also in one or more countries
- The company may produce goods or arrange services in one or more countries.
- They will sell in same or other countries
- Examples of MNC's in India are: Philips, LG

The four advantages of MNC are

1) Investment of foreign capital: direct investment of capital by multinational companies help under -developed countries to speed up their economic development

2) Generation of employment: expansion of industrial and trading activities by multinational companies leads to creation of employment opportunities and raising the standard of living in host countries

3) Use of advanced technology: they undertake research and development which provide them with improved methods and process of production thus resulting in increased quality products. Gradually other countries will also get these technologies.

4) Growth of ancillary units: suppliers of materials, services, ancillary industries grow in host countries.

9).State any six advantages of a 'Joint-Stock Company'.

ANS:

- a. Limited liability
- b. Large financial resources
- c. Continuity
- d. Transferability of shares
- e. Diffused risk
- f. Social Benefits

MULTIPLE CHOICE QUESTIONS

1. Perpetual succession is a feature of:

- (A) Sole Proprietorship (B) Partnership
(C) Joint Stock Company (D) Limited Liability Partnership

ANS: (C) Joint Stock Company

2. In which of the following forms of organization liability of the members is unlimited?

- (A) Private Company (B) Partnership
(C) Public Company (D) Cooperative Society

ANS: (B) Partnership

3. Minimum numbers required to form a public company is : Lesson 4

- (A) 2 (B) 7 (C) 10 (D) 20

ANS: (B) 7

4. Which of the following is not an example of Consumer's Co-operative Societies?

- (A) Kendriya Bhandar (B) Apana Bazar
(C) Super Bazar (D) Urban Cooperative Banks

ANS: (D) Urban Cooperative Banks

5. Which of the following is an example of a government company? 1

- (A) CIF India Ltd. (B) General Victors Ltd.
(C) Hyundai India Ltd (D) Philips India Ltd.

ANS: (A) CIF India Ltd

6. Which of the following principles is followed in a co-operative society ?

- (A) One share one vote (B) One man one vote
(C) Multiple vote (D) No vote

ANS: (B) One man one vote

Terminal Exercise

1. What is the meaning of cooperative society?

A cooperative society is a voluntary association of individuals having common needs who join hands for the achievement of common

economic interest of the poorer sections of the society through mutual help.

2. What are the activities undertaken by consumer cooperative society?

- Protect the interest of general consumers
- Making consumer goods available at reasonable prices
- Purchase goods directly from producers
- Eliminate middlemen in the process of distribution

3. Give two examples each of Consumer's Cooperative Societies and Producers Cooperative Societies.

The two examples are

Consumers cooperative society: Kendriya Bhandar, Apana Bazar

Producers Cooperative Societies: BAYANIKA, Haryana handloom

4. What is meant by Thrift and Credit Society?

Thrift and Credit Society are meant to

- Provide financial support to the members
- Accept deposits from members
- Grant loans at reasonable rates of interest in times of need.

5. What are the causes of conflict and lack of motivation among members of a cooperative society?

The following are the causes of conflict and lack of motivation among members of cooperative society.

- i. Lack of motive: members will do not work with full devotion as there is no profit motive.
- ii. Limited capital: the amount the members can raise is very limited as membership is limited to a particular section of the society.
- iii. Problems in management: the management of society might not be effective as remuneration of staff is usually low.
- iv. Lack of commitment: the loyalty of the members cannot be assured.
- v. Lack of co-operation: there might be lot of ego clash and conflict among members. This selfish attitude can lead to end of the society

6. Give the difference between 'Producers Cooperative Society' and 'Marketing Cooperative Society'

Producers Cooperative Society	Marketing Cooperative Society
Protect the interest of producers who are small	Formed for small producers and manufactures to sell their

	products
Making available items needed for production like raw materials, tools, equipments ,machinery	Collect products from individual members and sell the products in the market.

7. What is meant by Joint Stock Company?

Joint Stock Company means

- A company means formed and registered under Indian Companies Act 1956
- An artificial person: A company is called an artificial legal person as its birth, existence and death are regulated by law.
- Capital of a company -----number of shares of equal value
- Members of the company are called shareholders

8. State the advantages of Joint Stock Company

- Limited liability
- Large financial resources
- Continuity
- Transferability of shares
- Diffused risk
- Social benefits

9. State the meaning of multinational company

- The company carries business not only in the country of its incorporation but also in one or more countries
- The company may produce goods or arrange services in one or more countries.
- They will sell in same or other countries

10. Describe any four characteristics of Joint Stock Company

Characteristics of Joint Stock Company (JSC) are

1. An artificial person: A company is called an artificial legal person its birth, existence and death are regulated by law.
 - Separate legal Entity:
 - Distinct from its members
 - Can own property
 - Enter into contract
 - Can sue and can be sued in its own name
2. Perpetual succession:

Its life is not affected by the death, insolvency, lunacy of

 - Members
 - Directors

3. Limited Liability: Liability limited to the value of shares the members hold.

11. What are the features of Private Limited Company? How does it differ from Public limited company?

Features of Private Limited company	Features of Public limited company
<ul style="list-style-type: none">a. Members cannot transfer their sharesb. Only 50 membersc. Public cannot subscribe to the shares or debentures of the companyd. Only the members, directors or their relatives are allowed to invest money in the company.	<ul style="list-style-type: none">a. A Public Limited company's shares can be transferred freely.b. Can have a capital of five lakh or such higher paid-up capital.c. Members have limited liabilityd. Number of members can be maximum of that equal to number of issued and subscribed shares or even more and minimum should not be less than.

12. Distinguish between Private Limited and Public Limited Company

Difference between private limited and public limited company

	PRIVATE	PUBLIC
Minimum number of members	2	7
Minimum capital	Rs 1 lakh	Rs 5 lakh
Maximum number of members	50	No limit
Transfer of shares	Not transferable	Freely transferable
Issue of shares or debentures to public	Cannot issue	Can issue
No of directors	2	3
Commencement of business	Certificate of incorporation	Registrar of companies
Statutory meeting	Need not hold	Need to hold and file a statutory report with the Registrar
No of Members personally present to form the quorum	2	5

13. Enumerate the advantages of Joint Stock Company

The advantages of Joint Stock Company are

- Limited liability : Shareholders are only liable only to the extent of the face value of shares they have with them
- Large financial resources: the capital of the company is from the shares bought by the people. They are of small denominations hence people with low income can also buy .
- Continuity: even if all its member die or desert it ,the company continues to exist
- Transferability of shares: the members can freely transfer their shares without the consent of other members.
- Diffused risk: the risk of loss in company is spread over a large number of members
- Social benefits: the company helps the community to invest their savings in the company.

14. State the limitations of Joint Stock Company

The limitations of Joint Stock Company are

- Difficulty of formation
- Excessive government control
- Oligarchic management
- Delay in decision
- Lack of secrecy

15. Give five examples of Multinational companies

The five examples of Multinational companies are Philips, LG, Hyundai, General Motors, Coca Cola