

Ch-5 Sole Proprietorship and Hindu Undivided Business

Good Morning Students

This lesson is for class 9th for the subject of 'Commercial Studies'. Today we will discuss about 'Meaning and features of Sole Proprietorship and Hindu Undivided Family Business' which is covered in chapter 5 of your book.

This lesson is being submitted to you on 29.04.24.

All the students now please open page numbers 26 of your book and listen carefully

Before starting with the new chapter let's understand few terms which are very important for understanding new topics.

1. Capital: Money or anything invested by the owner in the business is known as capital.
2. Assets: Assets are the value of property or the resources owned by a firm. E.g. Stock, Cash in hand, debtors, machines, vehicle, furniture etc.
3. Liability: Liabilities means the money payable by the business to outsiders. E.g. Creditors, Bank Overdraft etc.
4. Debtors: Debtors are persons/firms from whom we have to receive money on account of goods sold to them on credit.

5. Creditors:-

Creditors are the persons/firms to whom we have to pay money on account of goods purchased from them on credit.

6. Unlimited Liability:-

The owners of the business are personally liable for the debts (loans) of the business. It means if the assets (properties) of the business are not enough to pay off the loans of the business then the owner has to sell off his personal property to pay off the loans of the business.

Sole Proprietorship:-

Sole proprietorship means a business owned, financed and controlled by a single person. He takes all the decisions relating to business. He receives all the profits of the business and bears the loss of the business. A typical example of a sole proprietorship is a shopkeeper running a small shop in your locality with the help of one or two employees like a chemist, a drycleaner, cloth merchant etc.

"Sole Proprietor is that form of business organisation which is owned, managed and controlled by a single individual who receives all profits and risks all his property in the success and failure of an enterprise."

Features of Sole Proprietorship:-

- (1) Single Ownership:- A sole proprietorship

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is wholly owned by one individual. He is the one who supplies whole capital in the business from his own wealth and from borrowed funds.

2. One-Man Control:- The proprietor (owner) alone takes all the decisions pertaining to the business. He is not required to consult anybody. Some persons may be employed to help the owner but ultimate control lies with him.
3. No separate legal entity:- A sole proprietorship has no legal identity separate from that of its owner. There is no difference between the proprietor and his business. Business cannot make contract in his own name. Business cannot purchase property in its own name. Everything relating to business is in the name of the owner.
4. Unlimited Liability:- The proprietor is personally liable for all the debts of the business. If the properties of the business are not enough to pay off its debts (loans) then the owner has to sell his personal property to pay off the debts of the business.
- (5) No profit sharing:- The sole-proprietor alone is entitled to all the profits and losses of business. He bears the complete risk and there is nobody to share the profits or losses.

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(6) No legal formalities:-

No legal formalities are required to start, manage and dissolve (end) sole trader business.

(7) Small Size:- A sole proprietor has limited funds and limited managerial skills. His borrowing capacity is also low. Therefore, area of operation of a sole proprietor is generally small.

(8) Uncertain life:-

The life of a sole proprietor business is uncertain. Business may come to end due to illness, insolvency and death of the proprietor.

Joint Hindu Family Business or Hindu Undivided Family Business

The Joint Hindu Family business refers to a business which is owned and managed by the members of a joint family. In this form of business the family possess some inherited property. The share of ancestral property is inherited by a male member from his father, grand father and great grand father. All the male members having a share in family property are known as Coparceners and the eldest male member is called the Karta.

Features of Joint Hindu Family Business:-

1. Membership:- A person becomes a member in

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the family business by virtue of his birth in the family. No formal agreement is necessary between the family members. Only the male members can be coparceners. Minor (less than age of 18 years) are also full-fledged members of the family business. There is no limit on the number of members.

2. Management:-

The management of Joint Hindu Family business is vested in the Karta. The other members may assist him in the management of family business but the ultimate control lies with the Karta.

3. Liability:-

The liability of the Karta is unlimited. The liability of other members (coparceners) is limited upto their share in the property of the family business.

4. Right to Accounts:-

Coparceners cannot inspect the books of accounts. However a coparcener who is leaving the family business can ask for books of accounts from Karta.

5. Continuity of operation:-

The joint Hindu family business does not come to end on the death of Karta or any other coparcener. If the Karta dies, ~~not~~ next eldest male member becomes the Karta and the business goes on.

6. Ease of Formation:-

A joint Hindu family business can be

Started easily and quickly. No legal formalities are involved.

Distinction between Sole Proprietorship and Joint Hindu Family Business

S.No.	Point of Distinction	Sole Proprietorship	Joint Hindu Family Business
1.	Basis of formation	No agreement	By birth
2.	Number of members	One-man show	Two or more. No maximum limit
3.	Status of females	No discrimination	Cannot be co-parceners
4.	Liability and risk	Unlimited proprietor bears all risks	Limited except for karta
5.	Position of minor	Can set up business	Can be co-parcener
6.	Management	By the sole proprietor	Only by the karta
7.	Division of profit	All profits for proprietor; no division	Equal share
8.	Legal existence	Dissolved with death of proprietor	Not dissolved by death etc. of a member
9.	Application of law	The Contract Act	Hindu Succession Act
10.	Registration	Not required	Not required

Merits and Demerits of sole proprietor and joint hindu family business are not in syllabus.

With this, I am ending my topic here. Write the answers of the following questions in your notebooks.

Ques 1. Define Sole-proprietorship. Explain its features

2. Who is Karta in Joint Hindu family business? If Karta dies, who will become next Karta?

3. Explain the difference between Sole proprietorship and Joint Hindu family business.

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