

## SHORT QUESTION

### Q.1. Three kinds of business organization

1. Sole proprietorship
  2. Partnership
  3. Joint Stock Company
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### Q.2. Define sole proprietorship

Business owned and managed by one person.

**Example:** Small shop.

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### Q.3. Three merits of sole proprietorship

1. Easy to start
  2. Full profit
  3. Quick decisions
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### Q.4. Number of persons in sole proprietorship

- **Minimum:** 1
  - **Maximum:** 1
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### Q.5. Three disadvantages of sole proprietorship

1. Limited capital
  2. Unlimited liability
  3. Uncertain life
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### Q.6. Three features of sole proprietorship

1. Single ownership
2. No legal formalities
3. Unlimited liability

### **Q.7. Mode of profit distribution in sole proprietorship**

All profits go to owner.

**Example:** Shop profit belongs to owner.

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### **Q.8. Define partnership**

Business run by two or more persons.

**Example:** Two doctors clinic.

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### **Q.9. Three advantages of partnership**

1. More capital
  2. Shared responsibility
  3. Better management
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### **Q.10. Three features of partnership**

1. Agreement
  2. Profit sharing
  3. Unlimited liability
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### **Q.11. Three disadvantages of partnership**

1. Conflicts
  2. Unlimited liability
  3. Limited life
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### **Q.12. Number of partners in partnership**

- **Minimum:** 2
- **Maximum:** 20 (10 in banking)

**Q.13. Meaning of partnership agreement**

Written or oral agreement defining rules.

**Example:** Profit sharing ratio.

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**Q.14. Mode of profit distribution in partnership**

According to agreement.

**Example:** 50:50 sharing.

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**Q.15. Unlimited liability in partnership**

Partners are personally liable.

**Example:** Personal property sold.

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**Q.16. Define Joint Stock Company**

Artificial person with limited liability.

**Example:** Engro.

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**Q.17. Three advantages of Joint Stock Company**

1. Limited liability
  2. Large capital
  3. Perpetual life
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**Q.18. Three disadvantages of Joint Stock Company**

1. Complex formation
  2. Slow decisions
  3. Lack of secrecy
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**Q.19. Mode of profit distribution in Joint Stock Company**

Dividends to shareholders.

**Example:** Dividend per share.

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**Q.20. Number of shareholders**

- **Private:** 2–50
  - **Public:** 7–Unlimited
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**Q.21. Limited liability in Joint Stock Company**

Loss limited to shares value.

**Example:** No personal loss.

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**Q.22. Three features of Joint Stock Company**

1. Legal entity
  2. Limited liability
  3. Transferable shares
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**Q.23. Three differences between public & private company**

1. Members
  2. Share transfer
  3. Capital collection
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**Q.24. Define public limited company**

Company selling shares to public.

**Example:** PTCL.

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**Q.25. Define private limited company**

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Business Organization

Company with restricted ownership.  
**Example:** Family business.

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### **Q.26. How public company collects capital**

By issuing shares and debentures.

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### **Q.27. Prospectus of company**

Document inviting public to buy shares.

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### **Q.28. Incorporation of company**

Legal registration of company.  
**Example:** Registration with SECP.

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## **LONG QUESTION**

**Q.1. Define sole proprietorship. Also describe merits of sole proprietorship.**

### **Definition of Sole Proprietorship**

Sole proprietorship is a form of business **owned, managed, and controlled by one person**. The owner provides capital, takes decisions, bears risk, and enjoys all profits.

#### **Example:**

A small grocery shop owned by one person.

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### **Merits of Sole Proprietorship**

#### **1. Easy to form**

No legal formalities are required.

*Example:* A person can start a shop easily.

2. **Full control**  
Owner takes quick decisions.  
*Example:* Shopkeeper decides prices himself.
  3. **Direct profit**  
All profits belong to the owner.  
*Example:* Shop profit goes to owner only.
  4. **Secrecy**  
Business secrets are maintained.  
*Example:* Secret recipe of a bakery.
  5. **Personal interest**  
Owner works hard for success.  
*Example:* Owner personally deals with customers.
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## Q.2. Define sole proprietorship. Also describe demerits of sole proprietorship.

### Demerits of Sole Proprietorship

1. **Limited capital**  
One person has limited funds.  
*Example:* Cannot expand big factory.
  2. **Unlimited liability**  
Owner is personally responsible for losses.  
*Example:* Personal property sold to pay debt.
  3. **Limited managerial ability**  
One person cannot manage all work.  
*Example:* Weak accounting knowledge.
  4. **Uncertain life**  
Business ends with owner's death.  
*Example:* Shop closes after owner dies.
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## Q.3. Define partnership. Also describe merits of partnership.

### Definition of Partnership

Partnership is a business owned by **two or more persons** who agree to share profits and losses.

#### Example:

Two friends running a clothing store.

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### Merits of Partnership

1. **More capital**  
Partners bring more funds.  
*Example:* Joint investment in business.
  2. **Division of work**  
Work divided among partners.  
*Example:* One handles sales, other accounts.
  3. **Better decision making**  
Combined experience helps.  
*Example:* Business decisions made jointly.
  4. **Easy formation**  
Fewer legal formalities.  
*Example:* Simple agreement.
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#### Q.4. Define partnership. Also describe demerits of partnership.

##### Demerits of Partnership

1. **Unlimited liability**  
Partners are personally liable.  
*Example:* Partner's house sold to repay loan.
  2. **Conflicts among partners**  
Differences may arise.  
*Example:* Disagreement on profit sharing.
  3. **Lack of secrecy**  
Business secrets may leak.  
*Example:* Strategy shared among many.
  4. **Limited life**  
Death of partner may dissolve firm.
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#### Q.5. Define Joint Stock Company. Also describe merits of Joint Stock Company.

##### Definition of Joint Stock Company

A Joint Stock Company is an **artificial legal person** formed by shareholders to carry out business with **limited liability**.

##### Example:

Unilever, Nestle.

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##### Merits of Joint Stock Company

1. **Limited liability**  
Risk limited to investment.  
*Example:* Shareholder loses only shares value.
  2. **Large capital**  
Capital raised through shares.  
*Example:* Public investment.
  3. **Perpetual existence**  
Continues despite death of members.
  4. **Professional management**  
Experts manage company.
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**Q.6. Define Joint Stock Company. Also describe demerits of Joint Stock Company.**

**Demerits of Joint Stock Company**

1. **Complex formation**  
Many legal formalities.
  2. **Lack of secrecy**  
Accounts are public.
  3. **Slow decisions**  
Management delay.
  4. **Separation of ownership and control**  
Owners do not manage directly.
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**Q.7. Distinguish between Public Limited Company and Private Limited Company.**

**Public Limited Company    Private Limited Company**

Minimum 7 members    Minimum 2 members

Can issue shares to public    Cannot issue shares

Shares freely transferable    Restricted transfer

Uses prospectus    No prospectus