

Principle of Commerce (English Medium) - 11th Class Principle of Commerce Chapter 5 Short Questions Preparation

Q1. How does a joint stock company provide difference investment opportunities

Ans 1: The company issues ordinary and preferred shares to those investors who want to share the profit or loss of the business and issue debentures to those investing who want to receive interest at a fixed rate.

Q2. Explain the organizational structure of a joint stock company.

Ans 1: The management of the company is entrusted to the board of directors elected by the shareholders. Shareholders are not allowed to participate directly in the affairs of management.

Q3. State any five advantages of a joint stock company.

Ans 1: i- Large capital ii- Limited liability iii- Experts services

Ans 2: iv- Long life v- Large scale production.

Q4. State any five properties of a joint stock company.

Ans 1: i- Separate legal entity ii- Democratic style iii- Long life

Ans 2: iv- Limited liability v- Easy transfer of shares.

Q5. What is meant by democratic style or set up in a joint stock company.

Ans 1: The company has a democratic set up because shareholders of the company elect the directors by using their voting rights to run the business. Moreover, all the decisions are made by a majority.

Q6. What is meant by the separate legal entity of a company.

Ans 1: A joint stock company is an artificial person and has a separate legal entity in this capacity, the company can sue or enter into an agreement with other parties.

Q7. From where does a joint stock company obtain capital for starting business.

Ans 1: A joint stock company mobilizes a large portion of its capital by issuing shares, for this purpose a public company can issue its prospectus to the general public whilst a private company cannot issue the shares to the general public.

Q8. State the number of shareholders in a joint stock company.

Ans 1: In case of a multi members private limited company minimum number of members should be two and maximum fifty whilst in a listed public limited company minimum members should be seven but there is no limit on maximum number of members

Q9. Write down any five disadvantages of a joint stock company.

Ans 1: i- Monopoly ii- Late decisions iii- Lack of secrecy

Ans 2: iv- Difficulty information v- Double taxation

Q10. What is meant by limited liability of the shareholders in a joint stock company.

Ans 1: In joint stock company, the liability of the shareholders is limited to the extent of shares purchased by them. It means the private property of shareholders cannot be used for the loss of company.
