

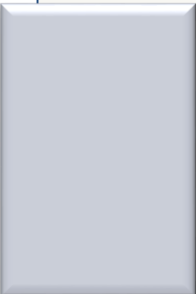
## **BUSINESS ORGANIZATIONS**

### Definition

An organization involved in producing &/or distributing goods & services with the view of profits or social welfare.

Enterprises of different types which supply a range of goods & services to fulfill human needs & wants

### **Common Features of a conventional Business Organization**

- 
- + . Have an objective
  - + . Have an organizational Structure / hierarchy
  - + . Have a set of persons involved
  - + . Have a business name
  - + . Involvement in an economic activity
  - + . Have a management & control system
  - + . Have a continuity
  - + . Have a system of accounting & audit
  - + . Have a system of communication
  - + . Have a culture & a set of values

**Legal Characteristics of Business Organizations**

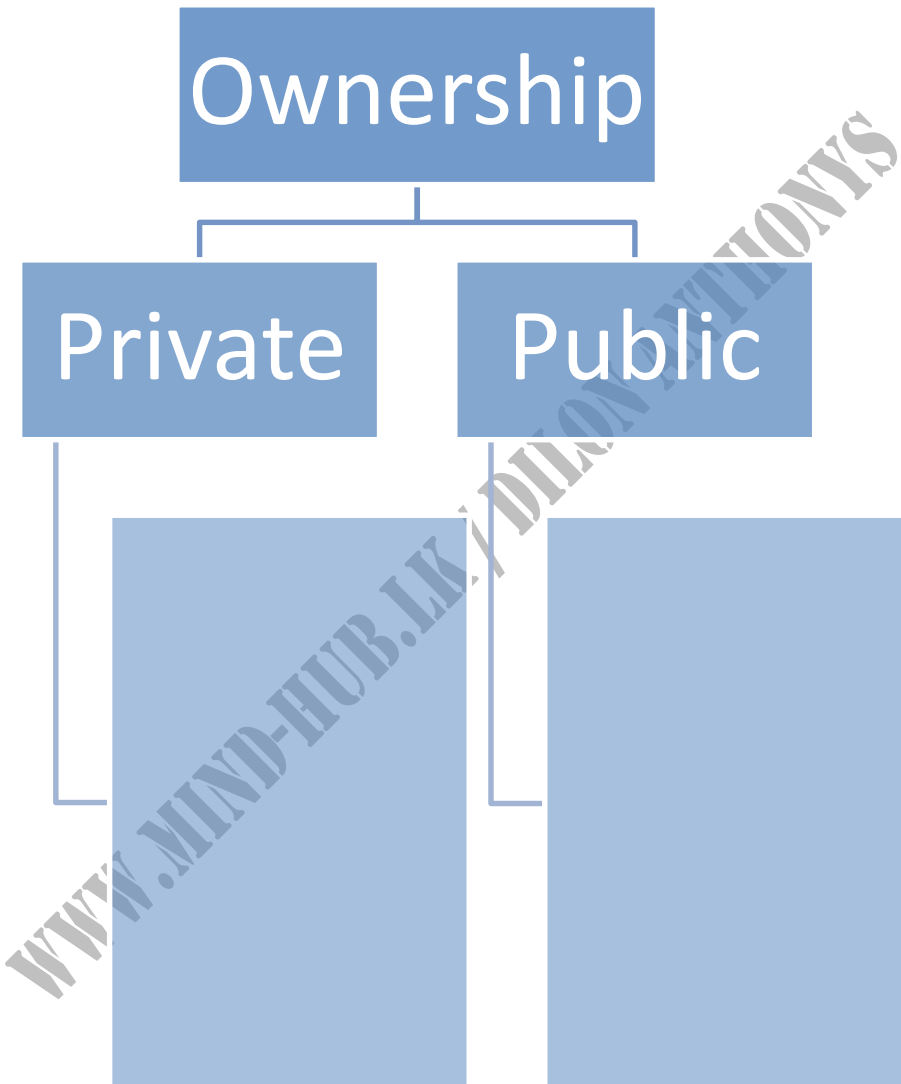
Liabilities

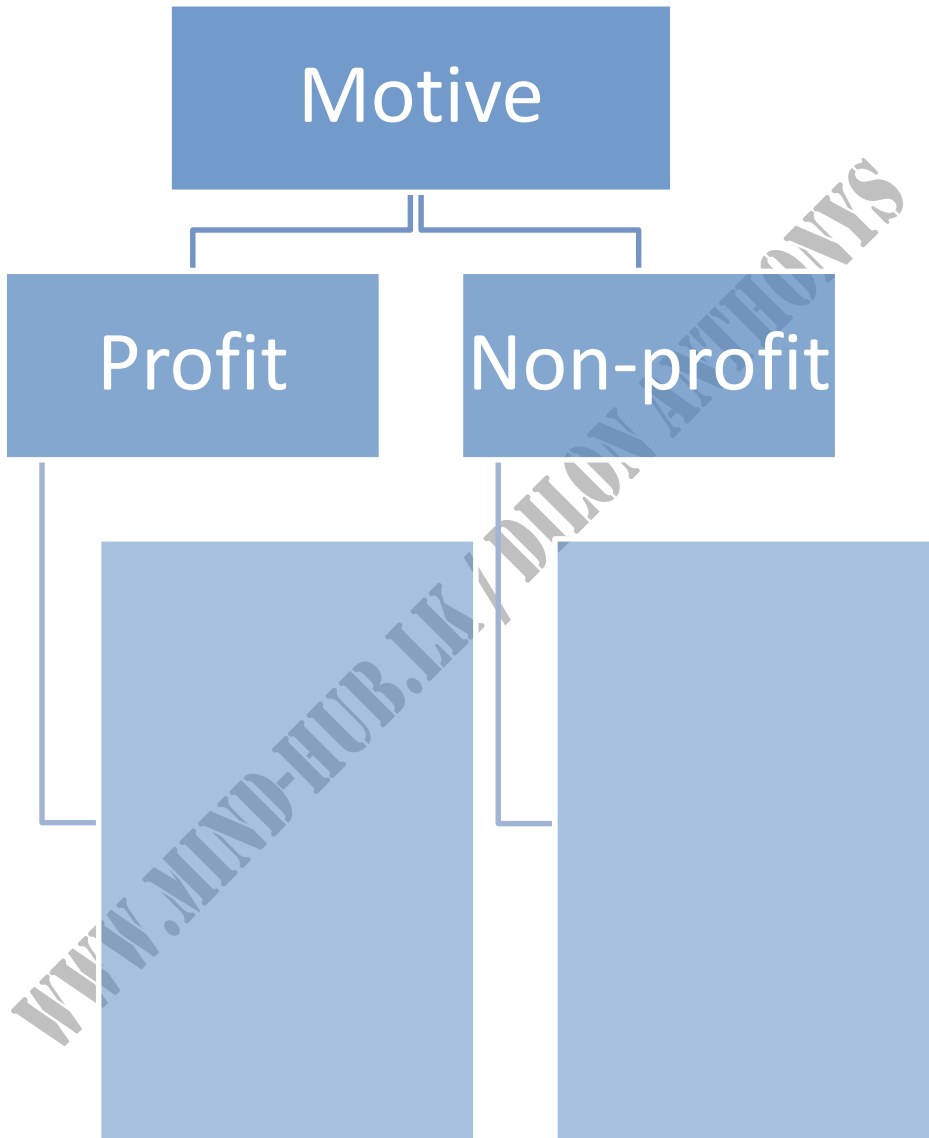
Registration

Continuity

Legality

**Classification of Business Organizations**





## SOLE-PROPRIETORSHIPS

### Definition

A Business organization carried out by an individual with the view of profit by investing capital.

A Business owned, established, financed & managed by an individual with unlimited liability & a profit motive.

### Features of a Sole-Proprietorship

Ownership	
Capital	
Decision making	
Liability	
Legal personality	
Registration	
Profit & Loss	
Tax payments	
Accounting & Audit	
Continuity	

# Special Revision - Business Organizations

## **Sole-Proprietorship Advantages & Disadvantages**

<b>Advantages</b>	<b>Disadvantages</b>
+ Easy to start	+ Unlimited liability
+ Less legal restriction	+ Bear losses alone
+ Enjoy profits alone	+ Limited capital
+ Easy to make decisions	+ No continuity
+ Personal commitment	+ No legality
+ Direct dealing with customers	+ Lack of total skill

## **PARTNERSHIPS**

### Definition

A relationship between persons who carry out business activities with the view of profits.

A business owned, established, financed & managed by persons between 2-20 with an unlimited liability & with the view of profits.

### **Characteristics of a Partnership**

#### Special Characteristics

Involve 2 or more persons

Have an agreement

Existence of a business

Agreement on profit sharing

Mutual agency

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### Types of Partnerships

#### General Partnership

Partners are fully liable for all liabilities

#### Limited Partnership

Partners are liable upto their capital invested

### Features of a Partnership

Ownership	
Capital	
Decision making	
Liability	
Legal personality	
Registration	
Profit & Loss	
Tax payments	

# Special Revision - Business Organizations

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Accounting &  
Audit

Continuity

## Advantages & Disadvantages

Can start easily  
More capital raised  
Persons with different skills  
Losses are divided  
More effective decisions  
Limited legal restrictions

Unlimited liability  
Mutual Agency  
No continuity  
Delays in decision making  
No legal personality  
Disputes among partners

## Partnership Agreement

A voluntary agreement generated between partners on all aspects of commencement, operation & dissolution of a partnership.

Types of agreements can be;

1. Verbal
2. Written
3. Mutual



# Partnership Agreement

## Facts

Business' name & address  
Partner's names & addresses  
Nature & type of business  
Business Objectives

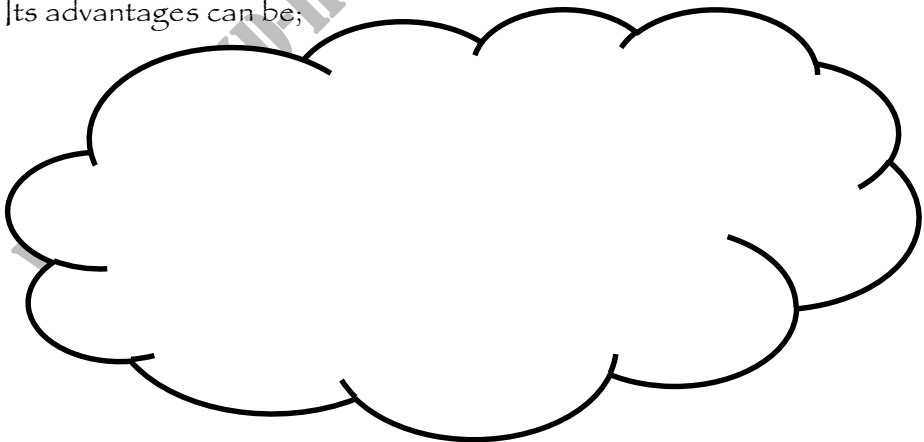
## Conditions

How capital is contributed  
Partner's rights & duties  
Profit sharing ratio  
Payments to partners  
Admission & retirement

## Partnership Deed

The written agreement containing conditions between partners regarding their partnership business.

Its advantages can be;



## Laws & Legislations affecting Partnerships

Partnership act of  
1890

Prevention of  
fraud ordinance  
no-7 of 1840

Business name  
registration  
ordinance no-6 of  
1918

Limited  
partnership act  
of 1907

Companies act  
no-7 of 2007

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### **Partnership Act of 1890 section 24**

Profits & Loss

Business Expenses  
incurred personally

Any loan or  
advance given by  
partners

Interest on capital

Salaries for  
Partners

Admission of a new  
partner

Books of accounts

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## Partners in a Partnership

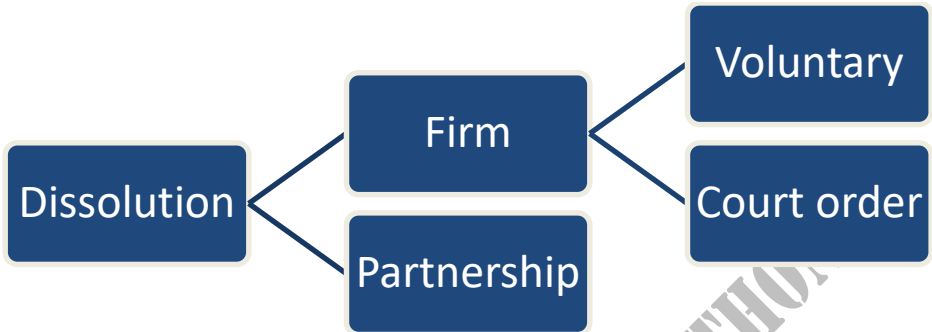
Partner	Capital	Visible	Mgt	Salary	Liability	P/L
Active						
Sleeping						
Nominal						
Profit						
Silent						
Quasi						
Limited						

### Rights

- Take part in business
- Express ideas
- Enjoy profits
- Receive interest
- Access books of accounts
- Use business' asset

### Duties

- Observe & maintain good faith
- Attain business activities diligently
- Share losses
- Not to earn personal profits
- Indemnify any losses or mistakes
- Act within limitations



## Dissolution

### Partnership

Admission  
Retirement  
Changes

### Voluntary

Time over  
Objective achieved  
Death or  
bankruptcy  
Illegal

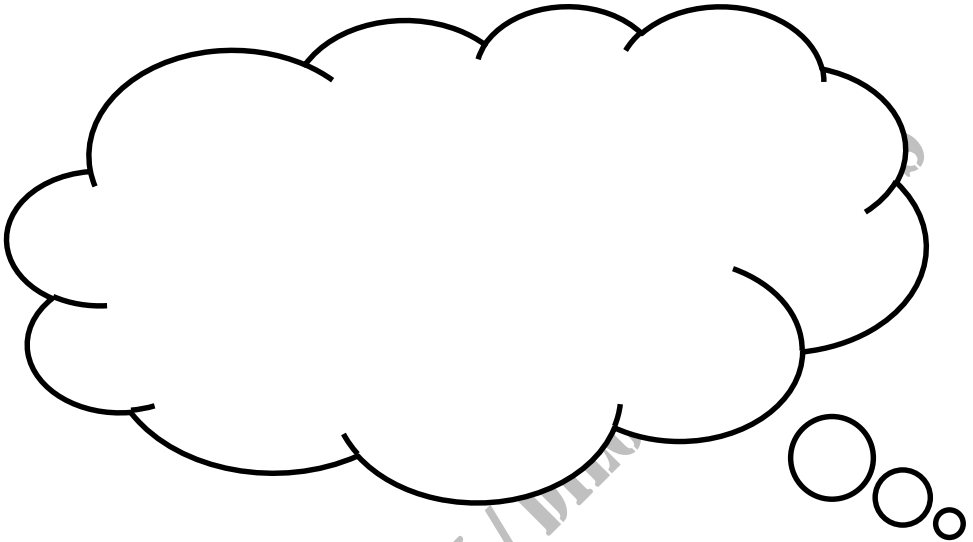
### Court Order

Death or disability  
Insanity & bad  
behavior  
Continuous losses  
Violation of  
conditions

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## Sole-Proprietorships & Partnerships - Similarities



## Differences

Sole - Proprietorships	Partnerships
+.	+.
+.	+.
+.	+.
+.	+.
+.	+.
+.	+.
+.	+.
+.	+.
+.	+.

## JOINT VENTURES

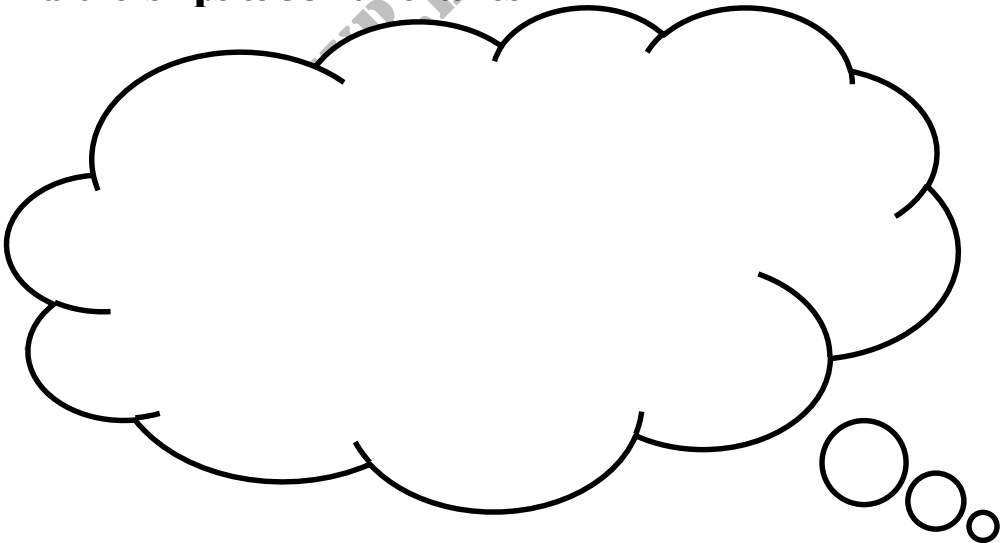
### Definition

An alliance created by 2 or more persons or organizations for a limited time period to carry out a certain project.

Features of a Joint Venture can be;

Ownership	
Registration	
Act / Law	
Continuity	
Focus	
Liability	
Legality	

### Partnerships & Joint Ventures



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## Differences

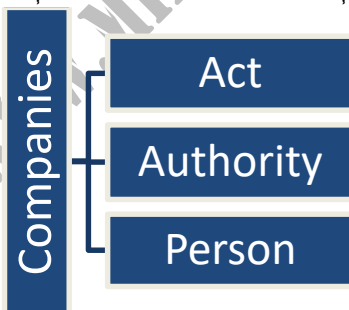
Partnerships	Joint Ventures
+	+
+	+
+	+
+	+
+	+
+	+
+	+
+	+

## COMPANIES

### Definition

A legal entity incorporated under the companies act & having a separate legal personality from its owners / shareholders.

An association between persons with limited liability, legal personality & incorporated under the companies act no-7 of 2007.





# Legal Features

Legal Personality  
Continuity  
Limited Liability  
Share Transferability  
Management by B.O.D.  
Incorporated under Companies Act

## Steps of Incorporation

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

## Documents of Incorporation

Name of the company  
Articles of Association  
Consent from Directors  
Consent from Secretaries

## Articles of Association

Document  
indicating the  
relationship  
between  
Company &  
Shareholders

Objectives  
Rights & Duties  
Mgt & Admin  
Details on shares  
Conditions on meetings  
Details on directors & secretaries  
Details on Accounting & audit

## Certificate of Incorporation

Document issued by registrar to certify that the name bearing company is incorporated after fulfilling conditions of the companies act

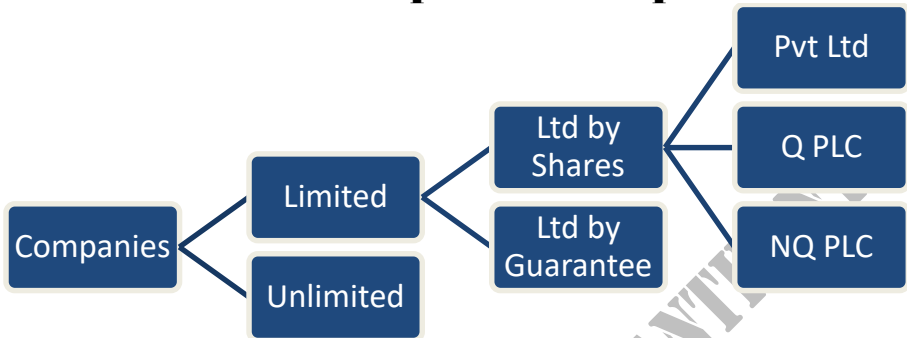
1. Company's name & number
2. Date of incorporation
3. Is the company a limited, unlimited or limited by guarantee
4. Is it a private ltd company
5. Is it an off-shore company

## Prospectus

Document issued by a public ltd company inviting the general public to purchase its shares & debentures

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## Classification of Incorporated Companies

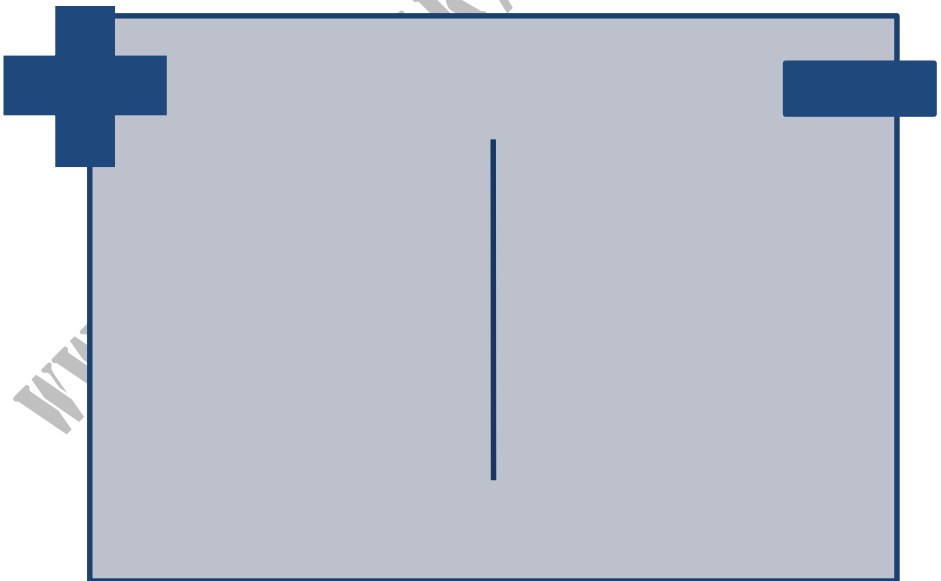
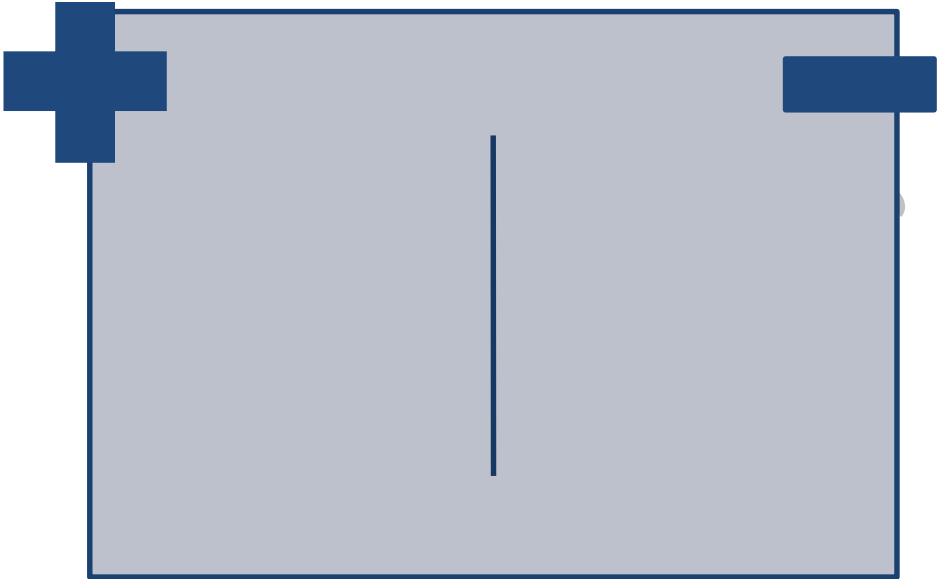


## Features of Companies

	Fact	Private Ltd	PLC
1.	No of Shareholders		
2.	Transfer of shares		
3.	No of directors		
4.	Controlled by		
5.	Sources of capital		
6.	Issue of prospectus		
7.	Starting		
8.	Naming		

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### **Other companies**

Listed  
Company

Off-shore  
Company

Foreign  
Company

MNC

### **Advantages of a PLC listing at a stock exchange**

- +
- +
- +
- +
- +
- +
- +
- +
- +

# Shareholder's

<b>Rights</b>	<b>Duties</b>
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

# Sources of Finance

<b>Shares</b>	<b>Debentures</b>	<b>Commercial papers</b>
---------------	-------------------	--------------------------

# Special Revision - Business Organizations

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## Shares of a company

Founder's  
Shares

Ordinary  
Shares

Preference  
Shares

Golden  
Shares

Non-voting  
Shares

## Advantages of investing in Ordinary Shares

- +
- +
- +
- +
- +
- +
- +
- +



### Ordinary shares vs Preference shares

Ordinary	Preference
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

### Ordinary Shares vs Debentures

Ordinary	Debentures
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

## Special Revision - Business Organizations

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Minimum  
Subscription

Share Under-  
writing

Proxy

Share  
Certificate

Share  
Warrant

Dividends  
Warrant

Companies  
Registrar

# Special Revision - Business Organizations

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## **Powers of Companies Registrar General**

1.
2.
3.
4.
5.
6.
7.
8.
9.
10.

## Dissolution of a Company

Voluntarily

Court Order

Court  
Supervision

# CO-OPERATIVES

### Definition

A Co-operative society is the association of persons who voluntarily come together on the basis of equality for the promotion of the economic interests of the society

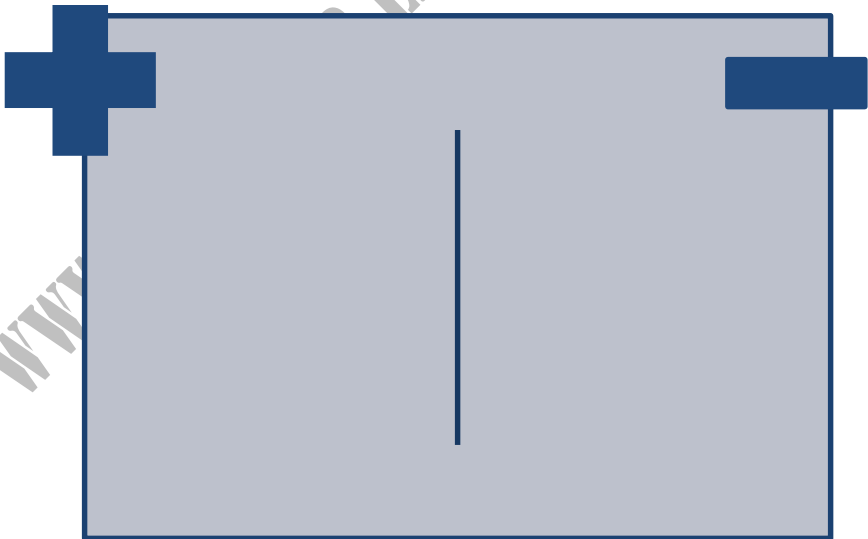
In other words; A co-operative is a special type of organization created voluntarily by a group of people by investing money in order to improve their economic strength.

## Co-op Policies

1. I
2. D
3. E
4. I
5. P
6. C
7. C

# Co-op Ethics & Values

1. Self-aid
2. Self-responsibility
3. Democracy
4. Equality
5. Equitable / Reasonable
6. Solidarity
7. Honesty
8. Social responsibility
9. Openness
10. Concern on others



## Special Revision - Business Organizations

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1.	Members	
2.	Capital	
3.	Registration	
4.	Legality	
5.	Management & Administration	
6.	Liability	
7.	Accounting & Auditing	
8.	Profits paid	
9.	Taxation	

## Documents for Registration

1. Application form
2. Constitution containing rule & policies (2 copies)
3. Economic feasibility report
4. Member's resolution to register the society (1 copy) at a general meeting
5. Certification of signing members have paid the money & it is with the treasury (account report)
6. Road map for directions

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## Importance

- Contribute to GDP
- Increase full employment
- Can face economic downturns
- Reduce cost of living during inflation
- Developing equality, unity & solidarity
- Encouraging self employment

## Trends

- Self service businesses
- Super markets
- Entering new business fields
- Introducing new policies
- Increased Govt support
- Amending rules & regulations

## Reasons for Failure

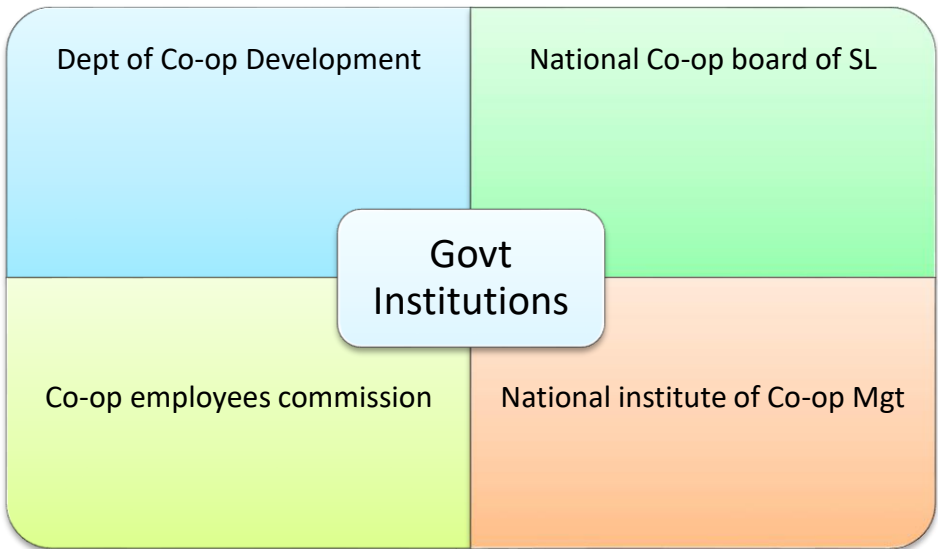
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- +.
- +.
- +.
- +.

## Suggestions to improve

- +.
- +.
- +.
- +.
- +.

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## FRANCHISES

### Definition

A franchise is a legal & commercial agreement between the franchisor & franchisee with regards to a franchise business.

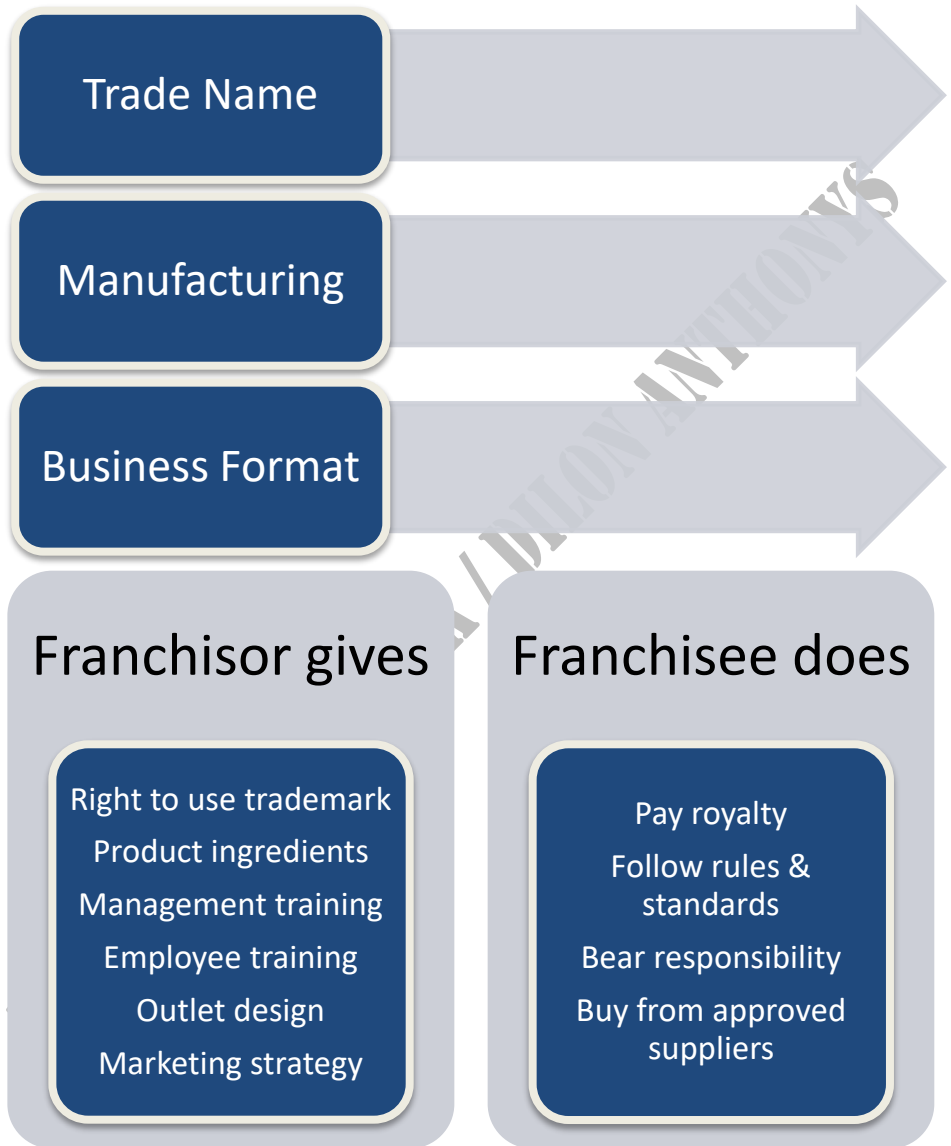
Franchisor

Franchisee



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Franchisor	
Advantages	Disadvantages
+	+
+	+
+	+
+	+
+	+
+	+

Franchisee	
Advantages	Disadvantages
+	+
+	+
+	+
+	+
+	+
+	+

## **BUSINESS COMBINATIONS**

The merger or acquisition based on conditions by one company with one or many other companies to achieve diverse business goals & objectives

In other words, a Business Combination is types of different mixes that can be found in business activities & forms.

## Special Revision - Business Organizations

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Merger



Acquisition



Vertical



Horizontal



Conglomerate



Market  
Extension



Product  
Extension



## **PUBLIC SECTOR ORGANIZATIONS**

### Definition

These are organizations which are owned (fully or majority), established, financed & managed by the government of a country. Most of these organizations are set up by the government in order to provide social welfare & benefits to the public at a very concessional rate.

### **State Corporations**

1.	Ownership	
2.	Incorporation	
3.	Sources of Income	
4.	Sources of Capital	
5.	Mgt & Admin	
6.	Legality	
7.	Liabilities	
8.	Accounting & Auditing	
9.	Profits & Losses	

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10.	Motive	
-----	--------	--

### **Government Departments**

1.	Ownership	
2.	Incorporation	
3.	Sources of Income	
4.	Sources of Capital	
5.	Mgt & Admin	+. +. +.
6.	Legality	
7.	Liabilities	
8.	Accounting & Auditing	
9.	Profits & Losses	
10.	Motive	

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State ownership	
Reasons	Disadvantages
+	+
+	+
+	+
+	+
+	+
+	+

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