

Chapter-1

COMMERCE / BUSINESS (Human Activities)

- Q.1 (a) Define commerce and its Scope.**
(b) What is importance OR function ? Scope of Commerce.

DEFINITION OF COMMERCE & BUSINESS:0

Commerce and Business are not two different terms. They have the same meaning. The only difference is that what the Americans call a business the Britishers call it commerce. Some authors have defined commerce as follows.

- **Definition of Evelyn Thomas:**
Commercial operations deal with buying and selling of goods, the exchange of commodities and the contribution of finished products.
- **Definition OF R.C.Chawala:**
Commerce refers to all those activities which are necessary of bringing goods from the place of production to the place of their consumption
- **Definition of Business / Commerce by F.C.Hooper:**
Whole Complex fields of commerce and industries, the basic industries, process and manufacturing and network, ancillary services, distribution, banking insurance, transportation and so on which serve and inter penetrate the world of business as a whole.

IMPORTANCE OF COMMERCE

- 1) **Development Depend on Business/Commerce:**
Nobody can deny that in the present age the economic, political and social development of a country depends on its business / Commerce.
- 2) **Concept of Business/Commerce:**
the concept of business / commerce covers all the economic activities of human beings in which the concept of business / commerce covers all the economic activities of human beings in which wholesaling, retailing exports and imports activities and all other services related to commercial development are involved such as banking and finance, Production, warehousing Information, Insurance and transportation, etc.
- 3) **Proof of Economic Development:** If any country is developed and its economy is sound and strong and her people are leading easy complacent life than it is proof that in such country are commercial activities are successfully advancing ahead towards to desirable goal.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



FUNCTIONS / SCOPE OF COMMERCE

Various Fields of Commercial Activities: Business / Commerce go on extending in all such activities and functions which are related with the function of:

- * Production of goods and services
- * Distribution of goods and services
- * Ultimate Consumption of goods and services of the consumers.

Detail of Sectors of Commercial Functions: All commercial functions are related with or have the scope to cover the following sectors of life.

- | | | |
|-----------------------------|--------------------------------|----------------|
| 1) Banking and Finance | 2) Production | 3) Warehousing |
| 4) Marketing of Information | 5) Grading and Standardization | 6) Insurance |
| 7) Trade | 8) Transportation | |

Q.2 Define Business and write down its characteristics

DEFINITIONS OF BUSINESS:

Various scholars of the subject have defined “business” in different ways; some popular and authentic definitions of “business” are as under.

- 1) **B.O. Wheeler:** “Business is an institution organized and operated to provide goods and services to society under the incentive of private gain.”
- 2) **FC Hooper:** “The whole complex field of commerce and industry, the basic industries processing and manufacturing industries and the network of ancillary services, distribution, Banking, insurance, transport and so on which serve and interpenetrate the world of business as a whole.”
- 3) **L.H Haney:** “Business may be defined as a human activity directed towards producing or acquiring wealth through buying and selling of goods”
- 4) **Urwick and Hunt:** “Business in any enterprise which makes, distributes or provides any article or service which the other members of the community need and are able and willing to pay for”
- 5) **R N Ownes:** “Business in any enterprise engaged in the production and distribution of goods for of goods for sale in market rendering services for a price”

CHARACTERISTICS OF BUSINESS / COMMERCE:

The salient features of business / Commerce are as follows

- | | | |
|--|---|-------------------------|
| 1) Creation of Utilities | 2) Production of Goods and Services | |
| 3) Repeated Transaction of Purchase and Sale | 4) Delivery of Goods and services for Price | |
| 5) Making Profit | 6) Assumption of Risk | 7) Economics Activities |
| 8) Business in an art | 9) requires investment | |

Q3. Define Industry and Profession

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



1) PROFESSION:

Any activity which requires special knowledge and skill to be applied by an individual to earn a living is known as profession. For example doctors, teachers, lawyers, engineers and accountants are engaged in profession. Profession involves intellectual activity. It is not a mechanical or routine operation.

Definitions:

- Profession is an occupation which involves application of specialized knowledge and skills to earn a living.
- Profession is an occupation that involves the rendering of personal services of a specialized nature based on professional education knowledge and training.

CHARACTERISTICS OF PROFESSION:

Following are the characteristics of profession

- 1) **Systematic body of knowledge:** Profession is a systematic body of knowledge and every professional has to be well acquainted with this knowledge.
- 2) **Essential Professional Qualification:** Only such persons can enter into a profession who possess the necessary professional qualifications (diplomas, membership acquired from professional Institution).
- 3) **Provision for Professional Training:** Every profession provides necessary training facilities to prospective professionals in their respective fields
- 4) **Professional Association:** Every Professional has its own Association which is statutory body and the professional have to become its member on payment of annual membership fees.

2) INDUSTRY

Industry means production of goods for sale by the application of human or mechanical power. In other words, industry refers to economic activities which are connected with raising, producing and processing of goods and services.

Definitions:

▪ Definition of Evelyn Thomas:

Industrial activities are concerned with the growing, extending and manufacturing of material goods.

▪ General Definition:

- ◆ *Industry changes the form of goods from any stage from raw materials to the finished products and creates utilities for the satisfaction of human ways and to earn profits.*
- ◆ *Industry means all the business and commercial activities to produce goods and services.*

Characteristics of Industry:

The main characteristics of industry are as follows:-

- I. **Economic Activity:** Industrial activities are economic activities.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- II. **Satisfaction of Wants:** Industry produces various types of goods and service and satisfies human wants.
- III. **Wide Scope:** The scope of industrial activities is very wide.
- IV. **Production of Finished Goods:** Industries use raw materials to produce finished goods.
- V. **Economic Growth:** Industries help in economic growth of the country
- VI. **Helpful for Business Activities:** Industrial activities give rise to other business activities.
- VII. **Part of Business:** Industry is a major and vital part of Business.

Q.4 Name various types of business to which sole proprietorship is most suited

Types of Sole Proprietorship

1) Manufacturing

- | | | |
|------------------------------------|------------------|--|
| 1. Soap Making | 2. Confectionary | 3. Making Furniture |
| 4. Printing | 5. Book binding | 6. Publication of books |
| 7. Cosmetic | 8. Basket making | 9. Embroidery work on Cloth sandals, caps etc. |
| 10. Mirror Work on lady's garments | | |

2) Wholesaling

- | | | |
|--|--------------------------------|----------------------------|
| 1. General store | 2. Chemist and Druggist | 3. Cloth Shop |
| 4. Hardware Shop | 5. Other Types of shop keeping | 6. Supply of building Shed |
| 7. Supply of construction material Cement, Crush etc. on large Scale | | |

3) Retailing

- | | | |
|--------------------|------------------------------|-----------------------|
| 1. Bakery | 2. Book stall | 3. General store |
| 4. General Store | 5. Readymade Garment's Shops | 6. Hawkers Shops |
| 7. Small Shops | 8. Cloth Shop | 9. Sale of Vegetables |
| 10. Sale of Fruits | | |

4) Services

- | | | |
|--------------------------|-------------------------|---------------------------------|
| 1. Construction Work | 2. Travelling Services | 3. Consultation Services |
| 4. Tuition Centre | 5. Journalism Firm | 6. Tourism services |
| 7. Advocate Firm | 8. Brokes Service | 9. Cooking Service |
| 10. Automobile Servicing | 11. Watch Repairing | 12. Advistory Services |
| 13. Manual Labour | 14. Accounting Services | 15. Cycle/Motor Cycle Repairing |

Q.5 Describes the circumstances under which formation of sole proprietorship is better than other kinds of ownership. Give example

Under the following circumstances formation of sole proprietorship is better than establishing other forms of ownership

- 1) **Local Market:** Where the market is local e.g. small scale retailers.
- 2) **Personal Service:** Where personal attention to costumers is needed e.g. tailoring and beauty parlour.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter

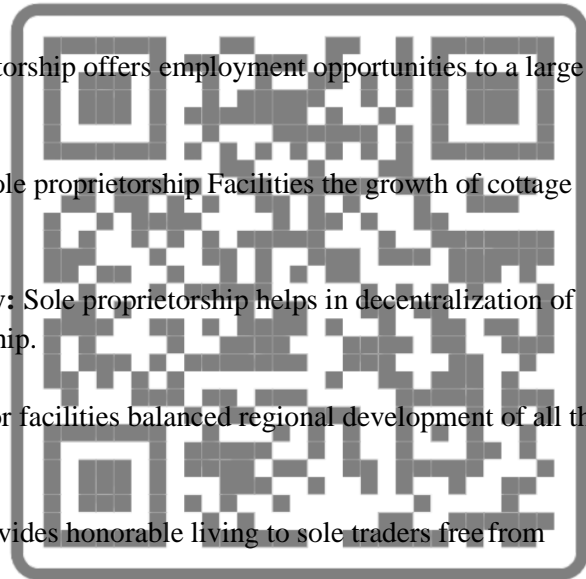


- 3) **Frequent changes in fashions:** Where fashion change frequently e.g. artistic jewelry
- 4) **Small Capital:** Where small amount of capital is required e.g. hawkers shop newspaper selling; cycle/motorcycle repairing shop.
- 5) **Personal Skills:** Where personal skill is important e.g. health clinic, rearing birds and fowls etc.
- 6) **Quick decision:** Where quick decision is required e.g. To sell fish and vegetables etc.
- 7) **Prompt Action:** Where prompt action is required e.g. to drive ambulance to carry serious patients to hospitals.
- 8) **Negligible Risks:** Where risk involved is negligible e.g. doctors clinic, lawyer's office, etc.

Q.6 why sole proprietorship business is socially desirable?

The sole proprietorship business is socially desirable for the following reasons.

- 1) **To avoid concentration of economic power:** Formation of sole proprietorship business avoids concentration of economic power in few hands through a more equitable distribution of wealth in society.
- 2) **Opportunity of self-employment:** Sole proprietorship provides opportunity for self-employment with limited investment.
- 3) **Large number of job opportunity:** Sole proprietorship offers employment opportunities to a large number of people in society.
- 4) **Helpful for cottage & small scale industries:** Sole proprietorship facilitates the growth of cottage and small scale industries.
- 5) **Encouragement of decentralization of economy:** Sole proprietorship helps in decentralization of economy and encourages the diffusion of ownership.
- 6) **Helpful in regional development:** Sole proprietor facilitates balanced regional development of all the regions of a city or town.
- 7) **Offers honorable living:** Sole proprietorship provides honorable living to sole traders free from other's control.
- 8) **Promotes self-reliance:** The sole traders develop the admirable quality to self-reliance.
- 9) **Development of pride in ownership:** Sole proprietorship develops the quality to feel pride in ownership of business and also self-respect.
- 10) **Development of Pride in ownership:** Sole proprietorship develops the quality to feel pride in ownership of business and also self-respect.
- 11) **Check over criminal mentality:** Once the people start to feel necessity to lead honorable and respectable life, they dislike to indulge in criminal activities to pick pocketing, thefts, robbery and gambling etc. and prefer to start some kind of sole proprietorship business,



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



12) Discouragement of Beggary: Many able bodied persons and specially young girl resorts to begging to get money. If they develop the mentality to earn by conducting business, they can adopt some small scale proprietorship business.

**JOIN
FOR
MORE!!!**



***MCC* MASTER COACHING CENTER**

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter # 2

ESSENTIALS & PROBLEMS OF ESTABLISHING A BUSINESS

Q.1 Describe the essentials of problems of establishment of a business/Commerce house?

ESSENTIALS OR PROBLEMS OF BUSINESS AND PROBLEMS:

A Business/Commercial Organization passes through the following steps/stages in order to minimize the Business/Commercial risks and increase the prospects of maximization of profits.

1. Nature of Business /Commerce
2. Business/Commerce Information
3. Fundamental facilities or Infrastructure
4. Long life
5. Marketing
6. Competition
7. Staffing labor
8. Business Risks
9. Kind of product/service
10. Analysis of opportunities
11. Location
12. Finance/Capital
13. Management skill
14. Abiding govt. rules and Regulation

1) Nature of Business/Commerce:

Before the establishment of Business/Commercial organization the businessman should decide about the kind or nature of Business/Commerce.

2) Business/Commerce Information:

Business/Commerce whether it is already existing or being newly established the businessman should acquire the minimum but fixed and accurate information about source of supply.

- Income level of buyers
- Inventions and changes in production process and introduction of commercial technologies
- Government commercial policies etc.

3) Fundamental facilities or Infrastructure:

All kinds of business/Commerce organization need the facilities of roads water supply drainage, means of transport and communication. Without these facilities no Business/Commerce organization can be established.

4) Long life:

None of the commercial/Business organization is established for few months or few years. For this purpose the prospective business man/producer/seller has to keep a vigilant eye on the ever



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



changing consumers taste and fashions and also the government commercial policies.

5) Marketing:

For a business/commercial organized it is necessary to make proper arrangements of sales and purchase transport and warehousing. The organization has to exercise quality control and grading and also proper and attractive packing of the goods/products to attract the customers.

6) Competition:

In practical life no perfect market exists and all the markets are divided in monopoly, deploy and oligopoly types of business pattern hence every business/commerce organization has to tactfully perform all its, production and marketing function suitable to meet the requirements of the markets so as to face all kind of competitions successfully.

7) Staffing Labor:

The efficient and experienced businessman has to employ the skilled workers and expert managers and other staff on the principle of a right person for the right job. He has to employ unskilled labor also.

8) Business Risks:

There is no business small or big in which there are no risks. The businessman should be courageously prepared to face all the business risks and be steadfast.

9) Kind of Product/Service:

Every businessman has to decide about the kind of products which he would produce and supply to markets/customers.

10) Analysis of opportunities:

There are two methods to enter into the field of business. The first is to purchase an existing business organization or secondly establish a new organization. For the beginner or a prospective businessman it is better to purchase a running existing business although it is costlier but it shall save the new businessman from many risks and problems.

11) Location:

Always a business flourishes and runs smoothly when it is established at proper and ideal site. Hence every businessman should select the proper site to establish the business.

12) Finance/Capital:

It is basically important that a prospective businessman should make arrangement of capital to start a business from his own funds as well as from the borrowed funds. The size of business and its nature depends upon the size of the available capital.

13) Management Skill:

According to the nature and size of a business organization the businessman has to acquire for himself sufficient knowledge about business management and also to appoint expert and experienced managers smoothly.

14) Abiding govt. rules and regulations:

In every country exists a setup of government rules and regulations are commercial policies. A businessman has to abide by and follow them for smoothly running his business.

Every businessman has to keep in mind the above cited essentials of business/commerce before establishment of business and during its period of functioning i.e. throughout the life of the business. Any failure or short comings in these essential may results into failure, closure and heavy losses.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Q2. What are the basic causes of business problems?

Causes of Business Problems:

Following are the major causes which create Business/ Commerce problems.

1) Severe Competition:

In the present day Business/Commerce world between all the big and small businessman severe competitions and even hostilities have cropped out. Each businessman really wants eagerly and tries to destroy his rival competitors.

- i) Lack of secrecy:
- ii) Establishment to New Financial Organization:
- iii) Big Business Combination:
 - a) Production of goods and sale at low prices
 - b) Ousting of Small Firms from Market

2) Increased Demands Of Government:

The present day government of under developed countries is intervening in the business / commerce field excessively. Its seed was sown by the state Monopoly of Socialistic Economy practiced by erstwhile USSR and the People's Republic of china and many east European countries of socialist block. It has resulted in following types of government interference in business affairs.

- a) Nationalization of Business Concerns
- b) Claim to Establish Welfare State
- c) Unfavorable Commercial Policy

3) Political And Economic Environment:

Political Environment:

Political the ruling class and other political leaders have started to interfere in the business / commerce activities in private sector in the following matters.

- a) Close Contact with Businessmen
- b) Use of Donations in Election Campaigns

4) Social Pressures:

Many social pressures are applied by the members of the society on the businessmen creating business problems out are which following are every harmful for the business community.

- i) Change of consumers tastes and fashions
- ii) Demands for supply for standard goods
- iii) Demands of goods at competitive price
- iv) To be content on small profits margin

5) Employee's Pressure:

Employees and workers in large sized business concerns and industries create a lot of business problems described below.

- i) Complex division of labor
- ii) Governments legal protection
- iii) Demand of better working conditions
- iv) Increase in wages

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Conclusion: In view of the numerous business problems mentioned above it can be concluded that they are very complicated and are becoming more complex for the under developed countries including Pakistan. Therefore the modern businessmen and manufactures of these countries should face these problems courageously with sensibility and proper business strategy.

**JOIN
FOR
MORE!!!**



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter #3

TYPES OF OWNERSHIP AND SOLE PROPRIETERSHIP

Q1. What factors have to be considered for the selection of a type ownership?

Selection of a Type of Ownership:

The factors which affect the choice of the form of business organization are as follows.

- 1) Various Nature Of Business
- 2) Size and Area of Operations
- 3) Degree of Control Desired
- 4) Size Of Capital
- 5) Growth and Expansion Of Business
- 6) Degree Of Risk Involved
- 7) Sharing Of Profile
- 8) Duration Of Business
- 9) Government Regulations and Control
- 10) Maintenance Of Business Secrecy
- 11) Administrative Flexibility
- 12) Tax Payment & Expenses

Q2. Describe the characteristics of sole proprietorship.

Characteristics of Sole Proprietorship:

1) **Nature of Ownership:**

It is the oldest, the simplest and the most common form of business organization.

2) **Management:**

It is managed, single handedly by one owner independently without interference of any other person.

3) **Establishment:**

The sole proprietor, plans, decides select the location, takes the decision about the nature of business and establishes his own business.

4) **Capital and Finance:**

Sole proprietor uses his own funds and funds borrowed from relatives and friends. He however avails credit facilities from the wholesalers from whom he buys goods partly on cash and partly on credit terms.

5) **Risk Bearing:**

In this kind of business all business risks are borne singly by the sole proprietor.

6) **Profit and Losses:**

The sole proprietor alone is responsible for the profits and losses of business.

7) **Ultimate Authority:**

He is the whole and sole authority of his business such as:

a) **Authority to Employ Servants:**

He employs servants to help him as salesmen, cashier or counter assistant, etc.



b) Formation of Capital:

He can borrow funds from any source, such as relatives, friends and money lenders.

c) Self-Management:

He does not take directions from others. He manages the business himself, as per his own sense of judgment.

d) Personal Decisions:

He takes decisions independently in all his business affairs. However he seeks advices of wholesalers if necessary.

e) Working Hours:

He determines his own working hours and can follow his own time table of conducting business.

Q3. Define sole proprietorship.

Definition of Sole Proprietorship:

Some popular definitions of sole proprietorship are as given below.

▪ **Definition of LH Haney:**

The individual proprietorship is the form of business organization at the head of which stands an individual as one who is responsible, who directs its operations and ego also runs the risk of failure.

▪ **Definition of B.O Wheeler:**

The sole proprietorship is an informal type of business ownership which is owned and controlled by a single individual. He receives all the profits and risks all of his property in the success or failure of the enterprise.

Q4. Describe the merits and demerits of sole proprietorship.

Merits of Sole Proprietorship:

Sole proprietorship has following merits.

- 1) Easy and quick setup
- 2) No legal formalities
- 3) Small capitals & expenditure
- 4) Independent choice of business
- 5) No need of registration
- 6) Commencement of business
- 7) Sharing of profit
- 8) Chance to avail every opportunity
- 9) Independent control
- 10) Secrecy of business secrets
- 11) Maintenance of personal contacts
- 12) Easy for adjustments
- 13) Chance to modify line of business
- 14) Economy
- 15) Observation of tax and labor laws



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 16) Gainful employment
- 17) Equitable distribution of income and wealth
- 18) Admirable personal qualities
 - a) Self-reliance
 - b) Ability to take initiatives
 - c) Acceptance of social responsibilities

Few definitions are given below:

1) Easy and quick setup:

A sole proprietorship business can be set up easily and quickly and no loss of time is made.

2) No need of registration:

For establishing a sole proprietorship no registration is necessary.

3) Commencement of business:

As no legal formalities have to be observed the sole proprietorship business can be started as and when desired and found suitable by the sole trader.

4) Sharing of profit:

The sole proprietor alone is entitled to receive all the profits of business and he alone has to bear the losses. There is a direct relationship between effort and reward in this kind of ownership of business.

Demerits of sole proprietorship:

The sole proprietorship has the following demerits

- 1) Limited capital
- 2) Limited borrowing capacity
- 3) Poor bargaining position
- 4) Lack of capacity to be successful
- 5) Shortage of time
- 6) Unbalanced business
- 7) Limited abilities
- 8) Difficulty to improve business conditions
- 9) Unlimited liability
- 10) Fear of failure
- 11) Inability to face business risks
- 12) Lack of continuity
 - Spell of life of sole trader
 - General health of sole trader
 - Insufficient profit
- 13) Inseparable from business
- 14) Limited scope of expansions
- 15) Inability to avail economies of large scale
- 16) Failure to attract trained employees
- 17) Ineligible for large scale business operations



Few definitions are given below:

1) Limited capital:



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



The sole proprietor has limited capital and his funds are very small.

2) **Unbalanced business:**

The sole traders commit errors of judgment and their decisions may prove to be wrong so their business activities become unbalanced.

3) **Limited abilities:**

The organizing ability and managerial skills of a sole proprietor are generally limited hence the business activities of sole trader generally suffer from mismanagement.

4) **Ineligible for large scale business operations:**

Sole proprietorship is not eligible for large scale business / manufacturing large scale operations hence always its margin of profit remains very low.

**JOIN
FOR
MORE!!!**



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-4 PARTNERSHIP

Q.1 (a) What is partnership.

(b) What are the advantages and disadvantages of partnership of business ownership.

DEFINITION OF PARTNERSHIP

- **The Partnership Act defines partnership as under:** Partnership is a relation between persons who have agreed to share profit of a business carried on by all or any one of them acting for all.
- **Definition of LH Haney:** Partnership is a relation existing between person competent to make contract who agree to carry on lawful business in common with a view to private gain.
- **Definition of John Shubin:** Two or more individuals may form a partnership by making a written or oral agreement for they will jointly assume full responsibility for the conduct of business.

Q.2 what are the advantages and disadvantages of partnership form of business ownership.

ADVANTAGES OF PARTNERSHIP:

Following are the advantages of Partnership

- 1) **Simple Establishment of Partnership:** It can be easily formed as it simple and inexpensive and formal legal formalities have to be performed.
- 2) **Formation of Large capital:** As a result of formation of partnership the prospective partners pool their funds so a large capital is formed.
- 3) **Freedom to admit new partners:** By mutual consent of existing partners new partners can be admitted (subjected to a limit to 20 partners as maximum).
- 4) **Benefits of admission of new partners:** The admission of new partners by contact of existing partners new partners can be admitted (subjected to a limit to 20 partners as maximum)
- 5) **Combination of ownership:** The management: The management and ownership are not handled by partners by partners separately like a joint stock company. It motivates all the partners to work hard to develop the business of partnership.
- 6) **Direct relationship between effort and reward:** In partnership a direct relationship between efforts and reward is established. As much the partners work hard that much they earn the profits to be shared among themselves.
- 7) **Maintenance of personal contacts:** Different partners can maintain personal contacts with employees and customers and can carry out business dealing with due care and efficiency.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 8) **Effect of unlimited liability of partners:** The fear of unlimited liability makes the partners and they avoid reckless business dealing.
- 9) **Economical Management:** The management of partnership is cheaper when expert managers are not employed.
- 10) **Free from government control:** Partnership business is free from legal restrictions and government control.
- 11) **Large scope of expansion:** There are greater possibilities for expansion and growth of business of partnership. More partners can be admitted if needed to meet additional financial and managerial requirements in order to expand partnership business.

DISADVANTAGE OF PARTNERSHIP:

Following are the disadvantage or limits of Partnership.

- 1) **Maximum Limit of number of partners:** The maximum limit of number of partner in any manufacturing or merchandising business is 20 and in banking business it is only ten so partnership has a limit to expand.
- 2) **Limited financial resources:** It is not possible to collect huge financial resources with limited number of partners.
- 3) **Limited borrowing capacity:** The borrowing capacity of partnership is comparatively limited than company and is more than a sole proprietorship.
- 4) **Lack of technical and administrative skills:** In the manufacturing business run by a partnership there is always lack of technical and administrative skill as it cannot employ highly paid and experienced engineer and technicians.
- 5) **Lack of professional management:** In a partnership there is always lack of professional management. The partners are not generally qualified and experienced manages.
- 6) **Unlimited liability:** Every partner is fully liable for the repayment of debts of partnership business. Private properties of partners can also be taken and even sold for repayment of business debts.
- 7) **Conflicts:** Chances of conflicts are very high in partnership because every partner tries to have more control over the business and its management.
- 8) **Delay in decisions and inefficiency:** Lack of mutual confidence, lack of unity and harmony among partners lead to delay in taking decisions and inefficiency in conducting the business smoothly.
- 9) **Dishonesty in cancer of partnership:** Every partner is an agent of the other partners / firm hence if any partner became dishonest in business dealing then he may cause great damage and loss to the

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



partnership.

10) Negligence of duty: If a partner neglects his duty which is assigned to him their losses may occurs to all other parents / firm.

11) Restriction on transfer of interest: A partner cannot transfer or assign his share in the capital of firm to an outside person without the prior approval of other partner.

12) Lack of liquidity of investment: The sole proprietorship can sell out his business and its assets whenever he wants to transfer his ownership but in partnership the partner face lack of liquidity of their investment (capitals) and they cannot transfer their shares in the partnership to outsiders without approval of all other partner.

Q.3 How the partnership is than sole proprietorship? Illustrate.

Distinction between sole proprietorship and partnership

	Basis of Distinction	Sole Proprietorship	Partnership
1)	Number of members	Owned and controlled by one person called sole trader or proprietor	At least 2 partners, maximum ten in banking and 20 in other classes
2)	Agreement	No agreement necessary	An implied agreement is necessary to form partnership
3)	Registration	Does not needed registration	It is optional to register the firm and is desirable to enforce legal rights
4)	Capital	The sole trader contributes entire capital	All partner generally contribute capitals and pool them
5)	Management	Entire business is managed by sole trader	Every partner has a right to take part in the management
6)	Secrecy	Sole trader takes all business decisions recklessly and hastily.	Secrecy is shared among all partners and leaks out generally
7)	Quick Decisions	Sole trade takes all business decisions reckless and hastily	Decision are taken by mutual consultation between partner causing delay
8)	Covering Law	Sole trader is not governed by any specific law	Partnership governed by partnership Act 1932
9)	Sharing Of Profits	No profit sharing in sole proprietorship	Profits are shared among all partners according to agreed ratio of capitals
10)	Flexibility of operation	It has great flexibility of operation	It has less flexibility as consent of all partners is necessary for business



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



11)	Mutual Agency	There exists no mutual agency as sole trade is no person	Every partner is implied agent of the firm and other partners
12)	Scale of operation	It is suitable for small scale business	It is suitable for medium sized business
13)	Risk	The sole trader bears all business risks	In partnership business risks are shared by all business
14)	Survival	Its survival is uncertain	Lack of mutual trust and unity can result into dissolution of partnership
15)	Existence of Business	It depends on health And life of sole trade	It depends on the lives, Solvency and retirement of partners

Q.4 Difference between Dissolution of partnership and dissolution of partnership firm.

DISSOLUTION OF PARTNERSHIP FIRM:

Dissolution of the partnership firm is different from dissolution of partnership. Dissolution of partnership firm occurs when the firm ceases to carry out its business and its assets are sold, its liabilities are paid off and the balances of capital of partners are also paid them. Thus the firm discontinues all business activities and none of the partners has a relation of partnership with each other. By dissolution of firm the partnership is logically dissolved.

DISSOLUTION OF PARTNERSHIP:

The dissolution of partnership takes place under the following situations.

- 1) **Termination of Agreement:** When the partnership agreement (deed) is terminated by mutual constant of all partners.
- 2) **Admission of New Partners:** When a new partner is admitted without a mutual constant of all partners.
- 3) **Insolvency of a Partner:** When a partner becomes insolvent or a case of insolvency has been filed against him in a court of law.
- 4) **Retirement of Apartment:** When a partner retires from the firm by giving notice under partnership act to all by the consent of partners a partner selling his interest to third party the partnership.
- 5) **Death of a partner:** When a partner died partner breaks up.
- 6) **Insanity of a partner:** When a partner becomes unsound of mind partnership dissolves. When a partnership dissolves other partner can continue to run the partnership firm by entering into a new agreement (or forming a new partnership).
- 7) **Conviction of a partner:** When a partner is convicted for some crime partnership dissolves

Q.5 What are the kinds of partnership?

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



KINDS OF PARTNERSHIP

There are seven kinds of partnership. Different authors have mentioned different number of partnership but most of them have mentioned or referred to the following kinds of partnerships.

- 1) **General / Unlimited Partnership:** This is a kind of partnership in which if for repayment of firm's debts and payments to creditors which have to be made from business cash and assets fall short then the due of the are cleared by selling personal assets and properties of the partners.
- 2) **Limited Partnership:** This kind of partnership is laid down in American and English partnership Acts and not in the act and not in the act followed in Pakistan. (Partnership Act 1932).
The main feature / characteristic of this kind of partnership is that there should be general partner in the part partnership who should have unlimited liability. He should be responsible to carry out all the function of the partnership firm on behalf of other partners. Except such partner all other partner have limited liability and are called special / limited partner. This kind of partnership is registered.
- 3) **Fixed Period Partnership:** It is the partnership formed for a fixed period of time of some specific purpose.
- 4) **Registered Partnership:** Registration of partnership is optional and if it gets registered with register of the firm then it is called register partnership.
- 5) **Partnership at Will:** This type of partnership is formed and maintained and dissolved according to the will of the partners. It can be dissolved by a notice given by one the partner.
- 6) **Special / Particular partner:** It is formed for a fixed period for a specific purpose and on its completion it dissolves.
- 7) **Illegal Partnership:** If the number of partner in a partnership exceeds 20 members in an Ordinary partnership it is called Illegal partnership. It has to be regularized by limiting the maximum number of partner as twenty (In such cases the partner may resolve to form joint stock company. However it is easy to remove partner in addition to 20).

Q.6 Enumerate the kinds of partner and define them.

KINDS OF PARTNERS

Following are the kinds of partner:

- | | | |
|--|----------------------|-------------------|
| 1) Working / Active Partner | 2) Sleeping Partner | 3) Secret Partner |
| 4) Nominal Partner | | |
| a) Partner by Estoppel b) Partner by Holding | | |
| 5) Limited Partner | 6) Partner in profit | 7) Minor Partner |
| 8) Sub Partner | | |

- 1) **Working / Active Partner:** He is a full-fledged partner who takes active part in the management of the firm and is known to third parties.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



2) Sleeping / Dormant Partner: The sleeping partner is also called silent/ inactive partner. He contributes capital to the firm but does not take part in the management or business matters of the partnership firm. He shares in profit and losses of the firm. He has unlimited liability for the firms' debts and his personal property can be attached if need be. He is not known to the third partner as being the partner of the firm. He is fact an inactive partner.

3) Secret Partner: He is as good as an active Partner but his name is not known to the outsiders (third parties)

4) Nominal Partner: He does not contribute capital and take part in the management and business of the firm and only allows his name to be sued as partner of the firm before third partners. It is of two types.

a) Partner by Estoppel: He is a person who by his spoken or written word or conduct represents himself as a partner.

b) Partner by Holding Out: He is a person who is declared as partner and he does not deny this after becoming aware of it.

5) Limited Partner: He is a partner whose liability is limited to the extent of his share in the capital of the firm. He does not take part in management of the firm.

6) Partner in Profit: He is a partner who shares in the profit of the company and not in its losses and his liability is therefore limited and he does not take part in the management of the firm.

7) Minor Partner: He is not qualified to enter into contract of partnership but the partners (adult) of the firm agree that he may be admitted to receive the benefits of partnership. On becoming adult he may opt to become partner or not as he likes by giving a notice.

8) Sub Partner: He is a third person with whom a partner agrees to share his profit from the firm.



MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-5

JOINT STOCK COMPANY

- Q.1**
- a) What is a Joint Stock Company?
 - b) Discuss the main features of a joint stock company
 - c) Define a joint stock company

JOINT STOCK COMPANY? (Historical Background)

- **Birth of Modern factory system:** After Industrial Revolution modern factory system involved production a very large scale requiring huge capital investments and expert professional management involving heavy business risks.
- **Formation of Joint Stock Company:** Therefore the idea of Joint Stock Company was evolved to meet the requirements of factory system. Thus the company form of organization came into existence due to the defects of sole proprietorship and partnership form of business organization. Bank of England was formed as first joint stock company in UK 1694 AD.

DEFINITION OF JOINT STOCK COMPANY

A joint stock company is an incorporated association of person a person artificial legally having a separate legal existence with a perpetual succession and common seal. Its capital is divided into shares which are freely transferable and the owners of these shares have limited ability.

CHARACTERISTICS / FEATURES OF JOINT STOCK COMPANY

Following are the characteristics of Joint Stock Company:

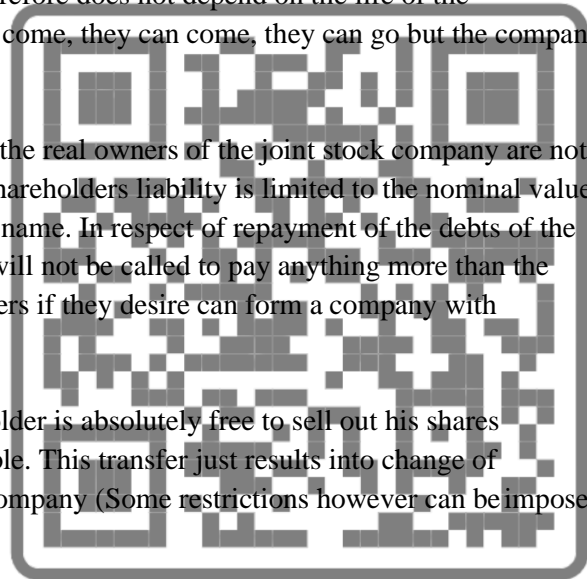
- 1) **Legal Entity/Artificial Person:** In the eye of law a company behaves as a person and it can performs the following functions.
 - i) **Dealing in Property:** It can own property or dispose it off or sell it as decides.
 - ii) **Mortgage/Pledge of property:** It can mortgage or pledge its property in order to take loans.
 - iii) **Authority to contract:** It can contract with the parties into its name for miscellaneous business matters etc.
 - iv) **Right to sue:** It can sue others in its own name as it is a legal person (artificial)
 - v) **Can be used by others:** It can be used by third parties as a person if it commits any default or breach of contract or fails to clear the debts/dues.
- 2) **Shares Holders Are Owners:** Legally the owners of a joint stock company are its shareholders whose characteristics are as follows
 - i) **Not responsible foe company's acts:** Not held liable for the acts of the company, breach of contacts nonpayment of debts nonpayment of taxes etc.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- ii) **Not agents of company:** There are not agents of the company as partner who are implied agents of the partnership firm and other partners.
 - iii) **Electrons of Directors:** They only elect the directors of the company in general body meeting of the company.
 - iv) **Non participation in management of company:** The do not take part in the management of the company.
 - v) **Right to contract with company:** They can make contracts with the company as the third parties in business deals.
 - vi) **No concern with creditors:** The creditors of the company are not the creditors of the shareholders and shareholders are not liable for the company's debt expect to the extent of value of shares held by them.
- 3) **Continued Existence:** As already mentioned a company is a person created by law having no physical existence. Hence law can end its existence. Its life therefore does not depend on the life of the shareholder, their solvency, sanity or death. They can come, they can come, they can go but the company is not affected either by their entrance or by their exit.
 - 4) **Share Holder's Liability:** The shareholders who are the real owners of the joint stock company are not held responsible for the debts for the company. The shareholders liability is limited to the nominal value of his shares bought by him and got transferred in his name. In respect of repayment of the debts of the company if its assets fall short then the shareholders will not be called to pay anything more than the nominal value of their shares. However the shareholders if they desire can form a company with unlimited liability.
 - 5) **Freedom to Withdraw Membership:** Every shareholder is absolutely free to sell out his shares especially in stock exchange because freely transferable. This transfer just results into change of shareholders and it does not affect the capital of the company (Some restrictions however can be imposed in actual on the transfer such shares)
 - 6) **Use of common seal in place of signature:** Company beings a person artificial a not sign the legal documents and contacts etc. so it uses its seal which is authorized the name of approval as if it is an official signature.
 - 7) **Management Entrusted to Directions:** Although the directions of the board are elected by shareholders they handle the entire management of the company and shareholders cannot interfere in the management matters. This results into separation ownership from management.
 - 8) **Voluntary Entrance and Exit of Shareholders:** Although the shareholders are legally regarded as the owners of the companies they can purchase and sell their shares join and leave the company as and when they like.



- 9) **Capital of Joint Stock Company:** It is formed by issuing and allotting of company's shares to public. Hence it is the share capital which is formed by collecting share money from shareholders.
- 10) **Legal Control:** All the matters of formation, incorporation, and other business dealing of company are governed and are under the legal control through the company law are exercised by the registrar of companies.

Q.2 What are the various kinds of companies? Write down the classification of Companies.

KINDS OF COMPANIES

A) BY INCORPORATION:

According to the methods of incorporation the companies are formed, which are of three kinds.

- 1) Chartered Company 2) Statutory Company 3) Registered Company

B) BY LIABILITY:

Such companies are formed on the basis of the liability of the companies and they are of following types.

- 1) Limited Share 2) Limited Guarantee 3) Unlimited Company

C) MODARBA COMPANIES:

These companies are formed under Modarba Company Ordinance 1980 in which one party contributes capital whereas other party participates with its skill and experience. It is also of two kinds.

- 1) Multiple Modarba 2) Specific Purpose Modarba

D) BY OWNERSHIP:

They are formed on the basis of number of member and are of following types.

- 1) Public Company 2) Private Company 3) Government Company
4) Holding Company 5) Subsidiary Company

E) BY NATIONALITY:

It is a company formed in the basis of nationality. It is of three kinds.

- 1) Pakistani Company 2) Multinational Company 3) Foreign Company

Q.3 Describe briefly the advantages and disadvantages of the Joint Stock Company form of Organization.

ADVANTAGES OF JOINT STOCK COMPANY

Following are the advantages of a Joint Stock Company.

1) Accumulation of Large Capital:

- a) **Formation of capital by sole proprietorship and partnership:** In the modern time scope and size of business has been enormously enlarge. It needs large amount of capital which cannot be formed by sole proprietorship and partners of a partnership firm.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



b) **Formation of capital by JSC:** Hence through the procedure of formation of Joint Stock Company some experienced and expert businessmen plan and form joint stock company and money collected from issuance of shares from the public in a large quantity is used by them to start big businesses to readily take big risks.

2) **Large number of Shareholders:**

a) **Well worded prospectus:** A Joint Stock Company has unlimited number of shareholders who readily come forward and purchase the shares of well-advertised prospective joint stock company which really publishes a well worded attractive prospectus.

b) **Blind faith in prospectus:** Blindly trusting and believing that the details of prospectus are truth nothing but truth and that it is a Gospel of truth. Such is the craze of expected shareholder who purchase shares and provide funds to the promoters / planners of a joint stock company. Thus large amount of capital is accumulated which is used by the intelligent promoters to form a Joint Stock Company and grab the post of directors with high lucrative salaries and high number of fringed benefit.

3) **Large Credit Standing:**

a) **Efficiency of promoters:** Planning and working intelligently the promoter using their personal contacts build up sufficiently large goodwill.

b) **Acquiring credit worthiness:** They get their material / inventory requirements easily from the suppliers by acquiring credit worthiness.

4) **Other Sources of Funds:** Companies make large publicity about their success in business and prospects of gaining large profits and by issuing securities, debentures and bonds early get additional funds in excess of the subscribed capital. Thus company can accumulate large capital to perform its business activities complacently.

5) **The Blessing of Limited Liability:**

a) **Limited liability of shareholder:** The liability of shareholder of a Joint Stock Company is limited which is in fact a blessing of disguise for him. His liability is limited to the face value of the shares which he has purchased and has transferred them in his name and it is on the record of Joint Stock Company.

b) **No attachment of personal property:** The personal property of a shareholder cannot be attached even if the company fails to repay its debts and to meet the claims of the creditors.

6) **Uninterrupted Survival:** A joint stock company possesses a separate legal entity. Death or insolvency of shareholders does not threaten its existence. Ownership of a company undergoes changes without affecting the continuity of existence.

7) **Run By Professional Managers:**

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- a) **Safe management:** A Joint Stock Company is managed by professional, well qualified and experienced professional managers. So generally the management of a company is safe in the hands of such manager.
- b) **Advancement in business:** The professional managers help the directors in improving the quality and quantity of production in the manufacturing company and also in conducting sufficient advancement in commercial business transaction.
- c) **Rational business decisions:** The combined judgments of professional managers and the directors of the company facilities balanced and rational business decisions.
- d) **Specialization in business:** With the help of efficient manager the company can specialize in its business in a short spell of time by adapting the method of Division of labour and by resorting to large-scale production as a solid ladder to go up.
- 8) **Liquidity of Investment:** In a joint stock company which is generally listed in stock exchange the shareholders can easily sell their shares. This special advantage gives incentive to prospective shareholder to invest in industrial and commercial business run by a joint stock company.
- 9) **Scope of expansion:** A joint stock company has a large scope of advancement and expansion as it has large capital and professional management can make large profit margins.
- 10) **Securing Large Scale of Economics:** As a joint stock company procures bulk inventories and process them in mass productions of goods and services it enjoys double pronged benefit of external and internal economics of a large scale.
- 11) **Rule of Democracy:**
- a) **The democratic pattern of a company:** A joint stock company is managed on the principle of rule of democracy. It has large number of shareholders as a vote bank for the elections of the directors. The rule of joint stock company is vested in the Board of Directors at per with the cabinet of a democratic government. The directors are accountable to the general body of shareholder like a house of a parliament. Thus Joint Stock Company is a dummy or replica of a democratic government.
- b) **Check the balance of power:** The Company's Act levies several restrictions on the power of directions. This prevents them from oppressing the shareholders and from mismanagement in a company.
- c) **Democratic Principle:** The rule of management by directors is based on democratic principle.
- 12) **Good reputation and Prestige:**
- a) **Good Reputation:** A joint stock company enjoys its good reputation and prestige in the business world.
- b) **Publication of Audited Accounts:** All business activities of a joint stock company are subject to



audit by a chartered accountant and the audited accounts of the company have to be published for the information of the shareholders and also the general public.

c) **Public Confidence:** Thus company enjoys public confidence as well.

13) Facilities of Saving and investments:

It is a great social advantage of a company that it has facilities of saving and capital formation for the purpose of investment and to gain profits.

14) Creation of Job Opportunities:

A joint stock company creates job opportunities for a large number of workmen, office staff accountants and also engineers and technicians in a manufacturing business.

15) Other Advantage:

a) **Helpful for Growth of Stock Markets:** A joint stock company provides facilities for the growth of stock markets, finance institution and professional manager.

b) **Use of Saving In Production:** It changes the scattered savings in productive users.

Q.4 Describe the procedure of incorporation of a public limited company.

PROCEDURE OF INCORPORATION OF A JOINT STOCK COMPANY

Joint Stock Company is comparatively more sophisticated, develop and modern form of business ownership compared to the orthodox types of business ownership of sole proprietorship and partnership. In order to form a company many legal formalities have to be fulfilled and a long complex procedure has to be followed which is detailed as under?

Formation of the idea: Some talented business minded experienced people from an idea to establish a joint stock company.

The promoters are experienced businessmen who are fully aware formalities and the legal requirements of formation of a company. They prepare the following documents and submit them with other essential papers along with the application with the required fees to the office of the Registrar of Companies.

Documents to be attached with application:

Following documents have to the application for registration of Joint Stock Company.

1) **Memorandum of Association:** It is the main document of the company comprising of following particulars.

- i) Name of company
- ii) Place of business
- iii) Objectives of company
- iv) Detail about capital

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



v) Responsibilities

This document is like constitution of the company which is signed by the promoters and each promoter purchases at least one share of the company. In other words each became the shareholder and founder of the joint stock company

- 2) **Articles of Association:** It is the second important document of a company which contains all rules and regulations. They are written in separate paragraph and each paragraph is serially numbered. It is also signed by the promoters who have signed the memorandum of association.
- 3) **List of Directors:** Along with application a list of the names of all expected directors are submitted along with addresses (It can be submitted even after 7 days of registration of the firm).
- 4) **Consent of Directors:** The proposed directors offer their written consent to accept the responsibility of the company and put their dated signatures on it.
- 5) **Application for Registration:** This application together with above mentioned documents and the prescribed fees for registration is submitted to the registrar of companies of concerned region.
- 6) **Declaration of Completion of Formalities:** The application is followed by declaration on behalf of the company (proposed) that all the essential formalities for the formation of company has been completed.
- 7) **Certificate of incorporation:** On receipt of application the registrar of companies examines the application and all the attached documents and finding them satisfactory enters the name of the company comes into existence as an artificial legal person in the eye of law having its own seal. The registrar then issues a certificate of incorporation to the registered company.
- 8) **Certificate of Commencements of business:** A private limited company starts its business immediately on receipt of certificate of incorporation but a public limited company can starts the business only on receipt of another certificate of commencement of business from the registrar giving permission to start the business.

Q.5 Briefly describe the clauses of Memorandum of Association.

1) MEMORANDUM OF ASSOCIATION

a) **Salient Features:** Following are the feature of memorandum of Association.

- i) **Charter / Constitution of the Company:** It is an important document of the company containing basic essentials of J.S.C
- ii) **Collection of limitation and powers:** It is the collection of all limitations and power of Joint Stock Company.
- iii) **List of objectives:** It contains a list of Joint Stock Company.
- iv) **Particulars of Capital:** It gives particulars of Proposed / authorized capital of the company.
- v) **Introductory sketch of company:** In fact the memorandum serves as an introductory sketch of the complete information about the structure, business and other details of working of the



- company.
- vi) **Source of Information of shareholders and creditors etc.:** It is a document which provides full information about the company to the prospective shareholders are creditors, contractors and suppliers of the company and also for the banks and other financial institutions etc.
 - vii) **Pen picture of scope of company's operations:** A nicely prepared memorandum of Association of a joint stock company provides a pen picture of all the proposed operations and business dealings of the company.
 - viii) **Free from complications:** this document is very carefully prepared divided in various clauses dealing with specific purposes in different paragraphs. Its particulars are free from doubts and any kind of complications.
 - ix) **Complete in all respect:** The memorandum of association is.
 - a) Carefully thought about
 - b) Perfectly planned by experts.
 - c) Written in simple legal languages.
 - d) Contains nothing ambiguous.
 - x) **Essentials of the Memorandum:**
 - a) It is signed in fully by promoters.
 - b) It is properly witnessed.
 - c) It contains names and address of promoters.
 - d) It provides detail about number of shares purchased by each promoter.
 - xi) **Information about number of members:** IT mentions minimum and maximum number of member of each kind of Joint Stock Company. For example minimum 2 and maximum 50 for Pvt. Ltd. Company and minimum 7 with no maximum limit for members of a public Ltd company

Q.6 Distinguish between Memorandum of Association and articles of association.

Memorandum of Association and Articles of Association are two important documents of a company.

Distinguish between Memorandum of Association and Articles of Association

	Basis of Distinction	Memorandum of Association	Articles of Association
1	Rights and limitations	The rights and limitation of a joint stock company are given in the memorandum of association.	These are rules and regulations of the company formed within the scope and limitations of the memorandum
2	Provision of information	Memorandum provides information for all the people inside as well as outside the company about nature and full details of company.	Articles provide guidance and contain rules and regulations to be followed by the people engaged in the activities of the company.
3	Amendments and alterations	Amendments and alteration in memorandum cannot be done simply. They need a long and strenuous procedure.	Articles can be changed by shareholder by passing a resolution on the basis of majority votes within limits.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



4	Changing procedure	Memorandums / clauses can be changed by following a legal lengthy procedure.	Articles can be changed by shareholders by passing a resolution on the basis of majority votes within limits.
5	Compulsory or optional nature	Formation of memorandum is compulsory for the establishment of a company without which it cannot become a legal entity / artificial person.	Articles have not been framed compulsorily. They are optional and in their place rules of schedule A of company law can be followed.

Q.7 What do you know about Prospectus.

PROSPECTUS

Following are the contents of prospectus

1) About the company

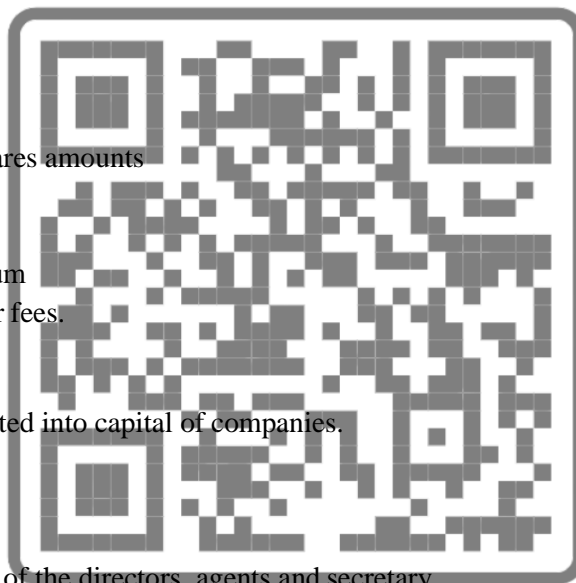
- Aims and objects of the company.
- Property purchased and company and names of sellers & their addresses
- Details of Agreement
- Copies of Audit Reports
- Rights of votes & voting procedure

2) Accounting & Miscellaneous matters

- Details of collected capital.
- Initial expenses of a company
- Dates of application and the receipt of shares amounts
- Remuneration commission of Promoters
- Price of Properties purchased
- Conditions purchased of shares at minimum
- Names and addresses of auditors and their fees.
- Particles of shares are bonds
- Profit of the subsidiary companies converted into capital of companies.

3) About Directors and others

- Names and address of directors
- Number of shares purchased by directors
- Names, addresses and conditions of work of the directors, agents and secretary
- Benefits allowed to directors
- Names and address of promoters.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Q.8 Distinguish between Public limited company and a Private Limited Company

Distinguish between Private Limited company and Public limited a Company

	Basis of Distinction	Public Ltd. Company	Private Ltd. Company
1.	Minimum Numbers of Members	Seven	Two
2.	Maximum Numbers of Members	No limit	Fifty
3.	Minimum Numbers of Directors	Three	Two
4.	Public Invitation for capital and deposits	Can invite public to buy shares and debentures, and it accept deposits	Cannot invite public to buy shares and debentures and con not accept deposits
5.	Commencement of Business	Can commence business on receipt of "certificate of Commencement of business"	Can Commerce business immediately on receipt of certificate of incorporation.
6.	Prospectus	It has issue prospectus and file a copy of prospectus with the registrar of companies.	It does not need to file a prospector to register
7.	Statement in lieu of prospectus	In case all the capital of firm is financed by promoters / private investors a statement in lieu of prospectus has to be submitted to the registrar	No such statement is prepared or submitted to registrar
8.	Allotment of shares	Cannot allot shares without receiving the minimum subscription	It can allot shares without raising the minimum subscription
9.	Statutory meetings	It has to hold a statutory meeting.	It need not hold a statutory meeting.
10.	Transfer of shares	Its shares are easily and freely transferable (mostly in stock exchange)	Its shares are not freely transferable

Q.9 Distinguish between partnership and joint stock company.

Following are the differences between Company and Partnership

	Basis of Distinction	Company / Corporation	Partnership
1)	Formation	By Incorporation/legal formalities	By Agreement / no legal formalities
2)	Registration	Compulsory	Optional
3)	Legal status	Separable from members	No separate entity
4)	No of members	Minimum 2 in private company and 7 in public company maximum 50 in private company and no limit in	Minimum 2 and Maximum 10 in banking and 20 in other businesses



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



		public company.	
5)	Liability	Limited	Unlimited
6)	Transferability of interest	Freely transferable except in case of private company	Transferable with the consent of all partners
7)	Implied Agency	Members are not agents of the company	Partners are agents of the firm and also other parents
8)	Management	By elected representatives of members	By partner them selves
9)	Statutory control	Legal formalities concerning accounts and audit	No legal formalities
10)	Durability	Life independent of members	Life dependent of members
11)	Dissolution	Through legal process of winding up	By agreement between partners
12)	Audit	Compulsory in all cases	Not always compulsory
13)	Scale of operations	Large scale	Medium size

**JOIN
FOR
MORE!!!**



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-6 CO-OPERATIVE SOCIETIES

Q.1 what do you mean by a co-operative society

OR

Write a note on Co-operative society

Write down the historical background of co-operative society.

DEFINITIONS:

Some popular definitions of co-operative are given below.

- **Definition under cooperative Societies Act 1912:**

Co-operative Organization is “a society which has its objectives for the promotion of economic interests of its member in accordance with co-operative principles.

- **Definition of Sir Horace Plunkett:**

Cooperative is an association of individuals to secure a common economic good by honest means.

- **Definition of H.C. Calvert:**

A co-operative society is “a form of organization where in persons voluntarily associate together as human beings on the basis of equality for the promotion of the economic interests themselves.

MEANING OF CO-OPERATIVE SOCIETY:

Co-operative societies protect the interest of the weaker section of society against exploitation and oppression by the economically strong and powerful sections. In cooperative societies persons associate together voluntarily and on equal basis to further their common interest. A co-operative society is based on the principles of self-help and mutual help and its primary motive is to render service to its members.

Q. 2 what are the characteristics of co-operative societies.

CHARACTERISTICS OF COOPERATIVE SOCIETY

Following are the characteristics of co-operative society

- | | |
|----------------------------------|---|
| 1) Nature of Cooperative society | 2) Representative of Universal brother-hood |
| 3) The society as legal Entity | 4) Right to Vote |
| 5) Democratic Set up | 6) service Motive |
| 7) Distribution of Profits | 8) Fixed return on investment |
| 9) Business on cash terms | 10) Continuity of life |
| 11) Government Interference | 12) Scope of Society |

Q.3 Write a note on formation of Co-operative society.

FORMATION OF CO-OPERATIVE SOCIETY

Any ten adult people having common interest have to submit a joint application for formation a cooperative society to the registrar of Co-operative Societies of their region / provinces.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Contents of Application:

The application should provide following information.

1. Name and address of Society
2. Aims and objects of society
3. Names and address and occupation of the member of the society
4. Share capital of society and its divisions
5. Method of admission of members
6. Two copies of by laws of the society (As given in co-operative societies Act 1912)

Registration of Society: The management of the co-operative society is entrusted to managing committee whose members are elected directly by members. The office bearers of the society work mainly in an honorary capacity.

Q.4 Briefly describe the advantages and disadvantages of co-operative society/

ADVANTAGES OF CO-OPRATIVE SOCIETY

The co-operative society has following the advantages and disadvantages

- 1) **Easy Formation:** Any ten adults persons with common interest can apply to the registrar of co-operative societies for registration of the society and get the company register in a small time with small capital.
- 2) **Few Legal Formalities:** Very few legal formalities have to be performed for formation and registration of the society.
- 3) **Admission without Discrimination:** Any person can became the member of the society and leave it at his own sweet will and pleasure. No discrimination is made on the basis of cast, creed, religion or political affiliation. The cost of share is very low and poor persons can buy it.
- 4) **Limited Liability:** the liability of every member is limited to the extent of his share in the society's capital. The risk faced by every member is limited.
- 5) **Life of Society:** After registration the society can run for a long time. The death, lunacy or insolvency of a member does not affect its existence.

DISADVANTAGES OF CO-OPERATIVE SOCIETY

Following are the disadvantages of co-operative society.

- 1) **Small Capital:** The capital contributed by the members of the society happens to be very small and does not able the society to undertake large business.
- 2) **In-efficient management:** As the management of society is run by the honorary members having no managerial experience hence it always prove to be insufficient.
- 3) **Lack of Incentives:** Honorary members do not have incentives to do hard work as their efforts are not properly rewarded.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



4) **Non-transferable of Interest:** The shares of co-operative society are not transferable.

5) **Lack of Secrecy:** The affair of co-operative society lack secrecy and are not open to people.

Q.5 Distinguish between joint stock company and co-operative society?

Distinction between Joint stock company and co-operative society:

S.No	Basis of Distinction	Joint Stock Company	Co-operative society
1.	Formation	Many legal formalities	Few legal Formalities
2.	Governing law	Under Companies Ordinance 1984	Under the Co-operative societies Act 1912
3.	Numbers of Members	Minimum 2 in private company and 7 in public Ltd company maximum 50 in private company and no limit in Public Ltd Company open to all,	Minimum 10 maximum no limit. Membership restricted to a particular locality or group.
4.	Management	By Board or Directors	By Managing Committee
5.	Basic object	Earning profit	Service to members
6.	Voting rights	One share one vote	One member one vote
7.	Transferability of Shares	Freely transferable	Not transferable but returnable by society
8.	Capital Subscription	No limit on individual holding. New shares first offered to exiting member. Subscription list closed.	Individual subscriptions to capital may be limited new shares issued admit new member membership open.
9.	Distribution of profits	Dividend in proportion to share in capital.	Limited dividend rests on equal basis.
10.	Privileges	No special exemptions	Special exemptions relating to stamp duty, income tax etc.
11.	Return of capital	No members can demand lack his capital except at the time of windings up	A member can demand his capital during life time of the society.
12.	Scale of operation	Large scale	Small Scale.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-7

CONCEPTS OF MARKETING

Q.1 What are the functions of marketing?

FUNCTIONS OF MARKETING

For carrying goods from producers to ultimate customers several kinds of functions/activities, are performed which can be categorized as under.

I. Functions of Exchange

- a) Buying b) Assembling c) Selling and Distribution

II. Function of physical Supply

- a) Transportation b) Storage or warehousing

III. Facilitating Functions

- | | |
|-----------------------------------|-------------------------------------|
| a) Marketing Research | b) Product Planning and Development |
| c) Pricing | d) Standardization and Grading |
| e) Packaging | f) Branding and Labeling |
| g) Financing | h) Risk Taking |
| i) Advertisement and Salesmanship | |

1) FUNCTIONS OF EXCHANGE:

These functions involve the physical distribution of product and services, they are divided into following categories (a) Buying (b) Assembling (c) Selling and distribution. They are briefly described as under.

- a) **Buying:** It means procuring goods at the right time at the right place through inception, sample and description.
- b) **Assembling:** It means collecting of goods from different resources at one place.
- c) **Selling and Distribution:** It means creating demand, attracting customers negotiating terms and transferring ownership/title of goods sold to the buyer.

2) FUNCTION OF PHYSICAL SUPPLY:

These function involve the physical distribution of products and services, they are divided into following categories

- (a) Transportation (b) Storage or Warehousing. They are briefly described as under.

- a) **Transportation:** It means carrying goods from different sources from one place to the other. It serves as a link between the producers and the customers who are located at different places.
- b) **Storage or Warehousing:** It Includes preservation of goods for regular supplies throughout the year. It creates time utility filling the gap between prediction of goods and their ultimate consumptions.

3) FACILITATING FUCTIONS:

These are facilitating or auxiliary function which provide considerable help in the processing,

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



exchange and distributions there are a large number of rich functions, A few important functions out of them are described briefly as under :

a) Marketing Research: It is the process of collection data, processing and dissemination & information. Several techniques are used for conducting marketing research to find d answer to various marketing problems.

According to Cundiff and Still

“Marketing research is a systematic gathering, recoding and analyzing of data about marketing problems to facilitate decision making”

b) Product planning and Development: It includes designing and developing new and better products. The success of marketing department largely depends upon the degree to which the products offered by it satisfy the need of customers.

c) Pricing: It means fixing price in terms of money. It determines the sales volume and the amount of profits. A product is acceptable to the consumer when it is reasonably priced.

d) Standardization and Grading: It means selling uniform standard of quality goods and classifying goods into predicted categories.

e) Packaging: The designing of packages and putting products into the rights packages are included in it.

f) Branding and Labeling:

I. Branding: Giving distinctive name to product to identify the familiarize it.

II. Labeling: Putting labels on the packages to inform the instruct costumers.

g) Advertisement and Salesmanship: It is the process of creating demand through impersonal (mass) and personal appeals.

h) Financing: Arranging funds required in marketing. It implies the provision and management of moves and credit necessary to get goods from producers to the customers on industrial users. Financing and credit facilitate the operations of the marketing functions.

i) Risk Taking: Taking steps to minimize and to stop spreading of risk is also essential Risks arise due to changes in demand, fall in prices, Spoilage in storage and transportation, theft, fire, flood, earthquake, bad debts, etc. Some of the risks have to assumed by the businessman himself and others are shifted and others are shifted to Insurance companies by paying premiums and taking insurance policies.

Q.2 What are the essentials of marketing?

ESSENTIALS OF MARKETING

For making successful three essential things have to be considered is.

1) Who are Customers?

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- a) Ultimate Customers
- b) Industrial Consumers
- c) Commercial Consumers
- d) Government Institutions

2) What the Buyers want?

- a) Study of customers
- b) Field Test
- c) Self Made Products

3) Marketing Back Ground

- a) Age Grouping
- b) Income grouping
- c) Religious grouping
- d) Languages and Cultural Grouping
- e) Educational Grouping.

Q.3 Write about notes on

- (a) Objectives of Marketing
- (b) Importance of Marketing

(a) OBJECTIVES OF MARKETING

Following are the objectives of Marketing.

- 1) **Primary Objectives:** The primary objectives of marketing are to supply, the right products and services at the right times, at the right places, at a right prices.
- 2) **To make Production Meaningful:** Production of goods and research becomes meaningful when the goods produced by industry satisfy the need and wants of customers otherwise the enterprise/industry cannot survive.
- 3) **Motto of Business Enterprise:** Customer is a boss of business and customer's satisfaction should be the motto of every enterprise.
- 4) **Achievement of Profits:** A business organization is established with the basic objectives to earn profit which should be achieved through customer's satisfaction.

(b) IMPORTANCE OF MARKETING

Marketing is important for the wellbeing of business in one hand and the welfare of society on the other hand. The importance of marketing can be judge from the following aspects of marketing activities.

- 1) **Essentials of Efficient Marketing:** Success of every business depends on efficient marketing, manufacturing, finance and personal activities. So, marketing has become vital for the survival and growth of business.
- 2) **Source of Revenge:** Marketing is the only source of generating revenge for business. It provides funds for all other business activities by generating revenge.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 3) **Improvement of standard living:** Marketing helps to improve the standard of living of the members of society by providing new and better varieties of goods to the people.
- 4) **Satisfaction of human needs:** Marketing satisfies human needs and determines the patterns of consumption of people.

Q.4 Distinguish between Marketing and Selling.

DIFFERENCE BETWEEN SELLING AND MARKETING

- **Marketing** is a wider term which includes, Target Market, Customer's needs. Integrated Marketing and profits through customer's satisfaction.
- **Selling** is also included in marketing as a part of it and includes, factory, products, selling and promotion and marketing profits through the sales volume.

Distinction between Marketing and Selling

S.No.	Basis of Distinction	Marketing	Selling
1.	Scope	Wide	Narrow
2.	Nature	A philosophy which aims at achieving organizational goals through satisfaction of customers.	An operational and approach that aims at increasing sales and volume through promotional efforts.
3.	Focus	Needs of buyer	Needs for seller
4.	Object	Profit through customer's satisfaction	Profits through sales volume
5.	Orientation	Consumer oriented	Product-oriented
6.	Beginning	Beings before production	Beings after production
7.	End	Continues after sales to judge customer's reaction	Ends with sales
8.	Slogan	Let the seller beware	Let the buyer beware
9.	Perspective	Long term	Short term
10.	Approach	Systematic	Fragmented



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-8

KINDS OF TRADE WHOSELING / WHOSEALERS

Q.1 Define wholesaling/wholesaler and write down its characteristics.

CHARACTERISTICS OF WHOLESALE:

- 1) **Bulk Purchase:** A wholesaler buys goods in bulk directly from manufacturers, and other kinds of producers.
- 2) **Sell in small lots:** A wholesaler sells goods in small lots to the retailers and industrial users.
- 3) **Specialization in one line:** The wholesaler generally specializes in one line of goods such as cloth, sugar, cotton or any other kind of products/commodities.
- 4) **No link with Ultimate consumers:** Generally wholesaler does not sell goods in small quantities to ultimate consumers.

Q.2 briefly describes functions/necessity of wholesaler:

FUNCTIONS OF WHOLESALER

- 1) Assembling
- 2) Storage
- 3) Distribution
- 4) Transportation
- 5) Financing
- 6) Risk bearing
- 7) Grading
- 8) Pricing

1) **Assembling:** A wholesaler purchases goods in bulk from different manufacturers and assembles them in advance of demand and even imports goods and stock them.

2) **Storage/Warehousing:** during large time gap between production and consumption of goods wholesaler store the stock to supply them to retailers throughout the year.

3) **Distribution:** The wholesaler distributes the goods among the large number of retailers scattered at different places in a large area.

4) **Transportation:** A wholesaler arranges for transport of goods from producers to his warehouse and from there to the shop of retailers.

5) **Financing:** Wholesaler provide advances with purchase orders to manufacturers and sell goods on credit terms to retailers. Thus they invest large amount in business.

6) **Risk bearing:** A wholesaler assumes the risk of damage to goods in transit and storage.

7) **Grading and packing:** Wholesaler classifies the assembled goods into different grades and packs them properly.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



8) Pricing: Wholesalers help to determine the retail price of goods on the basis supply and demand forces prevailing in the market.

Q.3 What are the services rendered by wholesalers to manufacturer and retailers

SERVICES OF WHOLESALER

The wholesaler render valuable services to the manufacturers/producers and retailers.

a) Services to Producers or Manufactures:

Following are the services of Wholesaler to the producers / Manufactures.

1) Production on Large Scale:

A wholesaler buys goods in bulk and as such he enables the produces to make production on large scale.

2) Reduction in cost of Production:

As the producers are motivated by wholesaler to make mass production, it results into reduction in the cost of production of goods.

3) To Secure Large Scale Economics:

As the producers are instigated by wholesaler to produce more goods, they make large-scale purchases of raw material and avail large scale economics.

4) Increase in Profit Margin:

When the producers are made to produce goods in a large quantity then it increases profit margin of the producers.

5) Assistance for Business Expansion:

A wholesaler collects orders from a large number of retailers coming from different parts of the city and from outside town so he place and buys goods in bulk, thus the wholesaler helps the producers to expand business.

6) Enables Producers to reach Customers:

The wholesaler enables producers to reach customer scattered in different parts of the country by distributing goods through retailers shops located in different areas.

7) Helps Producers to concentrate on Production:

As the wholesaler relives the producer from the responsibility to distribute the goods hence the producers can concentrate on production of goods and to produce more and get more profit.

8) Warehousing Facility:

As the wholesaler purchases a big bulk of products produced by the producers the finished goods stock with the producer became very small and he need not make arrangement to store the remaining small quantity of stock with him to store in a warehouse. Thus the wholesaler accepts the responsibility to store in a warehouse and the producer is relived from the task of storing goods.

9) Supplying Information about Customer's Demand:

The wholesaler collects information from retailers about the volume of customers demand for the goods and brings it to the notice of the producer along with detail of changing tastes and fashion



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



of customers. So the producer produces goods in adequate quantity according to public taste and likes and their needs.

10) Launching Advertising Campaign:

Very often the wholesalers advertise the goods which are stocked with them to make quick sale. This indirectly helps the producer to avail the benefit of publicity of their goods and save their expenses on advertisement.

11) Financial Help:

Wholesalers generally make cash purchases and even make advance payments for future products to producers which give greater financial help to producer in comparison to the loans taken from commercial bank.

12) Risk Sharing:

The wholesaler shares in the risks of loss due to fluctuations in demand for goods produced by producers by placing advance orders. He purchases goods soon after their production for neither the stock of finished goods is blocked nor the capital due to belated sales of goods.

13) Help Maintaining Even Pace of Production:

The wholesaler enables the producers to maintain an even pace of production by placing advance orders. He also provides them bulk supply of raw materials from different raw materials producers or agriculturists.

14) A Useful Intermediary:

The wholesaler serves as a very important middleman between the producer and the customers.

b) Services of wholesaler to the Retailers:

Following are the services rendered by wholesaler to retailers.

1) Facility to Purchase Variety of Goods:

The retailers can purchase different varieties of goods from one place (the wholesale market) and need not approach several scattered production / manufacturing concerns. Further retailers can obtain their requirements more quickly than placing direct order to manufactures.

2) Facility to Run Business with Small Capital:

The Wholesalers generally provide credit facility to retailers so they can run the business smoothly with small capital.

3) Surety of Time to Time Supplies:

The wholesalers provide regular time to time supplies to retailers on cash and credit basis hence the retailers are relieved from the anxiety to obtain regular supply of goods and never face shortage of stock.

4) Relief from Advertisement Expenses:

The wholesalers advertise the goods and make them popular among prospective customers hence retailers need not advertisement the goods to attract the Customers. It is an additional benefit for retailers in their selling activities.

5) Protection against Market Fluctuation:

Wholesalers reduce price fluctuations by adjusting them according to the supply and demand of goods. Thus they save and protect the retailers from any loss due to price fluctuations in market.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



6) Guidance for Sale of New Products:

Wholesalers provide guidance to retailers about the utility and uses of new products and provide adequate discounts for selling the new products.

7) Protection against Losses:

Wholesalers save the retailers from the risk of loss due to damages, changes in prices etc. because by maintaining regular supplies the wholesaler make the retailers not to keep abnormally large stocks of goods which would results into loss due to non-sale.

8) Facility of Quick and cheap transport:

Wholesalers often deliver the goods to the retailers in wholesales' supply vans saving time for delivery and cost of transportation.

9) Valuable Suggestions:

Wholesalers provide very valuable suggestions and useful guidance and technical professional advices to the retailers which are very helpful for retailers in their business.

10) Home Delivery Services:

The wholesalers provide home delivery services to the retailers which are of very great advantage to retailers and help them to save time, money, and labour.

c) Service of wholesalers to Consumers:

Although the wholesaler does not have a direct link with owners still indirectly they serve the customers as described below.

1) Relief from Unnecessary Waiting:

Wholesalers keep ready stock with them which they regularly supply to retailers for onward sales to customers so they can get the required goods readily without waiting.

2) Availability of goods of Consumers Tastes:

Wholesalers make goods available according to the tastes fashions and preferences of customers and hence the customers enjoy wide choice of selection of the goods.

3) Reasonable Price:

Wholesaler make abundant supply of goods to retailers to save any shortage of stock hence goods are available to customers at reasonable price (not free from wholesaler's margin of profit plus retailer's profit).

4) Supply of Information about Products:

The wholesaler using the medium of retailers provide necessary information to consumers about types, qualities and uses of new and existing product from time to time.

5) Keeping Producers Informed about Customers Taste:

The wholesalers collect information of consumers taste' and liking from the retailers and pass it to producers so that the producers produce goods for utmost satisfaction of customers.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-9

RETAILING

Q.1 Explain the services of retailer to the wholesaler and a consumer.

SERVICES OF WHOLESALER:

	SERVICES TO WHOLESALER	SERVICES TO CONSUMER
1.	Help in distribution	Ready stock
2.	Help in large scale operation	Wide choice
3.	Help in sales promotion	Convenience of buying
4.	Personal sales	Credit facility
5.	Training and educating	Education
6.	Market Information	Personal Services

SERVICES OF RETAILERS TO WHOLESALERS:

Retailers render the following services to wholesalers:

- 1) **Help in distribution:** Retailers provide to wholesaler and producers access to the market and help them in the distribution of goods among ultimate consumers.
- 2) **Help in large scale operation:** Retailers help the wholesalers and manufactures to carry on their business on large scale.
- 3) **Help in sales Promotion:** Retailers implement the sales promotion techniques introduced by wholesaler and producers.
- 4) **Personal sales:** Retailers have direct contact with consumers so they persuade the consumers to buy goods manufactured by produces and supplied by wholesalers.
- 5) **Training and Education:** Retailers guide the customers in selection and use of goods of producers and wholesalers especially when new products are introduced.
- 6) **Market Information:** Retailers study the needs, tastes and fashions of customers and they offer useful suggestions to wholesalers and producers regarding quality, packing and pricing of the product.

SERVICES OF RETAILERS TO CONSUMERS:

Following services are rendered by retailers to consumers.

- 1) **Ready stock:** The retailer keeps a ready stock of goods to meet the needs of the customers at all time.
- 2) **Wide Choice:** The retailers provide wide choice to customers to select the goods from a large number of varieties.
- 3) **Convenience of buying:** The retailers sell goods at nearby places/residences of consumers and even perform home delivery service. Thus they provide convenience to the consumers.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 4) **Credit Facility:** Retailers give credit facilities to their regular monthly income group of customers.
- 5) **Education:** the retailers explain the new variety of goods and new products which they sell to the consumers.
- 6) **Personal Services:** Some retailers provide after sales services to consumers and also provide facility of return of goods which are not found suitable within a limited period.

Q. 2 State the functions performed by a retailers.

FUNCTIONS OF A RETAILER

Following are the function of retailers.

- 1) **Buying:** A retailer buys a large number of varieties of goods and displays them in his shop generally by window-dressing to attract the customers.
- 2) **Selection of best Merchandise:** As far as possible the retailers selects the best merchandise from the wholesalers according to taste, liking and fashions of his regular customers.
- 3) **Twin functions of buying and assembling:** The retailer thus not Buys merchandise but also assembles them and performs twin functions.
- 4) **Keeping ready stock:** The retailer does not have generally a warehouse, He keeps ready stock of several varieties of commodities nicely arranged in his shop and displays them at proper place and racks in his shop.
- 5) **Selling:** He sells the goods to customers with a reasonable profit margin according to the taste fashion and demand of his customers.

Q.3 Write a note on Departmental Store.

DEFINITIONS OF DEPARTMENTAL STORE:

- **Definition of Clark and Clark:**

A departmental store is that type of retail institution which handles a wider variety of merchandise under one roof with the merchandise groped into well-defined departments which are centrally controlled.

- **Definition of Philip Kotare:**

A departmental store carries several products lines typically clothing, home furnishings and house hold goods where each line is operated as separate department managed by specialist sellers or merchandisers.

MEANING OF DEPARMENTAL STORES:

It is a large sized retail establishment consisting of several departments each dealing in one line of goods. Its entire department is located in one building. They are



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- (i) Merchandise Department
 - (ii) Control department
 - (iii) Advertisement Department
 - (iv) Store Department
- (This store has centralized management and control)

Q.4 Write a short note on Discount Houses.

DISCOUNT HOUSES

Discount houses are very popular in USA because they sell the goods at less than the listed prices. They gain profit on the principle of less profit sales “They sell a variety of goods at considerable discounts”

- **Method of Business:** they make purchases from wholesaler distribution and also from producers. They sell national and foreign brands of goods. The operation cost of business is comparatively low and they are located in small buildings. They do not offer personal selling and other customer service. They do not sell goods on credit to their customers.
- **Goods Offered for Sale:** Customers are generally attracted because the prices of goods in Discount houses are generally low. They sell items of Furniture, electronic appliances, cameras, watches, crockery and other durable consumer’s goods.

Q.5 Distinguish between wholesale and retail trade

DISTINCSTION BETWEEN WHOLESALER & RETAILER

	Basis of Distinguish	WHOLESALE	RETAILER
1.	Intermediary	Link between manufacturer and retailers (first link)	Link between wholesaler and consumers (last link)
2.	Scale of business	Buys and sells in large quantities	Deals in Small Quantities
3.	Range of products	Specializes in one line products	Deals in wide variety of goods
4.	Capital required	Large investment	Small investment
5.	Location	Located at central place	Reaches near the customers, localized in different areas
6.	Dealings	Generally on credit	Generally on cash
7.	Profit Margin	Small margin of profits	Large margin of profit
8.	Volume of Stock	Large stock	Small stock
9.	Purpose of Sale	For resale	For consumption

Q.6 Distinguish between departmental store and multiple shops

Distinguish Between DEPARTMENTAL STORE and MULTIPLE SHOPS

	Basis of Distinction	DEPARTMENTAL STORE	MULTIPLE SHOPS
1.	Object	Supply everything under one roof	Eliminate wholesaler
2.	Location	Central location attracts customers to it	Decentralized location, reaches to customers
3.	Range of Products	Wide variety of goods	Specialize in one line of product
4.	Type of Customer	Rich and Fashionable Customers	General Public, cheaper Prices



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



5.	Pricing	Different prices in different departments	Provide no such facilities or services
----	---------	---	--

**JOIN
FOR
MORE!!!**



***MCC* MASTER COACHING CENTER**

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-10 FOREIGN TRADE

Q.1 Define foreign trade and its kinds.

DEFINITION OF FOREIGN TRADE AND ITS KINDS:

- **International trade:** It refers to the exchange of goods and services between one country and another. It involves import trade, export trade and entrepot trade.
- **Important trade:** It means buying goods from other countries.
- **Export Trade:** It means selling goods to other countries.
- **Entrepot trade:** It means a trade which involves buying goods from another country and selling it to a third country. (i.e. importing goods from one country first and then exporting them to another country/countries)

Q.2 Name the documents used in Foreign Trade.

DOCUMENTS USED IN FOREIGN TRADE:

Generally following documents are used in foreign trade.

- | | | | |
|----------------------------------|----------------------|-----------------------------|---------------------------|
| 1) Indent | 2) Letter of credit | 3) Bill of entry | 4) Bill of sight |
| 5) Dock Challan | 6) Bill of Lading | 7) Mate's Receipt | 8) Shipping order |
| 9) Shipping bill | 10) Marine Insurance | 11) Consular Invoice | 12) Certificate of origin |
| 13) Advice Note | 14) Dock Warrant | 15) Port trust dues receipt | |
| 16) Documentary bill of Exchange | | | |

- Q.3 (a) Describe step by step the producer followed in exporting goods from Pakistan to a foreign country.
- (b) Mention the documents used in export trade.

EXPORT PROCEDURE

In order to export domestic products following procedure has been prescribed by government of Pakistan.

Step # 01 Receiving Enquiry

In order to ascertain the requirements of the foreign importer an enquiry is made to know the details.

Step # 02 Obtaining Order

A purchase order is received from the foreign importer giving full details about his requirements.

Step # 03 Obtaining Letter of Credit

The bank of foreign importer issues a Letter of Credit in favour of the exporter of domestic country (i.e. Pakistan)

Step # 04 Determination of Export Quota

The government of Pakistan fixes a limit/ export quota.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Step # 05 Obtaining Export License

The exporter of Pakistan obtains an export license from the government of Pakistan.

Step # 06 Compliance of Foreign Exchange Rules

The Pakistani exporter has to give an undertaking that he would hand over the foreign exchange obtained as a result of export to state Bank of Pakistan and fills up the “GR” form.

Step # 07 Fixation of Rate of Foreign Exchange

As soon as the export transaction is completed the rate of foreign exchange is fixed and the payment is made accordingly.

Step # 08 Arranging Goods

At this stage the exporter of Pakistan either starts to manufacture goods or procures them from local market/industry.

Step # 09 Packing and Marketing

At this stage exporter takes up the work of packing as directed by the foreign importer.

Step # 10 Appointment of Forwarding

The Pakistani exporter appoints forwarding agents. His work starts from marking and ends at loading consignment on ship.

Step # 11 Obtaining Shipping Order (space)

The Pakistani exporter makes arrangements for getting spaces on ship for loading of goods.

Step # 12 Preparing Invoices

On receipt of shipping order the Pakistani exporter prepares the invoice giving full detail about the ships and the contents of consignment.

Step # 13 Obtaining Consular Invoice

The Pakistani exporter obtains consular invoice from the embassy of the importing country confirming value of goods, so that the consignment is easily cleared through Customs Department of the Importer's Country.

Step # 14 Obtaining Customer Invoice

The Pakistani exporter obtains the customer permit from custom authorities and consignment is sent to dock yard after duty is paid.

Step # 15 Payments of Dock Charges

On receipt of consignment the Dockyard authorities issue a dock/challan to be filled by Pakistani exporter fills it and pays dock charges and the paid challan becomes a Dock receipt

Step # 16 Insurance of Goods

The Pakistani exporter gets the consignment insured by a Marine Insurance Company.

Step # 17 Obtaining certificate of Origin

This certificate is issued by the Chamber of Commerce of Exports promotion. Bureau of Pakistan. Stating that the exportable goods are manufactured locally in Pakistan.

Step # 18 Loading of goods on Board and Ships

The consignment is sent on board of ships with which the Pakistani exporter enters into agreement and the mate issues a mate's certificate describing details of consignment loaded on ship. It may be a clean receipt or a final receipt.

Step # 19 Issuance of Bill Lading

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



This bill is shipping company duly signed by captain and master of ship containing all information about the ship and the consignment.

Step # 20

Drawing Accepting and Discounting the Bill of Exchange

The Pakistani exporter makes a bill of exchange which is attached with all the documents of exports. The importer of the other country accepts it and sends it back to Pakistani

exporter. If the exporter needs immediate cash he gets the bill of exchange the value of goods finally from the bank.

DOCUMENTS USED IN EXPORT TRADE

- 1) Indent
- 2) Letter of credit L/C
- 3) Bill of Exchange
- 4) Bill of Lading
- 5) Shipping Order
- 6) Proforma Invoice
- 7) Insurance receipt
- 8) Dock receipt
- 9) Mate's Receipt
- 10) Export Invoice
- 11) Consular Invoice
- 12) Certificate of Origin
- 13) Shipping Bill

Q.4

- (a) Describe the procedure of importing goods from foreign countries into Pakistan.
- (b) List the documents used in importing goods into Pakistan from a foreign country.

IMPORT PROCEDURE

Following steps are taken by any Pakistani importer goods from foreign country.

Step # 01

Registration

The prospective Pakistani importer has to get him registered with the chief controller of Imports and Exports as a commercial Importer.

Step # 02

Obtaining an Import License

The Pakistan imports have to obtain license for importing the goods which he wants to imports.

Step # 03

Correspondences with the exporter

The Pakistani importer should write to the foreign exporter to furnish details about the goods to be imported (price, quality, etc.)

Step # 04

Proforma Invoice Quotations

The importer prepares Proforma Invoice and all details of goods required to be imported by Pakistani Importer.

Step # 05

Appointment of Indentor

The Pakistani importer appoints an indentor who acts as a supplier's agent in Pakistan.

Step # 06

Insurance Covers



MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- The Pakistani importers get insurance covers note from a local insurance company for the volume of goods to be imported.
- Step # 07 Opening Letter of Credit**
The Pakistani importers open Letter of Credit in favour of Supplier (exporter of foreign country)
- Step # 08 Supplies preparation for Shipment of Goods**
The foreign exporter makes preparation for the shipment of goods.
- Step # 09 Preparation of bill of exchange**
The foreign exporter makes a bill of exchange in the name of Pakistan Importer and sends it along with all the export documents to Pakistani importer who accepts the bill and return it to the foreign exporter.
- Step # 10 Payment of Bill**
The Pakistani importer hands over all importing documents to the clearing agent and he makes arrangement to have the goods cleared which have reached the port.
- Step # 11 Clearing Agents**
The Pakistani importer hands over all importing documents to the clearing agent and he makes arrangement to have the goods cleared which have reached the port.
- Step # 12 Payments of Duties**
The custom authorities of Pakistan impose customs duty and other taxes and when the Pakistani importer makes their payment the customs authorities hand over the goods to the Pakistani Importer.

DOCUMENTS USED IN IMPORTING GOODS

- 1) Import license
- 2) Proforma Invoice
- 3) Insurance cover note
- 4) Letter of Credit
- 5) Bill of Exchange
- 6) Certificate of Origin
- 7) Certificate of measurement and weights
- 8) Bills of lading
- 9) Mate's Receipts
- 10) Packing list
- 11) VBF for 6 – A or 6 – B
- 12) Certificate from the Chamber of Commerce
- 13) Income tax certificate showing GIR



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



INVOICE

Q.1 Define invoice and make a list of its possible contents/information.

DEFINITION OF INVOICE

- Def: (1) Invoice is an important business document which is prepared by the seller and contains the information about the particle of sales/contents
- Def: (2) It is a document issued by the seller to the buyer stating details/contents relating to goods and services sold.

CONTENTS OF INVOICE:

- 1) Name and address of seller/company
- 2) Dates of sales
- 3) Buyer's name and address
- 4) Details of Goods
- 5) Terms of Business

Q.2 Give kinds of Invoice

DIFFERENT KINDS OF INVOICE

- 1) Proforma Invoice
- 2) Credit Invoice
- 3) Debit Invoice
- 4) Consular Invoice



Chapter-12

CHAMBER OF COMMERCE

Q.1 State the purpose and functions of Chamber of Commerce:
OR

Write a note on Chamber of Commerce:

DEFINITION OF CHAMBER OF COMMERCE:

It is a voluntary association of manufacturers, merchants, financiers and other engaged in business in a particular locality, region or country.

OBJECTIVES OF CHAMBER OF COMMERCE:

This Chamber of Commerce has a large number of Objectives as enlisted below.

1) Objectives Related to Members

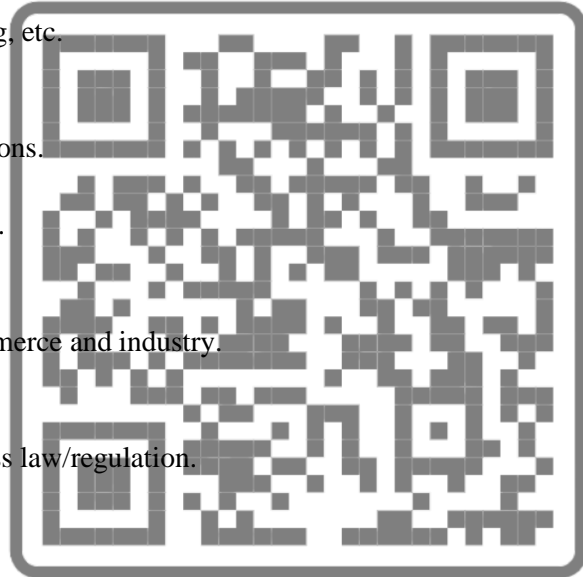
- Protection of Interest of Members.
- Development of sense of Co-operation among members.
- Supply of Useful information to members.
- Inform members about technology marketing, etc.
- Research for benefit of members.
- Education and training of Members.
- Protection of members from industrial pollutions.
- Legal Advice to members
- Arbitration to solve disputes among members.

2) Objectives Related to government

- Advises government on matters of trade commerce and industry.
- Consultation on business matters.
- Assists government in making budget.
- Inform government about impacts of business law/regulation.

3) Miscellaneous Objectives

- Holding talks with foreign businessmen.
- To plan for growth of commerce and Industry of the country.



FUNCTIONS OF CHAMBERS OF COMMERCE:

As already stated chamber of Commerce performs lot of functions to protect and benefit the merchant community.

Functions of Chamber of Commerce			
	Relating to Members	Relating to Government	Relating to Other Matters
1	Providing technical legal advice	Advice about industrial and economic development.	Conducting research and collecting of Information about business/economy.
2.	Education and training	Representation of grievances of business/ legislator.	Publishing books and journals of business.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



3.	Help in marketing Shares and securities.	Acting as spokesman of business on proposed legislation and policies about business.	Arranging industrial exhibitions, trade fairs.
4.	Notes on credit worthiness of members	Recommendation about promotion of commerce and trade, etc.	General publicity and advertisement.
5.	Arbitration to solve disputes of members.	Supporting the government and political parties in matters of development of business and commerce.	Issue of certificate of Origin to exporters.
6.	Protection of trademarks patents, etc. Of members	-	Sending delegates abroad to explore export/ import matters.
7.	Help in all matters of foreign bills of exchange.	-	Deputing nominees to official bodies like port trust, and boards.
8.	Providing a forum for discussion about business problems.	-	-

JOIN

Chapter-13

EXPORT PROMOTION BUREAU [EPB]

Q.1 Write a note on Export Promotion Bureau

EXPORT PROMOTION

Export Promotion bureau is a subsidiary organization of government of Pakistan working under the ministry of Commerce which was established in 1973, its head office is in Karachi with regional offices in all the four provinces of Pakistan. It is functioning under experienced officers and workers, whose total number is 918 persons.

Functions of Bureau:

EPB Perform the following main function,

1. Guide the exporter on export problems and procedure.
2. Contact the foreign buyers and inform the exporters about trade enquiries and tender notices received from other countries.
3. Search for commodity prospects in foreign countries
4. Display Pakistani goods at home and foreign exhibitions and fairs.
5. Gather prospects from foreign trade delegation and term visiting Pakistan
6. Provides business travel facilities to the exporters and assist in procurement of visas to visit foreign countries for business.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-14

CHANNELS OF DISTRIBUTION, MIDDLEMEN

Q.1 Write a note on channels of distribution

CHANNELS OF DISTRIBUTION

A channel of distribution is a path traced along with path of production to the point of ultimate consumption or use. It starts with the producer and ends with consumer.

In between there may be several middlemen or intermediaries who operate to facilitate the flow of product and its ownership transfer. Thus a distribution channel consists of producer, the middlemen and the consumer.

The following diagram (Chart) is illustrative of the channel of distribution which may exist in a market.

The charts indicate that the number of middleman may vary. If there is direct sale by the producer to the consumer then there are no middlemen. But that is very rare. As the charts the producer may sell goods to retailer who may then the same to consumer. The producer may sell goods to wholesalers who may in turn sell to retailers and the retailer may sell to consumers. The fourth alternative channel of distribution is when any agent/dealer intervenes between the producer and retailer and acts as a middlemen. The agent is appointed by the producer for the sale of goods to the retailers. Another alternative channel is there when producer's agent sells goods to wholesalers who sell to retailers. Agent/dealer is an independent person/firm buying goods and selling them to retailers. Agent/dealer may also sell to wholesaler who may then sell to retailers and goods are thus made available to consumers. In the channel of distribution there may be more than one agent/dealer and wholesaler.

DEFINITIONS OF CHANNELS OF DISTRIBUTION:

Many authors etc. have defined channels of distribution as under;

- **Definition of Cundiff and Still:**

A channel of distribution is a path traced in the direct or indirect transfer of title to a product as it moves from a producer to ultimate consumers.

- **Definition of Philip Kotler:**

A marketing or trade channel is a set of interdependent organizations involved in the process of marketing a product or service available for use or consumption.

ROLE OF CHANNEL OF DISTRIBUTION:

The channel of distribution plays following roles.

- 1) **A Connecting Link:**

The channel of distribution serves as the connecting link between the producer and consumers.

- 2) **Creating of Utilities:**

The channel of distribution creates time utility and place utility.

- 3) **Bridging the Gap:**

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



The channels of Distribution bridges the gap between the time of production and the supply of produces to the ultimate consumers on one hand and also fill the gap between place of production to the place of consumer on the other.

4) **Increase in Efficiency of Marketing:**

Channels of distribution increase the efficiency of marketing by the effort of middlemen who are specialized and experienced agent of distribution.

Q.2 State the importance of middlemen in commercial activities.

A channel of distribution consists of some middlemen in addition to the manufacturer and the customers.

DEFINITION OF MIDDLEMEN

Middlemen are persons and institution which is serving as connecting links between the producer and ultimate consumers. They direct the flow of goods from producers to consumers and perform several marketing functions. They are known by different names such as, factors, brokers, wholesalers, retailers etc.

Role/Importance of middlemen in the Commercial activities (distribution of goods)

The middlemen perform the following marketing functions which listed in sequence.

- 1) Searching out buyers and sellers (contacting & Merchandising), matching goods to the requirements to market..
- 2) Offering goods in the form of assortments or packages.
- 3) Persuading and influencing the prospective buyers to favour a certain product and its maker (personal selling/sales promotion).
- 4) Implementing pricing policies in such a manner that would be acceptable to buyers and ensure effective distribution.
- 5) Providing feedback information, marketing intelligence and sales forecasting services for the regions to their suppliers.
- 6) Looking after the process of distribution where necessary.
- 7) Participating activity in the creation and establishment of a market for a new product.
- 8) Offering pre and after sale services to customers.
- 9) Communication the use of technique of the product to the users.
- 10) Offering credit to retailers and consumers.
- 11) Risk bearing with reference to stock hoarding/transport.

Q.3 State the classification of middlemen.

CLASSIFICATION OF MIDDLEMEN:

There are two kinds of middlemen

- a) Agent Middlemen
- b) Merchant Middlemen

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



a) AGENT MIDDLEMEN:

He is a “Functional Middlemen” or “Merchantile agent” Who does not take ownership and delivery of goods. He performs following functions.

- **Assistance in trade:** He simply assists in buying and selling of goods.
- **Help in delivery of goods:** He helps in the delivery of goods from producer to retailers in the process of flow of goods onwards to ultimate consumers.
- **Receipt of commission:** For his services rendered to producers he receives/charges commission.

Following are the descriptions / details about the agent Middlemen.

- Factor:** He is a general agent who is authorized to sell goods by the principle and who can fix the price and decide terms of sale of goods in his name. He receives sale proceeds and issues receipt. He is paid commission by the principle.
- Broker:** He is an agent who negotiates the trade transactions between prospective producers and the buyers. He does not deal in his own name. He is paid brokerage for his services.
- Commission Agent:** He sells goods on behalf of the seller and gets fixed percentage of sale proceeds as commission.
- Del Credere Agent:** He is a special kind of commission agent. He can sell goods on credit and insures the principle against bad debts
- Auctioneer:** He sells goods of principle in public auction. He is paid commission on sale proceeds.
- Common Carrier:** He is employed for carrying goods and is paid freights for his services.
- Public Warehouse Keeper:** He is employed to store the goods of principle in his godown and is paid warehousing charges.

b) MERCHANT MIDDLEMEN:

He serves as a connecting link between, as:

- Wholesaler:** Who buys goods from producers and takes ownership and delivery of goods and sells goods to retailers and transfers ownership and gives delivery of goods to the retailers.
- Retailers:** Who buys goods on cash and credit basis from the wholesalers and takes ownership and delivery of goods and sells and delivers the goods to ultimate consumers.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-15

ADVERTISEMENT

Q.1 Define advertisement and describe its purpose / objectives

ADVERTISEMENT

The term “Advertisement” is derived from the Latin word means to turn attention towards something. Advertisement involves the preparation of written or oral messages and their dissemination through paid media without personal contact with the prospects for the purpose of making people aware of and to be favorable and also inclined towards a product or a service or an idea to induce action in accordance with the internet of the advertisement.

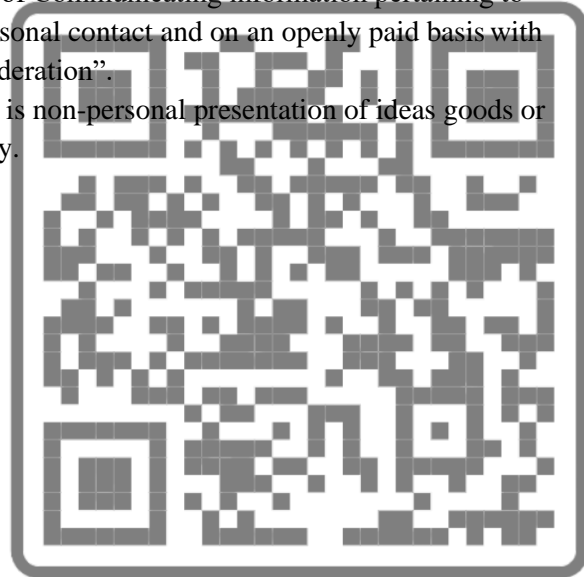
DEFINITION OF ADVERTISEMENT:

Some popular definitions of advertisement are given below.

- **Definition of American Marketing Association:** Advertisement means “any paid from of non-personal presentation and promotion of ideas, goods or services by an identified sponsor”.
- **Definition of RV Zacher:** Advertising is “Means of Communicating information pertaining to products services or ideas by other than direct personal contact and on an openly paid basis with intent to sell or otherwise obtain favourable consideration”.
- **Definition of Bayard Wheeler:** Advertisement is non-personal presentation of ideas goods or services for the purpose of inducing people to buy.

Purpose or Objectives of Advertisement

- 1) Creation of Demand
- 2) Helpful to overcome competition
- 3) Building of Good will
- 4) Enhancement of Public image and prestige
- 5) Awareness about advertised product
- 6) Enjoyment of Ready market
- 7) Provision of useful information
- 8) Elimination of Middlemen
- 9) Raising of Standard of Living
- 10) Introduction of New product



Q.2 Write a note on Advertising Media?

OR

State the Various forms of advertisement media most common in Pakistan.

ADVERTISING MEDIA

Advertising Media are the means to transmit the messages of the advertiser to the common people. They are the channels by which an advertising copy of a product is brought to the notice of the prospective buyers.

According to Anand Kumar Sharma



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Advertising media means the channel of communication through which advertisement messages are sent to the customers. They are the vehicles of carrying messages from advertisers to the customers. Businessmen use several media to send message. The most important of these media are:

BIRD'S EYE VIEW OF MEDIA OF ADVERTISEMENT				
	Press Advertisement	Direct Mail Advertisement	Out Door Advertisement	Audio & Visual Advertisement
1)	News Papers	Sales Letters	Posters	Radio
2)	Magazines	Circulars	Hoarding	Television
3)	Trade Journals	Pamphlets	Vehicular Adv.	Cinema
4)	Professional Journals	Catalogues	Wall Writings	Specialties
5)	Trade & Telephone Directories	Price lists	Electronic Displays	Window Display
6)	-	Hand bills	Sky Writing	Internet
7)	-	Brochures	-	-

Q.3 State briefly the various forms (Kinds) of Advertising.

FORMS (KINDS) OF ADVERTISING

According to the purpose and its use advertisement is made which is of different kinds. These forms or kinds are described below.

- 1) Product Advertisement
- 2) Future Advertising
- 3) Institution / Company's Advertising
- 4) Comparative Advertising
- 5) Editorial Advertising
- 6) Pioneer Advertising

Q.4 Explain the importance / Benefits of Advertisement in modern business

BENEFITS OF ADVERTISEMENT			
	Manufactures & Businessmen	Consumers	Society
1.	For facing competition	Convenience in shopping	Generation of employment opportunities
2.	Creation or Regular demand	Provision of knowledge	Improvement of standard of living
3.	Enhance Sales	Reduction in cost of production	Important services of Revenue for press
4.	Helpful to Introduce new products	Lowering of prices	Helpful in Research and Development of Products.
5.	Securing large scale Economies	Elimination of Middlemen profit	Nourishing consuming power of man
6.	Creation of goods will	Maintenance of quality of product	Desire of adopt good ways of living
7.	Helpful for personal selling	Better matching with human need	Promotion of Arts and Culture.
8.	Boosting morale of employees	Closer relations with producers	-

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



1) BENEFITS OF MANUFACTURES AND BUSINESSMEN

- i) **Facing Severe Competition:** All markets whether small or big have severe competitions and the demands for existing goods decrease day by day so in order to create regular demand for them the manufactures / products intermittently advertise their goods.
- ii) **Increase in Sales Volume:** It helps them to maintain their sales volume of the goods and it may result to enhance the sales. By the way the producers intermittently advertise their goods.
- iii) **Secure Large Scale Economies:** they can produce large quantities of goods and thereby secure large scale economies.
- iv) **Creation of good Will etc.:** The advertising when properly done creates good will of the producer and enables him to promote personal selling that boosts the morale of salesmen / employees.

2) BENEFITS OF CONSUMERS

- i) **Supply of Information:** Advertisement provides full information about the nature of products and their proper uses. So it becomes convenient for the customers to readily buy the goods.
- ii) **Elimination of Middlemen:** This helps the producers to eliminate middlemen profits and to have reduction in cost of production of goods and to lower the prices of goods and also maintain and even to improve the quality of goods which can display better matching with the tastes and liking of the customers.
- iii) **Butter Knowledge About goods:** In a way advertisement result into a better understanding about goods by the customers and thus closer relations develop between customers and produces.

3) BENEFITS OF SOCIETY

Society is made up of individuals who are really the customers / consumers of various types of goods produced by producers.

- i) **Increase in Sales:** By advertising the producer increase the sale of their products and expand their production.
- ii) **Creation of job:** They create large number of employment opportunities for the people.
- iii) **Increase in Press Income:** Advertisement helps in nourishing the power of the people and the press which publishes the advertisements and they got lot of income.
- iv) **Increase in research and better quality of goods:** By such goods effects and results of advertising the sales of products increase and by research and development about nature of products the standard of living of the members of the society also improves and they earnestly desire a adopt goods ways of living.
- v) **Promotion of Art & Culture:** It helps to promote the arts and culture of the society.

Q.5 Define Salesmanship.

DEFINITION OF SALESMANSHIP:

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Salesmanship or personal selling is the most ancient and popular method of selling goods. In this method of sale the employee of sale assistant of a producer or a seller makes personal contact with prospective customers door to door and talks face to face with them and informs the buyers about all particulars about price quality and standard of a product and even claims the product to be superior in comparison to the identical products being sold in the market produced by the other producers / sellers. Thus in short personal selling is a persuasive communication between the salesman and the buyer.

In fact, salesmanship is a science of creating in the mind of prospective customers a desire that the purchase of the product offered for sale by the salesman is the only way to avail maximum satisfaction and it is a good deal.

Q.6 Give the kinds of salesman and their functions.

KINDS OF SALESMAN AND THEIR FUNCTIONS

There are various kinds of salesman depending upon the nature of business, products, services, etc. However the most common salesman belongs to following three types/kinds.

KINDS OF SALESMAN:

- 1) Service Salesman
- 2) Creative Sales
- 3) Missionary Salesman

Q.7 Distinguish between Advertisement and Salesmanship.

Distinguish between ADVERTISEMENT and SALESMANSHIP

	Basis of Distinguish	Advertisement	Salesmanship
1.	Nature of Communication	Impersonal no face to face contact	Direct and personal, face to face interaction
2.	Payment	Direct payment for each advertisement	No direct payment for each contact
3.	Cost and time	Less costly and less time consuming	More costly and more time consuming
4.	Flexibility	Less flexible, common message	More flexible, specific message tailor-made approach
5.	Feed back	Not immediately available	Immediately available
6.	Aim	To create customer	To makes sales
7.	Completeness	Incomplete sales tool	Complete sales tool
8.	Training for management	Not required	Requires training and motivation of sales persons
9.	Coverage	Covers a large number of prospective buyers-mass selling technique	He covers only a few prospective buyers-individual selling technique
10.	Removal of doubts	May fail to remove doubts and convince customer	Can remove doubts and convince customers

Q.8 What do you know about publicity? What channels are used by publicity to approach the general public?



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



MEANING OF PUBLICITY:

Publicity is resorted to establish good will in the market. It is indirect selling and impersonal unpaid from of promoting goods and services. It is a part of “Public Relations” which helps to arise favourable public attitude and establishes a good market image and enables a firm/concern to alleviate with the competitors market position. The aim of publicity is in fact to attract the attention of public towards a company and its products (Specially a new product)

DEFINITION OF PUBLICITY

- **According to American Heritage Dictionary:** “Publicity means Informative disseminated to attract public note”
- **Definition of William J Stanton:** Publicity is a non-personal form of demand stimulation and is not paid by the person or organization benefiting from it.
- **Professor Mohammad Amin Khalid Says as under:** Publicity is resorted to establish goods will in market. It is indirect selling and impersonal unpaid from of promoting goods and services. IT acts as a tool of public relations.
- **General definition of Publicity:** Publicity is not identified with the sponsor nor it is directly paid for or sponsored foe example reporting the performance of a company or a product in the newspapers is publicity.

CHANNEL OF PUBLICITY:

Channels of Publicity		
	Mass Communication Media	Person to Person Contact
1.	Newspaper	Approach to doctors
2.	Magazines	Contact with legislators
3.	Trade Journals	Meetings with technicians
4.	Radio	Contact with professors
5.	Press conference	Contact with important users (department societies, social welfare organization)
6.	Specified/corner meetings	-
7.	Open Kacharries	-
8.	Civic receptions	-
9.	Arrangement group visits (to factory sites, show rooms)	-

Q.9 Write short note on the following:

- (a) Objectives of Publicity
- (b) Public relations

OBJECTIVES OF PUBLICITY:

Following are the objectives of publicity.

- 1) **Promoting gods and services:** In a non-personal form the manufactures make efforts to popularize the goods so that the public is attracted toward them and desire to purchase their products.



- 2) **Chalking out policies:** The manufactures and producers make some policies to make their products popular which is also called publicizing policy.
- 3) **Arranging Programmes :** The producers arrange for press conference and civic reception programme in which their companies and their products are discussed and they and their products become popular.
- 4) **Propaganda of the successes of the staff:** Vast propaganda is made, sometimes in an exaggerating manner about the best performance and successes by which the companies and their goods and services became popular.
- 5) **Public services:** The producers render some civic services and supply or donate their products such as medicines, etc. freely and thus they became popular.

PUBLIC RELATIONS:

The producers and manufactures eagerly try to overcome the propaganda of rival competitors made about their goods and services. All efforts are made to nullify the effects of such propaganda and people are

tried to be convinced about the good quality and superiority of the product and service. Publicity is used to create such favorable public relations and customers belonging to all classes of people are convinced.

Definition: “Public Relations” is an organizational strategy desired to arouse favourable public attitude and establish good market image.

Q.10 Compare Advertisement, Publicity and public Relations.

Comparison of Advertisement, Publicity and Public Relations

	Basis of Distinction	Advertisement	Publicity	Public Relations
1.	Purpose	Promotion of sales and profit	Promotion of sale and profit	Promotion of sales and profit
2.	Service of Company and Product	Establishes name of company and its products	Establishes name of company and product	Establishes name of company and product
3.	Facing competition	It helps to meet competition	It slightly helps to meet completion	It catches up the competition
4.	Good will	Establishes good will in market	Establishes goods will in public	Establishes good will in public
5.	Payment	Paid form of sales Promotion	NO direct Payment/Unpaid	Expenses are borne
6.	Sponsor	Sponsor is identified	Sponsor not Know	Keep direct contact People

Q.11 what are the Objectives and functions of Sales Promotion?

OBJECTIVES ANF FUNCTIONS OF SALES PROMOTION

Following are the objectives and functions of sale Promotion.

- 1) Stimulation



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 2) Formation of Good will
- 3) Information to customers
- 4) Stabilization of sales
- 5) Cordial Relations
- 6) Market Control

Chapter-16

PURCHASING / BUYING

Q.1 Define buying and describe the factors of successful buying.

DEFINITION OF BUYING / PURCHASING

a) R.W.Poe says that:

- Buying means to procure goods or services in exchange of money.
- Buying functions is related to selling so it is concerned with both buyer and the seller. The consumers buy the finished goods, whereas producers and sellers by raw materials and semi-finished goods.

FACTORS OF BUYING:

Following are the factors of successful buying.

- 1) **Right Supply Source Factor:** The goods are bought by all kinds of organizations from the right supply sources, e.g.
- a) **Manufacturing Concerns:** They buy raw materials from the raw material suppliers who are farmers, miner's forests, etc. to convert them into semi-finished or finished goods.
- b) **Merchandising Concerns:** They buy finished goods and making no change however, after adding profit, they sell them. They select the right type of producer manufactures.
- 2) **Right Time Factors:** The business concerns buy goods when they are available in plenty, such as agricultural produces in the harvesting season. By doing so they secure large scale economies on bulk purchases.
- 3) **Right Quality Factors:** All business organizations are run to earn profit, so they always buy goods of good and standard quality which can be processed and sold easily in the market.
- 4) **Right Quality Factor:** All business organizations buy optimum level of inventories and goods. The optimum level means neither more nor less to avoid overstocking as well as under-stocking.
- 5) **Right Price Factor:** Every effort is made by business organizations to buy goods as right and reasonable prices to ensure their profit margins.

Q.2 Describe the step wise procedure of buying.

PROCEDURE OF BUYING

Following is the stepwise procedure of buying.

STEPWISE PROCEDURE OF BUYING

- 1) Determination of Need
- 2) Determination of goods
- 3) Search of Supply Market
- 4) Bargaining Haggling
- 5) Reasonable Price



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



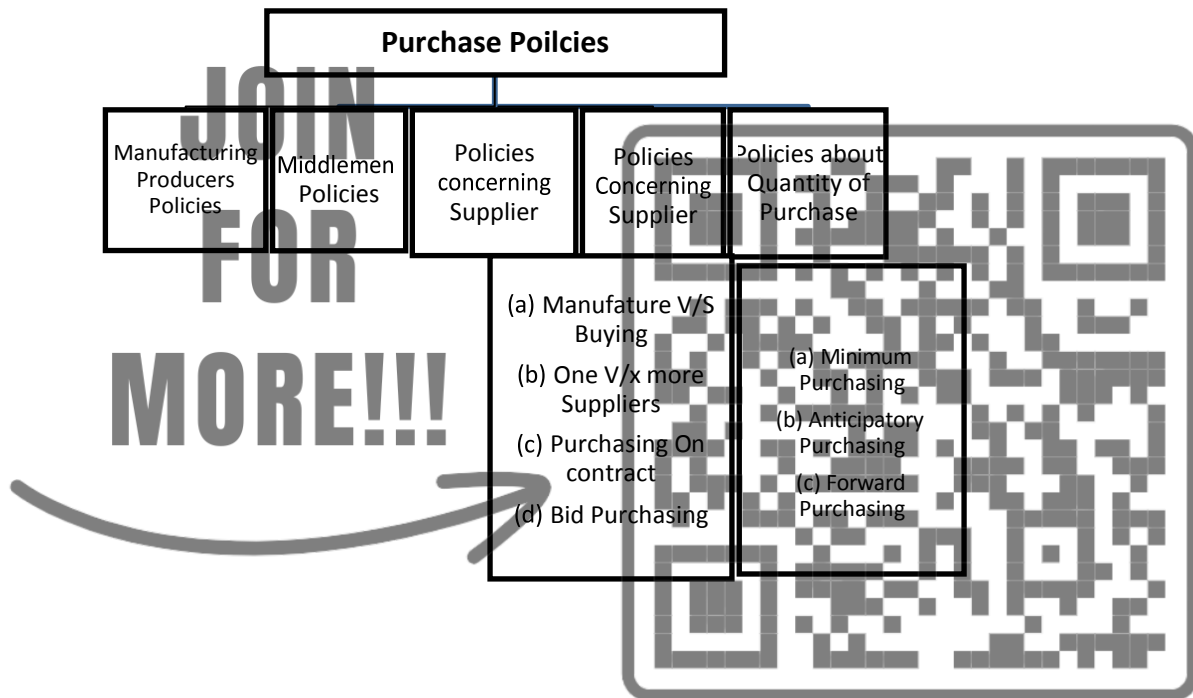
- 6) Placing the order
- 7) Follow Up
- 8) Timely Deliver

Q.3 what do you know about purchasing Policies?

PURCHASING PLICIES

Manufactures and producers buy raw materials, semi-finished goods and machines and accessories to manufacturing products and sell them to earn profit, on the other hand merchandising organization, such

as distributers and wholesaler purchase finished goods from the manufactures and producers. Later the retailers purchase merchandise items and add their profit in them and sell them tom ultimate customers. They do not manufacture goods. For this purpose many purchase policies are framed as shown in the following diagram.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
 Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-17

SELLING

Q.1 Define selling and differentiate between marketing and selling.

DEFINITION OF SELLING

- **According to Theodore Levitt:**

Selling focuses on the need of the seller and marketing on the needs of buyer. Selling is preoccupied into cash, marketing with the idea of satisfying the needs of the means of the product and the whole cluster of things associated with creating delivering and finally consuming it.

- **General definition of Selling is as follows:**

Selling enables a firm to satisfy the needs of the customers and thereby achieves its objectives. Selling is the process of finding the customers, creating demand and transferring, the goods for value of money.

- **Prof. Sayeed Ahmed Siddiqui says:**

Selling is defined by experts as follows: "Selling means to create market demand for the produced goods and to find out their buyers and when buyers are available then to bargain with them with the objective to fix their prices and finally to transfer the ownership of goods to the buyers."

DEFINITION OF MARKETING

Meaning of Marketing: Philip kotler while explaining marketing concept says "The marketing is a customer-oriented backed by integrated marketing aimed at generating customer's satisfaction as the key to satisfying organization goals".

Thus the marketing concept means that it is a key to achieve organization goals which consists of determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors/rival producers.

Prof. Philip Kotler defines marketing as under:

"Marketing is the process and executing the conception, pricing, promotion and distribution of goods and services and ideas to create exchanges with the target groups that satisfy customer and organizational objectives."

DIFFERENCE BETWEEN SELLING AND MARKETING:

Marketing differs from selling in the following ways.

- 1) **Scope of Marketing:** It is concerned with the design of the product acceptable to customers and transfer of ownership of sold goods from the sellers to the buyers.
- 2) **Scope of Selling:** It simplify involves to receive order from customers and to execute them and to

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



deliver the sold products to the buyers. The scope of selling is narrow than marketing.

- 3) **Orientation of Marketing:** Marketing is customer-oriented and performs all activities to provide best satisfaction to the customers.
 - 4) **Orientation of selling:** Orientation of selling is product-oriented so it is concerned with sale of products and gaining the profit.
 - 5) **Beginning of Marketing:** It begins before production in order to identify the wants of customer and to make arrangements to supply them goods for their best satisfaction of wants according to their tastes or liking.
 - 6) **Beginning of selling:** selling begins after the goods are produced to sell the goods to customers and to gain the profits.
 - 7) **End of Marketing:** marketing continues even after sales of goods in order to provide after sale services to ascertain the impressions of customers about the products bought.
 - 8) **End of selling:** Selling ends as soon as the bought goods and their titles are transferred to customers/buyers.
 - 9) **Focus of selling:** It is concerned with seller's need to increase volume of sales and to satisfaction according to their tastes and fashions and needs.
 - 10) **Focus of Selling:** It is concerned with the seller's need to increase volume of sales and to gain more profit.
 - 11) **Goals of Marketing:** The objective of marketing is to acquire long term goals such as growth and stability of business.
 - 12) **Goals of Selling:** selling is concerned with short term goals of maximization of profits.
 - 13) **Means of Marketing:** Marketing aims at earning of profits by providing maximum satisfaction to customers.
 - 14) **Means of Selling:** It aims at earning maximum profit by increasing sales volume.
- Thus Marketing is whole and selling is its part. Marketing is a wider term which includes selling also.

Q.2 What do you know about exchange of Goods?

SELLING / EXCHANGE OF GOODS:

- a) **Process of Selling:** In the process of selling goods / Products are exchanged for money or money's worth in order to sell or exchange the products for money. A business firm/seller has to perform several functions as follows:
- b) **Functions of Selling:**
 - 1) **Informing the buyers about products:** The seller provides all detail about products quality, brand grade, etc. and tries to convince the consumers about the goods standard of the products.
 - 2) **Persuasion of Buyers:** The seller persuades the customers using all his salesmanship talents and creates a desire in them to buy the goods/products.
 - 3) **Bargaining to fix prices:** Once the customers become ready to purchase the products prices are fixed by tactful bargaining.
 - 4) **Securing purchase order:** Next purchase orders are obtained from the prospective customers.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter

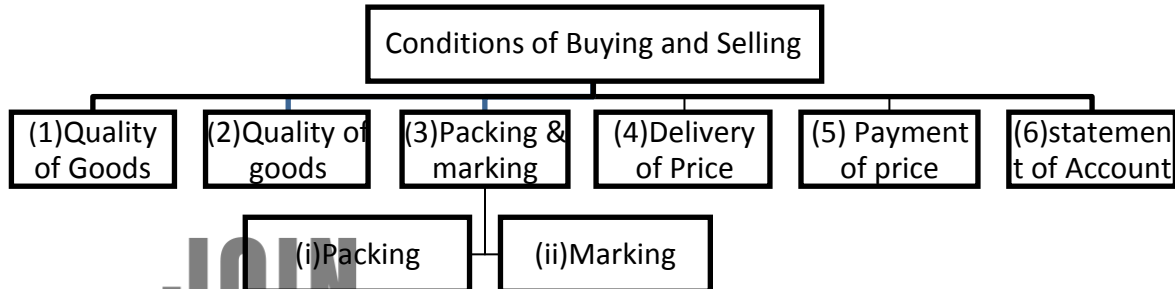


- 5) **Action to execute the purchase orders:** On receipt of purchase orders all procedure to prepare goods for sale is performed and goods and their titles are transferred to buyers collecting the prices.

Q.3 Give the conditions of “Buying and Selling”.

CONDITIONS OF “BUYING AND SELLING”

When a buying and selling transaction is settled between a buyer and seller then the terms and conditions are recorded in “Bought note” and sold note, which have the following contents.



Q.4 Give the various methods of selling.

OR

Define the procedure of Selling.

METHOD OF SELLING

There are two general modes of selling.

- 1) Personal Selling
- 2) Non-Personal Selling.

This includes many subsidiary methods as shown in the diagram given below:

METHODS OF SELLING		
	Personal Selling	Non Personal Selling
1.	Salesmanship	By Traders
2.	Auction Sale	Advertisement
3.	Installment sales	Sales Letters
4.	By Inspections on spots	By Sample
5.	Fairs and Exhibition	By mail Order
6.	-	By Vending machine
7.	-	Sale by description (Catalogue)

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-18 INSURANCE

Q.1 What is meant by Business Risks?

OR

Define and explain nature or causes of Risks.

BUSINESS RISKS

Business is established with the main objective to earn profit but there is always the possibility of loss due to fire in a factory or shop. Business firms are vulnerable to business risks of various kinds due to natural calamities like flood, earthquake, death or ill health of the owner/manager of a business organization. In order to survive in market and to run the business even under odd and adverse circumstances every business has to develop patience and ability to recognize business risks and to try to minimize them. A popular method of protection against several types of risks is insurance.

DEFINITIONS:

No authentic definition of Insurance has been put forth by the authors. However following may be the possible definitions of risks.

- **Professor D.H. John says:**
“Risk means possibility of loss in business due to some unfavorable event in future. It implies uncertainty about the future course of events”
- **According to American Heritage Dictionary:**
“Risk means possibility of harm or loss; danger.”

CAUSES (NATURE OF) RISKS:

Business risks occur due to several causes out of which there are (i) Internal causes of Risks (ii) External causes of Risks which can be classified as under.

SALES PROMOTIONAL METHODS		
	INTERNAL CAUSES OF BUSINESS RISKS	EXTERNAL CAUSES OF BUSINESS RISKS
1.	Negligence of Staff	Natural Causes
2.	Financial Liability	Human Causes
3.	Internal Environment	Physical Causes
4.	In efficient Management	Economic Causes
5.	Industrial Unrest	Government Causes Policies

Q.2 (a) Write a note on Insurable Risks and Uninsurable Risks?

(b) What are the essentials of Insurable risks?

INSURABLE AND UNINSURABLE RISKS

- **Insurable Risks:** No definition for such risk has been given by authors. Possible definitions of it may be as follows:

“An insurable risk is such risk, the probability of which can be estimated beforehand and its magnitude can be financially computed with the help of past experience and statistical techniques.”



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



“Insurable risk is such risk which can be from an individual or a firm to a society or group (e.g. Insurance Company) and in case of loss this group will accept the responsibility in return for premium.”

Examples of Insurable risks:

- i) Loss by fine
- ii) Loss of life/property by accident
- iii) Loss of theft
- iv) Loss by bad debts
- v) Loss by death, etc.

▪ **Non Insurable / Uninsurable Risks:**

- Uninsurable risk is such risk which cannot be anticipated and computed with reasonable accuracy and which cannot insure.
- Non insurable risk is caused by failure of product/products in market or due to occurrence of a net operating loss.

ESSENTIAL CHARECTERISTICS OF INSURABLE RISKS:

- 1) Large Expose: When a large number of people or organization are generally exposed to similar risks.
- 2) Accidental: the loss should be uncertain or accidental in nature.
- 3) Capable of Being Estimated: It must be possible to estimate probability of occurrence of the risks.
- 4) Unexpected: The cause of loss must be uncertain and unexpected.
- 5) Not catastrophic: The possible loss should not be catastrophic in nature.
- 6) Not against Public/Social: the risks which are against public interest and social values cannot be insured.
- 7) Significance: The loss should be reasonably large in amount for which cost of insurance can be incurred. Small losses cannot be insured.

Q.3 Write short notes on the following:

- a) Marketing Risk
- b) Inventory Risk
- c) Methods of reducing risks.

A) MARKETING RISK:

As a rule periodically the markets should be surveyed and possible fluctuation should be assessed to properly deal with marketing risks which occur due to following causes.

- 1) **Damage of Goods:** Goods/ products it not out within reasonable time then they are damaged, broken or became overripe.
- 2) **Deterioration Quality if Stock:** The whole or part of the stock becomes out dated and deteriorated in quality if it not used for a long time.
- 3) **Introduction of New Product:** Frequently the competitors introduce new products/substitutes of existing products rendering them to be out dated and out of fashion.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 4) **Change of Customer's Tastes:** The tastes, liking and fashions of consumers undergo changes with or without any reason.
- 5) **Fall in Price:** Due to unfavourable changes in prices sale of goods at loss becomes necessary to keep the business in running order.

B) INVENTORY RISKS:

A business organization should maintain optimum level of stocks. It should not be over stocked by sing large capital which may need lot of protection and warehousing of stocks it involves large business risks as under.

- 1) **Risks of Theft:** Over stock faces permanent risk of theft by the workmen of the organization as well as outsiders.
- 2) **Risk of Pilferage:** Overstock involves a risk of Pilferage.
- 3) **Risk of Natural Agent:** Rains, Intense sunlight, Dust, pets and insects (white ants and cockroaches) may cause lot of damage of stock. Cereals have to face a great disaster by rodents (mice and rats).
- 4) **Risk of Unfavourable Prices:** In depression period the prices of stock/products fall down. Overstocking may cause lot of loss during the depression phase.
- 5) **Risk of New Inventions:** When new inventions, innovations are introduced in place of existing machines its present inventory faces great risk of loss as it has to be substituted by new type of raw material.

C) METHODS OF REDUCING RISKS:

Following method may be adopted to eliminate or to reduce the intensity of business risks (the list is not Exhaustive)

- 1) **Protection of Valuables and Hard Cash:** Electronic safes, Iron vaults should be used to store and protect the valuables and to safeguard hard cash.
- 2) **Proper Making of Goods:** In order to keep the marketing activities running smoothly always markets should be surveyed and up to date kinds of products should be produced and supplied at reasonable prices.
- 3) **Provision of Insurance:** All efforts should be put in to provide insurance facilities to workmen (in the form of group insurance) and also insurance of property (fire insurance ,etc.) this helps to shift the risks to insurance companies in case of loss.
- 4) **Employment of Security Guards:** Armed security guards should be employed for protection of firm's assets, property and cash.
- 5) **Advanced safety Measure:** Risk can be avoided by many precautionary measures such as medical checkup of workmen, saving money for future, use, fixation of fire extinguishers to control fire accidents.

Q.4 What is insurance/ describe the different kinds of Insurance

OR

Define Insurance and its Characteristics.

MEANING OF INSURANCE (WHAT IS INSURANCE?):

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Insurance is a contract in writing whereby one party (Known as the insurer) undertakes to indemnify the other party (called the insured) in consideration for a certain sum of money (called premium) against any loss as a result of some uncertain event. The event or contingency against which insurance is made is called the risk. The contract providing for insurance is known as “Insurance Policy”

▪ **According to Dictionary of Business and Finance:**

“Insurance is a firm of contract in writing whereby one party agrees in return of a consideration to pay an agreed amount of money to another party to compensate for a loss, and injury as a result of some uncertain event”

▪ **Definition of Justice Tindal:**

Insurance is a contract in which a sum of money is paid by the assured in consideration of insurer incurring the risk of paying a large sum upon a given contingency.

▪ **Definition of WA Dinsdale:**

Insurance is a device for the transfer of risks of individual entities to an insurer, who agrees for consideration (called the premium) to assume to a specific extent of losses suffered by the insured.

▪ **Definition of Schultz and Bradwill:**

Insurance in its technical sense is a social device which employs the use of pooling technique to eliminate uncertainty.

CHARACTERISTICS OF INSURANCE:

Following are the characteristics of Insurance.

- 1) **A contract:** Insurance is a contract between the insured and the insurer for the consideration of premium against any loss as well as a result some uncertain event (contingency)
- 2) **Payment of Premium:** The insured party agrees to pay premium in lump sum or in installments at periodical intervals.
- 3) **Compensation against Loss:** The insurer party (Insurance Company) undertakes to compensate the insured against loss up to the specified limit.
- 4) **Nature of Insurance Contract:** Technically speaking the insurance contract is in fact a contract of indemnity.
- 5) **Covering of Risks:** Insurance covers the risk of uncertain event in future.
- 6) **Principle of Co-operation:** Insurance is based on the principle of co-operation whereby one person's loss is shared up to the specified limit by many persons.
- 7) **Spreading the Risks:** Insurance is a social device for spreading the risk over a large number of people. They contribute to common funds.
- 8) **No precautions of Risks:** The insurance does not prevent the risk of loss but helps in distributing the loss over a large number of persons.

DIFFERENT KINS OF INSURANCE:

KINDS OF INSURANCE			
Insurance for Persons	Property Insurance	Insurance of Liabilities	Insurance of Interest & Right
Life Insurance (i) Term life ins (ii) Whole life Ins (iii) Limited Payment (iv) Endowment Life	Fire Insurance	-	Insurance of Bad Debts (i) Bill of Exchange Policy (ii) Open A/c

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter

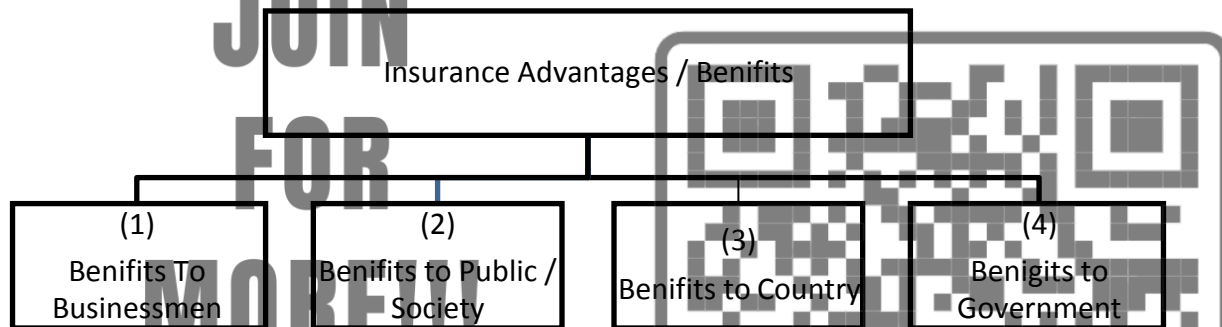


Personal Accident Insurance	Maine Insurance Ocean Mar Inland Mar	-	Fidelity Insurance
-	Miscellaneous Insurance (i) Burglary Ins (ii) Social Ins (iii) Vehicle Ins (iv) Crop Ins (v) Riot Ins (vi) Goods in transit Ins	-	-

Q.5 what are the Advantages of Insurance?

Importance of Insurance

The importance of Insurance can be judged from the advantages/benefits of the insurance provided to various classes of organizations.



BENEFITS OF ORGANIZATIONS

Insurance plays a very vital role in the propriety and development of modern business because a as the business is expanding large number of business risks are being developed causing great losses to the businessmen of all categories. Hence the businessmen shift the risk of losses to insurance companies to gain benefits.

- 1) Protection Against Risk
- 2) Development of Efficiency
- 3) Relief from Uncertainty and Tension
- 4) Financial Relief
- 5) Financial Relief
- 6) Insurance of Key Employees
- 7) Survival of Business
- 8) Employees Benefits
- 9) Valuable Suggestion

BENEFITS OF PUBLIC/SOCIETY:



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Insurance provides following benefits to the public/society.

- 1) Protection Insurance
- 2) Financial Assistances to Family Members
- 3) Saving
- 4) Helpful for Marriages and Education of Children
- 5) Financial Help
- 6) Help in Old Age
- 7) Tax Relief

BENEFITS OF COUNTRY

Insurance plays an important role in the growth of economy in the country.

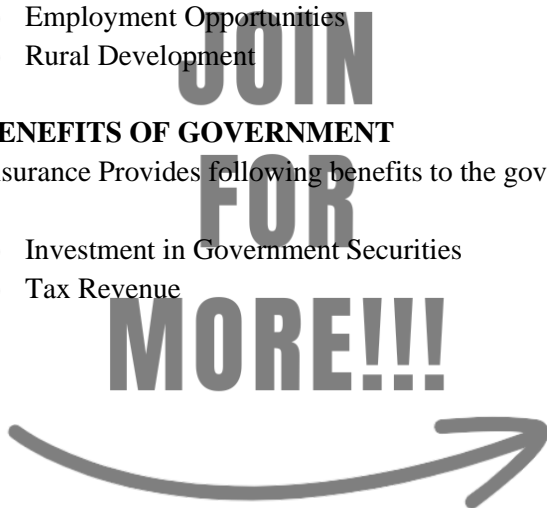
- 1) Mobilization of Saving
- 2) Economic Growth

- 3) Employment Opportunities
- 4) Rural Development

BENEFITS OF GOVERNMENT

Insurance Provides following benefits to the government.

- 1) Investment in Government Securities
- 2) Tax Revenue



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-19

TRANSPORTATION & WAREHOUSING

Q.1 Write down a note on transportation.

MEANING OF TRANSPORTATION:

- 1) **Helpful in Economic and Trade Development:** Trade and commerce and means of transport are interrelated and are complementary to each other. The economic and trade development of a country largely depends on goods means of transport.
- 2) **Development after Industrial Revolution:** Trade and commerce in America and Europe and industrial revolution was possible due to development of means of transport specially the railways, ships, etc.
- 3) **Role of Means of Transport:** Means of transport play an important role to effectively adopt the division of labour and to undertake large scale production. In addition to railways
- 4) **Helpful in International Trade:** Air transport and marine transport have also helped a lot in international trade and in quick travelling from one part of the world to the other. Thus the world has rightly called a GLOBAL VILLAGE. Over 80% of the world trade is carried out by marine transport.

DEFINITION OF TRANSPORTATION

“Transfer of goods from one place to other is transportation and sources of transportation are called means of transport.”

FUNCTIONS OF TRANSPORTATION:

The well-developed transportation serves following purpose and functions.

- 1) **Equal Distribution of Goods:** Transportation helps in equal distribution of goods throughout a country and also between all parts of world by means of marine transport by big ships.
- 2) **Transfer of Goods from Abundant to Scarcity Areas:** By means of transport the goods are easily transported from surplus areas to the scarcity areas and everywhere. All kinds of locally made and foreign made goods are easily available in every country in present time.
- 3) **Creation of Time Utility:** By means of development of transport goods are transferred from one place to the other in shortest possible time which creates time utility.
- 4) **Stability of Prices:** The places where the goods are scarce the price goes up and in the areas where surplus quantities of goods are available the prices fall down. Thus in former case producer gains profits and in the latter case the producers suffer losses and the position of customers happens to be vice versa. By quick transportation this drawback and instability in prices is minimized.
- 5) **Result of Severe Competition:** As a result of severe competition the standard of goods improves and prices became reasonable and even innovation and inventions become highly developed which are helpful in such development.
- 6) **Expansion in Market:** Transportation facilities transfer of goods wherever they are demanded as quickly as possible hence markets expand and business flourishes in large areas.

Q.2 Describe the various kinds means of Transport?

KINDS OF TRANSPORT

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Following are the means of transport used in modern times to transport all kinds of materials, cargo, machines, cereals, cotton bales, iron or wooden logs, crude oil, natural gas, fertilizer chemicals, livestock etc. (no exhaustive list of such goods and materials can be prepared).

MEANS OF TRANSPORT			
	Land Transfer	Waterways	Airways
1.	Railways	Inland water Ways	Passenger Planes
2.	Road Transport	Large Canals (Liming Seas/Oceans)	Cargo Planes
3.	Piggy Back	Marine Transport	Jumbo Jet
4.	Pipelines	-	Helicopters
5.	Ropeway Transport	-	-

Q.3 which factors are involved in the selection of suitable mode of transport?

FACTORS FOR SELECTION OF SUITABLE MODE OF TRANSPORT

Selecting an appropriate mode of transport is a difficult process. A businessman while selecting a suitable mode of transport should keep following points in mind.

- 1) Availability of Means of Transport:** While selecting the mode of transport, one should confirm which mode of transport is available within the desired area. For example, in hilly areas businessman has to depend on road transport.
- 2) Transport Service Cost:** All modes are not good for all purpose. For Example; if a person wants to send coal, iron or raw materials, he will consider the railway transport. At the same time, for small consignment for a short distance, road transport should be considered. However for bulky goods, water transport will be cheapest and for perishable goods and goods of high value air transport will be the best.
- 3) Regularity of Transport:** Railways provide the most dependable and regular services. They are not greatly affected by bad weather. Railways have fixed schedule. On the contrary, road transport, water transport and air transport are affected by weather.
- 4) Flexibility of Transport:** Road transport has maximum degree of flexibility as it can carry passengers and goods to any place even in hilly areas. More important it is the only mode that can give door-to-door service. The degree of flexibility is very less in water and air transport and there is no flexibility in railway transport.

WARE HOUSING/STORING:

A warehouse is an establishment for the storage or accumulating of goods. It is a place where goods are stored and preserved until they are sold. Thus ware housing is inflicting assumption of responsibility for the storage of goods.

DEFINITION OF WARE HOUSING:

- Prof. Mohan Bhatia says,**
“Ware housing is the process of holding and preserving goods from the time they are produced until they are needed for consumption or use”

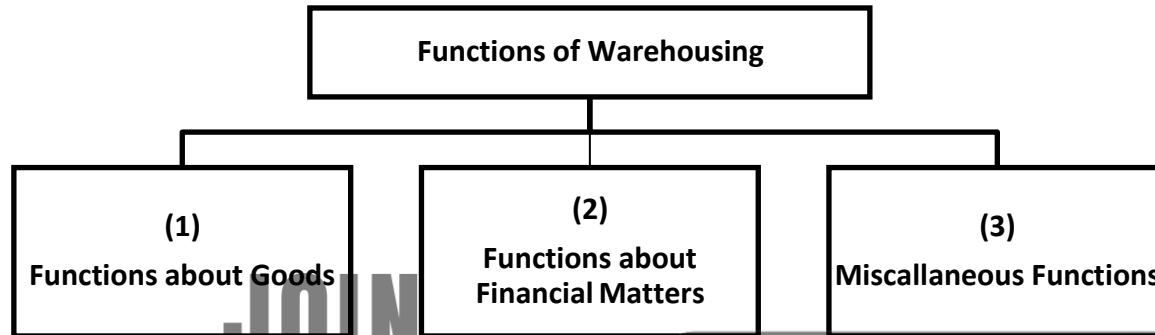


- **Prof. Rajesh Mehra says,**
“Ware housing means the assumption of responsibility for the storage of goods and is an important function of business community.”

Q.4 what are the functions / advantages of warehousing?

FUNCTIONS / ADVANTAGES OF WAREHOUSING

A large number of functions are performed by warehousing resulting into advantages. Out of which following are the important functions.



1) FUNCTIONS ABOUT GOODS:

Various functions are performed by ware housing as detailed below for preservation of goods etc.

- Regular Production:** Warehouses enables manufactures to produce goods against the anticipation of demand. Storage of raw material helps them to make regular production of goods.
- Blending Processing etc.:** Warehousing take representative samples and break up large stocks into smaller lots. They blend, process, grade, and pack and label these smaller lots in warehouses matching with market demand.
- Storage of Goods:** Goods, which are in surplus, are stored and preserved until they are needed, sold, refined or consumed.
- Preservation of Quality of Goods:** Perishable products like vegetable, fruits, eggs etc. can be stored in good condition in cold storage and cereals can be protected from insects, pest rain etc. and their qualities also be protected and preserved for a long time in general warehouses.
- Elimination of Wastage Goods:** Proper storage of surplus goods in warehouses eliminates wastage of good grains and perishable goods.
- Regular Supplies of Goods:** Storage of goods in warehouses help, in maintaining regular supply of goods to customers throughout the year.

2) FUNCTIONS ABOUT FINANCIAL MATTERS:

Ware housing also helps the producer's middlemen in a number of financial matters.

- Financing:** Warehouse keeper or a bank advances loans to the owners of goods against the security



of the goods kept in storehouse.

- b) **For Obtaining Loans:** Loans can also be raised easily from financial institutions on the security of receipt issued by warehousing keeper.
- c) **Price Stabilization:** ware housing helps in stabilizing the prices by bringing about equalization of demand and supply. Thus sudden fall of prices due to large supplies and sudden rise in prices due to shortage of supplies are avoided.
- d) **Problem of Paying Customers Duty:** Bonded warehouses help to avoid the problem of paying customers duty immediately.
- e) **Economy in Large Scale Buying:** Warehousing provides economies of bulk buying of goods.
- f) **Minimization of Transportation Expenses:** Warehousing minimizes the cost of loading and unloading of goods from trains and ships frequently.

3) MISCELLANEOUS FUNCTIONS:

Many other functions are also performed by warehousing such as under,

- a) **Transfer of Business Risks:** Warehouse Keeper bears the risk of loss or damage to goods during shortage period.
- b) **Inspection before Purchase:** Warehouses provide the facility to buyers to examine the goods before purchase and to select goods, which is a kind of help provided to seller to exhibit the goods for sale to the buyers.
- c) **Help in Export Work:** The warehousing located treated near or inside sea port, serve as forwarding storehouses, for the exporters. They keep their goods inn such houses till their shipment formalities are completed.
- d) **Agency Function:** Warehouses deliver goods in whole or practically to the buyers as per directions given by the owners. They offer facility for transfer of title of goods without effecting actual delivery by enclosement and by delivering a warehousing warrant.
- e) **Employment:** For operations related to ware housing job opportunities are created for many people, skilled and unskilled labourers, storekeepers, accountants ad also clerks.

Q.5 what do you know about the document used in warehousing?

DOCUMENTS USED IN WAREHOUSING

Following are the documents used in ware housing.

- 1) Warehouse Warrant
- 2) Warehouse Keeper Receipt
- 3) Delivery Order

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Q.6 what are the various kinds of Warehousing?

KINDS OF WAREHOUSING:

1. PUBLIC WAREHOUSE:

These warehouses are meant for use by businessman in general. Any businessmen can store his goods in these warehouses for some charge/rent. The owner of warehouse serves as an agent to the owner of the goods.

2. PRIVATE WAREHOUSES:

These warehouses are constructed, owned and maintained by big manufactures and traders to store their raw material/ semi-finished goods/ finished goods which they store until they are finally disposed of (used in manufacture or sold out).

3. BONDED WAREHOUSES:

A bonded warehouse is establishes under a bond with the customs duty can be levied, the goods are kept in warehouses until customs duty is paid.

4. WHOLESALE WAREHOUSES:

These are the warehouses owned and maintained by wholesaler with own storage facilities to keep large stocks of goods purchased form producers/ manufactures to be sold to retailers

5. AUTOMATIC WAREHOUSINES:

These are warehouses which are found in USA. Where all its functions are automatic and computerized. All their paper processing, proceedings and selecting goods are made automatically.

6. COLD STORAGE OR REFRIGERATED WAREHOUSES:

These warehouses are built for storage of perishable goods such as vegetables, fruits, dairy products, Poultry products, fish, eggs etc. They are very useful to farmers, traders and customers. They prevent wastage of perishable commodities. Cold storage facilities help in growth of food processing and agro-based industries.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-20

CONSUMER AND BUSINESS FINANCE

Q.1 Define and differentiate between finance and capital and describe the importance of capital?

FINANCE:

Finance is the key factor in the business that makes all other functions run smoothly. The term financing refers to the process making money available to a business. It should be done through the right channels at reasonable cost.

According to **George Ferry**

“Finance consist of providing and utilizing the money, capital rights, credit and funds of any kind which are employed in the operation of an enterprise”

CAPITAL:

Capital is the investment made in an enterprise for the purpose of earning profits. In business capital is required for both production as well as distribution of goods and services.

Definition if capital by Prof. Ahmed Siddiqui: “Capital is such water which is needed to make the soil of business ever green from the beginning to the end and beyond the end to infinity.”

Q.2 a) Describe the classification of Finance

b) Define Consumer Finance, Write down its sources if personal needs are met by Taking loans.

CLASSIFICATION OF FIANCE

We classify finance in two categories:

- a) Consumer Finance
- b) Business Finance

CONSUMER FINANCE

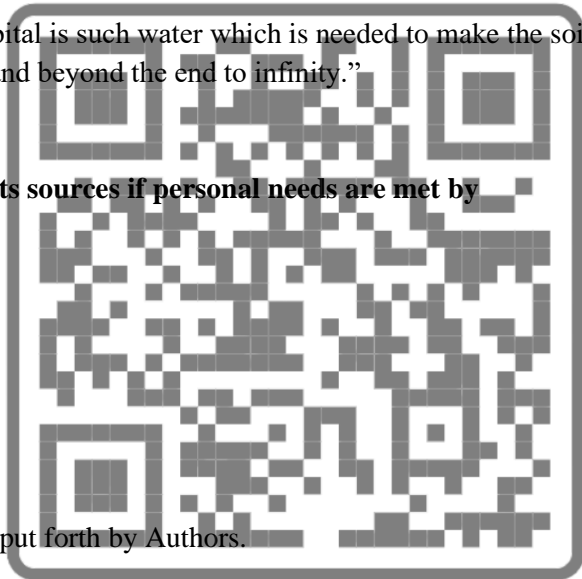
No authentic definition of consumer finance has been put forth by Authors.

▪ Prof. Rajesh Mahra says,

“Consumers Finance is personal or domestic finance which a person needs to live/lead his life. It is met by personal income and by loan”

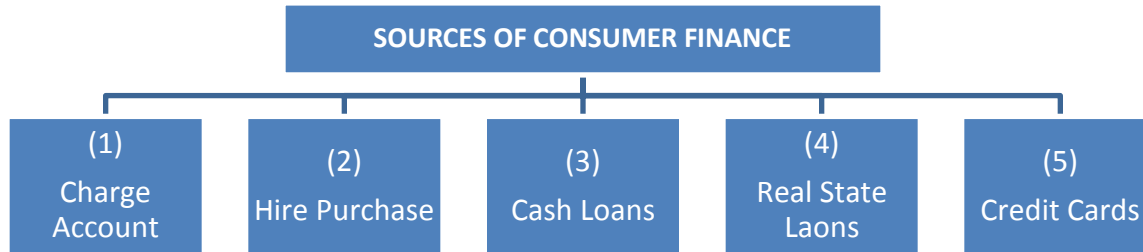
▪ Tarun Kumar has opined as under,

“Consumer finance which is also called personal finance or domestic finance which is met either by personal income or by loans”



SOURCES OF CONSUMER FINANCE

Following are the sources of consumer finance



- Q.3** a) What is Meant by Business finance? b) What is the importance of business finance?
b) What is the importance of business finance?
c) What are the types of business finance and sources of all types of finance?
d) List the sources and forms of short time finance?
e) What are the sources of long term finance?
f) Distinguish between long term finance & short term finance.

BUSINESS FINANCE:

Finance is required for all kinds of business for production of goods and services irrespective of the fact whether they are small sized or big.

In modern large scale business with complex methods of production and distribution finance is needed for various purposes.

DEFINITIONS OF BUSINESS FINANCE:

- **Prof. Mohan Bhatia says,**
“Business finance is the provision of money at times it is needed. It is needed by the business in different situations.”
- According to **Varma Aggarwal**:
“Business finance refers to monetary needs of industries, commercial and service organizations. They need it for financing short and long requirements.”
- **Prof. Rajesh Mahra says**:
“Business finance is the monetary need of a business, commercial or service organizations”

IMPORTANCE OF BUSINESS FINANCE:

The finance important for the following needs.

- 1) **For Buying fixed Assets:** Business finance is necessary for buying factory site, building, machinery payment of wages, purchase of tools and equipment etc.
- 2) **For buying Raw Materials:** Finance is necessary for purchase of raw materials, accessories, semi-finished goods and some spare parts etc. for assembling and manufacturing finished products.
- 3) **For Operational Expenses:** Business finance is the life bloods of business. It is required in the process of planning, acquiring, utilizing and controlling various expenses of running the business.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Every business enterprise requires finance to start its merchandizing operations and to carry out its activities and to expand the business.

- 4) **For determination of Size and Scale of Operation:** Availability of business finance determines the size and scale of operation of any business whether it is manufacturing, merchandising mining, lumbering, rearing of livestock, dairy farming, poultry farming etc. In fact it is necessary in all kinds of business.
- 5) **For Availing Business Opportunities:** availability of business finance enables to avail of various business opportunities and to face trade cycles and other crises.
- 6) **For second Health of Business:** Adequate quantity of business finance is necessary for profitable working and sound health of business to enables it to buy all its requirements such as raw materials, machines and assets and to make payment to creditors regularly at proper time.

TYPES OF BUSINESS FINANCE

Business finance may be divided into three types depending upon the nature, period and purpose of finance, as follows:

- 1) Short term finance
- 2) Medium term finance
- 3) Long term finance

1. Short Term Finance:

This type of finance is required for a short period up to one year. Short term finance is utilized for meeting working capital requirements of the business. The investment in this area keeps on changing from stock to debtor and then to cash. Short term funds are used over and over again.

The most required in short term funds depends on

- a. The nature of Business
- b. The time gap between production and sale; and
- c. The volume of Business

2. Medium term Finance:

Funds that are raised for a period between one and seven years are termed as medium term finance. Medium term finance is used for modernization of machinery, large advertisements campaigns, launching of new branches or outlets, manufacturing industries often require medium term finance.

3. Long Term Finance

Funds that are required in the business for long period are termed as long term finance. This is usually required for a period exceeding seven years. Long term finance is essential for investing in fixed assets such on the size of business and the nature of business. Large organizations require large amounts to be invested in fixed assets, whereas small units need small amount of capital investment. Nature of business also plays an important role in deciding the fixed assets while trading concerns require more of their investments in the form of stock and other current assets. Long term finance is required in acquisition of assets and modernization of the business.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Q.4 Differentiate between short term, medium term and long term finance:

1. **Short Term Finance:** Short term finance is usually in the form of loan, which has to be repaid in one year.

Uses of Short Term Loans:

These loans are generally used for the following purpose.

	(1) For Payment of dues	(2) Clearance	(3) Financing
1.	Payment of wages of Labours	Clearance of account payable	For prepaid rent
2.	Payment of interest of loans	Clearance of Petty Cash expenses	For prepaid Insurance
3.	Pzyment of hired assets	-	For payment of Advantages to employees / loans salaries etc.
4.	Payment of current Liabilities to creditors supplies water electricity and other bills	-	For purchasing current assets.

2. **Medium Term Finance:** Mid-term finance has no clear concept. It refers to finances meant from one year to 7 years.

These loans or finances are required by sole proprietors partnership firm and joint stock companies for the same purposes as mentioned above in respect of short term finance but if it is meant for a longer period say for more than one year up to 5 to 7 years and is obtained by a business organization from its own funds or borrowed funds obtained using its credit worthiness.

3. **Long Term Finance:** this type of finance is needed for more than 7 years by the newly established Business firms/organization, which are used for purchases of fixed assets such as building, factory site, machines and plants etc. It is invested on a permanent basis and its repayment need long time say more than 7 years or even more.

Q.5 List different types of sources of finance?

SOURCES OF DIFFERENT TYPES OF FINANCES

Following are a number of sources of different types of finances, but no exhaustive list of such sources can be prepared.

(a) Short Term Finance:

- 1) Bill of Exchange / Commercial draft
- 2) Hire Purchases
- 3) Trade account
- 4) Accommodation Bill
- 5) Factors (Pledged A/R)
- 6) Promissory note
- 7) Overdraft

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 8) Agricultural Bank
- 9) Call Loans
- 10) I owe you (IOU)
- 11) Two names paper advance
- 12) Commercial Bank
- 13) Marketable securities
- 14) Not Payable
- 15) Government Loans
- 16) Bill of Lading
- 17) Warehouse keeper Receipt

(b) Mid Term Finance:

- 1) Form the resources of sole proprietor
- 2) From the resources of partnership Firm
- 3) From the resources of Joint Stock Company

(c) Long Term Finance:

- 1) Capital
- 2) Loans and bonds
- 3) Retained Earnings
- 4) Long Term Investors
- 5) Issue of Debentures
- 6) Public Deposits
- 7) Public Loans

Q. 6 briefly describe the Purpose of Short-term Finance.

Short-Term finance Serves Following Purpose:

- 1) It facilitates the smooth running of business operations by meeting day to day financial requirements.
- 2) It enables firms to hold stock of raw materials and finished product.
- 3) With the availability of short-term goods can be sold on credit. Sales are for a certain period and collection of money from debtors take time. During this time gap, Production continues and money will be needed to finance various operations of the business.
- 4) Short-term funds are also required to allow flow of cash during the operating cycle. Operating cycle refers to the time gap between commencement of production and realization of sales.

Q.7 Describe in brief the sources of long term finance.

Purpose of Long term Finance:

Long term finance is required for the following purposes:

- 1) **To finance Fixed Assets:** Business requires fixed assets like machines, Building furniture etc. Finance required to buy these assets is for a long Period, because such assets can be used for a long period and are not for resale.



- 2) **To Finance the Permanent Part of working capital:** Business is a containing activity. It must have a certain amount of working capital which would be needed again and again.

This part of working capital is of fixed or permanent nature. This requirement is also met from long term funds.

- 3) **To Finance Growth and Expansion of Business:** Expansion of business requires investment of a huge amount of capital permanently or a long period.

Q.8 (a) Briefly describe the concepts of Musharka and Mudarba
(b) Write a note on Mudarba.

THE CONCEPT OF MUDARBA:

Mudarba is a business in which a subscriber participates with his money and Mudarib (manager) participates with his efforts and skills, and profits on investment made out of mudarba funds are distributed among the subscribers and Mudarib.

Meaning of Mudarba:

Mudarba is a form of a contract under which a subscriber (Rabul-Mal) participates with his money and the manager (Mudarib) with his efforts and skills after setting aside the agreed share of Mudarib the profits earned on investments is distributed among the subscriber and Mudarib.

Concept of Mudarba:

It is the concept of Islamic finance through which one partner or more partner share in formation of funds and another person utilizes his skill experience and efforts in performance of some trade, business or industry which is lawful in Islam. He serves as a manager. The Rabul Mal, provides the funds, and becomes the beneficial owner.

Modern assumption of Mudarba:

As a modern assumption of Mudarba it is akin with the concept of mutual funds (except their non-Islamic features) the concept of mutual Funds has gained wide spread acceptance in Pakistan and N.I.T units and I.C.P mutual funds are Mudarba businesses.

THE CONCEPT OF MUSHARKA:

It is a profit and loss sharing business between the lender and the borrower completely doing away with interest. It is an arrangement of financing in which parties offer funds, efforts or/and skills. Profits are shared among them according to the rate agreed upon. In case of loss only one party suffers it, which is the investor.

Musharka's financing Mode:

In Pakistan commercial banks are providing the working capital requirements of manufacturing and commercial organizations using their funds of PLS deposits.

The Concept of Musharka:

The lending bank enjoys the right of participation in the business borrows to the limit of amount of

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



loan. In case of Profit the bank as lender of funds receives it's prorata share (or suffers the loss). Their other details are as follow,

I. Musharka Investment Agreement:

This is an agreement between the bank and the borrower company which authorizes the borrower company to carry out business and the bank watches evaluates and supervises he operation of business by the borrower.

II. Nature of Musharka Concept:

Musharka is completely in accordance with the principle of Islam, It is lawful and interest free and helpful in establishment of Islamic economy although it is very difficult to change the present interest bearing economy. Further in Musharka the lenders always suspect that the borrower will under state the profits and that the lender (bank) makes undue interference in the business of the borrower.

Chapter-21

CAPITAL, SHARES AND BONDS

Q.1 What is capital? Describe different kinds of capital.

CAPITAL

Capital is the investment made in an enterprise for the purpose of earning profits, in business houses capital is required for both production as well as distribution of goods and services.

In the opinion of Prof. Mohan Bhatia,

“Capital refers to owner's equity in the business and it is the amount invested in the business”

Varma Aggarwal says,

“Capital is such water is needed to make the soil of business evergreen from the beginning to the end and beyond the end to infinity.”

CLASSIFICATION OF CAPITAL

It is done in two ways,

- (a) On the basis of type of business
- (b) On the basis of required capital



Classification of Capital and Sources (on the basis of type of Business)			
Capital for Sole Proprietorship	Capital for Partnership firm	Capital of Joint Stock Company	
Proprietorship's Capital	Capital contributed by partner	Retained earnings Reserves	
Borrowed Funds from banks friends financial institutions	Retained profit of partners	Debentures Long Term loans and short term loans from banks and financial institutions.	
-	Loans from banks and financial institutions	Authorized capital	



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



	-	Credit from wholesalers	-
--	---	-------------------------	---

Capital for Sole Proprietorship:

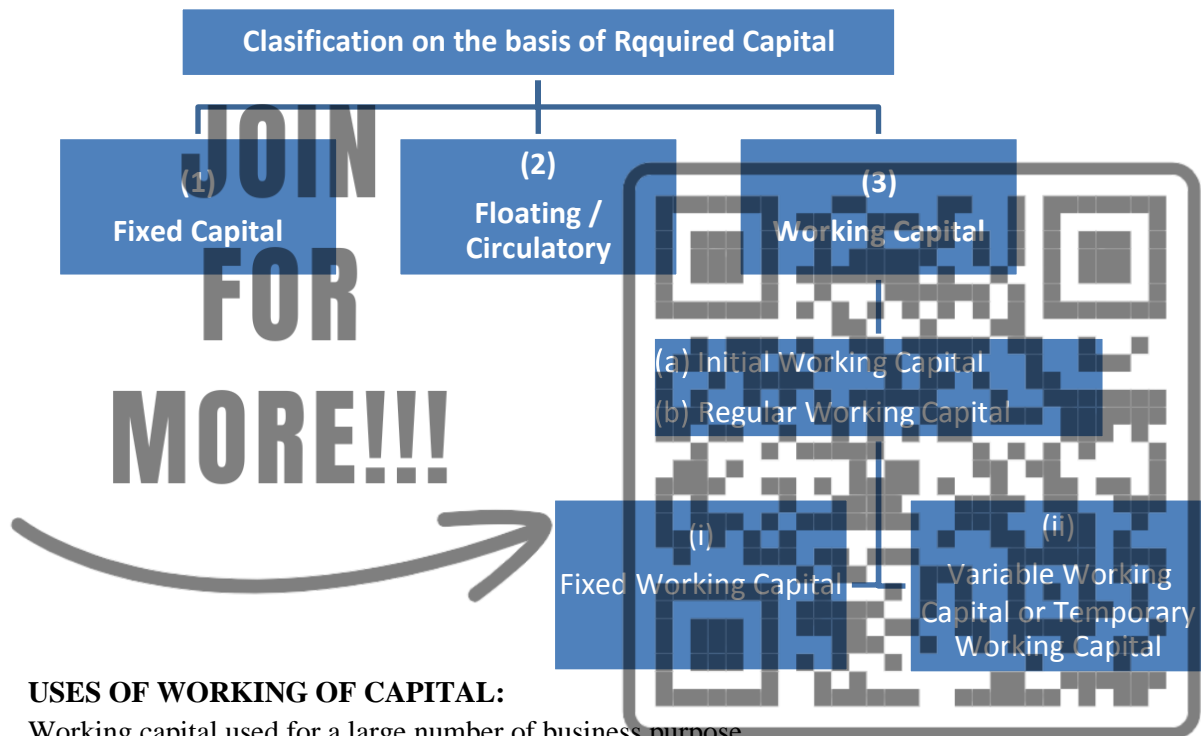
The sole proprietor invests his own capital and adds the borrowed funds enlisted in the above diagrams as sources.

Capital for partnership Firm:

The partnership firm invests the capitals contributed by partners and the funds of otherrecourses mentioned in the above diagram

Capital of Joint Stock Company:

It is made up authorized capital sanctioned by the registrar of companies and the funds of other resources mentioned in the above diagram.



USES OF WORKING OF CAPITAL:

Working capital used for a large number of business purpose.

Uses Of Working Capital			
	(1) For Manufacturing Goods	(2) Payroll Labour Charges	(3) Routine Express
	Raw Materials	Wages	Fuel Exp
	Spare Parts	Salaries	Power Exp
	Operating Supplies	Allowance	Rent Exp
	-	Fees	Tax Exp
	-	Commission	Advertising Exp
	-	-	Delivery services
	-	-	Miscellaneous Exp

Working capital as used for many things in business

1) For Manufacturing



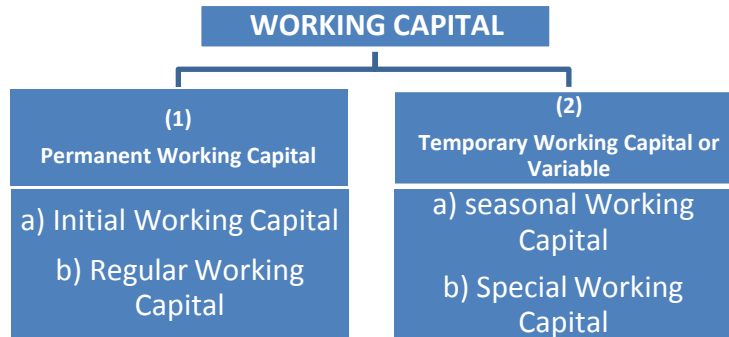
MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 2) Pay Roll
- 3) Routine Expenses which are enlisted in the above diagram.

KINDS OF WORKING CAPITAL:



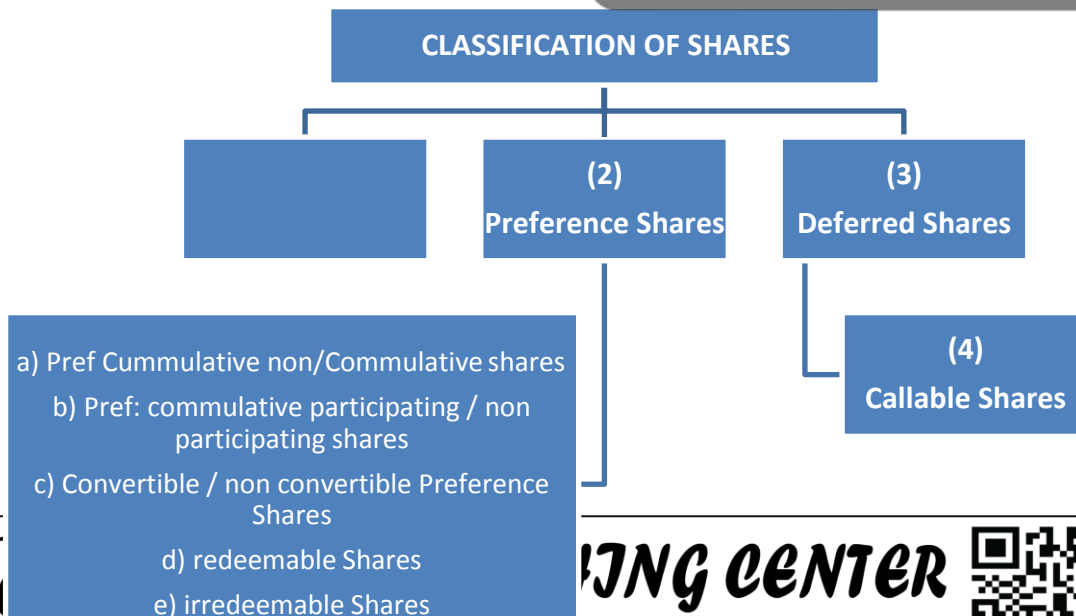
Q.2 What do you understand by shares? Describe the various kinds of shares.

SHARE:

Issue of shares is the main source of long term finance. Shares are issued by joint stock companies to the public. A company divides its capital into units of a definite face value, say of Rs. 10 or Rs. 100 each. Each unit is called a share. A person holding share is called shareholder.

Issue of shares is the important method of raising long term funds. Shares are the ownership securities and share capital represents the ownership capital. Funds raised through shares provide a financial base to the company.

- **According to Companies' Ordinance 1984:** "A share is a share in the share capital of a company and includes stock except where a distinction between stock and shares is expressed or implied"
- **Definition of Justice Farewell:** "A share is the interest of the shareholders in the company measured by a sum of money for the purpose of liability and interest (dividend). It also consists of other rights given by the articles of Association"

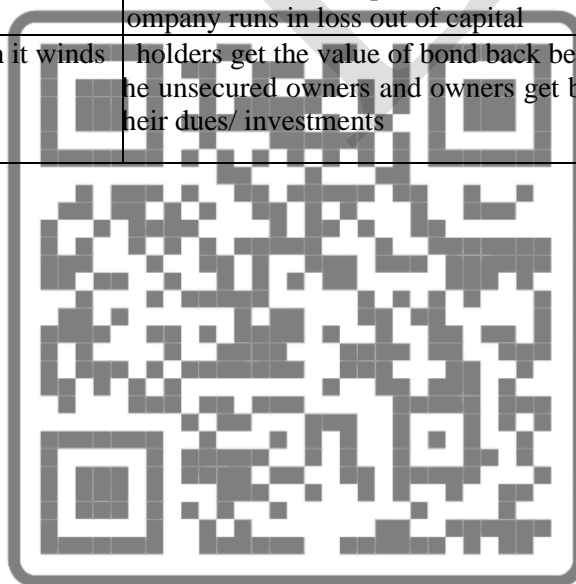


Q.3 Differentiate between bonds and shares.

DIFFERENCE BETWEEN SHARES AND BOND

Point of Difference	Shares	Bonds
Definition	Shares are divisions of the company's capital	Bonds are interest bearing loans obtained by a company and represent the liability of the firm.
Repayment	Shares are permanent investments so they are not paid off by the company before it winds up	Bonds are loans for long term and they have to be repaid according to the terms of agreement with interest
Ownership	Shareholders are owners of the company	Bondholders are like creditors of the Company
Dividend of Income	Shareholders get dividend on shares	Bondholder gets interest on bonds
Payment of Income	Payment of dividend is not compulsory so shareholders income is not Guaranteed	Interest payment is sure hence bond holders income is guaranteed
Rate of Income	Rate of dividend is not Fixed	Rate of interest is fixed
Payment of Income	Dividend is paid if company gets profits	Interest of bond has to be paid even if the company runs in loss out of capital
Return of Value	Share value is repaid by company when it winds up	Bondholders get the value of bond back before the unsecured owners and owners get back their dues/ investments

JOIN FOR MORE!!!



MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-22

OFFICE ORGANIZATION

**Q.1 Define Organization and state the various function of a business office
OR
State the importance of an office in big business organization.**

Definitions of Office organization

- Def (i) the study of an office or the action to arrange it in an effective manner is called office organization
- Def (ii) “Office is a place where carried operations are carried on” .--**Denyer, J.C.**
- Def (iii) “Office is a unit where relevant records for the purpose of control, planning and efficient management of the organization are prepared, handled and preserved. It provides facilities for internal and external communication and coordinates activities of different departments of the organization” .—**Littlefield, Rachel and Caruth.**
- Def (iv) Office organization is a group of persons of various types of clerks dividing the various activities of an enterprise / undertaking among the persons with a view to achieve predetermined objectives. This organization helps to fix the positions and responsibilities of the employees (mostly clerks and sectional in charge / office managers)

IMPORTANCE OF OFFICE:

Present age is the age of competitions hence only such business and commercial organizations smoothly run and survive which really become efficient and are properly developed. This can only be done by means of maintenance of a highly established office organization and by chalking out suitable and appropriate office routines. If an organization fails to do so then it cannot survive and sooner or later to perform its functions efficiently.

Office is an indispensable part of all types of organizations just like the brain of a human body. It works as the nerve centre of the organization, and is vital for its functioning. It helps management to plan, execute the pre-defined objectives of the organization.

Importance of an Office:

- 1) Office as service centre
- 2) Office as a memory centre
- 3) Office as a channel of communication
- 4) Office as a co-ordinator
- 5) Office as a controller
- 6) Office as an intermediary
- 7) Importance of office to employees
- 8) Importance of office to customers
- 9) Importance to general public

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Q. 2 Define the Departmentation.

DEFINITION OF DEPARTMENTATIONS:

▪ Definition of Samuel C. Certo

A department is a unique group of resources established by management to perform some organization task.

- To perform an activity effectively it is necessary that it should be grouped in accordance with specialization. This grouping of the parts of an activity is referred to as departmentation.
- The concept of departmentation can be referred to as Division of Labour (in which) instead of one individual several individuals perform different parts of the total activity.
- When the whole work is divided into different parts, then such divisions are called departmentations.
- Departmentation is a process by which departments come into existence.

Q.3 What do you understand by Copying / Duplicating? Describe its various methods.

OR

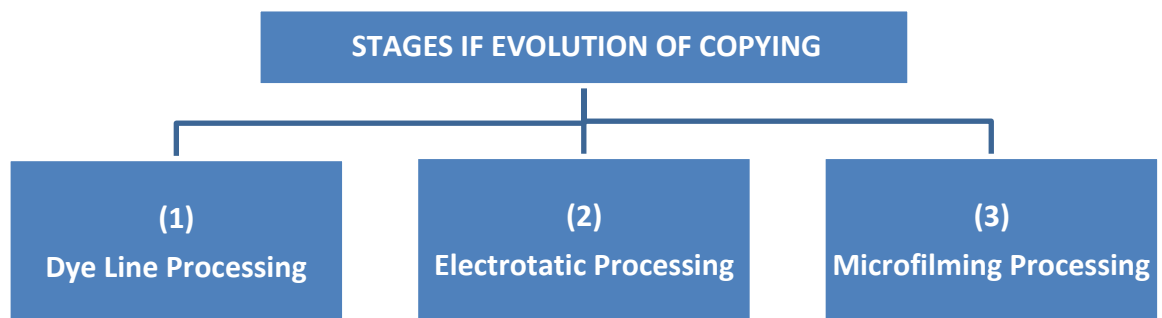
Write a note a Duplicating machine

COPYING / DUPLICATING:

Copying/Duplicating means to prepare a REPLICA of a documents or business paper. Lot of severe competitions prevails on all fields of business, purchasing selling, warehousing advertisement transportation, (Carriage) exporting and importing hence it has become absolutely necessary that business information and messages should be communicated to all the concerned parties of all the areas of the city, other cities and provinces and even to foreign countries (to exporters and importers). This helps in promoting and conducting business instantaneously (without any delay) such information included rates of sales purchases of gold silver cotton etc. delay in communicating such information causes heavy losses specially to the speculators and dealers of FUTURE / UNASCERTAINED GOODS> To avoid such situations all the business communications are prepared in a large number of duplicate copies (may be hundreds or even thousands) and sent to the concerned parties by TCS and other kinds of services without delay.

HISTORICAL EVOLUTION OF COPYING OR DUPLICATING:

Copying / Duplicating have undergone three major evolutionary stages.



- 1) **Dye Line Processing:** In the beginning for copying work photography was used by which photos

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



were taken of the documents and important business papers, resolutions decisions etc. It was a dry from of photography process.

- 2) **Electrostatic Processing:** As the time passed and many new inventions were made and a quick method of copying was introduced namely electrostatic Process using electric Technique.
- 3) **Micro Filming Processing:** IT is the most modern method of copying in which micro and enlarges copies of original documents can be prepared and thousands of copies of original documents can be prepared and transmitted on a film. These films can be stored in small spaces. It saves time labour and cost of duplicating.

Q.4 what is meant by Documentation? What are its advantages?

OR

Define documentation and write down its uses.

DOCUMENTATION:

The success of a business organization largely depends on the proper maintaining of records. If all its documents and business papers are properly and accurately kept then it can be easily ascertained whether the organization is gaining profits or is running in loss. In case it is running in loss then with the help of documentary record the reasons for incurring the loss can be readily found out. Once such reasons are known the proper remedial measures can be taken to set right the matters and to eradicate the causes of loss. Thus it is largely advantageous work to make proper documentation of the business record.

- Documentation is done so that the documents are used as documentary evidence. OR
- Documentation means preparing of Accounts, Preparation of Journals and Ledgers, safe record of letters/filing.
- Documentation means preparation and use of documentary evidence. It is the collecting, abstracting and coding of written records or information for future reference and use.

IMPORTANT BUSINESS DOCUMENTS:

No exhaustive list of business documents / records can be prepared. However the important business documents include.

- 1) Documents of Purchase
- 2) Accounting records
- 3) Documents of Importers
- 4) Documents About Personal Matters
- 5) Documents of Loans
- 6) Documents of Sales
- 7) Complaints of Export
- 8) Documents of Export
- 9) Asset of the Organization
- 10) Business Correspondence

ADVANTAGES / USES OF DOCUMENTS:

There are many advantages / uses of the business papers / documents out of them following are some important advantages.

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 1) **Redressing the Complaints of Customers:** Frequently the customers make complaints about the quality and standard of products and services. They are required to be kept on record and have to be properly redressed so that the customers can be kept satisfied with the services and utility of the products sold by the business organizations.
- 2) **Evidence in Court of Law:** In the case about business which are under hearing in a court of law the documentary evidence can be produced in support of clarifications and arguments.
- 3) **Mutual Disputes:** In all the business disputes which arise between parties documentary proofs help in satisfactory settlements.
- 4) **Helpful to Meet Challenges:** Documents help the business organization to meet the business challenges at present and to chalk out method to face the challenges in future.
- 5) **Helpful to find raw Material Requirements:** The Inventory documents / records help the manufacturing concern to work out its raw material requirements as that it does not fall short and is timely replenished.

**JOIN
FOR
MORE!!!**



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-23

FILLING

Q.1 (a) Define Filling System

(b) Describe the main characteristics of a good filling system.

DEFINITION OF FILLING SYSTEM:

- Filling refers to systematic preservation of papers in a well-organized manner that in case of their need they can easily be available and traced.
- Filling is a process of Classifying and Arranging records so that can be obtained without delay.
- Filling is a process according to which original business record or its copies are collected so that they are easily available when needed, without wastage of time.
- It is a system which letters, documents and papers are so arranged that they can be referred back in future. Filling is not useful for future reference but also for safety.

CHARACTERISTICS OF GOOD FILING SYSTEM:

Following are the characteristics of a good filling system which are generally called “7S” viz

- (1) Suitability (2) Spacious (3) Safety (4) Supply (5) Saving
(6) Simplicity (7) Speed, Which are described below.

- 1) **Suitability:** The filling system should be suitable according to nature of business and its needs. These systems should be suitable for future requirements, expansion (geographical) and growth of business.
- 2) **Saving:** Costly methods of filling should not be adopted. Simple methods should be followed to safeguard economy as far as possible such as using file covers.
- 3) **Accessibility:** The filling is an office should be centrally located so that the files may be accessible to the concerned people easily.
- 4) **Easy Checking:** The filling system should be so that their checking becomes easy and the required documents may be easily traceable (by some code words or indexes)

OBJECTIVES

The major objectives of filling process are to ensure proper arrangement, careful storing and easy availability of records. An efficient filling system is expected to have the following objectives.

- i. To classify and arrange records properly.
- ii. To protect documents against possible loss or damage.
- iii. To provide a method of obtaining information without loss of time.
- iv. To enable past records to be made easily available to management for framing business policies and future plans.

ESSENTIALS OF A GOOD FILING SYSTEM:

The system of filling must achieve its objectives. The following are the chief characteristics of a good filing system.

- 1) Simplicity
- 2) Accessibility

MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 3) Compactness
- 4) Economy
- 5) Flexibility
- 6) Safety
- 7) Retention
- 8) Classification

Q.2 What is meant by Centralized Filling?

CENTRALIZED FILLING:

No authenticated definition of centralized / central filing has been put forth by any eminent author. However it can be defined as under:

“It is purely a filling Department in which files of various departments of a business organization are collected arranged and kept and on receipt of requisition of files from concerned departments are issued to them and after finishing their work, when the requisitioning department return the files / papers to the filling department they are received and kept at their relevant places.”

Q.3 Write Distinction between Vertical Filling and Horizontal Filling ?

Distinction between Vertical Filling and Horizontal Filling

Bases of Distinguish	Vertical Filling	Horizontal Filling
Suitability	Large Sized Organization	Small sized Organization
Period of Life	Indefinite Period	Limited / Shorter Period
Types / Kinds	Folders, cabinets, Geographical Chronological subject wise etc.	Wire filing, Card board, Pilot, Arch, Pigeon hole etc.
Expenses	Large Expenses	Small Expenses

Q.4 What are the various objects of Filling?

BASIS OBJECTS OF FILING:

There are three fundamental/basic objects of filling.

OBJECTIVES OF FILLING		
(1) Safeguard of Papers	(2) For future Reference	(3) Quick Availability of Required Papers
a) from theft b) from dust c) from Water d) From Insects e) from Virus and Pests f) Missing in Transit g) Ming with other Records	a) foe investigations of Frauds b) For accounting Mistakes of Past c) Reference of Previous Contacts of Business d) Future Planning Of business e) Minutes of past meetings of past meetings of companies	a) Mutual Conflicts of Partners b) Business Disputes c) Evidence in Court Cases d) Breach of Contract e) Reference of past purchases & Sales f) follow up of Purchase Inquiry g) Slowdown of sales / Reasons thereof



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
 Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Q.5 What is meant by indexing? Give the equipment of Indexing>

Indexing

Indexing is a kind of filing system in which the requisite files are easily located/traced with the help of Index cards of Uniform size and pattern.

The index cards are perforated and inserted in a horizontal rod (Iron or Wooden)

Indexing is done in three ways:

- Keeping index along with records (inserted into it)
- Keeping index separate from the record
- To arrange the records according to an Index.

EQUIPMENTS OF INDEXING:

Generally following indexing equipment are used

1. Wheel Index
2. Staggered Card Index
3. Strike Index
4. Visible Card Index
5. Vertical Index
6. Alphabetical Index
7. Vowel Index

LABOUR & TIME SAVING OFFICE DEVICES

Q.1 What do you understand by labour saving devices.

LABOUR SAVING		
(1) General Office Machines	(2) Communication Machines	(3) Accounting Machines
a) Mechanical Type Writer / manual Type Writer b) Electric Typewriter c) Duplicating Machines d) Time Recorder e) Franking Machine f) Dictating Machines g) Electronic typewriter	a) Telephone b) Radio Telephone c) fax Machines d) Tele Printer e) Video Telephone f) Intercom g) Electronic mail (e-mail) h) Internet	a) Adding Machines b) Duplex Machine c) Calculating Machine d) calculation (1) Listing (2) Non Listing e) Computers f) Cheque Writing g) Cash counting Machine h) Invoicing Machine i) cash Register

Q.2 Write a note a Common Machines (non electric) Used in Offices.

Following are some simple machines operated manually in all kinds of offices.

- 1) Stapling Machines:** It is used to affix enclosures or additional papers to letters, memos, with the help of “U” shape pins which pierce through papers and after coming out of here bent and the papers are stapled.
- 2) Staple Remover:** Sometimes it is needed to separate the stapled papers from each other so that papers are bent and the papers are stapled.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 3) **Punching Machine:** it helps to perforate papers at upper and lower sides at two places and enable them to be attached in folders and striped file covers
- 4) **Holer/Hole Making Machine:** It makes holes on papers and holds them together in files at their corners.
- 5) **Folding Machine:** Large Number of circular letters or other papers is folded which are required to be dispatched out of the office. It carries out uniform and equal sized folding.
- 6) **Sealing Machine:** This machine is used to put wax seals on the tender documents and contract documents and no small parcels to be dispatched. It is done very quickly saving time and labour.
- 7) **Date Stamping Machines:** These machines record the dates on the inflow and outflow correspondence.

**JOIN
FOR
MORE!!!**



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



Chapter-25

COMMERCIAL / BUSINESS CORRESPONDENCE

Q. 1 State the qualities of a good business letter.

ESSENTIAL QUALITIES OF A GOOD BUSINESS LETTER

A letter should serve the purpose for which it is written. If a businessman writes a letter to the supplier for purchase of goods, the letter should contain all the relevant information relating to the product, mode of payment, packing, transportation of goods, etc. clearly and specifically. Otherwise, there will be confusion that may cause delay in getting the goods. Again the quality of paper used in the letter, its size, color etc. also needs special attention, because it creates a positive impression in the mind of the receiver. We may classify the qualities of a good business letter as:

- a. Inner Qualities; and
- b. Outer Qualities

a) **Inner Qualities:** the inner qualities of a good business letter refer to the quality of language, its presentation, etc. these facilities quick processing of the request and that leads to prompt action. Let us discuss the various inner qualities of a good business letter.

- 1) **Simplicity:** Simple and easy language should be used for writing business letters. Difficult words should be strictly avoided as cannot expect the reader to refer the dictionary every time while reading letter.
- 2) **Clarity:** the language should be clear, so that the receiver will understand the message immediately, easily and correctly. Ambiguous language creates confusion. The letter will serve the purpose if the receiver understands it in the same manner in which it is intended by the sender.
- 3) **Accuracy:** The statement written in the letter should be accurate to, the best of the sender's knowledge. Accuracy demands that there are no errors in the usage of language – in grammar, spelling, punctuations etc. An accurate letter is always appreciated.
- 4) **Completeness:** A complete letter is one that provides all necessary information to the users. For Example while sending an order we should mention the desirable features of the goods, i.e., their quality shape, colour, design, quantity, date of delivery, mode of transportation, etc.
- 5) **Relevance:** the letter should contain only essential information. Irrelevant information should not be mentioned while sending any business correspondence.
- 6) **Courtesy:** Courtesy wins the heart of the reader. In business letters, courtesy can be shown/expressed by using words like please, thank you, etc.
- 7) **Neatness:** A neat letter is always impressive. A letter either handwriting or typed, should be neat and attractive in appearance. Overwriting and cuttings should be avoided.

b) **Outer Qualities:** the outer qualities of a good business letter refer to the appearance of the letter. It includes the quality of paper used, colour of the paper, size of the paper etc. Good quality paper gives a favourable impression in the mind of the reader, it also helps in documenting the letter properly. Let us discuss the various outer qualities of a good business letter.

- 1) **Quality of Paper:** the paper used should be in accordance with the economic status of the firm. Now-a-days the cost of the paper may be used for duplicate copy.
- 2) **Colour of the Paper:** It is better to use different colours for different types of letters, so that the receiver will identify the letter quickly and prompt action can be taken.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- 3) **Size the Paper:** Standard size paper (A4) should be used while writing business letters. The size of the paper should be in accordance with the envelopes available in the market.
- 4) **Folding of Letter:** the letter should be folded properly and uniformly. Care should be taken to give minimum folds to the letter so that it will fit the size of the envelope. If window envelope is used then folding should be done in such a way that the address of the receiver is clearly visible through the transparent part of the envelope.
- 5) **Envelope:** the size and quality of the envelope also need special attention. The size of the letter should fit the size of the envelope, window envelope, laminated envelope etc. In window envelope there is no need to write the address of the receiver separately on the envelope. It is clearly visible through the transparent part on the face of the envelope, which may be called as window. In laminated envelope a thin plastic sheet or cloth is pasted on the inner side that gives extra protection to letters from being damaged during transit.

Q. 2 what are the Strategies for Writing Better Business Letters

STRATEGIES FOR WRITING BETTER BUSINESS LETTERS

Here are 14 most important “strategies” to keep in mind when composing your business letters.

- 1) **Limit them to One Page:** by definition, business letter should be short and to the point, preferably one page in length. Studies have found that busy business people do not like to read beyond the first page, and will actually delay reading longer letters. So, if you don’t want your letter to gather dust in an in-basket, keep it as short as possible.
- 2) **Be reader Friendly:** Always try to focus on the needs of the reader and make an effort to see things from their perspective. Put yourself in their position and imagine what it would be like for you to be receiving your letters. Anyone can do this, since we are all “customers” of some other business in some part of our lives.
- 3) **Keep the Tone formal and Factual:** generally speaking, the tone and content of business letters should be formal and factual. Feeling and emotions do not have a place in business letters. So avoid phrases like “we feel” and use “we believe” or “we think” instead. A cordial, friendly approach is fine. Just keep it business like, but avoid overly formal terms like “heretofore”, “as per”, “herewith”, etc.
- 4) **Carefully Plan Your Letter:** Before writing the letter, take a few minutes to list all of the specific points you need to cover. Sometimes it may even mean a phone call to the up to all of the details on the subject at hand, so that more letters won’t have to be written back and forth.
- 5) **Make it Clear, Concise and Logical:** Use a clear and direct writing style that uses simple words and straightforward phrases. Make sure that your flow follows a logical progression, first identifying the main subject, elaborating on it, and then drawing the logical conclusion.
- 6) **Accuracy and Timeliness is Key:** By their very nature, business letter need to be accurate and timely. They almost always have financial implications and related impacts on their businesses and/or people. Double-check all of the facts stated in the letter, make sure that any future dates specified give



others enough time to realistically complete what is expected of them.

- 7) **Relegate Technical Details to Attachments:** Often it is necessary to include detailed technical information as part of a business letter package. In such cases, use the main letter as a cover letter that lists and briefly explains the references the attached (or enclosed) documents.
 - 8) **Use Non-Discriminatory Language:** Make sure you avoid language that is specific to gender, race or religion in all in all business letters, either to other businesses, or to customers. For example, use “workforce” instead of “manpower”, or “chairperson” rather than “chairman” Most style guide contain detailed list of the offensive terms and some suggested substitutes.
 - 9) **Eliminate Redundant Words And Phrases:** There are certain words and phrases the tone often sees in business correspondence³ that tend to make the languages more complicated and cumbersome than necessary. For example, instead of the phrase “in spite of the fact that” use “although”, or instead “in the normal course of event” use “normally”. There are many such redundant phrases, so review your letter and eliminate them.
 - 10) **Focus on the Recipient’s Needs:** While writing the letter, focus on the information requirements of your reader, the intended addressee. If you can, in your “Mind’s eye”, imagine the intended recipient seated across a desk or boardroom table from you while you are explaining the subject of the letter. What essential information does that person need to know through this communication/ what will be their expectations when they open the letter/ have you addressed all these issues?
 - 11) **Use Simple and Appropriate Language:** Your letter should use simple straightforward language, for clarity and precision. Use short sentences and don’t let paragraph exceed three or four sentences.
 - 12) **Use Short Sentences and Paragraphs:** Keep your sentence as short as possible, and break the text up into brief paragraphs. Ideally, a paragraph should not exceed two to three sentences. This will make the letter more easily readable, which will entice the recipient to read it sooner, rather than later.
 - 13) **Review and Revise It:** Do a first draft, and then carefully review and revise it. Put yourself in the place of the addressee. Imagine yourself receiving the letter. How would you react to it? Would it answer your entire question? Does it deal all of the key issues? Are the language and tone appropriate? Sometimes reading it out loud to one’s self can help. When you actually “Hear” the word it is easy to tell if it “Sounds” right or not.
 - 14) **Double Check Spelling and Grammar:** A letter is a direct reflection of the person sending it, and by extension, the organization that person works for. When the final content of your letter is settled, make sure that you run it through a spelling and grammar checker. To send a cases, the recipient can’t really be blamed for seeing this as an indication as to how you (and/or your organization) probably do most other things.
- The foregoing basic business letter writing strategies are mostly common sense. Nevertheless, you would be amazed how to often these vary basic “rules of thumb” are not employed when people write letters.



Q.3 What are the various kinds of business letters.

KINDS OF BUSINESS LETTERS:

1. SALES LETTER:

Business organization manufactures write these letters to their prospective customers, agent and dealers in which they invite them to purchase their goods and provide details of their saleable products and other information on a pattern of advertisement. They are of following types.

- a) **Unsolicited Sales Letters:** they are written to prospective, selected customers in the form of advertising pamphlet giving incentives for purchases.
- b) **Solicited Sales Letters:** these letters are written in replay to the enquiries of prospective customers and agents etc. giving all detail sought for by their writers about the saleable products etc.

KINDS OF BUSINESS LETTERS				
(1) Sales Letter	(2) Letters of Enquiries	(3) Circular letter	(4) Purchase Letters	(5) Official Letters
(a) unsolicited sales letters (b) Solicited sales Letters	(a) Trade enquiring letter (b) Enquiry about comidable	(a) Change of Address (b) Change Phone, Fax, Tele &Email numbers (c) Change in prices and fluctuations (d) Introduction of raw Product (e) Change in business procedure	(a) Order/Indent (b) Reminder (c) Complaint Letters (d) Claims (e) Job Application	(a) Government Letters (b) Private Official Letters (i) Government Letters (ii) Office Letters (iii) Demi Official Letters

2. LETTERS OF ENQUIIES:

No exhaustive list of business enquiries can be prepared the important among them are as follows

- a. **Trade Enquiry Letters:** In such Letter detail about products, saleable goods and the terms of business are enquired.
- b. **Enquiry about Credibility:** In such letters some business organization enquires about the financial status of such prospective customers who wish to buy goods on credit.



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



- c. **Enquiry about Candidate:** before employing a person a firm makes enquiries about him from his previous employers.

3. CIRCULAR LETTER:

These letters are written to the concerned parties involved in business activities mostly customers and agents etc. about the changes occurring in the business set up etc. the most common thing / changes for which circular letters are written are given in the above diagram.

4. PURCHASE LATTERS:

These are the letters which are written by prospective purchase / buyers and also by the producers to the wholesalers and other middle men about various matters involved in the purchasing activities such are

- a) Orders/Indents
- b) Reminders
- c) Complaint letters
- d) Claims
- e) Job Application Etc.

5. OFFICIAL LETTERS:

These are the letters written by various departments of Provincial and Federal government and courts. Such letter is written to private offices of business organization also. The government letters are of two kinds.

- i. Official Letters
- ii. Demi Official Letters

Q.4 PART OF BUSINESS LETTER

We have discussed above the qualities of a good business letter. The quality will be maintained if we give proper attention to each and every part of the letter. Let us now learn about the different parts of a business letter.

The essential part of a business letters are as follows:

1) Heading:

the heading of a business letter usually contains the name and postal address of the business, e-mail address, Web-site address, Telephone Number, Fax Number, Trade Mark or logo of the business (if any)

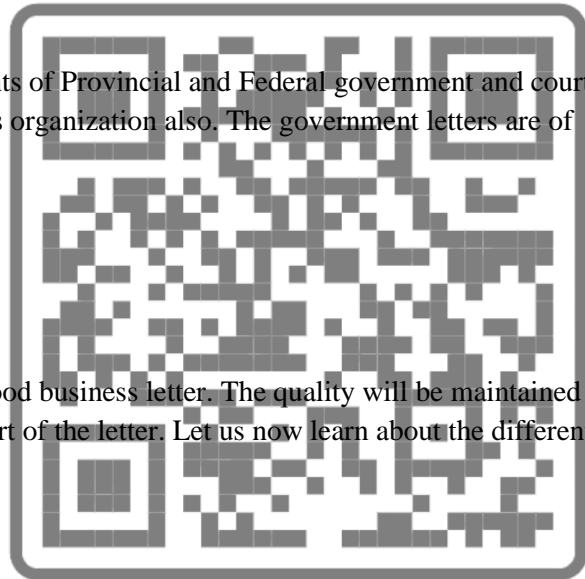
2) Date:

The date is normally written on the right hand side corner after the heading as the day, month and years. Some examples are 28th Feb.2003 or Feb 28, 2003.

3) Reference:

It indicates letter number and the department from where the letter is being sent and the years. It helps in future reference. This reference Number is given on the left hand corner after the heading. For Example, we can write reference numbers as AB/FAdept./2003/27.

4) Inside Address:



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



This includes the name and full address of the person or the firm to whom the letter is to be sent. This is written on the left hand side of the sheet below the reference number. Letters should be addresses to the responsible head e.g., the Secretary, the Principle, the Chairman, the Manager etc.

5) Subject:

It is statement in brief, that indicates the matter to which the letter relates. It attracts the attention of the receiver immediately and helps him to know quickly what the letter is about. For example,

6) Salutation:

Subject: Your order No. C317/8 dated 12th March 2003. Subject:
Enquiry about Samsung television

Subject: Fire Insurance Policy

This is placed below the inside address. It is usually followed by a comma (,). Various forms of salutation are:

Sir/Madam:	For official and formal correspondence
Dear Sir/Madam:	For addressing an individual
Dears Sirs/Dear Madam:	For Addressing a firm or company

7) Body of the Letter:

This comes after salutation. This is the main part of the letter and it contains the actual message of the sender. It is divided into three parts.

a) Opening Part:

It is the introductory part of the letter. In this part, attention of the reader should be drawn to the previous correspondence, if any. For example with reference to your letter no.326 dated. 12th March 2003, I would like to draw your attention towards the new brand of television.

b) Main Part:

This part usually contains the subject matter of the letter. It should be precise and written in clear words.

c) Concluding Part:

It contains a statement the of sender's intentions, hopes or expectations concerning the next step to be taken. Further, the sender should always look forward to getting a positive response. At the end, terms like thanking you, with regards, with warm regards may be used.

8) Complementary Close:

It is merely a polite way of ending a letter. It must be in accordance with the salutation. For Example:

Salutation	Complementary Close
Dear Sir/Dear Madam	Yours faithfully
Dear Mr. Ahmed	Yours Sincerely
My Dear Akbar	Yours Very Sincerely (express very informal Relations.)

9) Signature:

It is written in ink, immediately below the complimentary close. As far as Possible, the signature should be legible. The name of the writer should be typed immediately below the signature. The designation is given below the typed name. Where no letterhead is in use, the name of the company



too could be included below the designation of the writer.

For example:

10) Copy Circulation:

Yours Faithfully For M/S Ameen Electricals
(Signature) Ahmed Kamal
Partner

This is required when copies of the letter are also sent to persons apart of the addressee. It is denoted as C.C for Example,

- C.C (i) The chairmen, Electricity Supply Corporation
 (ii) The Director, Electric Supply Corporation
 (iii) The Secretary, Electric Supply Corporation

11) Post Script:

This is required when the writer wants to say something, which is not included in the body of the letter. It is expressed as P.S for Example,

P.S. In our Offer, We provide two years warranty.

Q.5 State the '9'cs of business letters.

'9' Cs of Business Letters

The principle or qualities are called 9Cs of business letter namely,

1. Conciseness
2. Clarity
3. Correctness
4. Concreteness
5. Confidence
6. Conversation tone
7. Consideration
8. Courtesy
9. Completeness



They are briefly described as below,

1. **Conciseness:** The business letter is always written up to the point and all superfluous matters and words are avoided.
2. **Clarity:** The business letters are written in clear understandable easy language.
3. **Correctness:** The business letters are written indefinite and specific style.
4. **Concreteness:** The business letter is concrete which means that it is definite, clear and a specific and common nouns and adjectives are avoided.
5. **Confidence:** In business letter writer shows confidence and does not use words and phrases expressing any doubts such as I hope, I trust, or in my opinion etc.
6. **Conversation tone:** The business letter is written in a friendly conversational tone as if the writer is speaking with the reader of the letter face to face.
7. **Consideration:** It refers to the quality of the letter to be understandable and matching with human psychology and considerate to the reader.
8. **Courtesy:** The language used in business letters should be parliamentary and courteous.



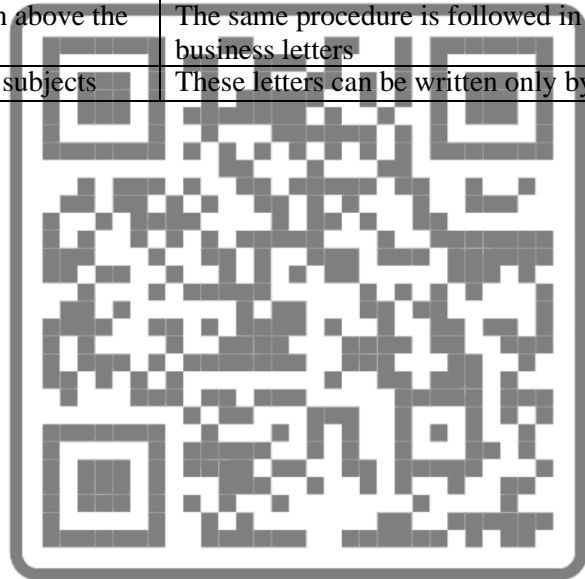
9. **Completeness:** The business letter should be self-contained and convey the complete message saving time and further clarification.

Q.6 How does an official letter differ from an ordinary business letter? (KB 1197, 2004)

DIFFERENCE BETWEEN OFFICIAL LETTER AND BUSINESS LETTER:

	Point of Difference	Official Letter	Business Letter
	Objective	These letters supply facts and figures, instructions and directions of government.	These letters deal with business matters about sales and purchase activities and terms of business etc.
	Contacts	These letters contain government order to the subordinates	These letters establish contacts with customers and dealers
	Style	They have a uniform style of writing which is traditional	These letters use novel ideas and methods of sale promotion for creating customers and to get profit
	Subject matters	The subject matters of these letters are generally repeated	The subject matters ever change in accordance with change of taste and fashions of the customers
	Internal/Inside Address	In official letters it is written above the salutation	The same procedure is followed in business letters
	Qualification and	As there exists similarity of subjects	These letters can be written only by

**JOIN
FOR
MORE!!!**



MCC MASTER COACHING CENTER

Add: Yaseen Square Block A, Doli Khata, Near Gulzar-e-Habib Masjid
Salman Arif Tabani 0312-2650108 www.youtube.com/@MasterCoachingCenter



	experience	and uniformity of style so less qualified and matriculate fresh clerks can write them	well qualified and experienced employees
	Complete and Self contained	These letters are self-contained and explanatory and complete	No fixed style can be followed and the business letters are always written in a changed manner accordance to business needs.
	Advertisement	These letters are not meant to make any advertisement of government activities	These letters always have the factor of advertisement and publicity of business goods and matters
	Rewards/gifts	No rewards or gifts and prizes are given for clerical efficiency.	In these letter promises of gifts and prizes are made are given to the efficient workers
	Nature of Information	These letter are written in a routine clerical style and provide solid information which does not change frequently	These letters use advertisement and attractive style and provide ever changing information about goods and services to create customers

Q.7 (a) Distinguish between a demi official letter and an official letter.

(b) Draw the sketches of these letters.

	Basis of Distinguish	Official Letter	Demi Official Letter
	Heading	These letters are written on letter pads bearing printed headings	These letter do not have Printed heading. It is typed on the left after the complementary close
	Inside Address	The inside address is written below the heading	The inside address is written on the left bellow the name and designation of the writer
	Salutation	Dear Sir, Dear Madam or sir and Madam are used as salutation	My dear Mr. Nasim, My dear Miss Shazia are used as (salutation & name of addressee are written)
	Designation	The designation of the writer is written / typed in the complementary close	The designation of the writer is not typed after the name of the writer
	Style	Impersonal	Personally written to the addressee of equal status
	Secrecy	No secret or confidential matter is written in this kind of letter	Generally these letter contain some confidential matter
	Personal attention	No request is made is written in this kind of letter	Request is made for personal attention
	Complimentary close	Your Faithfully is used	Your sincerely is used

