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Commercial Studies - 26/6/2020

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Chap - 3 (Profit and Non-Profit Organisations)

etc.) for various social causes. For example, Tatas and many other industrial houses have established charitable trusts which provide scholarships for higher education to young persons, mainly from poor families, e.g. Ratan Tata Trust.

2. Educational organisations : Business houses have also set up schools and colleges which offer educational facilities to public at nominal cost. Central and State Governments have set up schools, colleges, universities, IITs, IIMs, libraries and other educational institutions for the development of human resources in the country. These are different from private educational institutions which have been set up to earn money, e.g. Council for Indian School Certificate Examination.

3. Religious organisations : Temples, Churches, Gurudwaras, Masjids, etc. exist to provide facilities to people for their religious activities, e.g. Gurudwara Prabandhak Committee.

4. Public health organisations : Public hospitals and dispensaries are set up to provide free medical facilities to public in general. In a poor country like India, these organisations play a vital role in the promotion of public health, e.g. Sulabh International.

5. Municipal organisations : Municipal authorities in every state and union territory provide sewage disposal, water, electricity, sanitation and other essential services to people, e.g. New Delhi Municipal Corporation..

6. Political organisations : Political parties exist to protect and promote the political interests of their members. They sponsor and support candidates during elections and carry out various political functions, e.g. Bhartiya Janta Party (BJP).

7. Mutual benefit organisations : These are voluntary associations set up for the benefit of their members and the public. Clubs and trade unions are examples of such organisations, e.g. Hind Mazdoor Sabha (HMS).

8. Common Weal Organisation : These organisations are established for the benefit of the public at large or the whole society. Army, police, fire-service, etc. are examples of common weal organisations. For instance, an army defends the whole country and not part of it from foreign aggression.

3.3 COMPARISON BETWEEN PROFIT AND NON-PROFIT ORGANISATIONS

| <i>Basis of Distinction</i> | <i>Profit Organisations</i> | <i>Non-Profit Organisations</i> |
|------------------------------------|------------------------------|---------------------------------|
| 1. Primary motive | To earn profits. | To render services. |
| 2. Main functions | Production and distribution. | Helping people. |
| 3. Risk | High | Low |
| 4. Net result of operations | Profit or loss | Surplus or deficit |
| 5. Tax | Payable | Not payable |
| 6. Government grants | Not available | Available |

3.4 CHARITABLE ORGANISATIONS

Our society is divided into rich and poor people. Rich people have the means to meet all their requirements. They lead a luxurious life. But poor people find it difficult to meet their essential needs

3 PROFIT AND NON-PROFIT ORGANISATIONS

Learning Objectives

After studying this chapter, you should be able to :

- 3.1. Define the profit seeking organisations
- 3.2. Describe meaning and types of non-profit organisations
- 3.3. Distinguish between profit and non-profit organisations
- 3.4. Explain the charitable organisations
- 3.5. Describe the organisation of non-profit organisations

In the past, the number of organisations in our society was limited. These organisations were small in size and simple in nature. But with the development of science and technology and the spread of education, the number of organisations have increased tremendously. These organisations have become large in size and quite complex in nature. Several organisations overlap in their features and functions.

3.1 MEANING OF PROFIT SEEKING ORGANISATIONS

Organisations which are established and operated primarily with the motive of earning profits may be described as profit seeking organisations. Profit seeking organisations are basically business organisations. No business organisation can survive for long without earning some profit. It is the incentive of earning money which prompts people to set up and run business organisations. Profits also provide the money for the modernisation, expansion and growth of a business enterprise. The main problem faced in profit seeking organisations is maximising operating efficiency. The owners and managers of these organisations are concerned with ways and means of reducing costs and increasing productivity.

In India, Government also owns and controls several business organisations. Bharat Heavy Electricals, Indian Oil Corporation, State Trading Corporation of India, Hindustan Machine Tools, Steel Authority of India, etc. are a few examples of such organisations. These organisations were set up to speed up industrial development in the country. Most of the business organisations of the Government are not earning profits. Therefore, the Government is reducing its stock in these organisations. Some of these organisations such as Modern Food Industries have been sold out to private business firms.

A profit seeking organisation is engaged in the production/purchase and sale of goods and services on regular basis with the object of earning profit by satisfying human wants. It undertakes economic activities. A grocery shop, a sugar mill, an automobile repair workshop, a truck company are examples of profit seeking organisations.

3.2 MEANING AND TYPES OF NON-PROFIT ORGANISATIONS

Non-profit organisations are those organisations which are set up and run not to earn profits but to serve the society. Some examples of non-profit organisations are given below:

1. **Charitable organisations** : These organisations exist to provide financial assistance (donations,

etc.) for various charitable trusts poor families.

2. **Educational organisations** : These organisations are set up for educational purposes. They include colleges, universities, etc. human resources have been set up.

3. **Religious organisations** : These organisations provide facilities to the religious community.

4. **Public utility organisations** : These organisations provide medical facilities and play a role in the development of the community.

5. **Municipal corporations** : These organisations are responsible for sewage disposal, water supply, etc. Municipal corporations are set up for the purpose of providing public utility services.

6. **Political organisations** : These organisations are set up for the purpose of promoting the interests of the community. They include political parties, etc.

7. **Mazdoor unions** : These organisations are set up for the purpose of promoting the interests of the workers. They include Mazdoor unions, etc.

8. **Co-operative organisations** : These organisations are set up for the purpose of promoting the interests of the community. They include co-operative societies, etc. aggressive competition.

3.3 CO-OPERATIVE ORGANISATIONS

Basis of Classification

- | |
|------------|
| 1. Purpose |
| 2. Nature |
| 3. Form |
| 4. Method |
| 5. Time |
| 6. Place |

3.4 CO-OPERATIVE SOCIETIES

Co-operative societies are set up for the purpose of promoting the interests of the community. They include co-operative societies, etc. require the services of the community.

of food, clothing and shelter. In India, most of the people are poor. A part of the population is even below the poverty line. In such a situation, Government, rich people and voluntary agencies can help the poor in various ways. They can set up trusts and other organisations to offer financial assistance in cash and kind for the welfare of poor and downtrodden. These organisations are called charitable organisations. Some examples of these organisations are as follows :

1. Educational Trusts : These trusts run schools and colleges to provide free education to poor people. They also offer scholarships and loans to bright children from poor families. Some of them run free libraries.

2. Clubs : Clubs such as Lions and Rotary, organise blood donation camps. These organisations also provide help to the victims of natural calamities such as flood, fire, earthquake, etc.

3. Voluntary associations : Many organisations have set up Dharmshalas, night-shelters, etc. to provide accommodation to the people who have no place to stay. Many charitable bodies donate money to the National Defence Fund, Prime Minister's Relief Fund, etc.

3.5 ORGANISATION OF NON-PROFIT ORGANISATIONS

There exist a wide variety of non-profit organisations. Some of them are member-serving while others are community serving. Mutual societies, cooperatives, trade unions, credit unions, industrial associations, sports clubs and senior citizens' clubs serve their members. Red cross, Child Relief and You (CRY), Help Age, are examples of community serving organisations. Although, non-profit organisations generate surplus revenues but the surplus is not distributed. Non-profit organisations are usually organised as societies, trusts and non-profit companies.

1. Societies : A society is a group of ten or more persons who associate voluntarily and register it under the Cooperative Societies Act 1912 to protect and promote their common interests. Every member has one vote and the society is managed by an executive committee elected by the members. The executive committee elects President, Vice President, Secretary and Joint Secretary. Kaira District Cooperative Society (producer of AMUL brand, milk products) is an example.

2. Trusts : Trusts are set up to further social causes such as public health and education. Trusts are exempted from income-tax. A trust is formed when a rich person or entity transfers property in cash or kind and a trust agreement is executed. The trust is registered under the Indian Trusts Act. The trust is managed by a group of trustees for the beneficiaries. In India, trusts run temples, educational institutions, medical institutes, etc. Sir Dorabji Tata Trust offers scholarships to students belonging to weaker sections of the society for pursuing higher education.

3. Non-Profit Companies : A non-profit company is a company that is registered under the Companies Act, 2013 for purposes other than earning profits and distributing them to its members. It is managed by a Board of Directors. The directors are elected by the members of the company. Sulabh International is a non profit company.

QUESTION BANK

Q.1 What is a non-profit organisation?

Ans. A non-profit organisation is an organisation that does not aim at earning profits. Trade union, chamber of commerce, army are some examples of non-profit organisations.

A non-profit organisation is an organisation that does not aim at earning profits. Trade union, chamber of commerce, army are some examples of non-profit organisations.

Q.2 Give
Ans. (i)

(ii)

Q.3 Give
Ans. (i)
(iii)

Profit se
are estab
political,
profit or

SHORT

1. W
2. D
3. G
4. W

LONG

1. D
2. E
3. D
4. W
- (a)
- (b)
5. C
- (i)
- (v)
- (vi)
- An

Commercial Applications

26/6/2020

Class - IX

Chap. 2 (Ownership Structures)

Questions:

Define the term Sole-proprietorship form of business.

Discuss the features of Sole Proprietorship form business.

Discuss the advantages of Sole-proprietorship form of business.

Discuss the demerits of Sole proprietorship form business.

What is Joint Hindu Family Business?

Discuss the merits and demerits of Joint Hindu Family Business.

Discuss the features of Joint Hindu Family Business.