

UNIT-2

Q.11: Describe the Hindu Undivided Family Business with its main features.

Answer: Hindu Undivided Family business is that form of business organization which is owned and carried on by the members of a Hindu undivided family. It is the oldest form of business organization and can be found only in India. The business is controlled by the oldest member of the family known as the 'Karta'. An individual becomes a member of the business by virtue of his birth in that particular family. All members of the family have equal rights over the ancestral property and are known as coparceners.

There are two systems governing the membership of the family business, namely- Dayabhaga and Mitakshara.

Dayabhaga- Under this system, both the male and female members of the family can become coparceners. This system prevails only in Assam, West Bengal and some parts of Orissa.

Mitakshara- Under this system, only the male members of the family can become co-parceners. This system prevails all over India except Assam, West Bengal and some parts of Orissa.

The main features of HUF business are-

- i. At least two members and an ancestral property is the basic requirement for the formation of HUF.
- ii. The liability of Karta is unlimited while the liability of other members is limited to the extent of their share of the co-parcenary property of business.
- iii. All business decisions are taken by the Karta and are binding on other members.
- iv. After the death of the Karta, the next eldest member takes his position and thus the business continues.
- v. An individual becomes its member by taking birth in the family. Therefore, under HUF, even a minor can become a member.

Q.12: What is Co-operative society? State its features.

Answer: Co-operative Societies are voluntary associations started with the aim of service to members. The main aim of co-operative society is promotion of economic interest of its members.

It is compulsory for co-operative societies to get themselves registered under the Co-operative Societies Act, 1912. Minimum 10 adult persons are required to form the society. Capital is raised from the members of the society through issue of shares. The society has a separate legal identity distinct from its members.

Its main features are-

- i. Membership is voluntary.
- ii. Registration for these societies is compulsory.
- iii. Members have limited liability to the extent of the amount of capital contributed by them.
- iv. Members vote to select the members of the managing committee.
- v. The main motive of the society is economic welfare of its members.

Q.13: What are the advantages/merits and disadvantages/demerits of Co-operative societies?

Answer: The merits of co-operative societies are as follows-

- i. The continuity of business is not affected by the death, insolvency or insanity of its members because it has a distinct legal entity.
- ii. Each member has equal voting rights in the society.
- iii. Members have limited liability to the extent of capital contributed by them.
- iv. The procedure for registration of societies is very simple and involves a few legal formalities.
- v. Government provides subsidy to these societies and charges very low rate of interest on loans given to them. The rate of taxes is also very low.

The demerits of co-operative societies are as follows-

- i. Resources are limited.
- ii. It is compulsory for the societies to make their accounts public and to discuss their operations in the meeting of the members. This makes it difficult for the societies to maintain secrecy of their operations.
- iii. The day-to-day interference by the government affects the freedom of societies and has negative effects on their working.