PRINCIPLES OF COMMERCE

COMPILED AND SOLVED BY: SAMEER HUSSAIN
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2010 – REGULAR & PRIVATE PRINCIPLES OF COMMERCE
SECTION – A (MULTIPLE CHOICE QUESTIONS)

Q: 1: Choose the correct answer for each from the given options:

1. Trade means:
   * Exchange of goods and services
   * Production of goods
   * Delivery of goods
   * Transportation of goods

2. Sole proprietorship is generally carried on:
   * Large scale
   * Medium scale
   * Small scale
   * None of these

3. The Memorandum of Association consists of:
   * Five clauses of business
   * Rules and regulations
   * External affairs of the company
   * None of these

4. A wholesaler is the middle-link between:
   * Retailer and consumer
   * Producer and retailer
   * Manufacturers and distributors
   * Producers and consumers

5. The purchaser of goods from another country is called:
   * Internal buyer
   * Importer
   * Clearing agent
   * Middle man

6. The burden of expenditure for advertisement is shifted by the producers to:
   * Retailer
   * Wholesaler
   * Consumer
   * Manufacturer

7. The language used in official letter is:
   * Formal
   * Complicated
   * Literary
   * Technical

8. The retailer holds the stock of:
   * Consumer goods
   * Manufacturer goods
   * Exchange goods
   * Capital goods

9. Advertising is the art of:
   * Motivation
   * Persuasion
   * Presentation
   * Collection

10. The letter containing a common message is:
    * An official letter
    * A business letter
    * A circular letter
    * A commercial letter

11. The management of a company is carried on by the:
    * Directors
    * Managers
    * Shareholders
    * Stockholders

12. Raw material is produced for:
    * Retailers
    * Manufacturers
    * Wholesalers
    * Consumers

13. The partner who neither contributes capital nor takes any participation in the business affairs is called:
    * Secret partner
    * Sleeping partner
    * Nominal partner
    * Minor partner

14. The Chamber of Commerce provides forum of discussion on:
    * Business problems
    * Economic problems
    * Social problems
    * Financial problems

15. Wholesalers keep the goods:
    * In showrooms
    * In shops
    * In warehouses
    * With the agents

16. The maximum number of partners in banking business is:
    * Two
    * Seven
    * Ten
    * Twenty
Q: 2 (i):  Define the term trade, auxiliaries to trade and profession.

Trade:
A basic economic concept that involves multiple parties participating in the voluntary negotiation and then the exchange of one's goods and services for desired goods and services that someone else possesses.

Auxiliaries to Trade:
1. Transport: Transport implies conveyance of goods from one place to another. It enables the society to enjoy the big advantage of bringing the things where they are most needed to remove the difficulty of distance and help in widening the market for a commodity.
2. Warehousing: Warehousing is an establishment for the storage of goods. Warehousing facilities help in avoiding the difficulties of waiting for the goods from the producer.
3. Insurance: Insurance stands for the security against heavy risk. It makes business operation very secure by making provision against all possible losses and damages.
4. Finance and Banking: Large scale of production requires enormous amount of money. Banks provide means by which capital is transferred from those who cannot profitably use it to those who can use it most productively for the benefit of the society as a whole.
5. Production: Business function starts with the panning for production which is conversion of materials from one form to another. It requires the purchase of raw materials, machinery, and equipment, and hiring different classes of labours.
6. Information: Commerce extends to getting information from various sources and media. It requires information at every stage. Well-informed businessman is more successful than uniformed person.
7. Grading and Standardization: Grading is the specification of a quality, rank or class according to value. Standardization is the process of making goods of uniform size and shape.

Profession:
Occupation, practice, or vocation requiring mystery of a complex set of knowledge and skill through formal education and/or practical experience is called profession. Every organized profession (law, accounting, medicine, etc.) is governed by its respective professional body.

Q: 2 (ii):  Why is sole proprietorship form of business the most common in Pakistan?

Sole Proprietorship:
The most common and simplest form of business is a sole proprietorship. An individual proprietor owns and manages the business and is responsible for all transactions. Sole proprietorship form of business organization is the most common in Pakistan because:
- A sole proprietor has complete control over the business.
- Sale or transfer can take place at the discretion of the sole proprietor.
- No corporate tax payments.
- Minimal legal costs to forming a sole proprietorship.
- Few formal business requirements.
- Owner can take his/her own decision quickly.
- Secrecy of business information and financial details.
Q: 2 (iii): Describe the clauses of Memorandum of Association.

Memorandum of Association:
It is the document which sets out the constitution of the company and as such is really the foundation on which the structure of company rests. It must contain the following clauses:

1. **Name Clause:** In this clause the full name of the company is shown and the last word of the name of the company must be limited. An already registered name cannot be adopted.
2. **Object Clause:** This clause is very important and must be very carefully drafted as it determines the activities of the company. Here each and every detail of activities of the business to be carried out must be laid down.
3. **Domicile Clause:** This act provides that the company must have a registered office so that registrar may be able to send notice, etc. to the company at the registered office.
4. **Liability Clause:** This clause states that the liability of the shareholders is limited to the amount invested by shareholders in the company.
5. **Capital Clause:** This clause must contain a statement as to the amount of capital with which the company proposes to be registered and the division therefore into shares at certain fixed amounts.


**Sources of Short Term Finance:**
For business organizations are available many sources to borrow funds.

1. Trade accounts (A/P)
2. Installment purchases (Hire purchase)
3. Commercial draft (Bill of exchange)
4. Accommodation bill
5. Pledging accounts receivable / Factors
6. Commercial paper (promissory note)
7. Overdraft
8. Agricultural banks
9. Call loans
10. I.O.U. (I owe you)
11. Two-name paper advance

1. **Trade Account:** A business may buy goods on account and pay after some time.
2. **Installment Purchases / Hire Purchases:** It is a method of buying goods in which the purchaser takes possession of them as soon as an initial installment of the price has been paid; ownership is obtained when all the agreed number of installments has been completed.
3. **Commercial Draft (Bill of Exchange):** An unconditional order in writing addressed by one person to another and signed by the person giving it, requiring the drawee to pay on demand or at a fixed determinable future time a specified sum of money to or to the order of a specified person or to the bearer.
4. **Accommodation Bill:** A bill of exchange signed by a person (the accommodation party) who acts as a guarantor. The accommodation party is liable for the bill should the acceptor fails to pay at maturity.
5. **Pledging Accounts Receivable / Factors:** Businessmen who possess accounts receivable and other types of receivables pledge them and get loans from the pledging companies.
6. **Commercial Paper (Promissory Note):** A document contains a promise to pay a certain sum of money to a named person, to that person’s order, or to the bearer at a specified time in the future. It must be unconditional, signed by the maker, and delivered to the payee or bearer.

7. **Overdraft:** A loan made to a customer in which the account is allowed to go more than deposits, usually unto a specified limit.

8. **Agricultural Banks:** Agricultural banks provide loans to the farmers to finance their requirements like seeds, fertilizers, tractors, etc.

9. **Call Loans:** These are the loans issued for a short period and are callable any time as needed by the lender.

10. **I. O. U. (I Owe You):** It is a memorandum of debt given by a borrower, requiring no stamp but a holograph, usually dated, and addressed to the lender.

11. **Two – Name Paper Advance:** It is based on written agreement signed by two persons (borrower and guarantor). If the borrower fails to repay the guarantor is bound to pay.

**Q: 2 (v):** What do you know about the prospectus of the company?

**Prospectus:**
"Any prospectus, notice circular, advertisement or other invitation offering to the public for subscription or purchase of any shares in or debentures of a body corporate”. Prospectus is the invitation to purchase the shares of the company.

**Essentials of Prospectus:**
The following divisions of law regarding issue of the prospectus are to be noted:
1. A copy of prospectus should be provided with the forms for purchasing shares.
2. It should be presented to the people as invitation to purchase the share.
3. The directors should sign prospectus with date.
4. Prior to printing, the draft of the prospectus should be submitted for approval in the office of the registrar of company.

**Q: 2 (vi):** Describe the characteristics of a Joint Stock Company.

**Main Features / Characteristics of a Joint Stock Company:**
Following are the main features of company:

1. **Separate Management:** In corporation, management is separated from ownership. Shareholders do not take active part in management. They elect directors who manage the business on behalf of shareholders.
2. **Name of the Company:** The word “limited” must be followed in the name of the company, which shows that the liability of shareholders is limited to their investments.
3. **Board of Directors:** Every company must have a board of directors who are representatives of the shareholders.
4. **Annual Financial Statement:** Every public company is required to submit its annual financial statements to the registrar of the company.
5. **Transferability of Ownership:** Shares of the company can be bought and sold in the open market. This act is referred to as transferability of ownership, which does not affect the life of the company.
Q: 2 (vii): Write down the rights of a partner.

Rights of Partners:
Partners have the certain rights over their business which is given below:
1. **Sharing of Profit and Loss:** All partners have right to share the profit and loss of the business according to the partnership agreement.
2. **Right of Management:** Every partner has the right to take active part in the management of the business.
3. **Interest on Capital:** If in partnership deed, it is decided not to pay interest on capital then no partner has the right to take interest on capital.
4. **Right of Inspection:** Every partner has the right to check the accounts of the business.
5. **Right of Retirement:** Every partner has a right to retire from the firm by serving notice.
6. **Right to Share in Profit and Assets after Separation:** After his separation from the firm (e.g. retirement, death, bankruptcy, insanity, etc.), the partner or his heir has the right to take back his capital and profit.

Q: 2 (viii): State the services of wholesaler to producer.

Services of Wholesalers to Producers/Manufacturers:
The wholesaler renders very valuable services to the manufacturers.
1. By buying in large quantities the wholesalers enables the manufacturers to benefit from the economies of large scale production.
2. The wholesaler relieves the manufacturer of the necessity for carrying large stock. Thus enabling him either to release his capital for future production or to carry on the business with less capital that would otherwise be necessary.
3. The wholesaler directs the producer as regards the quality and quantity of the goods demanded, market developments, coming trends, etc. as they are in direct contact with retailer who know the market conditions.
4. The manufacturers are already short of funds and cannot afford to allow credit to retailers; however the wholesalers can do so and relieve the manufacturers from credit burden.
5. The wholesalers simplify the marketing process and make fewer transactions necessary. A manufacturer deals only with a selected number of wholesalers rather than hundreds and thousands of retailers.

Q: 2 (ix): What are the various means of transportation common in Pakistan?

Means of Transportation:
1. **Road Transport:** Road transport is very important mode of transport in land is the oldest form of transport. Road transport is used to carry good passenger from one place to another replace. In our country where other of transport are not available, road transport plays very important role.
2. **Railway Transport:** This method of transportation is very popular and suitable for bulky commodities. In Pakistan railways are government by government and the freight rates and fares are fixed by the government only. Huge capital is required for the establishment or railway tracks and the manufacture of wagons etc. for long distance this type of transport cheaper.
3. **Water Transport:** Water transport is the cheapest means of transportation. Boats, steamers, ships etc. on rives, canals and on oceans are used in this type of transport. It can be divided into two parts: (i) Inland water transport. (ii) Ocean water.
4. **Air Transport:** Air transport is the most advanced and modern means of transport. It is the fastest mode of transport and it can cover long and very long distances in few hours. The only drawback of this type of transport is it is too costly.
Q: 2 (x): Describe the types of business letters.

Kinds of Business Letter:

1. **Order / Indent Letters**: These letters are written by a company to a producer or manufacturer for the purpose of buying goods. The matters which are included in the letters are: the name of the goods, price, brand, standard, quantity, quality, mode of deliver, packing, etc.

2. **Inquiry Letters**: Inquiry letters are used to get the information about the products, candidates for the jobs, status and character of customers, suppliers, and borrowers.

3. **Claim / Complaint Letter**: Following are the matters with reference to which a buyer or seller may have complaints to each other in business matters:
   - Delivery is delayed.
   - Due payments has not been made.
   - An inquiry has not been answered, etc.

4. **Circular / Announcement Letters**: The circular or announcement letters are sent to the common people. These letters are consisted upon the information and announcement in which the common men may be interested.

5. **Reminders**: Often it happens that the firm fails to send the consignment in time or delivery goes extra ordinarily late, the payment from the buyer may also be late, the seller may also be failed in responding the inquiry from the buyers.

6. **Sales Letters**: Sales letters are generally written and sent either for increasing the sales or to introduce new products to the prospective buyers.

7. **Job Letters (Letter of Application)**: The applications like letters are written by the candidate to the employer to provide information pertaining to his personality.

8. **Official Letters**: The official letter is termed "Official" because it is a formal letter having no room for personal matters and problems. Facts, information, statistics figures, etc. are included in these letters.

SECTION – C (DETAILED-ANSWER QUESTIONS)

Q: 3: What role is played by Export Promotion Bureau in promoting exports? Describe its functions.

Export Promotion Bureau:
Export Promotion Bureau established in 1963 is an organization working under the ministry of trade. Its head office is in Karachi and the regional offices are working in all the provinces. Export Promotion Bureau has been playing a vital role in promoting exports of Pakistan which can be assessed by the diversified activities given as under:

**Tackling With the Problems of Finance Companies:**
This organization assists the finance companies and trade associations so that the exports may be increased to the maximum. This organization takes the following measures to help and assist the Handicraft Export Corporation, Export Corporation, and International Films Corporations:

1. To analyze that what type of problems are being faced by the finance companies.
2. To guide for export with the cooperation and coordination of Export Promotion Council.

**Financial Matters:**

1. The monetary and fiscal measures adopted by the government influence the foreign trade of a company. This organization, after analyzing the effects of these steps, suggests the remedial and corrective measures to the government.
2. If the tax measures are affecting the exports, this organization suggests the antidote to the government.
3. If the traders intend to visit foreign countries for trade mission, this organization provide help in getting the foreign exchange.

**Strengthening Export Base:**

1. Conducting the training programmes for improving the training to the exporters to increase exports with the help of training institutions and universities.
2. Analyzing the problems related to shortage of electricity, roads, railway, and water and to solve them with the help related departments.
3. Making arrangements for the participation of Pakistani traders in the programme under the patronage of GATT countries, Canada, Germany, and other countries.
4. This organization prepares the recommendations for the organization working for expanding the production base of the country.
5. It takes utmost efforts to maintain the standard of Pakistani exports with the help of Pakistan Standard Institute.
6. It also provides information to the local exporter regarding the export through radio, television, and other information media.
7. The organization arranges recommendation to the Investment Promotion and Supplies Department for the establishment of new industries in the country.
8. It assists in getting foreign expert services for improving production methods in the export industries in the country.
10. It analyze the export methods adopted by the foreign countries and then to suggest the same to the government of Pakistan to use them in the country.

**Q: 4:** Describe the procedure of export trade and list the documents used in foreign trade.

**Export Procedure:**
The procedure of export trade is as follows:

1. **Receiving Inquiries:**
   First of all exporter receives trade inquiry from importer about goods which importer wants to buy. Inquiry contains following information:
   - Type of product, size, quality, brand, price.
   - Mode of packing.
   - Port of delivery.
   - Mode of delivery with date.
   - Mode of payment.
   
   For providing all these information, the exporter fills a form called "Proforma Invoice".

2. **Obtaining Order / Indent:**
   When the foreign importer gets satisfied with information provided by the exporter, the exporter receives order or indent from the importer. The order should give the necessary instructions, such as mode of forwarding, insurance, quality, quantity, size, name of product, etc. The order from the importer can be classified into two kinds:
   - Open Indent.
   - Close Indent.

   All the information mentioned above are included in the closed indent but these details are not given in the open indent. They are left on the option of the exporter.
3. Obtaining Letter of Credit (L/C):
Before the exporter arranges for the shipment of goods, he asks the importer to open letter of credit (L/C) in his favour with the bank. Letter of credit is a security given by the importer's banker that the exporter will be paid for the goods exported by him. It authorizes the exporter to draw a bill of exchange on the banker for receiving payment and the bank permits their honour.

4. Determination of Export Quota:
In the situation when the goods to be exported are short in supply and they are needed in the country itself, the government fixes quota (limit) for exports. If the exporter wants to export such goods, he acquires the permission from the government called "Export Quota".

5. Obtaining Export License:
Export license is required to be taken by the exporter from the Chief Controller of Exports and Imports. Export license is permission from the government for the export of certain goods. There are following kinds of export license:
- **Limited Fee License**: On the basis of this license, the exporter can export any quantity after paying the required export duty.
- **Newcomer's License**: This license is acquired by an exporter who enters in the export business newly.
- **Quota License**: The holder of this license can export the limited quota only.
- **Free License**: According to this license, the exporter can export any amount of goods permitted by the government.
- **Open General License**: The holder of this license can export any amount of all the goods open to export.

6. Compliance of Rules of Foreign Exchange:
If the exporter is from Pakistan, he will have to render a guarantee in accordance with the Foreign Exchange Regulation Act that whatever foreign exchange, which he will earn through the export of the goods, he would surrender in favour of the State Bank of Pakistan. He declares this on GR form. The original of this form he submits with the custom officer and three copies of this form he submits with the bank, which deals in foreign exchange.

7. Fixation of Rate of Foreign Exchange:
The rate of exchange varies in the open market daily therefore, as soon as the transaction of importer is compiled with, pays for the imported goods in local currency at the prevalent rate of exchange.

8. Arranging Goods to Export:
If the exporter is manufacturer himself, he starts the production of goods to be exported otherwise he will purchase the required goods from the local market.

9. Packing and Marking the Goods:
Packing is an important part of the export. Any instruction given by the importer must be strictly observed. After compliance of packing, marking is done. The following should be indicated at the time of marking:
- Name and brand of the goods.
- Quantity, weight or number.
- Degree of the packed goods.
- Special number, if any.
- The place of destination where the goods are to be taken.
- Any special mark.
10. **Appointment of Forwarding Agent:**
The service of forwarding agent can be taken for forwarding the goods. The forwarding agents are paid a certain commission and they undertake all the custom formalities on behalf of the exporter.

11. **Obtaining Shipping Order:**
Shipping order is received from a shipping company by an application. In the application, the full particulars of commodities with the port of destination are given. The freight rate is not determined on the basis of the weight of goods but their volume. Such agreement is termed as "Chartered Party Agreement".

12. **Preparing Invoice:**
Having received shipping order, the exporters prepares invoice in which the name of the ship, name of goods, quantity, quality, type of packing, point of destination and price is mentioned.

13. **Obtaining Consular Invoice:**
If the goods are to be taxed, the custom official cannot trust the exporter that whatever the value of the goods, which has been shown in invoice, is correct. It may be over or under invoicing. For solving this problem, the exporter obtains the consular invoice from the importing countries embassy in which the quoted value of the goods is verified.

14. **Obtaining Custom Permit:**
Custom officer issues custom permit to the exporter, which shows whether the goods to be imported are subject to levy tax. Having paid the duty, the consignment is sent to dockyard.

15. **Payment of Dockyard Charges:**
When the consignment is sent to dockyard, a dockyard challan is given to the exporter to fill. On the basis of this challan, the exporter pays dockyard charges.

16. **Insurance of Goods:**
Getting the goods to be exported insured from an insurance company is a must for exporter. Insurance assures that the goods would reach at the destination safe. If any damage or loss incurs, the insurance company would compensate the losses. This insurance is called "Marine Insurance".

17. **Certificate of Origin:**
This is the certificate, which shows the origin of the commodities being exported. That shows the origin of the country in which they are manufactured. It is issued either by the Chamber of Commerce of the exporting country or by the Export Promotion Bureau. The certificate of origin, with other documents, is sent to the importer.

18. **Loading Goods in Ship:**
At this stage, the exporter makes arrangement for loading goods on the ship. The packages as they are received on the ship are counted and their packing is carefully examined. The captain at the ship then issues the receipt for the goods received and this receipt is called "Mate Receipt". If the mate is satisfied with all the details of the goods, it is called clean receipt. But if the mate is not satisfied, it is called foul receipt.

19. **Bill of Lading:**
Bill of lading is issued by the shipping company signed by the captain and the master of the ship. This bill contains the name of the ship, name of the port of export, name of the port of import, details of the goods, date of dispatch, name of the importer and his address, name of shipping company and the address etc.
20. **Bill of Exchange:**
After the completion of all steps, the exporter prepares bill of exchange in the name of importer in which he is asked to pay within a certain period of time. This payment is made either to the person whose name is mentioned in the bill or according to his order. This bill is attached with all papers, which are sent to importer. The importer signs it and sent it back to the importer.

**Documents Used in Foreign Trade:**

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<th>Documents Used in Import:</th>
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<tr>
<td>1. Indent.</td>
<td>1. Importer license.</td>
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<td>5. Shipping order.</td>
<td>5. Proforma invoice.</td>
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<td>7. Insurance receipt.</td>
<td>7. Mate receipt.</td>
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<td>10. Export invoice.</td>
<td>10. VBF form.</td>
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<td>14. Income tax certificate showing GIR.</td>
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**Q: 4:** Describe the different parts of a business letter and illustrate with specimen.

**Parts of Business Letter:**
A business letter consists of following parts:

1. **Heading:**
It is a sort of advertisement and that is why they are set up in a very attractive manner. It should be compact and well arranged. It should consist of printed names and address of individual firms, company or corporation sending the letter. The telephone number, telegraphic address, codes used, date and reference number are also given with the letter head.

2. **Inside Address:**
It is the name and address of the party which is being addressed. It should be exactly the same as the outside address on the envelope. The name of the person or the firm used is an inside address must have proper courtesy titles. The common prefix for a man is Mr. if a person hold a degree or a title it must be added to his name such as Dr. Khan, if a person holds a university degree, it will precedes his designation as Mr. Khan M.Com, M.A.

3. **Salutation:**
This is the compliment or greeting preceding the body of the letter. It would always be in harmony with the personal relations of the writer except in care of official letters which invariable have Sir for salutation. The most common forms of salutation in a commercial letter are Dear Sir when addressing one gentleman, Dear Sirs for a firm or company.
4. Subject Line:
According to the modern principles of business correspondence, sometimes immediately after salutation the subject matter of the letter is written in one or two lines just below the salutation. Subject line helps the reader of the letter in connecting himself with the past (if there is any) matter. Moreover, he can pass the letter to the concerned clerk understanding but without going through the full text of the letter. Prior to writing the subject line, the letters "Sub" or "Ref" are written and the subject line is underlined so that it could be given a prominent and important position.

5. The Body of the Letter:
The entire letter is to be divided into suitable paragraphs which is not only the question of appearance but giving the reader breathing times. Each paragraph should contain one topic. The correspondent should commence a new paragraph whenever he switches on a new topic. The introductory paragraph should be very carefully written. In subsequent paragraphs the discussion should continue dealing with the main subject matter of the letter. The last paragraph should be written in good spirit.

6. Complementary Close:
Complementary close refers to the words or the phrases which are written immediately after finishing of the letter. It consists of words like "Your faithfully", "yours sincerely", etc. It should be noted that these closing words or phrases should be written in the light of the post, position, and title and social/business status of the reader of the letter. These closing words are written on the left hand side just below the text. Complementary close should also be in synchronization of the salutation.

7. Signature:
The writer of the letter has to put down his signature in ink just below the complementary close. A letter without is unauthentic.

8. Typist’s Initial:
These initials are usually placed in the lower left hand corner of the letter. These are put down with a view to hold the person responsible. Such as MA: NA. Here MA refers to Muhammad Ali and NA means Naseem Ahmad.

9. Post Script (PS):
If due to some after thoughts the writer wants to add something after the completion of the letter he puts down PS and after that writes down whatever he wants. PS should also be signed by the writer.

10. Enclosure:
If the letter is sent along with the documents, it should be indicated by writing about the enclosure on the left hand at the bottom corner of the letter paper.
### PRINCIPLES OF COMMERCE – 2010 REGULAR & PRIVATE

#### Sketch of a Business Letter:

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| Subject Line | Sub:______________________________ |

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<td>Sameer Hussain</td>
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<td></td>
<td>Director Personnel</td>
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<thead>
<tr>
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OR Draft an application for the post of an assistant accountant with resume. Assume necessary details.

#### Job Letter:

House # R97, Rana Centre, Tariq Road, Karachi. January 26, 2011

The Director Personnel, A.M. Ltd. Landmark Plaza, Karachi.

Dear Sir:

I read the job ad placed by your company in Dawn dated January 23, 2011 for the post of Assistant Accountant. I want to apply for this job as I possess the job requirement.
I have done MBA from Iqra University. I have achieved a CGPA of 3.4 which is equivalent to 1st division. I completed my MBA in 2009. Besides other subjects, I also took the optional subject accounting in my MBA.

I have a 2 year work experience in the accounting and finance field. I worked at Hassan Traders for 1 year as an assistant accountant. After that I worked for Feroz Pharmaceuticals Limited for one year as assistant chief accountant.

I would appreciate an opportunity of interview to further discuss my qualifications.

Yours sincerely,
-
Sohail Amin
SA : AH

Resume

Furqan Khan
House # 239, Rahat Manzil
Clifton Road
phone:
E-mail:

Objective:
To research thermal/fluid systems, particularly those in solar energy and gas turbine applications.

Personal Data:
Name: Furqan Khan
Father’s Name: Muhammad Ali Khan
Date of Birth: 21st November 1982
Place of Birth: Karachi

Education:
Matric: 2001 "A" Grade Karachi Board
Inter Com. 2003 “A” Grade Karachi Board
B.Com 2005 1st Division Karachi University
MBA 2009 1st Division Iqra University

Experience:
- 1 year work experience in Hassan Traders as an Assistant Accountant.
- 1 year work experience in Feroz Pharmaceuticals Limited as an Assistant Chief Accountant.

Computer Literacy:
- Diploma in Information technology (DIT)
- Computerized Accounting Software.

Interest and Hobbies:
Reading books and playing games.

Languages:
English and Urdu languages can read, write and speak.

Reference:
Reference available upon request.
2011 – REGULAR PRINCIPLES OF COMMERCE
Q: 1: Choose the correct answer for each from the given options:

1. A joint stock company is owned by:
   * Shareholders * Directors * Partners * Employees

2. A minor partner has:
   * Unlimited liability * Limited liability * No liability * Fixed liability

3. Commerce provides goods and services to:
   * Producer * Consumer * Trader * Supplier

4. Letter containing common message is called:
   * Official letter * Business letter * Circular letter * None of these

5. The memorandum of association consists of:
   * Two clauses * Four clauses * Five clauses * None of these

6. International Chamber of Commerce is situated at:
   * Paris * London * New York * Rome

7. Wholesaler keeps goods in:
   * Shop * Showroom * Warehouse * Factory

8. The Chamber of Commerce was established in Pakistan in the year A.D.:
   * 1948i * 1950 * 1952 * 1955

9. Separate management is enjoyed by:
   * Company * Sole proprietorship * Partnership * All of these

10. Ownership is difficult to transfer in the case of:
    * Sole trade * Partnership * Joint Stock Company * Cooperative society

11. A business organization provides goods and services for:
    * Personal profit * Welfare of society * Helping and deserving * All of these

12. The goods produced in a country are made available to other countries by:
    * Warehousing * Insurance * Foreign trade * Transportation

13. The time period of short term finance is:
    * 5 – 7 years * 4 – 5 years * 1 – 3 years * None of these

14. The bill of exchange demands the payment for:
    * Banker * Exporter * Importer * Consumer

15. The certificate of origin is issued by:
    * Export Promotion Bureau * Chamber of Commerce * Government * None of these

16. The language used in official letter is:
    * Formal * Complicated * Literary * Technical
SECTION – B (SHORT-ANSWER QUESTIONS)

Q: 2 (i): Describe the basic considerations for starting a new business.

Basic Considerations for Starting a New Business:
The following are the factors which influence the selection of a legal form of business ownership.

1. **Selection of Business:** The first thing to be considered before starting a new business is deciding what type of business to start. There are many types of business available. The businessman has to select carefully whether to start industry or trade.

2. **Detailed Investigation:** A business cannot be started only by imagination. So after selecting a business detailed investigation should be done to determine the difficulties and possibility of future progress.

3. **Forms of Business Organization:** Sole proprietorship, partnership and Joint Stock Company are the various forms of business organization. Each forms of business organization has its own merits and demerits. Which type of business organization is suitable for the business depends upon various factors i.e. nature of the business, size, capital, risk, etc.

4. **Capital:** The volume of capital varies according to the nature and size of the business. Hence before starting a new business requirement of capital and the source for collecting capital should be determined.

5. **Location of Business:** Location means selecting a site for business. For starting a business location is also an important factor. It is very difficult to change the location once the business has been set up.

Q: 2 (ii): What are the sources of long term finance?

Sources of Long Term Finance:
Following are the sources of long term finance:

1. **Capital.**
2. **Loans and bonds.**
3. **Retained earnings.**

(a) **Capital:** The initial capital is obtained by a new company by floating shares. Shares represent equal portion in which the capital of a company is divided. Selling of share is the most important method of securing fixed capital and the contributors are the general public.

(b) **Loans and Bonds:** To raise sufficient capital debentures are issued by a company. Debenture is a promissory note for the repayment of the money borrowed and the payment of interest at fixed rates.

(c) **Retained Earnings:** This is very easy method of financing and is available to only established enterprises. Reinvestment of a part of the profits is an ideal means of financing, expansion and improvements.

Q: 2 (iii): Describe the advantages of sole proprietorship.

Advantages of Sole Proprietorship:
Following are the advantages of sole proprietorship:

1. **Easy to Start:** The formation of sole proprietorship is quite easy than partnership and company. There are no legal formalities for starting this business.

2. **Easy to Dissolve:** It is easy to dissolve because the sole trader is not required to take permission for the dissolution either from shareholders or from partners.

3. **Freedom of Action:** A sole trade has maximum freedom to take decision at his own end. He can wind up his business or he can change his business place from one place to another.
4. **Freedom of Government Control:** He is free from government control to a great extent than any other form of organization. A sole trader is not required to send his periodical balance sheet to the government.

5. **Owners of all Profit:** In sole proprietorship, the sole trader is the master of his business and is entitled to retain the entire profit of the business.

6. **Secrecy:** A sole trader can maintain secrets of his business but it is not possible to keep secret in partnership or Joint Stock Company.

**Q: 2 (iv):** Name the documents used in exporting goods.

**Documents Used in Exporting Goods:**

1. Indent.
2. Letter of credit (L/C)
3. Bill of exchange (B/E)
4. Bill of lading (B/L)
5. Shipping order.
6. Proforma invoice.
7. Insurance receipt.
8. Dock receipt.
9. Mate receipt.
10. Export invoice.
11. Consular invoice.

**Q: 2 (v):** State the services of wholesaler to retailer.

**Services of Wholesaler to Retailer:**

1. The retailers are relieved of maintaining huge stock of goods because the wholesaler fills up the stock regularly. The wholesaler buys in large quantities and sell them at convenient lots to the retailers.
2. The wholesaler provides finance and credit facilities to the retailer and thereby relieves the financial difficulties of the retailer.
3. The wholesaler saves retailers from many types of risks. The retailer is not required to carry huge stock as he can get them from the wholesaler at regular interval. By extending credit has saved the retailers a lot.
4. The wholesaler provides valuable advices to the retailer on all matters relating to new product and market condition and thereby relieves him from collection of market data.
5. The wholesaler gives trade discounts on bulk purchase and as such it enables the retailers to earn handful amount of profit.

**Q: 2 (vi):** Describe the means of transportation.

**Means of Transportation:**

1. **Road Transport:** Road transport is very important mode of transport in land is the oldest form of transport. Road transport is used to carry good passenger from one place to another replace. In our country where other of transport are not available, road transport plays very important role.
2. **Railway Transport:** This method of transportation is very popular and suitable for bulky commodities. In Pakistan railways are government by government and the freight rates and fares are fixed by the government only. Huge capital is required for the establishment or railway tracks and the manufacture of wagons etc. for long distance this type of transport cheaper.

3. **Water Transport:** Water transport is the cheapest means of transportation. Boats, steamers, ships etc. on rivers, canals and on oceans are used in this type of transport. It can be divided into two parts: (i) Inland water transport. (ii) Ocean water.

4. **Air Transport:** Air transport is the most advanced and modern means of transport. It is the fastest mode of transport and it can cover long and very long distances in few hours. The only drawback of this type of transport is it is too costly.

Q: 2 (vii): Describe the types of business letters.

**Kinds of Business Letter:**

1. **Order / Indent Letters:** These letters are written by a company to a producer or manufacturer for the purpose of buying goods. The matters which are included in the letters are: the name of the goods, price, brand, standard, quantity, quality, mode of deliver, packing, etc.

2. **Inquiry Letters:** Inquiry letters are used to get the information about the products, candidates for the jobs, status and character of customers, suppliers, and borrowers.

3. **Claim / Complaint Letter:** Following are the matters with reference to which a buyer or seller may have complaints to each other in business matters:
   - Delivery is delayed.
   - Due payments has not been made.
   - An inquiry has not been answered, etc.

4. **Circular / Announcement Letters:** The circular or announcement letters are sent to the common people. These letters are consisted upon the information and announcement in which the common men may be interested.

5. **Reminders:** Often it happens that the firm fails to send the consignment in time or delivery goes extra ordinarily late, the payment from the buyer may also be late, the seller may also be failed in responding the inquiry from the buyers.

6. **Sales Letters:** Sales letters are generally written and sent either for increasing the sales or to introduce new products to the prospective buyers.

7. **Job Letters (Letter of Application):** The applications like letters are written by the candidate to the employer to provide information pertaining to his personality.

8. **Official Letters:** The official letter is termed “Official” because it is a formal letter having no room for personal matters and problems. Facts, information, statistics figures, etc. are included in these letters.

Q: 2 (viii): Describe the various advertising media.

**Media of Advertising:**

**Non – Electronic Media:**

1. **Newspaper:** The newspapers are daily or weekly used for advertising the goods of local businessman.

2. **Magazines:** Magazines can be used for the products which are sold out all over the country. This type of advertisement is not flexible as changes cannot be made in the advertisement copy easily.

3. **Pamphlets / Handbills:** A well drafted advertisement to print on places of paper of handy size in large numbers. These handbills are distributed with the help of paid man or newspaper hawker.
4. **Bill Boards / Hoarding:** They are installed along important and busy roads. They are used to attract passengers, automobile travelers, and pedestrians.

5. **Sky Writing:** In this method the aeroplane flies in the sky in carefully planned direction and angle emitting special type of gas from its tail. It is very expensive.

Q: 2 (ix): Write note on the types of insurance.

**Types of Insurance:**
Following are the types of insurance:
- Personal Accident Insurance.
- Credit Insurance.
- Financial Loss Insurance.
- Life Insurance.
- Marine Insurance.
- Property Insurance.

1. **Personal Accident Insurance:** Personal accident insurance insures against accidents, not necessarily tied to any specific property.

2. **Credit Insurance:** This type of insurance pays some or all of a loan back when certain things happen to the borrower such as unemployment, disability, or death.

3. **Financial Loss Insurance:** This type of insurance protects individuals and companies against various financial risks. For example, a business might purchase cover to protect it from loss of sale if a fire in a factory prevented it from carrying out its business for a time.

4. **Life Insurance:** Life insurance provides a cash benefit to a decedent’s family or other designated beneficiary, and may specifically provide for burial and other final expenses.

5. **Marine Insurance:** Marine insurance covers the loss or damage of goods at sea. Marine insurance typically compensates the owner of merchandise for losses from fire, shipwreck, etc.

6. **Property Insurance:** This type of insurance provides protection against risks to property, such as fire, theft, or damage. This includes specialized forms of insurance such as fire insurance, flood insurance, earthquake insurance, etc.

Q: 2 (x): What are the different kinds of retailing?

**Kinds of Retailing:**
Following are the some kinds of retailing:
1. Supermarket.
2. Department Store.
4. Chain Store.
5. Discount House.
6. Utility Store.
7. Self Service Store.
10. Common Retailing Shops.

**Departmental Stores:** Such stores require huge investment. The special features of this store are that they try to sell almost every considerable commodity. The store is divided into number of departments, situated into the same roof, each department specializing in commodities of the nature. An attempt is thus made to supply to the customer all that he requires from this place so that he may not require to visit any other shop.
Chain Stores: Sometimes the manufacturers himself wants to reach the consumers directly. This he does by opening multiple shops. Shops are opened in various parts of big and important cities. These shops are mean to sell only those goods in which the manufacturer is interested. For example BATA shoe manufacturing company whose chain store are spread all over the big cities of Pakistan.

Mail Order House: In mail order house, goods are sold and delivered through the post and not across the counter. From buyer’s point of view, it may be described as shopping by post.

SECTION – C (DETAILED-ANSWER QUESTIONS)

Q: 3: Describe the procedure of export trade and the documents used in foreign trade.

Export Procedure:
The procedure of export trade is as follows:

1. Receiving Inquiries:
First of all exporter receives trade inquiry from importer about goods which importer wants to buy. Inquiry contains following information:
   - Type of product, size, quality, brand, price.
   - Mode of packing.
   - Port of delivery.
   - Mode of delivery with date.
   - Mode of payment.
   For providing all these information, the exporter fills a form called "Proforma Invoice".

2. Obtaining Order / Indent:
When the foreign importer gets satisfied with information provided by the exporter, the exporter receives order or indent from the importer. The order should give the necessary instructions, such as mode of forwarding, insurance, quality, quantity, size, name of product, etc. The order from the importer can be classified into two kinds:
   - Open Indent.
   - Close Indent.
   All the information mentioned above are included in the closed indent but these details are not given in the open indent. They are left on the option of the exporter.

3. Obtaining Letter of Credit (L/C):
Before the exporter arranges for the shipment of goods, he asks the importer to open letter of credit (L/C) in his favour with the bank. Letter of credit is a security given by the importer's banker that the exporter will be paid for the goods exported by him. It authorizes the exporter to draw a bill of exchange on the banker for receiving payment and the bank permits their honour.

4. Determination of Export Quota:
In the situation when the goods to be exported are short in supply and they are needed in the country itself, the government fixes quota (limit) for exports. If the exporter wants to export such goods, he acquires the permission from the government called "Export Quota".

5. Obtaining Export License:
Export license is required to be taken by the exporter from the Chief Controller of Exports and Imports. Export license is permission from the government for the export of certain goods. There are following kinds of export license:
**Limited Fee License:** On the basis of this license, the exporter can export any quantity after paying the required export duty.

**Newcomer’s License:** This license is acquired by an exporter who enters in the export business newly.

**Quota License:** The holder of this license can export the limited quota only.

**Free License:** According to this license, the exporter can export any amount of goods permitted by the government.

**Open General License:** The holder of this license can export any amount of all the goods open to export.

6. **Compliance of Rules of Foreign Exchange:**
If the exporter is from Pakistan, he will have to render a guarantee in accordance with the Foreign Exchange Regulation Act that whatever foreign exchange, which he will earn through the export of the goods, he would surrender in favour of the State Bank of Pakistan. He declares this on GR form. The original of this form he submits with the custom officer and three copies of this form he submits with the bank, which deals in foreign exchange.

7. **Fixation of Rate of Foreign Exchange:**
The rate of exchange varies in the open market daily therefore, as soon as the transaction of importer is compiled with, pays for the imported goods in local currency at the prevalent rate of exchange.

8. **Arranging Goods to Export:**
If the exporter is manufacturer himself, he starts the production of goods to be exported otherwise he will purchase the required goods from the local market.

9. **Packing and Marking the Goods:**
Packing is an important part of the export. Any instruction given by the importer must be strictly observed. After compliance of packing, marking is done. The following should be indicated at the time of marking:
- Name and brand of the goods.
- Quantity, weight or number.
- Degree of the packed goods.
- Special number, if any.
- The place of destination where the goods are to be taken.
- Any special mark.

10. **Appointment of Forwarding Agent:**
The service of forwarding agent can be taken for forwarding the goods. The forwarding agents are paid a certain commission and they undertake all the custom formalities on behalf of the exporter.

11. **Obtaining Shipping Order:**
Shipping order is received from a shipping company by an application. In the application, the full particulars of commodities with the port of destination are given. The freight rate is not determined on the basis of the weight of goods but their volume. Such agreement is termed as "Chartered Party Agreement".

12. **Preparing Invoice:**
Having received shipping order, the exporters prepares invoice in which the name of the ship, name of goods, quantity, quality, type of packing, point of destination and price is mentioned.
13. **Obtaining Consular Invoice:**
If the goods are to be taxed, the custom official cannot trust the exporter that whatever the value of the goods, which has been shown in invoice, is correct. It may be over or under invoicing. For solving this problem, the exporter obtains the consular invoice from the importing countries embassy in which the quoted value of the goods is verified.

14. **Obtaining Custom Permit:**
Custom officer issues custom permit to the exporter, which shows whether the goods to be imported are subject to levy tax. Having paid the duty, the consignment is sent to dockyard.

15. **Payment of Dockyard Charges:**
When the consignment is sent to dockyard, a dockyard challan is given to the exporter to fill. On the basis of this challan, the exporter pays dockyard charges.

16. **Insurance of Goods:**
Getting the goods to be exported insured from an insurance company is a must for exporter. Insurance assures that the goods would reach at the destination safe. If any damage or loss incurs, the insurance company would compensate the losses. This insurance is called “Marine Insurance”.

17. **Certificate of Origin:**
This is the certificate, which shows the origin of the commodities being exported. That shows the origin of the country in which they are manufactured. It is issued either by the Chamber of Commerce of the exporting country or by the Export Promotion Bureau. The certificate of origin, with other documents, is sent to the importer.

18. **Loading Goods in Ship:**
At this stage, the exporter makes arrangement for loading goods on the ship. The packages as they are received on the ship are counted and their packing is carefully examined. The captain at the ship then issues the receipt for the goods received and this receipt is called “Mate Receipt”. If the mate is satisfied with all the details of the goods, it is called clean receipt. But if the mate is not satisfied, it is called foul receipt.

19. **Bill of Lading:**
Bill of lading is issued by the shipping company signed by the captain and the master of the ship. This bill contains the name of the ship, name of the port of export, name of the port of import, details of the goods, date of dispatch, name of the importer and his address, name of shipping company and the address etc.

20. **Bill of Exchange:**
After the completion of all steps, the exporter prepares bill of exchange in the name of importer in which he is asked to pay within a certain period of time. This payment is made either to the person whose name is mentioned in the bill or according to his order. This bill is attached with all papers, which are sent to importer. The importer signs it and sent it back to the importer.
### Documents Used in Foreign Trade:

<table>
<thead>
<tr>
<th>Documents Used in Export:</th>
<th>Documents Used in Import:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Indent.</td>
<td>• Importer license.</td>
</tr>
<tr>
<td>• Letter of credit (L/C).</td>
<td>• Letter of credit.</td>
</tr>
<tr>
<td>• Bill of exchange (B/E).</td>
<td>• Bill of exchange.</td>
</tr>
<tr>
<td>• Bill of lading (B/L).</td>
<td>• Insurance cover note.</td>
</tr>
<tr>
<td>• Shipping order.</td>
<td>• Proforma invoice.</td>
</tr>
<tr>
<td>• Proforma invoice.</td>
<td>• Bill of lading.</td>
</tr>
<tr>
<td>• Insurance receipt.</td>
<td>• Mate receipt.</td>
</tr>
<tr>
<td>• Dock receipt.</td>
<td>• Certificate of origin.</td>
</tr>
<tr>
<td>• Mate receipt.</td>
<td>• Packing list.</td>
</tr>
<tr>
<td>• Export invoice.</td>
<td>• VBF form.</td>
</tr>
<tr>
<td>• Consular invoice.</td>
<td>• Certificate of measurement and weight.</td>
</tr>
<tr>
<td>• Certificate of origin.</td>
<td>• Registration certificate as importer.</td>
</tr>
<tr>
<td>• Shipping bill.</td>
<td>• Certificate from Chamber of Commerce.</td>
</tr>
</tbody>
</table>

Q: 4: Define Company. Describe the procedure of incorporation of a Joint Stock Company.

**Company:**
A corporate enterprise that has a legal identity separate from that of its members; it operates as one single unit, in the success of which all the members participate. A company may have limited liability (limited company), so that the liability of the members of the company’s debt is limited. An unlimited company is one in which the liability of the members is not limited in any way. A company may be registered as a public limited company or a private company. The shares of a private company may not be offered to the public for sale.

**Procedure of Incorporation of a Joint Stock Company:**
The formation of a company requires many steps to follow:

1. **Getting Promoters Together:**
The founders of the company are known as the promoters who must get together in order to work out the skeleton of the company. In public company, they must be seven and in case of private company they must be two. Promoters are the original shareholders of the company. After the establishment of the company the same promoters are the directors of the first board of the company.

2. **Appointment of the Advisor:**
The promoters of the company also appoint the legal advisor. These advisors are appointed for preparing the Memorandum of Association and the Prospectus under the guidance and instructions of the promoters. The advisors also deal with the proceedings in the office of the registrar on behalf of the company.

3. **Company’s Documents:**
For the purpose of registration of the Joint Stock Company, some documents are prepared in accordance with the requirements incorporated in the company law. The company cannot apply for its registration prior to preparation of these documents. These documents include Memorandum of Association, Article of Association and Prospectus.
4. Submission of Application:
After getting all the documents completed, the stage for submitting the application for registration reaches. The registrar of the company is the authorized person appointed by the government to accord the permission to the proposed company for business. The following documents are attached with the application of registration:
- Memorandum of Association.
- Article of Association.
- Prospectus.
- List of names of directors and their addresses.
- Statement duly signed by the directors or the secretary of the company declaring that all the required legal formalities have fully been compiled with.
- Address of the proposed head office of the company.

5. Payment of Registration Fee:
When the application of registration is submitted with the office of the registrar, the registration fee is also paid. Registration fee is determined in the light of the size of the capital of the firm.

6. Printing of Share Certificates:
After submitting the application, the promoters make the arrangements for the printing of the share certificates so that they could be sold for collecting the finance after getting the firm registered. The share certificate indicates the proportion of ownership in the company.

7. Issuance of Registration Certificate:
After having the application and the documents scrutinized if the registrar is satisfied with completion of legal formalities and the other documents, he issues a certificate called "Registration Certificate". Immediate after the issue of this certificate, the company legally comes into being and the private company could also commence the business but public company requires another certificate for commencing the business called "Commencement Certificate".

8. Commencement Certificate:
After the issuance of registration certificate, registrar issues another certificate to the public company known as “Commencement Certificate” without which the registered company cannot commence its business.

9. Publishing of Prospectus:
After receiving the registration certificate, the promoters issue the prospectus of the company through advertisement for keeping the people informed about the company. The issue of prospectus, is fact, is the invitation to purchase the shares of the company. When the company receives finances, through the issue of prospectus, the company becomes capable to commence its proposed business practically.

Q: 5: Discuss the characteristics of a goods business letter.

Characteristics of a Good Business Letter (9cs):
A good business is the one which achieves the object for which is being written. Some of the essentials to make a business letter effective are given below:
1. Conciseness (Brevity).
2. Clarity.
3. Correctness.
4. Concreteness.
5. Confidence.
7. Consideration.
8. Courtesy.

1. Conciseness or Brevity:
Business executives are busy. They do not have time to go through unnecessary lengthy messages. The writer is also a loser if he writes wordy messages, because it involves more time to type and read. The letter should be as short as possible in view of clearness, completeness and courtesy. To achieve conciseness, avoid unnecessary repetition and wordy expression. Include only relevant facts with courtesy, and organize the message logically and efficiently.

Example:

<table>
<thead>
<tr>
<th>Lengthy</th>
<th>Concise</th>
</tr>
</thead>
<tbody>
<tr>
<td>• For the purpose of:</td>
<td>• For</td>
</tr>
<tr>
<td>• It is the fact that the incidence was not like this</td>
<td>• It was the reality</td>
</tr>
<tr>
<td>• The copy of invoice is being attached with these papers</td>
<td>• Copy of invoice is attached</td>
</tr>
</tbody>
</table>

2. Clarity:
The language of the letter should be clear and understandable so all possibilities of misunderstanding might be eradicated. A caution and care is needed in selecting the words and phrases to be used in the letters. The words should be so simple, clear and commonly understandable that if the text of the letter is read in hurry, the sense should be clear creating no confusion and complexity. It is not possible for the busy businessman to give much time on reading. This can be achieved only when the writer understands the subject and has command on language.

Example:

<table>
<thead>
<tr>
<th>Unclear</th>
<th>Clear</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Being a new member, we invite you to attend this meeting. (Who is the new member, you or we?)</td>
<td>• Since you are the new member, we invite you to grace this meeting.</td>
</tr>
</tbody>
</table>

3. Correctness:
All the matters and information included in the letter should be correct and provision of wrong and exaggerated information and statements should be avoided. A special care should be taken in connection with quoting figures. The letter should comprise truth and correct statements. For instance, if the letter of complaint is to be written in connection with the delivery of the consignment, the quantity of the goods receive; date of receipt, nature of fault, etc. should be very correct.

Example:

<table>
<thead>
<tr>
<th>Incorrect</th>
<th>Correct</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Goods received are defective.</td>
<td>• Out of 1,000 PCs, 100 are defective.</td>
</tr>
</tbody>
</table>

4. Concreteness:
Concreteness makes the letter standard. If a general statement, pertaining any matter, is made in the letter not making it concrete and specific, it would go confused which is the defect of a business letter. The use of common nouns and adjectives should be avoided to include because they make the text of the letter weak and vague.
Example:

<table>
<thead>
<tr>
<th>General</th>
<th>Concrete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio set manufactured by us are good and durable. (No explanation of brand of radio sets, good and durability has been given).</td>
<td>Fico radio model T25 give clear sound, easy to change channels and noiseless is their quality. Three years free service and warranty is extended.</td>
</tr>
</tbody>
</table>

5. **Confidence:**
Confidence in communication creates positive tone. Following are the words which create doubts: I hope, if and when, I am of the opinion. Such phrases show difference in the message. Letter will be more successful when one shows confidence in oneself. Confidence in oneself is produce when he/she believes in the fairness of his/her decisions and actions. Writer should show the reader that he is decisive, positive, confident and straightforward.

6. **Conversational Tone:**
Letter should read as if writer is talking to the reader. The tone should be comfortable, natural, and conversational. Conversational tone makes the writer emphatic. To accomplish conversational tone the following guideline should be adopted:
- Vary words.
- Be straightforward.
- Keep the paragraph small.
- Avoid vague writing.

Example:

<table>
<thead>
<tr>
<th>Non – Conversational Tone</th>
<th>Conversational Tone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most respectfully I beg to say that I cannot attend the office tomorrow.</td>
<td>Kindly grant me leave of absence for tomorrow.</td>
</tr>
</tbody>
</table>

7. **Consideration:**
Consideration refers to the attitude, empathy, the human touch, and understanding of human nature. Consideration means the message with the receiver in mind. Writer should try to visualize the readers, their desires, problems, emotions, circumstances, and possible reaction to writer’s request. The “WE ATTITUDE”, in the letter, should be turned into “YOU ATTITUDE” because the word “I” and “We” reflects pride therefore, they should be avoided to use.

Example:

<table>
<thead>
<tr>
<th>“We” Attitude</th>
<th>“You” Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are going to give a concession.</td>
<td>You would be pleased to have this concession.</td>
</tr>
</tbody>
</table>

8. **Courtesy:**
All correspondents are to be treated as gentleman. It does not mean humility. What is required is honest, frank, and straightforward statement of facts worded in polite and courteous language. Writing under anger or sentiments, the writer loses grip on mental thoughts as well as on his pen. Writing full of politeness and courtesy make new customers.

Example:

<table>
<thead>
<tr>
<th>Rude and Uncourteous</th>
<th>Polite and Courtesy</th>
</tr>
</thead>
<tbody>
<tr>
<td>You have violated the contract by including some sub-standard items in the consignment.</td>
<td>We are assured that due to some misunderstanding or error some sub-standard items have been included in the consignment.</td>
</tr>
</tbody>
</table>
9. Completeness:
A standard and goods business letter should be complete in all respects so that the reader might not write again and again to have the complete information. For instance, if the purchase order is given in the letter, in one letter all information should be provided like the name of the products, their quality, quantity, price, brand, mode of shipping, delivery, packing, payment, etc.

OR Draft a circular letter to prospective customers, regarding the introduction of a new product. Assume necessary details and particular.

Circular Letter:
Zeeshan Enterprises
D – 40, SITE Karachi
Telephone: 021-36647958 | Email: z.enterprises@yahoo.com

Mr. Mujtaba Rizvi
West Wharf, Karachi
May 1, 2015

Dear Mr. Mujtaba,
We are glad to announce that we have imported latest models of mobile phones from different countries. These mobiles are available right now, just visit our store and pick the model you desire. The details of mobile phones and their prices are given below:

1) Samsung Galaxy S6 Edge: 32/64/128GB built-in, 3GB RAM, 1.5 GHz Quad-Core Cortex-A53 + 2.1 GHz Quad-Core Cortex-A57, Exynos 7420 GPU: Mali-T760 , 5.1 inches, 1440 x 2560 pixels (~576 ppi pixel density) Sensors: Accelerometer, gyro, proximity, compass, barometer, gesture, heart rate, 16 MP, 3456 x 4608 pixels, optical image stabilization, autofocus, LED flash, Geo-tagging, touch focus, face detection, Auto HDR, panorama, Video (2160p@30fps, 1080p@60fps, 720p@120fps, HDR, dual-video rec.), 2ndry 5 MP, 1080p@30fps, dual video call, Auto HDR, Rs.92,000.

2) HTC One M9: 32GB built-in, 3GB RAM, microSD card(support up to 128GB), 1.5 GHz Quad-core Cortex-A53 + 2 GHz Quad-core Cortex-A57, Qualcomm MSM8994 Snapdragon 810 GPU: Adreno 430 , 1080 x 1920 pixels, (~441 ppi pixel density), 5.0 inches (~68.4% screen to body ratio), 20.7 MP, 5376 x 3752 pixels, autofocus, dual-LED (dual tone) flash, Automatic simultaneous video and image recording, geo-tagging, face/smile detection, HDR, panorama, Video (2160p@30fps, 1080p@60fps, 720p@120fps, HDR, stereo sound rec), 2ndry 4 MP, 1080p@30fps, dual video call, Auto HDR, Rs.92,000.

3) QMobile Noir Z8: 16 GB built-in memory (support upto 64GB), 1.2GHz Quad-core, Qualcomm Snapdragon, 5.0 Inches, 720 x 1280 pixels (294 ppi pixel density) Sensors: Proximity, Light, G-sensor, Magnetic, 13 MP, autofocus, LED flash, Geo-tagging, touch focus, face smile detection, panorama, HDR, Video 1080p@30fps, 2ndry 5 MP. Rs.19,000.

4) Lenovo A6000: 8GB built-in, 1GB RAM, microSD card (supports up to 32 GB), 1.2 GHz Quad-Core Cortex-A53, Qualcomm MSM8916 Snapdragon 410 GPU: Adreno 306, 5.0 inches, 720 x 1280 pixels (~294 ppi pixel density) Sensors: Accelerometer, proximity, 8 MP, 3264 x 2448 pixels, autofocus, LED flash, Geo-tagging, touch focus, face detection, Video, 2ndry 2 MP, Rs.17,000.

5) Huawei Y625: 4GB built-in, 1GB RAM, microSD Card (supports up to 32GB), 1.2 GHz Quad-Core, 5.0 Inches, 480 x 854 (196ppi pixel density) Sensors: Accelerometer, Proximity, Light, 8 MP, LED Flash Auto focus, Video, 2ndry 2 MP, Rs.14,000.

Yours truly
For Shahrurkh Enterprises
2011 – PRIVATE
PRINCIPLES OF COMMERCE
SECTION – A (MULTIPLE CHOICE QUESTIONS)

Q: 1: Choose the correct answer for each from the given options:
1. Cutting, weaving and dyeing processes take place in this industry:
   * Analytical industry   * Fabricating industry  * Extracting industry * Synthetic industry
2. This partner has limited liability:
   * Active   * Nominal   * Secret   * Minor
3. Oil and water are transported by:
   * Trucks   * Trains   * Pipelines   * All of these
4. This document explains the rules and regulations regarding the internal affairs of the company:
   * Articles of association   * Memorandum of association   * Prospectus   * None of these
5. Tax is imposed twice on:
   * Joint Stock Company   * Partnership   * Sole proprietorship   * Cooperative society
6. A request by the bank to the exporter is known as:
   * Bill of exchange   * Bill of lading   * Letter of credit   * Promissory note
7. This risk cannot be insured:
   * Fire   * Accidental   * Political   * Theft
8. Marine route of transport use:
   * Aeroplanes   * Ships   * Trucks   * Trains
9. Custom warehouse are known as:
   * Public warehouses   * Private warehouses   * Bonded warehouses   * Wholesale warehouses
10. Overdraft facility is provided by the bank for:
    * Long term  * Short term   * Mid term   * None of these
11. Claim letters may demand:
    * Refund money   * Free of charge repair   * Replacement of goods   * All of these
12. These are the examples of chain stores:
    * KFC   * Bata   * Pizza Hut   * All of these
13. Raw material is produced for:
    * Retailers   * Wholesalers   * Consumers   * Manufacturers
14. Selling goods abroad is known as:
    * Importing   * Exporting   * Warehousing   * Retailing
15. The trade across territorial boundaries of the country is known as:
    * Home trade   * Foreign trade   * Wholesale trade   * Retail trade
16. Partnership is dissolved by:
    * Admission of a partner   * Retirement of a partner   * Death of a partner   * All of these
SECTION – B (SHORT-ANSWER QUESTIONS)

Q: 2 (i): Define the following terms: (i) Business   (ii) Trade   (iii) Profession.

**Business:**
That economic activity which is related to production or distribution adopted by single person or groups of a person's for achievement their goals is called business. In the other words a business is an organization engaged in producing goods and services to make a profit.

**Trade:**
A basic economic concept that involves multiple parties participating in the voluntary negotiation and then the exchange of one's goods and services for desired goods and services that someone else possesses.

**Profession:**
Occupation, practice, or vocation requiring mystery of a complex set of knowledge and skill through formal education and/or practical experience is called profession. Every organized profession (law, accounting, medicine, etc.) is governed by its respective professional body.

Q: 2 (ii): Explain the qualities of a good businessman.

**Qualities of a Good Businessman:**
A businessman must possess certain qualities if he has to stay in the market.

1. **Ability to Plan and Organize:** It is essential for a businessman to have the ability to plan and organize effectively. A good planner can only make the best decisions for the business.
2. **Qualities of Leadership:** A businessman must have the qualities of leadership. With the help of this quality business can expand and earn more profit.
3. **Honest:** A businessman should be honest and sincere in public dealings. Goodwill of the business depends on his honesty.
4. **Foresight:** A good businessman should be careful about the future expectations. If he fails to anticipate the demand for his goods then will suffer a loss.
5. **Research on business:** To compete in business, a businessman must find out new products and new means of working. He uses his research work and experience to minimize the cost of production.
6. **Technical Skills:** A good businessman should have adequate technical skills. He should have command over specialized knowledge so that he may run his business in a proper way and earn profit.
7. **Hardworking:** A good businessman must be hardworking. He should be well balanced and cool minded person and have the ability of working for long hours.

Q: 2 (iii): Describe the advantages of sole proprietorship.

**Advantages of Sole Proprietorship:**
Following are the advantages of sole proprietorship:

1. **Easy to Start:** The formation of sole proprietorship is quite easy than partnership and company. There are no legal formalities for starting this business.
2. **Easy to Dissolve:** It is easy to dissolve because the sole trader is not required to take permission for the dissolution either from shareholders or from partners.
3. **Freedom of Action:** A sole trade has maximum freedom to take decision at his own end. He can wind up his business or he can change his business place from one place to another.
4. **Owners of all Profit:** In sole proprietorship, the sole trader is the master of his business and is entitled to retain the entire profit of the business.
5. **Low Taxes:** He has to pay minimum income tax and other taxes than in partnership and Joint Stock Company.

6. **Secrecy:** A sole trader can maintain secrets of his business but it is not possible to keep secret in partnership or Joint Stock Company.

**Q: 2 (iv): Explain the various kinds of warehouse.**

**Kinds of Warehousing:**

1. **Public warehouses:** The public warehouse is essential space that can be leased to solve short-term distribution needs. Retailers that operate their own private warehouses may seek additional storage space if their facilities have reached capacity or if they are making a special, large purchase of products.

2. **Private Warehouses:** This type of warehouse is maintained by manufacturing companies, wholesalers, etc. for storage of their own stocks.

3. **Bonded Warehouses:** These are warehouses licensed by the government and are permitted to accept goods underbond, i.e. goods for which duty is yet to be paid. These are generally owned by the dock authorities and function under the strict surveillance of customs authorities.

4. **Wholesale Warehouses:** These are the warehouses which are operated by large wholesalers who buy in bulk quantities and store them in warehouse from where they supply goods to other businessmen.

5. **Automatic Warehouses:** With advances in computer technology many warehouses now have automated capabilities where machines are used to handle nearly all physical distribution activities.

**Q: 2 (v): What are the sources of short term finance? Explain.**

**Sources of Short Term Finance:**

1. **Trade Account:** A business may buy goods on account and pay after some time.

2. **Installment Purchases / Hire Purchases:** It is a method of buying goods in which the purchaser takes possession of them as soon as an initial installment of the price has been paid; ownership is obtained when all the agreed number of installments has been completed.

3. **Commercial Draft (Bill of Exchange):** An unconditional order in writing addressed by one person to another and signed by the person giving it, requiring the drawee to pay on demand or at a fixed determinable future time a specified sum of money to or to the order of a specified person or to the bearer.

4. **Accommodation Bill:** A bill of exchange signed by a person (the accommodation party) who acts as a guarantor. The accommodation party is liable for the bill should the acceptor fails to pay at maturity.

5. **Pledging Accounts Receivable / Factors:** Businessmen who possess accounts receivable and other types of receivables pledge them and get loans from the pledging companies.

6. **Commercial Paper (Promissory Note):** A document contains a promise to pay a certain sum of money to a named person, to that person's order, or to the bearer at a specified time in the future. It must be unconditional, signed by the maker, and delivered to the payee or bearer.

7. **Overdraft:** A loan made to a customer in which the account is allowed to go more than deposits, usually unto a specified limit.

8. **Agricultural Banks:** Agricultural banks provide loans to the farmers to finance their requirements like seeds, fertilizers, tractors, etc.

9. **Call Loans:** These are the loans issued for a short period and are callable any time as needed by the lender.
10. **I. O. U. (I Owe You):** It is a memorandum of debt given by a borrower, requiring no stamp but a holograph, usually dated, and addressed to the lender.

11. **Two – Name Paper Advance:** It is based on written agreement signed by two persons (borrower and guarantor). If the borrower fails to repay the guarantor is bound to pay.

**Q: 2 (vi):** Differentiate between advertising and publicity.

**Differences between Advertising and Publicity:**

<table>
<thead>
<tr>
<th>Advertising</th>
<th>Publicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some definite message is communicated.</td>
<td>It is generally done in form of news, articles, and features written in newspaper.</td>
</tr>
<tr>
<td>It is paid form of publicity.</td>
<td>No direct payment is involved.</td>
</tr>
<tr>
<td>Sponsor is known.</td>
<td>Sponsor is unknown.</td>
</tr>
<tr>
<td>It may be negative.</td>
<td>It is always favourable.</td>
</tr>
</tbody>
</table>

**Q: 2 (vii):** Explain the different types of insurance.

**Types of Insurance:**

Following are the types of insurance:

1. **Personal Accident Insurance:** Personal accident insurance insures against accidents, not necessarily tied to any specific property.
2. **Credit Insurance:** This type of insurance pays some or all of a loan back when certain things happen to the borrower such as unemployment, disability, or death.
3. **Financial Loss Insurance:** This type of insurance protects individuals and companies against various financial risks. For example, a business might purchase cover to protect it from loss of sale if a fire in a factory prevented it from carrying out its business for a time.
4. **Life Insurance:** Life insurance provides a cash benefit to a decedent’s family or other designated beneficiary, and may specifically provide for burial and other final expenses.
5. **Marine Insurance:** Marine insurance covers the loss or damage of goods at sea. Marine insurance typically compensates the owner of merchandise for losses from fire, shipwreck, etc.
6. **Property Insurance:** This type of insurance provides protection against risks to property, such as fire, theft, or damage. This includes specialized forms of insurance such as fire insurance, flood insurance, earthquake insurance, etc.

**Q: 2 (viii):** Describe the advantages of partnership form of business.

**Advantages of Partnership:**

Following are the advantages of partnership:

1. **Large Amount of Capital:** In partnership every partner provides capital for the business. So the scale of production can be enlarged according to the requirements.
2. **Combined Judgments and Managerial Skills:** In partnership business there are more than one owner, it is therefore possible to combine the abilities and knowledge of every partner. With combined decision and judgment business is greatly benefited and more profit is possibly earned.
3. **Personal Interest:** Since each general partner is responsible not only for his act but also for the acts of his partners, he shall devote his personal attention and interest to the activities of the firm and this will enable a firm to attain maximum efficiency.
4. **High Credit Standing:** If there are several partners and one of them has several extensive private means, creditors have little reason to doubt that the debt of partnership will be paid in full because liability of partnership is unlimited.
Q: 2 (ix): What are the various means of transportation in Pakistan?

Means of Transportation:
1. **Road Transport**: Road transport is very important mode of transport in land is the oldest form of transport. Road transport is used to carry good passenger from one place to another replace. In our country where other of transport are not available, road transport plays very important role.

2. **Railway Transport**: This method of transportation is very popular and suitable for bulky commodities. In Pakistan railways are government by government and the freight rates and fares are fixed by the government only. Huge capital is required for the establishment or railway tracks and the manufacture of wagons etc. for long distance this type of transport cheaper.

3. **Water Transport**: Water transport is the cheapest means of transportation. Boats, steamers, ships etc. on rives, canals and on oceans are used in this type of transport. It can be divided into two parts: (i) Inland water transport. (ii) Ocean water.

4. **Air Transport**: Air transport is the most advanced and modern means of transport. It is the fastest mode of transport and it can cover long and very long distances in few hours. The only drawback of this type of transport is it is too costly.

Q: 2 (x): Describe the characteristics of a Joint Stock Company.

Main Features / Characteristics of a Joint Stock Company:
Following are the main features of company:

1. **Separate Management**: In corporation, management is separated from ownership. Shareholders do not take active part in management. They elect directors who manage the business on behalf of shareholders.

2. **Name of the Company**: The word “limited” must be followed in the name of the company, which shows that the liability of shareholders is limited to their investments.

3. **Board of Directors**: Every company must have a board of directors who are representatives of the shareholders.

4. **Annual Financial Statement**: Every public company is required to submit its annual financial statements to the registrar of the company.

5. **Transferability of Ownership**: Shares of the company can be bought and sold in the open market. This act is referred to as transferability of ownership, which does not affect the life of the company.

6. **Public Subscription**: In case of public company, general public may buy the shares of the company.

SECTION – C (DETAILED-ANSWER QUESTIONS)

Q: 3: Define Company. Describe the procedure of incorporation of a Joint Stock Company.

Company:
A corporate enterprise that has a legal identity separate from that of its members; it operates as one single unit, in the success of which all the members participate. A company may have limited liability (limited company), so that the liability of the members of the company’s debt is limited. An unlimited company is one in which the liability of the members is not limited in any way. A company may be registered as a public limited company or a private company. The shares of a private company may not be offered to the public for sale.
Procedure of Incorporation of a Joint Stock Company:
The formation of a company requires many steps to follow:

1. **Getting Promoters Together:**
The founders of the company are known as the promoters who must get together in order to work out the skeleton of the company. In public company, they must be seven and in case of private company they must be two. Promoters are the original shareholders of the company. After the establishment of the company the same promoters are the directors of the first board of the company.

2. **Appointment of the Advisor:**
The promoters of the company also appoint the legal advisor. These advisors are appointed for preparing the Memorandum of Association and the Prospectus under the guidance and instructions of the promoters. The advisors also deal with the proceedings in the office of the registrar on behalf of the company.

3. **Company’s Documents:**
For the purpose of registration of the Joint Stock Company, some documents are prepared in accordance with the requirements incorporated in the company law. The company cannot apply for its registration prior to preparation of these documents. These documents include Memorandum of Association, Article of Association and Prospectus.

4. **Submission of Application:**
After getting all the documents completed, the stage for submitting the application for registration reaches. The registrar of the company is the authorized person appointed by the government to accord the permission to the proposed company for business. The following documents are attached with the application of registration:
- Memorandum of Association.
- Article of Association.
- Prospectus.
- List of names of directors and their addresses.
- Statement duly signed by the directors or the secretary of the company declaring that all the required legal formalities have fully been compiled with.
- Address of the proposed head office of the company.

5. **Payment of Registration Fee:**
When the application of registration is submitted with the office of the registrar, the registration fee is also paid. Registration fee is determined in the light of the size of the capital of the firm.

6. **Printing of Share Certificates:**
After submitting the application, the promoters make the arrangements for the printing of the share certificates so that they could be sold for collecting the finance after getting the firm registered. The share certificate indicates the proportion of ownership in the company.

7. **Issuance of Registration Certificate:**
After having the application and the documents scrutinized if the registrar is satisfied with completion of legal formalities and the other documents, he issues a certificate called "Registration Certificate". Immediate after the issue of this certificate, the company legally comes into being and the private company could also commence the business but public company requires another certificate for commencing the business called "Commencement Certificate".
8. Commencement Certificate:
After the issuance of registration certificate, registrar issues another certificate to the public company known as “Commencement Certificate” without which the registered company cannot commence its business.

9. Publishing of Prospectus:
After receiving the registration certificate, the promoters issue the prospectus of the company through advertisement for keeping the people informed about the company. The issue of prospectus, in fact, is the invitation to purchase the shares of the company. When the company receives finances, through the issue of prospectus, the company becomes capable to commence its proposed business practically.

Q: 4: Describe the procedure followed in exporting goods and lists the documents used in foreign trade.

Export Procedure:
The procedure of export trade is as follows:

1. Receiving Inquiries:
First of all exporter receives trade inquiry from importer about goods which importer wants to buy. Inquiry contains following information:
   - Type of product, size, quality, brand, price.
   - Mode of packing.
   - Port of delivery.
   - Mode of delivery with date.
   - Mode of payment.
For providing all these information, the exporter fills a form called "Proforma Invoice".

2. Obtaining Order / Indent:
When the foreign importer gets satisfied with information provided by the exporter, the exporter receives order or indent from the importer. The order should give the necessary instructions, such as mode of forwarding, insurance, quality, quantity, size, name of product, etc. The order from the importer can be classified into two kinds:
   - Open Indent.
   - Close Indent.
All the information mentioned above are included in the closed indent but these details are not given in the open indent. They are left on the option of the exporter.

3. Obtaining Letter of Credit (L/C):
Before the exporter arranges for the shipment of goods, he asks the importer to open letter of credit (L/C) in his favour with the bank. Letter of credit is a security given by the importer’s banker that the exporter will be paid for the goods exported by him. It authorizes the exporter to draw a bill of exchange on the banker for receiving payment and the bank permits their honour.

4. Determination of Export Quota:
In the situation when the goods to be exported are short in supply and they are needed in the country itself, the government fixes quota (limit) for exports. If the exporter wants to export such goods, he acquires the permission from the government called "Export Quota".
5. **Obtaining Export License:**
Export license is required to be taken by the exporter from the Chief Controller of Exports and Imports. Export license is permission from the government for the export of certain goods. There are following kinds of export license:

- **Limited Fee License:** On the basis of this license, the exporter can export any quantity after paying the required export duty.
- **Newcomer's License:** This license is acquired by an exporter who enters in the export business newly.
- **Quota License:** The holder of this license can export the limited quota only.
- **Free License:** According to this license, the exporter can export any amount of goods permitted by the government.
- **Open General License:** The holder of this license can export any amount of all the goods open to export.

6. **Compliance of Rules of Foreign Exchange:**
If the exporter is from Pakistan, he will have to render a guarantee in accordance with the Foreign Exchange Regulation Act that whatever foreign exchange, which he will earn through the export of the goods, he would surrender in favour of the State Bank of Pakistan. He declares this on GR form. The original of this form he submits with the custom officer and three copies of this form he submits with the bank, which deals in foreign exchange.

7. **Fixation of Rate of Foreign Exchange:**
The rate of exchange varies in the open market daily therefore, as soon as the transaction of importer is compiled with, pays for the imported goods in local currency at the prevalent rate of exchange.

8. **Arranging Goods to Export:**
If the exporter is manufacturer himself, he starts the production of goods to be exported otherwise he will purchase the required goods from the local market.

9. **Packing and Marking the Goods:**
Packing is an important part of the export. Any instruction given by the importer must be strictly observed. After compliance of packing, marking is done. The following should be indicated at the time of marking:

- Name and brand of the goods.
- Quantity, weight or number.
- Degree of the packed goods.
- Special number, if any.
- The place of destination where the goods are to be taken.
- Any special mark.

10. **Appointment of Forwarding Agent:**
The service of forwarding agent can be taken for forwarding the goods. The forwarding agents are paid a certain commission and they undertake all the custom formalities on behalf of the exporter.

11. **Obtaining Shipping Order:**
Shipping order is received from a shipping company by an application. In the application, the full particulars of commodities with the port of destination are given. The freight rate is not determined on the basis of the weight of goods but their volume. Such agreement is termed as "Chartered Party Agreement".
12. Preparing Invoice:
Having received shipping order, the exporters prepares invoice in which the name of the ship, name of goods, quantity, quality, type of packing, point of destination and price is mentioned.

13. Obtaining Consular Invoice:
If the goods are to be taxed, the custom official cannot trust the exporter that whatever the value of the goods, which has been shown in invoice, is correct. It may be over or under invoicing. For solving this problem, the exporter obtains the consular invoice from the importing countries embassy in which the quoted value of the goods is verified.

14. Obtaining Custom Permit:
Custom officer issues custom permit to the exporter, which shows whether the goods to be imported are subject to levy tax. Having paid the duty, the consignment is sent to dockyard.

15. Payment of Dockyard Charges:
When the consignment is sent to dockyard, a dockyard challan is given to the exporter to fill. On the basis of this challan, the exporter pays dockyard charges.

16. Insurance of Goods:
Getting the goods to be exported insured from an insurance company is a must for exporter. Insurance assures that the goods would reach at the destination safe. If any damage or loss incurs, the insurance company would compensate the losses. This insurance is called "Marine Insurance".

17. Certificate of Origin:
This is the certificate, which shows the origin of the commodities being exported. That shows the origin of the country in which they are manufactured. It is issued either by the Chamber of Commerce of the exporting country or by the Export Promotion Bureau. The certificate of origin, with other documents, is sent to the importer.

18. Loading Goods in Ship:
At this stage, the exporter makes arrangement for loading goods on the ship. The packages as they are received on the ship are counted and their packing is carefully examined. The captain at the ship then issues the receipt for the goods received and this receipt is called "Mate Receipt". If the mate is satisfied with all the details of the goods, it is called clean receipt. But if the mate is not satisfied, it is called foul receipt.

19. Bill of Lading:
Bill of lading is issued by the shipping company signed by the captain and the master of the ship. This bill contains the name of the ship, name of the port of export, name of the port of import, details of the goods, date of dispatch, name of the importer and his address, name of shipping company and the address etc.

20. Bill of Exchange:
After the completion of all steps, the exporter prepares bill of exchange in the name of importer in which he is asked to pay within a certain period of time. This payment is made either to the person whose name is mentioned in the bill or according to his order. This bill is attached with all papers, which are sent to importer. The importer signs it and sent it back to the importer.
Documents Used in Foreign Trade:

<table>
<thead>
<tr>
<th>Documents Used in Export:</th>
<th>Documents Used in Import:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indent.</td>
<td>Importer license.</td>
</tr>
<tr>
<td>Letter of credit (L/C).</td>
<td>Letter of credit.</td>
</tr>
<tr>
<td>Bill of exchange (B/E).</td>
<td>Bill of exchange.</td>
</tr>
<tr>
<td>Bill of lading (B/L).</td>
<td>Insurance cover note.</td>
</tr>
<tr>
<td>Shipping order.</td>
<td>Proforma invoice.</td>
</tr>
<tr>
<td>Proforma invoice.</td>
<td>Bill of lading.</td>
</tr>
<tr>
<td>Insurance receipt.</td>
<td>Mate receipt.</td>
</tr>
<tr>
<td>Dock receipt.</td>
<td>Certificate of origin.</td>
</tr>
<tr>
<td>Mate receipt.</td>
<td>Packing list.</td>
</tr>
<tr>
<td>Export invoice.</td>
<td>VBF form.</td>
</tr>
<tr>
<td>Consular invoice.</td>
<td>Certificate of measurement and weight.</td>
</tr>
<tr>
<td>Certificate of origin.</td>
<td>Registration certificate as importer.</td>
</tr>
<tr>
<td>Shipping bill.</td>
<td>Certificate from Chamber of Commerce.</td>
</tr>
<tr>
<td></td>
<td>Income tax certificate showing GIR.</td>
</tr>
</tbody>
</table>

Q: 5: Draft a circular letter to your customers regarding the new arrival of digital cameras imported from Japan. Assume necessary details and particulars.

Circular Letter:

Zeeshan Enterprises
D – 40, SITE Karachi
Telephone: 021-36647958 | Email: z.enterprises@yahoo.com

Mr. Mujtaba Rizvi
West Wharf, Karachi
May 1, 2015

Dear Mr. Mujtaba,

We are glad to announce that we have imported latest models of digital cameras from Japan. These cameras are available right now, just visit our store and pick the model you desire. The details of digital cameras and their prices are given below:

1) **Sony Cyber Shot DSC-T110/D:** CCD sensor with a resolution of 16.1 effective MP – captures very high quality images. **Rs.25,100.**

2) **Nikon Coolpix S-6200:** Stylish compact with powerful 10x zoom. The Coolpix S-6200 elegant squeezes a 10x zoom Nikkor ED glass lens with 25 mm. **Rs.24,199.**

3) **Nikon Coolpix S-6150:** Sophisticated performance given stylish slim elegance meets the user-friendly high performance of 16.0. **Rs.20,499.**

4) **Nikon Coolpix S-4150:** Touch screen digital camera. **Rs.17,799.**

5) **Samsung WB-700 ZD:** 24 mm ultra wide angle 18x optical zoom lens. **Rs.24,050.**

6) **Samsung MV-800:** Groundbreaking adjustable LCD screen. The 3.0’ flip-out display lets you take and view great pictures. **Rs.26,850.**

7) **Samsung PL-200:** Get closer without moving an inch, 14.2 MP camera. **Rs.17,050.**

Yours truly
For Shahrukh Enterprises
Describe the various parts of a business letter and explain these with the help of sketch.

**Parts of Business Letter:**
A business letter consists of following parts:

1. **Heading:**
   It is a sort of advertisement and that is why they are set up in a very attractive manner. It should be compact and well arranged. It should consist of printed names and address of individual firms, company or corporation sending the letter. The telephone number, telegraphic address, codes used, date and reference number are also given with the letter head.

2. **Inside Address:**
   It is the name and address of the party which is being addressed. It should be exactly the same as the outside address on the envelope. The name of the person or the firm used is an inside address must have proper courtesy titles. The common prefix for a man is Mr. if a person hold a degree or a title it must be added to his name such as Dr. Khan, if a person holds a university degree, it will precedes his designation as Mr. Khan M.Com, M.A.

3. **Salutation:**
   This is the compliment or greeting preceding the body of the letter. It would always be in harmony with the personal relations of the writer except in care of official letters which invariable have *Sir* for salutation. The most common forms of salutation in a commercial letter are *Dear Sir* when addressing one gentleman, *Dear Sirs* for a firm or company.

4. **Subject Line:**
   According to the modern principles of business correspondence, sometimes immediate after salutation the subject matter of the letter is written in one or two lines just below the salutation. Subject line helps the reader of the letter in connecting himself with the past (if there is any) matter. Moreover, he can pass the letter to the concerned clerk understanding but without going through the full text of the letter. Prior to writing the subject line, the letters "*Sub*" or "*Ref*" are written and the subject line is underlined so that it could be given a prominent and important position.

5. **The Body of the Letter:**
   The entire letter is to be divided into suitable paragraphs which is not only the question of appearance but giving the reader breathing times. Each paragraph should contain one topic. The correspondent should commence a new paragraph whenever he switches on a new topic. The introductory paragraph should be very carefully written. In subsequent paragraphs the discussion should continue dealing with the main subject matter of the letter. The last paragraph should be written in good spirit.

6. **Complementary Close:**
   Complementary close refers to the words or the phrases which are written immediate after finishing of the letter. It consists of words like "*Your faithfully*", "*yours sincerely*", etc. It should be noted that these closing words or phrases should be written in the light of the post, position, and title and social/business status of the reader of the letter. These closing words are written on left hand side just below the text. Complementary close should also be in synchronization of the salutation.
7. **Signature:**
The writer of the letter has to put down his signature in ink just below the complementary close. A letter without is unauthentic.

8. **Typist’s Initial:**
These initials are usually placed in the lower left hand corner of the letter. These are put down with a view to hold the person responsible. Such as MA: NA. Here MA refers to Muhammad Ali and NA means Naseem Ahmad.

9. **Post Script (PS):**
If due to some after thoughts the writer wants to add something after the completion of the letter he puts down PS and after that writes down whatever he wants. PS should also be signed by the writer.

10. **Enclosure:**
If the letter is sent along with the documents, it should be indicated by writing about the enclosure on the left hand at the bottom corner of the letter paper.

**Sketch of a Business Letter:**

| **Heading** | ABC Corporation  
Tariq Road  
Karachi |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fax:</strong></td>
<td><strong>Phone:</strong></td>
</tr>
<tr>
<td></td>
<td>28 - February – 2012</td>
</tr>
<tr>
<td></td>
<td>Ref: 27/SE/84</td>
</tr>
</tbody>
</table>
| **Inside Address** | Director Personnel  
XYZ Corporation  
Karachi |
| **Subject Line** | Sub: ____________________ |
| **Salutation** | Dear Sir: |
| **Body / Text** | ------------------------------  
| | First Paragraph ------------------------------ |
| | Second Paragraph ------------------------------ |
| | Third Paragraph ------------------------------ |
| **Complimentary Close** | Yours Sincerely  
sameer Hussain  
Director Personnel |
| **Typist Initial** | AW : PK |
| **Post Script** | ____________________ |
2012 – REGULAR
PRINCIPLES OF COMMERCE
SECTION – A (MULTIPLE CHOICE QUESTIONS)

Q: 1: Choose the correct answer for each from the given options:

1. Chain stores and super markets are examples of:
   * Wholesaling * Retailing * Importing * Exporting

2. Banks help in foreign trade by issuing:
   * Shipping order * Bill of exchange * Letter of credit * All of these

3. Wholesaler creates link between:
   * Retailer and consumer * Producers and retailers * Producers and consumers * None of these

4. It is a formal letter and does not show any personal relationship:
   * Semi-official letter * Business letter * Official letter * None of these

5. Paid occupation, especially one that requires advanced education and training is known as:
   * Marketing * Profession * Industry * Publicity

6. The life of sole proprietorship is:
   * Long * Uncertain * Definite * None of these

7. The partner invests capital but does not take active part in management:
   * Nominal partner * Active partner * Sleeping partner * None of these

8. Those, who form the company, are known as:
   * Partners * Promoters * Experts * Directors

9. Transportation creates:
   * Time utility * Place utility * Possession utility * Marginal utility

10. Middleman who sell directly to consumers in small quantities, are:
    * Wholesalers * Producers * Retailers * Exporters

11. Public warehouse, licensed to accept storage of imported goods before payments of custom duties, are called:
    * Private warehouses * Public warehouses * Bonded warehouses * None of these

12. The exporter gets the certificate of origin from the:
    * Chamber of commerce * Custom officials * Importing bank * Exporting bank

13. Net operating loss, competition and natural climates are:
    * Insurable risks * Uninsurable risks * Inventory risks * Credit risks

14. The minimum number of members, to form a private company, is:
    * Seven * Twenty * Two * Fifty

15. Capital, loan, bonds and retained earnings are the sources of:
    * Short term finance * Intermediate credit * Long term finance * None of these

16. These letters are written to prospective customers introducing the company's goods and services:
    * Job letters * Order letters * Sales letters * Complaint letters
SECTION – B (SHORT-ANSWER QUESTIONS)

Q: 2 (i): Define commerce and its scope.

Commerce:
Commerce is the aggregate of all those aspects of business activity which are concerned with the scale, transfer or exchange of goods and services. It embraces all those functions that are essential for maintaining a free and uninterrupted flow of goods and services between producers and consumers.

Scope of Commerce:
The scope and range of commerce can be determined from the fact that it includes production, marketing, banking, finance, transporting, warehousing, insurance and information.

1. **Trade**: Trade means exchange of goods and services for cash and for credit. Trade is concerned with actual buying and selling of goods. Trade may be classified into home trade and foreign trade. Home trade may be divided into wholesale trade and retail trade.
2. **Transport**: Transport implies conveyance of goods from one place to another.
3. **Warehousing**: Warehousing is an establishment for the storage of goods. Warehousing facilities help in avoiding the difficulties of waiting for the goods from the producer.
4. **Insurance**: Insurance stands for the security against heavy risk. It makes business operation very secure by making provision against all possible losses and damages.
5. **Finance and Banking**: Banks provide means by which capital is transferred from those who cannot profitably use it to those who can use it most productively for the benefit of the society as a whole.
6. **Production**: Business function starts with the planning for production which is conversion of materials from one form to another. It requires the purchase of raw materials, machinery, and equipment, and hiring different classes of labours.
7. **Information**: Commerce extends to getting information from various sources and media. It requires information at every stage.
8. **Grading and Standardization**: Grading is the specification of a quality, rank or class according to value. Standardization is the process of making goods of uniform size and shape.

Q: 2 (ii): State the various types of partners.

Kinds of Partners:
Following are the kinds of partners:

1. **Active Partner**: These are those members of partnership who contribute to the total capital of the firm and take the active part in the conduct and administration of the business.
2. **Sleeping / Dormant / Silent Partner**: They contribute to the capital of the firm but do not take active part in the management. They also share profit.
3. **Nominal Partner**: He is the one who neither contribute any capital to the firm nor takes active part in administration of the business. He only lends the use of his name to the firm. He is not entitled to share the profit.
4. **Secret Partner**: A secret partner takes active part in the business activities but public does not know him as partner of firm. He has capital in the business, enjoys profits and shares losses.
5. **Minor Partner**: Minor partner means whose age is less than 21 years. A minor partner may become a partner of the business with the consent of all the other partners but he only shares profit of the business.
Q: 2 (iii): List the advantages and disadvantages of Joint Stock Company.

**Advantages of Joint Stock Company:**
The advantages of the company are as follows:
1. Huge amount of capital.
2. Limited liability of shareholders.
3. Efficient management.
5. Ease of expansion.
6. Easy transferability of shares.
7. Legal entity.

**Disadvantages of Joint Stock Company:**
The disadvantages of the company are as follows:
1. Taxation.
2. Organizational expense.
4. Lack of secrecy.
5. Lack of credit standing.
6. Lack of personal interest.

Q: 2 (iv): Differentiate between advertising and publicity.

**Differences between Advertising and Publicity:**

<table>
<thead>
<tr>
<th></th>
<th>Advertising</th>
<th>Publicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some definite message is communicated.</td>
<td>It is generally done in form of news, articles, and features written in newspaper.</td>
<td></td>
</tr>
<tr>
<td>It is paid form of publicity.</td>
<td>No direct payment is involved.</td>
<td></td>
</tr>
<tr>
<td>Sponsor is known.</td>
<td>Sponsor is unknown.</td>
<td></td>
</tr>
<tr>
<td>It may be negative.</td>
<td>It is always favourable.</td>
<td></td>
</tr>
</tbody>
</table>

Q: 2 (v): Explain the various kinds of warehouse.

**Kinds of Warehousing:**
1. **Public warehouses:** The public warehouse is essential space that can be leased to solve short-term distribution needs. Retailers that operate their own private warehouses may seek additional storage space if their facilities have reached capacity or if they are making a special, large purchase of products.
2. **Private Warehouses:** This type of warehouse is maintained by manufacturing companies, wholesalers, etc. for storage of their own stocks.
3. **Bonded Warehouses:** These are warehouses licensed by the government and are permitted to accept goods underbond, i.e. goods for which duty is yet to be paid. These are generally owned by the dock authorities and function under the strict surveillance of customs authorities.
4. **Wholesale Warehouses:** These are the warehouses which are operated by large wholesalers who buy in bulk quantities and store them in warehouse from where they supply goods to other businessmen.
5. **Automatic Warehouses:** With advances in computer technology many warehouses now have automated capabilities where machines are used to handle nearly all physical distribution activities.
Q: 2 (vi): State the services of retailer to consumers.

Services of Retailers for Consumers:
The retailer renders very valuable services to the consumers.

1. The retailers supply goods at the door of consumers. The consumer need not to go far to purchase the goods because retailers are situated at very little distance.
2. The greatest advantage of retailers is the stored goods and sells them in small quantities when the consumer requires. He thus relieves the consumers from the necessity of storing goods.
3. He tries to study the taste of consumers and keeps the goods likely be in demand. He again keeps wholesalers in touch with changing fashion and tastes and thus enables those goods to be produced which are really in demand.
4. He keeps the large variety of goods manufactured by different manufacturers with a view to enable his consumer good choice and selection.
5. If the customer is dissatisfied by the goods the retailers quite willingly makes goods the complaint.

Q: 2 (vii): Define short term finance and list its sources.

Short Term Finance:
A loan which must be repaid within a year is called short term finance.

Sources of Short Term Finance:
1. Trade Accounts.
2. Installment Purchases / Hire Purchases.
3. Commercial Draft (Bill of Exchange).
4. Accommodation Bill.
5. Pledging Accounts Receivable / Factors.
7. Overdraft.
9. Call Loans.
11. Two-Name Paper Advance.

Q: 2 (viii): What are circular letters? Why are they written?

Circular / Announcement Letters:
The circular or announcement letters are sent to the common people. These letters are consisted upon the information and announcement in which the common men may be interested. The announcement may be as under:

- Retirement or death of a particular director.
- Establishment of a new business or new branch.
- Increase or decrease in price.
- Merge of the business, etc.

Q: 2 (ix): What are the contents of Articles of Association?

Articles of Association:
An article of Association contains rule and regulation regarding the internal work and management of the company. It defines the power, rights and duties of directors, shareholders and other officers.
The contents of articles of association are as follows:
1. Name and address of directors and their qualifications.
2. Appointment, election of directors.
3. Time period of the position held by directors.
4. Name, address, qualification of the chairman and the managing director.
5. Name, address, qualification, appointment, election of auditor of company.
6. Salaries, allowances, fees, etc. of the chairman, directors, and auditors.
7. Name, address, qualification, salary of the secretary.
8. Financial year of the company.
10. Prospectus of the company.
11. Company meetings and procedure to call them.
12. Notice and agenda.
13. Minutes of the company.
14. Premium or discount on shares.
15. Installments on shares.
17. Dividends.
18. Kinds of capital, shares, debentures.
19. Inventory valuation method.

Q: 2 (x): Define salesmanship and write the qualities of a good salesman.

Salesmanship:
It is a method of offering goods and services to the prospective customers by the person known as salesman. The salesman must know not only the details of his commodity but also know human nature so as to lend his customer to accept his ideas.

Qualities of Good Salesman:
1. **Education**: He should be an educated person and should have studied of salesmanship.
2. ** Courtesy**: He should respect his customers and should not become very angry even if his customers give the lowest offer.
3. ** Loyalty**: He should show the customer that he is the well-wisher of the customers.
4. ** Attentiveness**: He should attend to his customer in a nice way and should show the articles which he needs.
5. ** Honesty**: He should be honest with the customers and should make the customer known the reasonable prices.
6. ** Cheerfulness**: He should have a smiling face and should never make his customer fearful.
7. ** Patience**: A salesman should always be patient and should always think in terms of progress.
8. ** Personality**: He should have attractive personality because it helps in convincing the customers and affecting sales.
PRINCIPLES OF COMMERCE – 2012 REGULAR

SECTION – C (DETAILED-ANSWER QUESTIONS)

Q: 3: Describe the step by step procedure of importing goods from a foreign country. List the documents used in this procedure.

Import Procedure:
The procedure of import trade is as follows:

1. **Registration:**
   It is imperative as a first step for the importer that he should register himself as commercial importer or industrial raw material user or the consumer with the chief controller of imports and exports. The intended importer is supposed to submit the following documents with chief controller:
   - Receipt of rent of the place where he runs business.
   - The name of the banker and his account number.
   - Certificate of nationality or his passport.
   - Income tax assessment order.
   - Income tax certificate.
   - Membership certificate from Chamber of Commerce.
   - Profit and loss account of at least one financial year.

2. **Obtain the Import License:**
   The next stage is to obtain the license of the goods which importer wants to import. The license is issued by the chief controller of imports and exports. Import license is the permit given by the government to import certain goods.

3. **Correspondence with Foreign Exporter:**
   After having the import license, the importer initiates correspondence with the foreign exporter regarding the price, brand, quality, time and mode of payment, delivery, shipping and packing of the goods to be imported.

4. **Proforma Invoice / Quotation / Order:**
   Now proforma invoice is prepared in which the name of importer, his address, details of goods to be imported, their prices, standard and the value in either US Dollars or British Pounds.

5. **Appointment of Indenters:**
   At this stage, the importer appoints indenter who is acting within the country as the agent of the foreign exporter. It should be noted that it is also necessary for the indenter to get himself registered with the chief controller of imports and exports.

6. **Insurance Cover:**
   It is the imperative for the importer to get the goods insured against theft, fire, decrease in number of goods and ship accident from local insurance company. The importer will get Insurance Cover as a consequence getting his goods insured.

7. **Letter of Credit (L/C):**
   At this step, the importer has to arrange for the opening of letter of credit through his local bankers. The letter of credit is then forward to the exporter through the banker.

8. **Preparations of Exporter:**
   The exporter, on the other hand, makes preparations to send the goods according to the order of the importer.
9. Preparation of Bill of Exchange:  
The exporter prepares a bill of exchange in the name of importer and gets it accepted from the importer's banker after which, receiving the advice of letter of credit, he hands over the shipping documents (includes invoice, certificate of origin, certificate of measurement and weight, bill of lading) to the shipping company. After completing this formality, he receives the amount in the letter of credit.

10. Payment of the Bill:  
In this stage, the importer will pay the bill. If the importer fails to pay the bill he may ask his banker to pay the bill by granting him loans against the goods imported. In that case, the bank will ask the importer to give the letter of hypothecation on the strength of which the bank will hold the goods.

11. Appointment of a Clearing Agent:  
After receiving all the relevant papers, he hands them over to his clearing agent. The clearing agent makes arrangement to get the goods cleared and received which according to his applications might have reached the port. The clearing agent is paid certain commission for his services.

12. Payment of Custom Duty and Sale Tax:  
When the imported goods reach the port, the custom inspectors confirm whether goods are according to the invoice. Afterwards, they calculate custom duty, sales tax, and other taxes on the goods imported. After the payment of this amount, the goods get cleared and are handed over to the clearing agent of the importer.

Documents Used in Import Trade:
1. Importer license.
2. Letter of credit.
4. Insurance cover note.
5. Proforma invoice.
7. Mate receipt.
9. Packing list.
10. VBF form.
11. Certificate of measurement and weight.
12. Registration certificate as importer.
13. Certificate from Chamber of Commerce.
14. Income tax certificate showing GIR.

Q: 4: Define middlemen. How can they be classified in different kinds?

Middlemen:  
An intermediary or agent between two parties; especially a dealer, agent, or company intermediate between the producer of goods and the retailer or consumer is called middleman. A middleman will facilitate interaction between parties, typically for a commission or fee. Some critics say that businesses and customers should try to "cut out the middleman" by dealing directly with each other, avoiding any increased costs or commissions.
KINDS OF MIDDLEMAN:
Some of the middlemen are explained as follows:

1. **Broker:**
   A broker is an agent involved in buying and selling on behalf of principal for commission. He does not hold any stock nor deals with his own name.

2. **Factor:**
   He is an agent whose function is to receive goods from his principal for sale in commission. He can sell goods in his own name; pledge goods in his own possession, receive payments, and gives receipts.

3. **Commission Agent:**
   He acts on behalf of foreign importer. His function is to buy goods on behalf of client abroad and to dispatch them in accordance with the instructions.

4. **Underwriter:**
   They enter into agreement with promoters of newly started company whose shares have not been taken up by the public.

5. **Del Credere Agent:**
   He is an agent who guarantees to his principal that the third person with whom he enters into contract shall perform their obligations.

6. **Travelling Agent:**
   Sometimes wholesalers appoints numbers of agents who goes from place to place, show catalogues, price list, etc to retailers, book orders and forward them to their principal who executes them.

7. **Selling Agent:**
   Sometimes wholesalers and manufacturers appoint certain shopkeepers in different parts of the country as their selling agents.

8. **Auctioneers:**
   An auctioneer is an agent who sells goods by auction. He has no authority to hold the goods sold and can deliver the goods only on receipt price.

9. **Forwarding Agent:**
   This is the type of agent who is engaged in forwarding the goods to their destination on certain charges.

10. **Clearing Agent:**
    This agent is involved in clearing the imports on behalf of their principals. The duties include taking the delivery of the goods from the ship and attending to custom formalities for certain commission.
Q: 5: Write an application for the job of a “Sales Executive”. Assume all necessary particulars and details.

Job Letter:
House # R97, Rana Centre, Tariq Road, Karachi.
January 26, 2011

Dear Sir:
I read the job ad placed by your company in Dawn dated January 23, 2011 for the post of Sales Executive. I want to apply for this job as I possess the job requirement.

I have done MBA from Iqra University. I have achieved a CGPA of 3.75 which is equivalent to 1st division. I completed my MBA in 2009. Besides other subjects, I also took the optional subject marketing in my MBA.

I have a 2 year work experience in the sales field. I worked at Hassan Marketing for 1 year as a sales executive. After that I worked for Feroz Pharmaceuticals Limited for one year as sales executive.

In both the companies, I was given sales targets. I achieved the tough sales targets given to me by a lot of hard work and excellent communication skills. I was also responsible for preparing and finalizing the marketing strategies.

I would appreciate an opportunity of interview to further discuss my qualifications.

Yours sincerely,

-sd-

Sohail Amin
SA: AH

Resume
Furqan Khan
House # 239, Rahat Manzil
Clifton Road
phone:
E-mail:

Objective:
To research thermal/fluid systems, particularly those in solar energy and gas turbine applications.

Personal Data:
Name: Furqan Khan
Father’s Name: Muhammad Ali Khan
Date of Birth: 21st November 1982
Place of Birth: Karachi
# PRINCIPLES OF COMMERCE – 2012 REGULAR

## Education:

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<tbody>
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<td>2001</td>
<td>“A”</td>
<td>Karachi Board</td>
</tr>
<tr>
<td>Inter Com.</td>
<td>2003</td>
<td>“A”</td>
<td>Karachi Board</td>
</tr>
<tr>
<td>B.Com</td>
<td>2005</td>
<td>1st Division</td>
<td>Karachi University</td>
</tr>
<tr>
<td>MBA</td>
<td>2009</td>
<td>1st Division</td>
<td>Iqra University</td>
</tr>
</tbody>
</table>

## Experience:
- 1 year work experience in Hassan Marketing as sales executive.
- 1 year work experience in Feroz Pharmaceuticals Limited as sales executive.

## Computer Literacy:
- Diploma in Information technology (DIT)

## Interest and Hobbies:
Reading books and playing games.

## Languages:
English and Urdu languages can read, write and speak.

## Reference:
Reference available upon request.
2012 – PRIVATE
PRINCIPLES OF COMMERCE
SECTION – A (MULTIPLE CHOICE QUESTIONS)

Q: 1: Choose the correct answer for each from the given options:

1. A request by the bank to the exporter is known as:
   * Bill of exchange   * Bill of lading   * Letter of credit   * Promissory note

2. This bond can be changed into shares:
   * Mortgage bond   * Unconvertible bond   * Convertible bond   * Bearer bond

3. Bill of lading is issued by the:
   * Bank   * Custom authority   * Shipping company   * Government

4. In case of absence of partnership agreement, the profit of the firm will be distributed:
   * Equally   * According to the capital ratio   * As per their duties   * All of these

5. The business organization is listed in stock exchange:
   * Sole proprietorship   * Partnership   * Cooperative society   * Public limited company

6. The operation of the public limited company is governed by:
   * Prospectus   * Memorandum   * Dividend of company   * Articles of association

7. Minimum legal constraints are faced by:
   * Partnership   * Cooperative society   * Sole proprietorship   * Public limited company

8. The beginning part of business letter is called:
   * Salutation   * Body text   * Inside address   * Heading

9. Promissory note contains the promise which is made by:
   * Debtor   * Creditor   * Both debtor and creditor   * Lawyer

10. Cash loans can be taken from:
    * Bank   * Friends and relatives   * Life insurance company   * All of these

11. The utility created by transportation is:
    * Time   * Quality   * Quantity   * Place

12. For a business, sources of finance include:
    * Capital   * Borrowing   * Retained earnings   * All of these

13. A letter containing common message for general public and customers is:
    * Complaint letter   * Reminder letter   * Circular letter   * Sales letter

14. Marine insurance is used in the following:
    * Export trade   * Import trade   * Both import and export trade   * Local trade

15. Functions of marketing include:
    * Warehouse   * Finance   * Transportation   * All of these

16. Oil industry belongs to:
    * Extracting industry   * Analytical industry   * Fabricating industry   * None of these
Q: 2 (i): Explain auxiliaries to trade.

Auxiliaries to Trade:
1. **Transport**: Transport implies conveyance of goods from one place to another. It enables the society to enjoy the big advantage of bringing the things where they are most needed to remove the difficulty of distance and help in widening the market for a commodity.
2. **Warehousing**: Warehousing is an establishment for the storage of goods. Warehousing facilities help in avoiding the difficulties of waiting for the goods from the producer.
3. **Insurance**: Insurance stands for the security against heavy risk. It makes business operation very secure by making provision against all possible losses and damages.
4. **Finance and Banking**: Large scale of production requires enormous amount of money. Banks provide means by which capital is transferred from those who cannot profitably use it to those who can use it most productively for the benefit of the society as a whole.
5. **Production**: Business function starts with the planning for production which is conversion of materials from one form to another. It requires the purchase of raw materials, machinery, and equipment, and hiring different classes of labours.
6. **Information**: Commerce extends to getting information from various sources and media. It requires information at every stage. Well-informed businessman is more successful than uninformed person.
7. **Grading and Standardization**: Grading is the specification of a quality, rank or class according to value. Standardization is the process of making goods of uniform size and shape.

Q: 2 (ii): State channels of distribution.

Channels of Distribution:
Channels are means through which goods move from the point of production to the point of consumption. These are filled by those businessmen who are in between producers and consumers. Channels of distribution can be divided as:
1. **Direct Channel**: It is the channel where manufacturers have direct link with the consumers without any middleman.
2. **Indirect Channel**: It is the channel where there is a middleman between manufacturers and consumers.

Q: 2 (iii): List the functions of Chamber of Commerce. Explain any three of them.

Functions of Chamber of Commerce:
1. **Representation**: Hold regular dialogues with government to advocate, provide feedback on, and help fine-tune policies and legislations affecting business practices.
2. **Networking**: Forge strategic alliances with local and foreign business organizations to establish and develop mutually beneficial relationships via Memoranda of Understanding, Joint Consultative Committees, etc.
3. **Information Service:** Provide relevant business information to members such as information on business opportunities, technological advancements, government rules and regulations, etc.

**Q: 2 (iv):** Define the terms e-business and e-commerce.

**E-Commerce:**
E-commerce covers outward-facing processes that touch customers, suppliers and external partners, including sales, marketing, order taking, delivery, customer service, purchasing of raw materials and supplies for production and procurement of indirect operating-expense items, such as office supplies. It involves new business models and the potential to gain new revenue or lose some existing revenue to new competitors.

**E-Business:**
E-business includes e-commerce but also covers internal processes such as production, inventory management, product development, risk management, finance, knowledge management and human resources. E-business strategy is more complex, more focused on internal processes, and aimed at cost savings and improvements in efficiency, productivity and cost savings.

**Q: 2 (v):** Distinguish between private company and public company.

**Difference Between Public Company and Private Company:**

<table>
<thead>
<tr>
<th>PRIVATE COMPANY</th>
<th>PUBLIC COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The minimum number of shareholder is two.</td>
<td>It must have at least seven members.</td>
</tr>
<tr>
<td>2. Maximum number is fifty</td>
<td>No upper limit of the shareholders</td>
</tr>
<tr>
<td>3. It cannot sell its shares to general public.</td>
<td>In most cases they sell shares to the general public.</td>
</tr>
<tr>
<td>4. Commencement certificate from the registrar is not required for starting the business.</td>
<td>It must get a commencement certificate to start a business.</td>
</tr>
<tr>
<td>5. Annual or half-yearly accounting statement are not required to be submitted with the registrar.</td>
<td>Accounting statements must be submitted.</td>
</tr>
</tbody>
</table>

**Q: 2 (vi):** Explain any four kinds of media of advertisement.

**Media of Advertising:**
**Non – Electronic Media:**
1. **Newspaper:** The newspapers are daily or weekly used for advertising the goods of local businessman.
2. **Magazines:** Magazines can be used for the products which are sold out all over the country. This type of advertisement is not flexible as changes cannot be made in the advertisement copy easily.
3. **Pamphlets / Handbills:** A well drafted advertisement to print on places of paper of handy size in large numbers. These handbills are distributed with the help of paid man or newspaper hawker.
4. **Bill Boards / Hoarding:** They are installed along important and busy roads. They are used to attract passengers, automobile travelers, and pedestrians.
Q: 2 (vii): Describe the importance of finance in the business.

Importance of Finance in Business:
It takes money to make money, so the proverbial saying goes. Businesses have to consider their finances for so many purposes, ranging from survival in bad times to bolstering the next success in good ones. How you finance your business can affect your ability to employ staff, purchase goods, acquire licenses, expand and develop. While finances are not necessarily as important as vision and a great product, they are crucial to making the good stuff happen. Every new venture needs seed money. Entrepreneurs only have dreams and ideas until they have some capital to put their ideas in motion. Whether it's a product or service, you will need a way to create and deliver it -- as well as enough money and time to lay the groundwork of selling and establishing important relationships. Most business owners face the critical choice between debt and equity financing. A small business loan leaves you free to own and have absolute control over your company while it also leaves you lasting financial obligations. Equity gives you cash, but you have to share the success. The critical decision in your financing will determine how your business will work from that point onward.

Q: 2 (viii): Write any four characteristics of partnership.

Characteristics of Partnership:
1. **Two or More Persons:** Partnership implies business by a group of persons. There must be at least two persons to bring partnership into existence. A limit of 10 persons if it is a banking business and 20 persons for other business.
2. **Unlimited Liability:** Each and every partner is liable jointly and severally for the obligations of the partnership firm. If assets of the business are not sufficient to meet the liabilities of creditors then private property of partners can be used to meet them.
3. **Restriction on Transfer of Shares:** No partner can transfer his interest in the firm (except to an existing partner) to an outsider without the consent of all other partners. He can do so only with the unanimous consent of all other partners.
4. **Sharing of profits:** An agreement among partners should provide for sharing of profits and losses. A charitable trust cannot be called partnership because there is no sharing of profits. Profit sharing is only a prima facie test of partnership but not a conclusive proof.

Q: 2 (ix): Define marketing. Explain the functions of buying and selling.

Marketing:
Marketing is defined as the process of determining the needs and wants of consumers and being able to deliver products that satisfy those needs and wants. Marketing includes all of the activities necessary to move a product from the producer to the consumer. Think of marketing as a bridge from the producer to the consumer.

Functions of Marketing:
**Buying:** The function of buying is performed in order to acquire quality materials for production. When you design a good product concept, you should also ensure you're buying the essential materials for the product. This function is carried out by the purchase and supply department, but your specifications of materials goes a long way in assisting the purchasing department to acquire the necessary materials needed for production.
Selling is one element of marketing, which is the process of developing a product or service offering, communicating the benefits through promotions and managing the ongoing exchange of value with targeted customers. Selling has some key advantages over other forms of the promotional component, which makes it very important for customer-driven organizations.

Q: 2 (x): Define warehousing. Explain any three types of warehouse.

Warehousing:
Warehousing is an establishment for the storage of goods. Warehousing facilities help in avoiding the difficulties of waiting for the goods from the producer.

Kinds of Warehousing:
1. Public Warehouses.
2. Private Warehouses.
5. Automatic Warehouses.

1. Public Warehouses: The public warehouse is essential space that can be leased to solve short-term distribution needs. Retailers that operate their own private warehouses may seek additional storage space if their facilities have reached capacity or if they are making a special, large purchase of products.
2. Private Warehouses: This type of warehouse is maintained by manufacturing companies, wholesalers, etc. for storage of their own stocks.
3. Bonded Warehouses: These are warehouses licensed by the government and are permitted to accept goods underbond, i.e., goods for which duty is yet to be paid. These are generally owned by the dock authorities and function under the strict surveillance of custom authorities.

SECTION – C (DETAILED-ANSWER QUESTIONS)
Q: 3: Explain the services rendered by wholesaler to producer/manufacturer and retailer.

Services of Wholesalers to Producers/Manufacturers:
The wholesaler renders very valuable services to the manufacturers.

1. By buying in large quantities the wholesalers enables the manufacturers to benefit from the economies of large scale production.
2. The wholesaler relieves the manufacturer of the necessity for carrying large stock. Thus enabling him either to release his capital for future production or to carry on the business with less capital that would otherwise be necessary.
3. The wholesaler directs the producer as regards the quality and quantity of the goods demanded, market developments, coming trends, etc. as they are in direct contact with retailer who know the market conditions.
4. The manufacturers are already short of funds and cannot afford to allow credit to retailers; however the wholesalers can do so and relieve the manufacturers from credit burden.
5. The wholesalers simplify the marketing process and make fewer transactions necessary. A manufacturer deals only with a selected number of wholesalers rather than hundreds and thousands of retailers.
PRINCIPLES OF COMMERCE – 2012 PRIVATE

Services of Wholesalers to Retailers:
The wholesaler renders very valuable services to the retailers.

1. The retailer due to smaller capital cannot hold a big stock of goods but the wholesaler holds large stock of different varieties of goods and enables the retailers to make purchase in small quantities at interval.
2. Most wholesaler grant credit. This reduces the capital requirement of the retailers and enables them to maintain huge stocks of goods.
3. The stocks held by wholesalers enable the retailers to obtain supplies more quickly than they can from manufacturer.
4. The wholesaler makes the retailers buying function easier as he needs to deal only with a small number of wholesalers, rather than hundreds of manufacturers.
5. Since they perform a storage service, therefore they absorb a part of retailers’ storage burden. If the retailers were to buy direct from the manufacturers they would have to store the goods themselves.
6. They provide suggestion to retailers in connection with the store display, selling techniques, and maintenance of accounts, etc.
7. The supply of goods in small quantity enables the retailers in avoiding wastage.

Q: 4: Describe the procedure of import trade and lists the documents used in export trade.

Import Procedure:
The procedure of import trade is as follows:

1. Registration:
   It is imperative as a first step for the importer that he should registered himself as commercial importer or industrial raw material user or the consumer with the chief controller of imports and exports. The intended importer is supposed to submit the following documents with chief controller:
   - Receipt of rent of the place where he runs business.
   - The name of the banker and his account number.
   - Certificate of nationality or his passport.
   - Income tax assessment order.
   - Income tax certificate.
   - Membership certificate from Chamber of Commerce.
   - Profit and loss account of atleast one financial year.

2. Obtain the Import License:
The next stage is to obtain the license of the goods which importer wants to import. The license is issued by the chief controller of imports and exports. Import license is the permit given by the government to import certain goods.

3. Correspondence with Foreign Exporter:
   After having the import license, the importer initiates correspondence with the foreign exporter regarding the price, brand, quality, time and mode of payment, delivery, shipping and packing of the goods to be imported.

4. Proforma Invoice / Quotation / Order:
   Now proforma invoice is prepared in which the name of importer, his address, details of goods to be imported, their prices, standard and the value in either US Dollars or British Pounds.
5. **Appointment of Indenters:**
At this stage, the importer appoints indenters who is acting within the country as the agent of the foreign exporter. It should be noted that it is also necessary for the indenter to get himself registered with the chief controller of imports and exports.

6. **Insurance Cover:**
It is the imperative for the importer to get the goods insured against theft, fire, decrease in number of goods and ship accident from local insurance company. The importer will get Insurance Cover as consequence getting his goods insured.

7. **Letter of Credit (L/C):**
At this step, the importer has to arrange for the opening of letter of credit through his local bankers. The letter of credit is then forward to the exporter through the banker.

8. **Preparations of Exporter:**
The exporter, on the other hand, makes preparations to send the goods according the order of the importer.

9. **Preparation of Bill of Exchange:**
The exporter prepares a bill of exchange in the name of importer and gets it accepted from the importer’s banker after which, receiving the advice of letter of credit, he hands over the shipping documents (includes invoice, certificate of origin, certificate of measurement and weight, bill of lading) to the shipping company. After completing this formality, he receives the amount in the letter of credit.

10. **Payment of the Bill:**
In this stage, the importer will pay the bill. If the importer fails to pay the bill he may ask his banker to pay the bill by granting him loans against the goods imported. In that case, the bank will ask the importer to give the letter of hypothecation on the strength of which the bank will hold the goods.

11. **Appointment of a Clearing Agent:**
After receiving all the relevant papers, he hands them over to his clearing agent. The clearing agent makes arrangement to get the goods cleared and received which according to his applications might have reached the port. The clearing agent is paid certain commission for his services.

12. **Payment of Custom Duty and Sale Tax:**
When the imported goods reach the port, the custom inspectors confirm whether goods are according to the invoice. Afterwards, they calculate custom duty, sales tax, and other taxes on the goods imported. After the payment of this amount, the goods get cleared and are handed over to the clearing agent of the importer.

**Documents Used in Export Trade:**
1. Indent.
2. Letter of credit (L/C)
3. Bill of exchange (B/E)
4. Bill of lading (B/L)
5. Shipping order.
6. Proforma invoice.
7. Insurance receipt.
8. Dock receipt.
9. Mate receipt.
10. Export invoice.
Q: 5: Describe the qualities of a good business letter.

Characteristics of a Good Business Letter (9cs):
A good business is the one which achieves the object for which is being written. Some of the essentials to make a business letter effective are given below:

1. **Conciseness or Brevity:**
Business executive are dead busy. They do not have time to go through unnecessary lengthy messages. The writer is also a loser if he writes wordy messages, because it involves more time to type and read. The letter should be as short as possible in view clearness, completeness and courtesy. To achieve conciseness the Avoid unnecessary repetition and wordy expression, include only relevant facts with courtesy, and organize the message logically and efficiently.

<table>
<thead>
<tr>
<th></th>
<th>Lengthy</th>
<th>Concise</th>
</tr>
</thead>
<tbody>
<tr>
<td>For the purpose of:</td>
<td></td>
<td>For</td>
</tr>
<tr>
<td>It is the fact that the incidence was not like this</td>
<td></td>
<td>It was the reality</td>
</tr>
<tr>
<td>The copy of invoice is being attached with these papers</td>
<td></td>
<td>Copy of invoice is attached</td>
</tr>
</tbody>
</table>

2. **Clarity:**
The language of the letter should be clear and understandable so all possibilities of misunderstanding might be eradicated. A caution and care is needed in selecting the words and phrases to be used in the letters. The words should be so simple, clear and commonly understandable that if the text of the letter is read even in hurry, the sense should be clear creating no confusion and complexity. It is not possible for the busy businessman to give much time on reading. This can be achieved only when the writer understating the subject and has command on language.

<table>
<thead>
<tr>
<th></th>
<th>Unclear</th>
<th>Clear</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being a new member, we invite you to attend this meeting. (Who is the new member, you or we?)</td>
<td>Since you are the new member, we invite you to grace this meeting.</td>
<td></td>
</tr>
</tbody>
</table>

3. **Correctness:**
All the matters and information included in the letter should be correct and provision of wrong and exaggerated information and statements should be avoided. A special care should be taken in connection with quoting figures. The letter should comprise truth and correct statements. For instance, if the letter of complaint is to be written in connection with the delivery of the consignment, the quantity of the goods receive; date of receipt, nature of fault, etc. should be very correct.

<table>
<thead>
<tr>
<th></th>
<th>Incorrect</th>
<th>Correct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods received are defective.</td>
<td></td>
<td>Out of 1,000 PCs, 100 are defective.</td>
</tr>
</tbody>
</table>
4. **Concreteness:**
Concreteness makes the letter standard. If a general statement, pertaining any matter, is made in the letter not making it concrete and specific, it would go confused which is the defect of a business letter. The use of common nouns and adjectives should be avoided to include because they make the text of the letter weak and vague.

*Example:*

<table>
<thead>
<tr>
<th>General</th>
<th>Concrete</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Radio set manufactured by us are good and durable. (No explanation of brand of radio sets, good and durability has been given).</td>
<td>• Fico radio model T25 give clear sound, easy to change channels and noiseless is their quality. Three years free service and warranty is extended.</td>
</tr>
</tbody>
</table>

5. **Confidence:**
Confidence in communication creates positive tone. Following are the words which create doubts: I hope, if and when, I am of the opinion. Such phrases show difference in the message. Letter will be more successful when one shows confidence in oneself. Confidence in oneself is produce when he/she believes in the fairness of his/her decisions and actions. Writer should show the reader that he is decisive, positive, confident and straightforward.

6. **Conversational Tone:**
Letter should read as if writer is talking to the reader. The tone should be comfortable, natural, and conversational. Conversational tone makes the writer emphatic. To accomplish conversational tone the following guideline should be adopted:

- Vary words.
- Be straightforward.
- Keep the paragraph small.
- Avoid vague writing.

*Example:*

<table>
<thead>
<tr>
<th>Non – Conversational Tone</th>
<th>Conversational Tone</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Most respectfully I beg to say that I cannot attend the office tomorrow.</td>
<td>• Kindly grant me leave of absence for tomorrow.</td>
</tr>
</tbody>
</table>

7. **Consideration:**
Consideration refers to the attitude, empathy, the human touch, and understanding of human nature. Consideration means the message with the receiver in mind. Writer should try to visualize the readers, their desires, problems, emotions, circumstances, and possible reaction to writer’s request. The “WE ATTITUDE”, in the letter, should be turned into “YOU ATTITUDE” because the word “I” and “We” reflects pride therefore, they should be avoided to use.

*Example:*

<table>
<thead>
<tr>
<th>“We” Attitude</th>
<th>“You” Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We are going to give a concession.</td>
<td>• You would be pleased to have this concession.</td>
</tr>
</tbody>
</table>

8. **Courtesy:**
All correspondents are to be treated as gentleman. It does not mean humility. What is required is honest, frank, and straightforward statement of facts worded in polite and courteous language. Writing under anger or sentiments, the writer loses grip on mental thoughts as well as on his pen. Writing full of politeness and courtesy make new customers.
Example:

<table>
<thead>
<tr>
<th>Rude and Uncourteous</th>
<th>Polite and Courtesy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• You have violated the contract by including some sub-standard items in the consignment.</td>
<td>• We are assured that due to some misunderstanding or error some sub-standard items have been included in the consignment.</td>
</tr>
</tbody>
</table>

9. **Completeness:**
A standard and goods business letter should be complete in all respect so that the reader might not write again and again to have the complete information. For instance, if the purchase order is given in the letter, in one letter all information should be provided like the name of the products, their quality, quantity, price, brand, mode of shipping, delivery, packing, payment, etc.

OR Draft an order letter containing names of atleast four products, their descriptions and quantities. Assume necessary details and particulars.

**Order Letter:**

UMAIR LIMITED  
North Nazimabad, Karachi.

Phone:  
E-mail:  
February 29, 2012  
Ref: 28/DC/93

Sales Manager,  
Ahmad Traders,  
Mall Road,  
Lahore.

**Subject:** Purchase Order  
Dear Sir,

Following purchase order is extended:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Items</th>
<th>Description</th>
<th>Rate</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Vacuum Cleaner</td>
<td>Murphy 110-M5</td>
<td>Rs.4,000/-</td>
<td>10</td>
</tr>
<tr>
<td>2.</td>
<td>Refrigerator</td>
<td>Sharp 10-17</td>
<td>Rs.25,000/-</td>
<td>12</td>
</tr>
<tr>
<td>3.</td>
<td>Washing Machine</td>
<td>Super Asia T-31</td>
<td>Rs.8,000/-</td>
<td>09</td>
</tr>
<tr>
<td>4.</td>
<td>Television</td>
<td>Philips 20” Vx-100</td>
<td>Rs.19,000/-</td>
<td>18</td>
</tr>
</tbody>
</table>

According to your sales conditions we are entitled to have cash, sales and trade discount at the rate of 10% and 15% respectively.

We should have the delivery of the ordered goods within 10 days after the receipt of this order. Immediate after delivery, you would receive the draft.

We shall be waiting for your prompt and useful services.

Yours sincerely,  
-sd-  
Ali Haider  
Director Purchase
2013 – REGULAR
PRINCIPLES OF COMMERCE
**SECTION – A (MULTIPLE CHOICE QUESTIONS)**

1. Trade account, hire purchase and overdraft are the sources of:
   - Long term finance
   - Capital
   - Short term finance
   - Advertising

2. Capital registered with the registrar of the company, is called:
   - Called up capital
   - Paid up capital
   - Issued capital
   - Authorized capital

3. Industry is the component of:
   - Trade
   - Business
   - Advertising
   - Marketing

4. Board of directors in a company is formed by:
   - Appointment
   - Selection
   - Nomination
   - Election

5. Those who sell in greater volume with low profit per unit, are called:
   - Retailers
   - Wholesalers
   - Consumers
   - Government

6. Certificate of origin is necessary for:
   - Importer
   - Exporter
   - Banker
   - Insurance company

7. Presenting goods and services personally is:
   - Advertisement
   - Publicity
   - Salesmanship
   - Warehousing

8. Warehousing facilitates:
   - Economic stability
   - Price stability
   - Government stability
   - Balance of payment

9. Circular letter are written to give same information to:
   - Foreign client
   - One person
   - Information seeker
   - Large number of clients

10. In publicity, the sponsor is:
    - Known
    - Unknown
    - Popular
    - Stranger

11. Owners of the company are:
    - Debenture holders
    - Shareholders
    - Partners
    - Promoters

12. Complete business secrecy is possible only in:
    - Joint Stock Company
    - Partnership
    - Cooperative society
    - Sole proprietorship

13. Warehouse is a place where we can safely keep:
    - Money
    - Birds
    - Goods
    - Services

14. Chamber of Commerce provides its services to:
    - Doctors
    - Politicians
    - Businessmen
    - Bankers

15. The function of departmental store is:
    - Production
    - Wholesaling
    - Retailing
    - Warehousing

16. The memorandum of association is consists of:
    - 5 clauses
    - 6 clauses
    - 4 clauses
    - 2 clauses
Q: 2 (i): Define business and industry. Write the names of various kinds of industries.

Business:
That economic activity which is related to production or distribution adopted by single person or groups of a person's for achievement their goals is called business. In the other words a business is an organization engaged in producing goods and services to make a profit.

Industry:
Industry is concerned with the production and preparation of goods and services. It is a place where raw material is converted into finished goods.

Kinds of Industries:
1. **By Size:**
   a. Heavy industries.
   b. Light industries.
2. **By Production Process:**
   a. Extracting industry.
   b. Analytical industry.
   c. Synthetic industry.
   d. Fabricating industry.

Q: 2 (ii): Describe the characteristics of Joint Stock Company.

Main Features / Characteristics of a Joint Stock Company:
Following are the main features of company:

1. **Separate Management:** In corporation, management is separated from ownership. Shareholders do not take active part in management. They elect directors who manage the business on behalf of shareholders.
2. **Name of the Company:** The word "limited" must be followed in the name of the company, which shows that the liability of shareholders is limited to their investments.
3. **Board of Directors:** Every company must have a board of directors who are representatives of the shareholders.
4. **Annual Financial Statement:** Every public company is required to submit its annual financial statements to the registrar of the company.
5. **Transferability of Ownership:** Shares of the company can be bought and sold in the open market. This act is referred to as transferability of ownership, which does not affect the life of the company.
6. **Public Subscription:** In case of public company, general public may buy the shares of the company.

Q: 2 (iii): Describe the basic considerations for starting a business.

Basic Considerations for Starting a New Business:
The following are the factors which influence the selection of a legal form of business ownership.
1. **Selection of Business:** The first thing to be considered before starting a new business is deciding what type of business to start. There are many types of business available. The businessman has to select carefully whether to start industry or trade.
2. **Detailed Investigation:** A business cannot be started only by imagination. So after selecting a business detailed investigation should be done to determine the difficulties and possibility of future progress.
3. **Forms of Business Organization:** Sole proprietorship, partnership and Joint Stock Company are the various forms of business organization. Each forms of business organization has its own merits and demerits. Which type of business organization is suitable for the business depends upon various factors i.e. nature of the business, size, capital, risk, etc.

4. **Capital:** The volume of capital varies according to the nature and size of the business. Hence before starting a new business requirement of capital and the source for collecting capital should be determined.

5. **Location of Business:** Location means selecting a site for business. For starting a business location is also an important factor. It is very difficult to change the location once the business has been set up.

Q: 2 (iv): What are the sources of long term finance?

**Sources of Long Term Finance:**
Following are the sources of long term finance:
1. Capital.
2. Loans and bonds.
3. Retained earnings.

(a) **Capital:** The initial capital is obtained by a new company by floating shares. Shares represent equal portion in which the capital of a company is divided. Selling of share is the most important method of securing fixed capital and the contributors are the general public.

(b) **Loans and Bonds:** To raise sufficient capital debentures are issued by a company. Debenture is a promissory note for the repayment of the money borrowed and the payment of interest at fixed rates.

(c) **Retained Earnings:** This is very easy method of financing and is available to only established enterprises. Reinvestment of a part of the profits is an ideal means of financing, expansion and improvements.

Q: 2 (v): State the services of wholesaler to the manufacturer.

**Services of Wholesalers to Producers/Manufacturers:**
The wholesaler renders very valuable services to the manufacturers.
1. By buying in large quantities the wholesalers enables the manufacturers to benefit from the economies of large scale production.
2. The wholesaler relieves the manufacturer of the necessity for carrying large stock. Thus enabling him either to release his capital for future production or to carry on the business with less capital that would otherwise be necessary.
3. The wholesaler directs the producer as regards the quality and quantity of the goods demanded, market developments, coming trends, etc. as they are in direct contact with retailer who know the market conditions.
4. The manufacturers are already short of funds and cannot afford to allow credit to retailers; however the wholesalers can do so and relieve the manufacturers from credit burden.
5. The wholesalers simplify the marketing process and make fewer transactions necessary. A manufacturer deals only with a selected number of wholesalers rather than hundreds and thousands of retailers.
Q: 2 (vi): Write about various means of transportation.

Means of Transportation:
1. **Road Transport:** Road transport is very important mode of transport in land is the oldest form of transport. Road transport is used to carry goods and passengers from one place to another replace. In our country where other means of transport are not available, road transport plays a very important role.

2. **Railway Transport:** This method of transportation is very popular and suitable for bulky commodities. In Pakistan railways are government by government and the freight rates and fares are fixed by the government only. Huge capital is required for the establishment or railway tracks and the manufacture of wagons etc. for long distance this type of transport is cheaper.

3. **Water Transport:** Water transport is the cheapest means of transportation. Boats, steamers, ships etc. on rivers, canals and on oceans are used in this type of transport. It can be divided into two parts: (i) Inland water transport. (ii) Ocean water.

4. **Air Transport:** Air transport is the most advanced and modern means of transport. It is the fastest mode of transport and it can cover long and very long distances in few hours. The only drawback of this type of transport is it is too costly.

Q: 2 (vii): Describe the various kinds of warehouse.

Kinds of Warehousing:
1. **Public warehouses:** The public warehouse is essential space that can be leased to solve short-term distribution needs. Retailers that operate their own private warehouses may seek additional storage space if their facilities have reached capacity or if they are making a special, large purchase of products.

2. **Private Warehouses:** This type of warehouse is maintained by manufacturing companies, wholesalers, etc. for storage of their own stocks.

3. **Bonded Warehouses:** These are warehouses licensed by the government and are permitted to accept goods underbond, i.e. goods for which duty is yet to be paid. These are generally owned by the dock authorities and function under the strict surveillance of custom authorities.

4. **Wholesale Warehouses:** These are the warehouses which are operated by large wholesalers who buy in bulk quantities and store them in warehouse from where they supply goods to other businessmen.

5. **Automatic Warehouses:** With advances in computer technology many warehouses now have automated capabilities where machines are used to handle nearly all physical distribution activities.

Q: 2 (viii): Describe different types of insurance.

Types of Insurance:
Following are the types of insurance:

1. **Personal Accident Insurance:** Personal accident insurance insures against accidents, not necessarily tied to any specific property.

2. **Credit Insurance:** This type of insurance pays some or all of a loan back when certain things happen to the borrower such as unemployment, disability, or death.

3. **Financial Loss Insurance:** This type of insurance protects individuals and companies against various financial risks. For example, a business might purchase cover to protect it from loss of sale if a fire in a factory prevented it from carrying out its business for a time.
4. **Life Insurance**: Life insurance provides a cash benefit to a decedent's family or other designated beneficiary, and may specifically provide for burial and other final expenses.

5. **Marine Insurance**: Marine insurance covers the loss or damage of goods at sea. Marine insurance typically compensates the owner of merchandise for losses from fire, shipwreck, etc.

6. **Property Insurance**: This type of insurance provides protection against risks to property, such as fire, theft, or damage. This includes specialized forms of insurance such as fire insurance, flood insurance, earthquake insurance, etc.

Q: 2 (ix): **What are the different kinds of retailing?**

**Kinds of Retailing.**
Following are the some kinds of retailing:

1. Supermarket.
2. Department Store.
4. Chain Store.
5. Discount House.
6. Utility Store.
7. Self Service Store.
10. Common Retailing Shops.

**Departmental Stores**: Such stores require huge investment. The special features of this store are that they try to sell almost every considerable commodity. The store is divided into number of departments, situated into the same roof, each department specializing in commodities of the nature. An attempt is thus made to supply to the customer all that he requires from this place so that he may not require to visit any other shop.

**Chain Stores**: Sometimes the manufacturers himself wants to reach the consumers directly. This he does by opening multiple shops. Shops are opened in various parts of big and important cities. These shops are mean to sell only those goods in which the manufacturer is interested. For example BATA shoe manufacturing company whose chain store are spread all over the big cities of Pakistan.

**Mail Order House**: In mail order house, goods are sold and delivered through the post and not across the counter. From buyer’s point of view, it may be described as shopping by post.

Q: 2 (x): **Describe the advantages of partnership form of business.**

**Advantages of Partnership:**
Following are the advantages of partnership:

1. **Large Amount of Capital**: In partnership every partner provides capital for the business. So the scale of production can be enlarged according to the requirements.

2. **Combined Judgments and Managerial Skills**: In partnership business there are more than one owner, it is therefore possible to combine the abilities and knowledge of every partner. With combined decision and judgment business is greatly benefited and more profit is possibly earned.

3. **Personal Interest**: Since each general partner is responsible not only for his act but also for the acts of his partners, he shall devote his personal attention and interest to the activities of the firm and this will enable a firm to attain maximum efficiency.

4. **High Credit Standing**: If there are several partners and one of them has several extensive private means, creditors have little reason to doubt that the debt of partnership will be paid in full because liability of partnership is unlimited.
Export Procedure:
The procedure of export trade is as follows:

1. **Receiving Inquiries:**
   First of all exporter receives trade inquiry from importer about goods which importer wants to buy. Inquiry contains following information:
   - Type of product, size, quality, brand, price.
   - Mode of packing.
   - Port of delivery.
   - Mode of delivery with date.
   - Mode of payment.
   For providing all these information, the exporter fills a form called “Proforma Invoice”.

2. **Obtaining Order / Indent:**
   When the foreign importer gets satisfied with information provided by the exporter, the exporter receives order or indent from the importer. The order should give the necessary instructions, such as mode of forwarding, insurance, quality, quantity, size, name of product, etc. The order from the importer can be classified into two kinds:
   - Open Indent.
   - Close Indent.
   All the information mentioned above are included in the closed indent but these details are not given in the open indent. They are left on the option of the exporter.

3. **Obtaining Letter of Credit (L/C):**
   Before the exporter arranges for the shipment of goods, he asks the importer to open letter of credit (L/C) in his favour with the bank. Letter of credit is a security given by the importer's banker that the exporter will be paid for the goods exported by him. It authorizes the exporter to draw a bill of exchange on the banker for receiving payment and the bank permits their honour.

4. **Determination of Export Quota:**
   In the situation when the goods to be exported are short in supply and they are needed in the country itself, the government fixes quota (limit) for exports. If the exporter wants to export such goods, he acquires the permission from the government called "Export Quota".

5. **Obtaining Export License:**
   Export license is required to be taken by the exporter from the Chief Controller of Exports and Imports. Export license is permission from the government for the export of certain goods. There are following kinds of export license:
   - **Limited Fee License:** On the basis of this license, the exporter can export any quantity after paying the required export duty.
   - **Newcomer’s License:** This license is acquired by an exporter who enters in the export business newly.
   - **Quota License:** The holder of this license can export the limited quota only.
   - **Free License:** According to this license, the exporter can export any amount of goods permitted by the government.
   - **Open General License:** The holder of this license can export any amount of all the goods open to export.
6. **Compliance of Rules of Foreign Exchange:**
   If the exporter is from Pakistan, he will have to render a guarantee in accordance with the Foreign Exchange Regulation Act that whatever foreign exchange, which he will earn through the export of the goods, he would surrender in favour of the State Bank of Pakistan. He declares this on GR form. The original of this form he submits with the custom officer and three copies of this form he submits with the bank, which deals in foreign exchange.

7. **Fixation of Rate of Foreign Exchange:**
   The rate of exchange varies in the open market daily therefore, as soon as the transaction of importer is compiled with, pays for the imported goods in local currency at the prevalent rate of exchange.

8. **Arranging Goods to Export:**
   If the exporter is manufacturer himself, he starts the production of goods to be exported otherwise he will purchase the required goods from the local market.

9. **Packing and Marking the Goods:**
   Packing is an important part of the export. Any instruction given by the importer must be strictly observed. After compliance of packing, marking is done. The following should be indicated at the time of marking:
   - Name and brand of the goods.
   - Quantity, weight or number.
   - Degree of the packed goods.
   - Special number, if any.
   - The place of destination where the goods are to be taken.
   - Any special mark.

10. **Appointment of Forwarding Agent:**
    The service of forwarding agent can be taken for forwarding the goods. The forwarding agents are paid a certain commission and they undertake all the custom formalities on behalf of the exporter.

11. **Obtaining Shipping Order:**
    Shipping order is received from a shipping company by an application. In the application, the full particulars of commodities with the port of destination are given. The freight rate is not determined on the basis of the weight of goods but their volume. Such agreement is termed as "Chartered Party Agreement".

12. **Preparing Invoice:**
    Having received shipping order, the exporters prepares invoice in which the name of the ship, name of goods, quantity, quality, type of packing, point of destination and price is mentioned.

13. **Obtaining Consular Invoice:**
    If the goods are to be taxed, the custom official cannot trust the exporter that whatever the value of the goods, which has been shown in invoice, is correct. It may be over or under invoicing. For solving this problem, the exporter obtains the consular invoice from the importing countries embassy in which the quoted value of the goods is verified.

14. **Obtaining Custom Permit:**
    Custom officer issues custom permit to the exporter, which shows whether the goods to be imported are subject to levy tax. Having paid the duty, the consignment is sent to dockyard.
15. **Payment of Dockyard Charges:**
When the consignment is sent to dockyard, a dockyard challan is given to the exporter to fill. On the basis of this challan, the exporter pays dockyard charges.

16. **Insurance of Goods:**
Getting the goods to be exported insured from an insurance company is a must for exporter. Insurance assures that the goods would reach at the destination safe. If any damage or loss incurs, the insurance company would compensate the losses. This insurance is called “*Marine Insurance*”.

17. **Certificate of Origin:**
This is the certificate, which shows the origin of the commodities being exported. That shows the origin of the country in which they are manufactured. It is issued either by the Chamber of Commerce of the exporting country or by the Export Promotion Bureau. The certificate of origin, with other documents, is sent to the importer.

18. **Loading Goods in Ship:**
At this stage, the exporter makes arrangement for loading goods on the ship. The packages as they are received on the ship are counted and their packing is carefully examined. The captain at the ship then issues the receipt for the goods received and this receipt is called “*Mate Receipt*”. If the mate is satisfied with all the details of the goods, it is called clean receipt. But if the mate is not satisfied, it is called foul receipt.

19. **Bill of Lading:**
Bill of lading is issued by the shipping company signed by the captain and the master of the ship. This bill contains the name of the ship, name of the port of export, name of the port of import, details of the goods, date of dispatch, name of the importer and his address, name of shipping company and the address etc.

20. **Bill of Exchange:**
After the completion of all steps, the exporter prepares bill of exchange in the name of importer in which he is asked to pay within a certain period of time. This payment is made either to the person whose name is mentioned in the bill or according to his order. This bill is attached with all papers, which are sent to importer. The importer signs it and sent it back to the importer.

**Documents Used in Export Trade:**

1. Indent.
2. Letter of credit (L/C).
3. Bill of exchange (B/E).
4. Bill of lading (B/L).
5. Shipping order.
6. Proforma invoice.
7. Insurance receipt.
8. Dock receipt.
9. Mate receipt.
10. Export invoice.
11. Consular invoice.
Q: 4: Define Company. Describe the procedure of incorporation of a Joint Stock Company.

Company:
A corporate enterprise that has a legal identity separate from that of its members; it operates as one single unit, in the success of which all the members participate. A company may have limited liability (limited company), so that the liability of the members of the company’s debt is limited. An unlimited company is one in which the liability of the members is not limited in any way. A company may be registered as a public limited company or a private company. The shares of a private company may not be offered to the public for sale.

Procedure of Incorporation of a Joint Stock Company:
The formation of a company requires many steps to follow:

1. Getting Promoters Together:
The founders of the company are known as the promoters who must get together in order to work out the skeleton of the company. In public company, they must be seven and in case of private company they must be two. Promoters are the original shareholders of the company. After the establishment of the company the same promoters are the directors of the first board of the company.

2. Appointment of the Advisor:
The promoters of the company also appoint the legal advisor. These advisors are appointed for preparing the Memorandum of Association and the Prospectus under the guidance and instructions of the promoters. The advisors also deal with the proceedings in the office of the registrar on behalf of the company.

3. Company’s Documents:
For the purpose of registration of the Joint Stock Company, some documents are prepared in accordance with the requirements incorporated in the company law. The company cannot apply for its registration prior to preparation of these documents. These documents include Memorandum of Association, Article of Association and Prospectus.

4. Submission of Application:
After getting all the documents completed, the stage for submitting the application for registration reaches. The registrar of the company is the authorized person appointed by the government to accord the permission to the proposed company for business. The following documents are attached with the application of registration:
  - Memorandum of Association.
  - Article of Association.
  - Prospectus.
  - List of names of directors and their addresses.
  - Statement duly signed by the directors or the secretary of the company declaring that all the required legal formalities have fully been compiled with.
  - Address of the proposed head office of the company.

5. Payment of Registration Fee:
When the application of registration is submitted with the office of the registrar, the registration fee is also paid. Registration fee is determined in the light of the size of the capital of the firm.
6. **Printing of Share Certificates:**
   After submitting the application, the promoters make the arrangements for the printing of the share certificates so that they could be sold for collecting the finance after getting the firm registered. The share certificate indicates the proportion of ownership in the company.

7. **Issuance of Registration Certificate:**
   After having the application and the documents scrutinized if the registrar is satisfied with completion of legal formalities and the other documents, he issues a certificate called "Registration Certificate". Immediate after the issue of this certificate, the company legally comes into being and the private company could also commence the business but public company requires another certificate for commencing the business called "Commencement Certificate".

8. **Commencement Certificate:**
   After the issuance of registration certificate, registrar issues another certificate to the public company known as "Commencement Certificate" without which the registered company cannot commence its business.

9. **Publishing of Prospectus:**
   After receiving the registration certificate, the promoters issue the prospectus of the company through advertisement for keeping the people informed about the company. The issue of prospectus, is fact, is the invitation to purchase the shares of the company. When the company receives finances, through the issue of prospectus, the company becomes capable to commence its proposed business practically.

Q: 5: Describe the various parts of a business letter and explain it by the help of sketch.

**Parts of Business Letter:**
A business letter consists of following parts:

1. **Heading:**
   It is a sort of advertisement and that is why they are set up in a very attractive manner. It should be compact and well arranged. It should consist of printed names and address of individual firms, company or corporation sending the letter. The telephone number, telegraphic address, codes used, date and reference number are also given with the letter head.

2. **Inside Address:**
   It is the name and address of the party which is being addressed. It should be exactly the same as the outside address on the envelope. The name of the person or the firm used is an inside address must have proper courtesy titles. The common prefix for a man is Mr. if a person hold a degree or a title it must be added to his name such as Dr. Khan, if a person holds a university degree, it will precedes his designation as Mr. Khan M.Com, M.A.

3. **Salutation:**
   This is the compliment or greeting preceding the body of the letter. It would always be in harmony with the personal relations of the writer except in care of official letters which invariable have Sir for salutation. The most common forms of salutation in a commercial letter are Dear Sir when addressing one gentleman, Dear Sirs for a firm or company.
4. **Subject Line:**
According to the modern principles of business correspondence, sometimes immediately after salutation the subject matter of the letter is written in one or two lines just below the salutation. Subject line helps the reader of the letter in connecting himself with the past (if there is any) matter. Moreover, he can pass the letter to the concerned clerk understanding but without going through the full text of the letter. Prior to writing the subject line, the letters "Sub" or "Ref" are written and the subject line is underlined so that it could be given a prominent and important position.

5. **The Body of the Letter:**
The entire letter is to be divided into suitable paragraphs which is not only the question of appearance but giving the reader breathing times. Each paragraph should contain one topic. The correspondent should commence a new paragraph whenever he switches on a new topic. The introductory paragraph should be very carefully written. In subsequent paragraphs the discussion should continue dealing with the main subject matter of the letter. The last paragraph should be written in good spirit.

6. **Complementary Close:**
Complementary close refers to the words or the phrases which are written immediately after finishing of the letter. It consists of words like "Your faithfully", "yours sincerely", etc. It should be noted that these closing words or phrases should be written in the light of the post, position, and title and social/business status of the reader of the letter. These closing words are written on left hand side just below the text. Complementary close should also be in synchronization of the salutation.

7. **Signature:**
The writer of the letter has to put down his signature in ink just below the complementary close. A letter without is unauthentic.

8. **Typist’s Initial:**
These initials are usually placed in the lower left hand corner of the letter. These are put down with a view to hold the person responsible. Such as MA: NA. Here MA refers to Muhammad Ali and NA means Naseem Ahmad.

9. **Post Script (PS):**
If due to some after thoughts the writer wants to add something after the completion of the letter he puts down PS and after that writes down whatever he wants. PS should also be signed by the writer.

10. **Enclosure:**
If the letter is sent along with the documents, it should be indicated by writing about the enclosure on the left hand at the bottom corner of the letter paper.
Sketch of a Business Letter:

<table>
<thead>
<tr>
<th>Heading</th>
<th>ABC Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tariq Road</td>
</tr>
<tr>
<td></td>
<td>Karachi</td>
</tr>
<tr>
<td>Fax:</td>
<td>Phone:</td>
</tr>
<tr>
<td></td>
<td>28 - February – 2012</td>
</tr>
<tr>
<td></td>
<td>Ref: 27/SE/84</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inside Address</th>
<th>Director Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>XYZ Corporation</td>
</tr>
<tr>
<td></td>
<td>Karachi</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subject Line</th>
<th>Sub:______________________________</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Salutation</th>
<th>Dear Sir:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Body / Text</th>
<th>First Paragraph</th>
</tr>
</thead>
<tbody>
<tr>
<td>--------------</td>
<td>------------------</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Body / Text</th>
<th>Second Paragraph</th>
</tr>
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<tbody>
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<tr>
<th>Body / Text</th>
<th>Third Paragraph</th>
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<tr>
<td>--------------</td>
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</table>

<table>
<thead>
<tr>
<th>Complimentary Close</th>
<th>Yours Sincerely</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>-sd-</td>
</tr>
<tr>
<td></td>
<td>Sameer Hussain</td>
</tr>
<tr>
<td></td>
<td>Director Personnel</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Typist Initial</th>
<th>AW : PK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PS.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Post Script</th>
<th>______________________________</th>
</tr>
</thead>
</table>

OR

Draft a circular letter to the prospective customers, to inform them about the arrivals of new models of mobile phone sets. Assume necessary particular and details.

Circular Letter:

Zeeshan Enterprises
D – 40, SITE Karachi
Telephone: 021-36647958 | Email: z.enterprises@yahoo.com

Mr. Mujtaba Rizvi
West Wharf, Karachi
May 1, 2015

Dear Mr. Mujtaba,

We are glad to announce that we have imported latest models of mobile phones from different countries. These mobiles are available right now, just visit our store and pick the model you desire. The details of mobile phones and their prices are given below:
1) **Samsung Galaxy S6 Edge:**
32/64/128GB built-in, 3GB RAM, 1.5 GHz Quad-Core Cortex-A53 + 2.1 GHz Quad-Core Cortex-A57, Exynos 7420 GPU: Mali-T760, 5.1 inches (~72.0% screen to body ratio), 1440 x 2560 pixels (~576 ppi pixel density) Sensors: Accelerometer, gyro, proximity, compass, barometer, gesture, heart rate, 16 MP, 3456 x 4608 pixels, optical image stabilization, autofocus, LED flash, Geo-tagging, touch focus, face detection, Auto HDR, panorama, Video (2160p@30fps, 1080p@60fps, 720p@120fps, HDR, dual-video rec.), 2ndry 5 MP, 1080p@30fps, dual video call, Auto HDR, Rs.92,000.

2) **HTC One M9:**
32GB built-in, 3GB RAM, microSD card(support up to 128GB), 1.5 GHz Quad-core Cortex-A53 + 2 GHz Quad-core Cortex-A57, Qualcomm MSM8994 Snapdragon 810 GPU: Adreno 430, 1080 x 1920 pixels, (~441 ppi pixel density), 5.0 inches (~68.4% screen to body ratio), 20.7 MP, 5376 x 3752 pixels, autofocus, dual-LED (dual tone) flash, Automatic simultaneous video and image recording, geo-tagging, face/smile detection, HDR, panorama, Video (2160p@30fps, 1080p@60fps, 720p@120fps, HDR, stereo sound rec), 2ndry 4 MP, 1080p@30fps, HDR, Rs.69,000.

3) **QMobile Noir Z8:**
16 GB built-in memory (support upto 64GB), 1.2GHz Quad-core, Qualcomm Snapdragon, 5.0 Inches, 720 x 1280 pixels (294 ppi pixel density) Sensors: Proximity, Light, G-sensor, Magnetic, 13 MP, autofocus, LED flash, Geo-tagging, touch focus, face smile detection, panorama, HDR, Video 1080p@30fps, 2ndry 5 MP. Rs.19,000.

4) **Lenovo A6000:**
8GB built-in, 1GB RAM, microSD card(supports up to 32 GB), 1.2 GHz Quad-Core Cortex-A53, Qualcomm MSM8916 Snapdragon 410 GPU: Adreno 306, 5.0 inches, 720 x 1280 pixels (~294 ppi pixel density) Sensors: Accelerometer, proximity, 8 MP, 3264 x 2448 pixels, autofocus, LED flash, Geo-tagging, touch focus, face detection, Video, 2ndry 2 MP, Rs.17,000.

5) **Huawei Y625:**
4GB built-in, 1GB RAM, microSD Card (supports up to 32GB), 1.2 GHz Quad-Core, 5.0 Inches, 480 x 854 (196ppi pixel density) Sensors: Accelerometer, Proximity, Light, 8 MP, LED Flash Auto focus, Video, 2ndry 2 MP, Rs.14,000.

Yours truly
For Shahrukh Enterprises
2013 – PRIVATE PRINCIPLES OF COMMERCE
SECTION – A (MULTIPLE CHOICE QUESTIONS)

Q: 1: Choose the correct answer for each from the given options:

1. Most efficient and useful filing system for offices is:
   * Spike filing   * Docketing   * Flat filing   * Vertical filing

2. One of the factors of buying is the:
   * Right place   * Right time   * Right supply   * Right price

3. Retained earnings refers to:
   * Future profit   * Gross profit   * Past profit   * None of these

4. Order letter is written for:
   * Knowing prices   * Knowing quality   * Buying goods   * Storing goods

5. On the death of an insured person, the amount of insurance is paid to:
   * Friends   * Nominated person   * Relatives   * Government

6. Stationary used in an office is:
   * Liability   * Asset   * Expense   * None of these

7. Export business requires:
   * Commencement certificate   * Registration certificate   * Certificate of origin   * None of these

8. Long-term investment goes to:
   * Buying machinery   * Buying raw material   * Renting plant   * Payment of wages

9. Finance is arranged in sole proprietorship by:
   * Partners   * Shareholders   * Employees   * Single owner

10. Limited liability is a characteristic of:
    * Partnership   * Sole proprietorship   * Joint Stock Company   * None of these

11. In Pakistan, cooperative societies are established under the act of:
    * 1912   * 1921   * 1923   * 1932

12. Wholesaling concentrates on:
    * Variety   * Quality   * Quantity   * Price

13. Joint Stock Company is managed by the:
    * Partners   * Employees   * Shareholders   * Directors

14. The maximum number of shareholders in a private limited company is:
    * 7   * 10   * 20   * 50

15. Utility store is kind of:
    * Retailing   * Wholesaling   * Services   * Manufacturing

16. Market research is done for:
    * Creating customers   * Increasing sale   * Determining the needs of customers   * Increasing production
SECTION – B (SHORT-ANSWER QUESTIONS)

Q: 2 (i): Explain the relationship between commerce and economics.

Relationship between Commerce and Economics:
Commerce and economics are inter-related subjects. Commerce is concerned with man’s behavior in the pursuit of wealth. The word ‘wealth’ has a different connotation in economics. The economic development of the society and the development of commerce are inter-linked. The rapid increase in population has increased the demand for all type of goods. The increase in the purchasing power of consumers is creating demand for various goods and services. All this has given inputs to commerce. To meet the ever increasing demand, production is carried on a large scale. The advancement in science and technology has brought the era of mass production. The division of labour and scientific management has increased productivity and profitability. The specialization in every activity has tremendously increased the economic activities i.e. production, consumption, exchange distribution. The improvement in transport and communication faculties has increased the volume of trade. The production is now undertaken for international markets. The setting up of exchange banks, financial institutions, insurance companies, warehouses, Advertisement agencies, etc. indicate the development of commerce.

Q: 2 (ii): What are the factors to be considered in starting a new business? Explain capital and location.

Basic Considerations for Starting a New Business:
The following are the factors, which influence the selection of a legal form of business ownership.
1. Selection of business.
2. Detailed investigation.
3. Forms of business organization.
5. Location of business.
6. Selection of staff.
9. Infrastructure.
10. Marketing.
11. Competition.
12. Risk.

1. **Capital:** The volume of capital varies according to the nature and size of the business. Hence before starting a new business requirement of capital and the source for collecting capital should be determined.
2. **Location of Business:** Location means selecting a site for business. For starting a business location is also an important factor. It is very difficult to change the location once the business has been set up.

Q: 2 (iii): List the labour saving devices used in a modern office and explain any one.

Labour Saving Devices:
- Electronic Machines:
  - Electronic Typewriter.
  - Paper Shredders.
  - Photocopierys.
  - Computers.
- Cyclostyle Machine.
Electronic Typewriter: It is a machine, which is used to type letters, memos, reports, and other materials. It works very fast and does not make noise. Like computers, it has the ability to correct mistakes, save memory, and check spellings.

Photocopiers: A photocopier (also known as a copier or copy machine) is a machine that makes paper copies of documents and other visual images quickly and cheaply. It is a machine, which reproduces documents by photographing the original over a glass plate and printing duplicates.

Q: 2 (iv): Define long-term finance. What are its sources?

Long Term Finance:
Investment in the business for over one year is called long term finance.

Sources of Long Term Finance:
Following are the sources of long-term finance:
1. Capital.
2. Loans and bonds.
3. Retained earnings.

1. Capital: A new company obtains the initial capital by floating shares. Shares represent equal portion in which the capital of a company is divided. Selling of share is the most important method of securing fixed capital and the contributors are the general public.

2. Loans and Bonds: To raise sufficient capital debentures are issued by a company. Debenture is a promissory note for the repayment of the money borrowed and the payment of interest at fixed rates.

3. Retained Earnings: This is very easy method of financing and is available to only established enterprises. Reinvestment of a part of the profits is an ideal means of financing, expansion and improvements.
Q: 2 (v): What do you know about the prospectus of the company?

Prospectus:
"Any prospectus, notice circular, advertisement or other invitation offering to the public for subscription or purchase of any shares in or debentures of a body corporate". Prospectus is the invitation to purchase the shares of the company.

Essentials of Prospectus:
The following divisions of law regarding issue of the prospectus are to be noted:
5. A copy of prospectus should be provided with the forms for purchasing shares.
6. It should be presented to the people as invitation to purchase the share.
7. The directors should sign prospectus with date.
8. Prior to printing, the draft of the prospectus should be submitted for approval in the office of the registrar of company.

Q: 2 (vi): State the different types of insurance.

Types of Insurance:
Following are the types of insurance:
1. **Personal Accident Insurance**: Personal accident insurance insures against accidents, not necessarily tied to any specific property.
2. **Credit Insurance**: This type of insurance pays some or all of a loan back when certain things happen to the borrower such as unemployment, disability, or death.
3. **Financial Loss Insurance**: This type of insurance protects individuals and companies against various financial risks. For example, a business might purchase cover to protect it from loss of sale if a fire in a factory prevented it from carrying out its business for a time.
4. **Life Insurance**: Life insurance provides a cash benefit to a decedent's family or other designated beneficiary, and may specifically provide for burial and other final expenses.
5. **Marine Insurance**: Marine insurance covers the loss or damage of goods at sea. Marine insurance typically compensates the owner of merchandise for losses from fire, shipwreck, etc.
6. **Property Insurance**: This type of insurance provides protection against risks to property, such as fire, theft, or damage. This includes specialized forms of insurance such as fire insurance, flood insurance, earthquake insurance, etc.

Q: 2 (vii): Why is the sole proprietorship form of business most common in Pakistan?

Sole Proprietorship:
The most common and simplest form of business is a sole proprietorship. An individual proprietor owns and manages the business and is responsible for all transactions. Sole proprietorship form of business organization is the most common in Pakistan because:
- A sole proprietor has complete control over the business.
- Sale or transfer can take place at the discretion of the sole proprietor.
- No corporate tax payments.
- Minimal legal costs to forming a sole proprietorship.
- Few formal business requirements.
- Owner can take his/her own decision quickly.
- Secrecy of business information and financial details.
Q: 2 (viii): Define retailing and give its example.

**Retailing:**
Commercial transaction in which a buyer intends to consume the good or service through personal, family, or household use is called retailing.

**Kinds of Retailing.**
Following are the some kinds of retailing:
- Supermarket.
- Department Store.
- Mail Order House.
- Chain Store.
- Discount House.
- Utility Store.
- Self Service Store.
- Sale by Machine.
- Single Product Store.
- Common Retailing Shops.

**Departmental Stores:** Such stores require huge investment. The special features of this store are that they try to sell almost every considerable commodity. The store is divided into number of departments, situated into the same roof, each department specializing in commodities of the nature. An attempt is thus made to supply to the customer all that he requires from this place so that he may not require to visit any other shop.

**Chain Stores:** Sometimes the manufacturers himself wants to reach the consumers directly. This he does by opening multiple shops. Shops are opened in various parts of big and important cities. These shops are mean to sell only those goods in which the manufacturer is interested. For example BATA shoe manufacturing company whose chain store are spread all over the big cities of Pakistan.

**Mail Order House:** In mail order house, goods are sold and delivered through the post and not across the counter. From buyer’s point of view, it may be described as shopping by post.

Q: 2 (ix): What are the kinds of business letters? Explain any one.

**Kinds of Business Letter:**
2. Inquiry Letters.
4. Reminders.
5. Sales Letters.

**Sales Letters:**
Sales letters are generally written and sent either for increasing the sales or to introduce new products to the prospective buyers. The sales letters are written in such a manner and style that the reader should feel that if he would purchase the goods, he would have higher advantage than whatever he would pay in terms of their price. The price of the goods, standard, quality, durability, guarantee, warranty, and other characteristics are included in the text of letter. Sales letters can be classified into two kinds:
Unsolicited Sales Letters: These letters are written to the prospective buyers by the companies and organization on their own accord to create the buying motivation in them.

Solicited Sales Letters: These letters are sent in response of inquiry letters from the buyers.

Q: 2 (x): Describe the characteristics of Joint Stock Company.

Main Features / Characteristics of a Joint Stock Company:
Following are the main features of company:
1. Separate Management: In corporation, management is separated from ownership. Shareholders do not take active part in management. They elect directors who manage the business on behalf of shareholders.
2. Name of the Company: The word "limited" must be followed in the name of the company, which shows that the liability of shareholders is limited to their investments.
3. Board of Directors: Every company must have a board of directors who are representatives of the shareholders.
4. Annual Financial Statement: Every public company is required to submit its annual financial statements to the registrar of the company.
5. Transferability of Ownership: Shares of the company can be bought and sold in the open market. This act is referred to as transferability of ownership, which does not affect the life of the company.

SECTION – C (DETAILED-ANSWER QUESTIONS)
Q: 3: Describe the procedure of export trade and write the name of documents used in foreign trade.

Export Procedure:
The procedure of export trade is as follows:

1. Receiving Inquiries:
First of all exporter receives trade inquiry from importer about goods which importer wants to buy. Inquiry contains following information:
   • Type of product, size, quality, brand, price.
   • Mode of packing.
   • Port of delivery.
   • Mode of delivery with date.
   • Mode of payment.
For providing all these information, the exporter fills a form called "Proforma Invoice".

2. Obtaining Order / Indent:
When the foreign importer gets satisfied with information provided by the exporter, the exporter receives order or indent from the importer. The order should give the necessary instructions, such as mode of forwarding, insurance, quality, quantity, size, name of product, etc. The order from the importer can be classified into two kinds:
   • Open Indent.
   • Close Indent.
All the information mentioned above are included in the closed indent but these details are not given in the open indent. They are left on the option of the exporter.
3. **Obtaining Letter of Credit (L/C):**
Before the exporter arranges for the shipment of goods, he asks the importer to open letter of credit (L/C) in his favour with the bank. Letter of credit is a security given by the importer's banker that the exporter will be paid for the goods exported by him. It authorizes the exporter to draw a bill of exchange on the banker for receiving payment and the bank permits their honour.

4. **Determination of Export Quota:**
In the situation when the goods to be exported are short in supply and they are needed in the country itself, the government fixes quota (limit) for exports. If the exporter wants to export such goods, he acquires the permission from the government called "Export Quota".

5. **Obtaining Export License:**
Export license is required to be taken by the exporter from the Chief Controller of Exports and Imports. Export license is permission from the government for the export of certain goods. There are following kinds of export license:

- **Limited Fee License:** On the basis of this license, the exporter can export any quantity after paying the required export duty.
- **Newcomer's License:** This license is acquired by an exporter who enters in the export business newly.
- **Quota License:** The holder of this license can export the limited quota only.
- **Free License:** According to this license, the exporter can export any amount of goods permitted by the government.
- **Open General License:** The holder of this license can export any amount of all the goods open to export.

6. **Compliance of Rules of Foreign Exchange:**
If the exporter is from Pakistan, he will have to render a guarantee in accordance with the Foreign Exchange Regulation Act that whatever foreign exchange, which he will earn through the export of the goods, he would surrender in favour of the State Bank of Pakistan. He declares this on GR form. The original of this form he submits with the custom officer and three copies of this form he submits with the bank, which deals in foreign exchange.

7. **Fixation of Rate of Foreign Exchange:**
The rate of exchange varies in the open market daily therefore, as soon as the transaction of importer is compiled with, pays for the imported goods in local currency at the prevalent rate of exchange.

8. **Arranging Goods to Export:**
If the exporter is manufacturer himself, he starts the production of goods to be exported otherwise he will purchase the required goods from the local market.

9. **Packing and Marking the Goods:**
Packing is an important part of the export. Any instruction given by the importer must be strictly observed. After compliance of packing, marking is done. The following should be indicated at the time of marking:
- Name and brand of the goods.
- Quantity, weight or number.
- Degree of the packed goods.
- Special number, if any.
- The place of destination where the goods are to be taken.
- Any special mark.
10. **Appointment of Forwarding Agent:**
The service of forwarding agent can be taken for forwarding the goods. The forwarding agents are paid a certain commission and they undertake all the custom formalities on behalf of the exporter.

11. **Obtaining Shipping Order:**
Shipping order is received from a shipping company by an application. In the application, the full particulars of commodities with the port of destination are given. The freight rate is not determined on the basis of the weight of goods but their volume. Such agreement is termed as “Chartered Party Agreement”.

12. **Preparing Invoice:**
Having received shipping order, the exporters prepares invoice in which the name of the ship, name of goods, quantity, quality, type of packing, point of destination and price is mentioned.

13. **Obtaining Consular Invoice:**
If the goods are to be taxed, the custom official cannot trust the exporter that whatever the value of the goods, which has been shown in invoice, is correct. It may be over or under invoicing. For solving this problem, the exporter obtains the consular invoice from the importing countries embassy in which the quoted value of the goods is verified.

14. **Obtaining Custom Permit:**
Custom officer issues custom permit to the exporter, which shows whether the goods to be imported are subject to levy tax. Having paid the duty, the consignment is sent to dockyard.

15. **Payment of Dockyard Charges:**
When the consignment is sent to dockyard, a dockyard challan is given to the exporter to fill. On the basis of this challan, the exporter pays dockyard charges.

16. **Insurance of Goods:**
Getting the goods to be exported insured from an insurance company is a must for exporter. Insurance assures that the goods would reach at the destination safe. If any damage or loss incurs, the insurance company would compensate the losses. This insurance is called "Marine Insurance".

17. **Certificate of Origin:**
This is the certificate, which shows the origin of the commodities being exported. That shows the origin of the country in which they are manufactured. It is issued either by the Chamber of Commerce of the exporting country or by the Export Promotion Bureau. The certificate of origin, with other documents, is sent to the importer.

18. **Loading Goods in Ship:**
At this stage, the exporter makes arrangement for loading goods on the ship. The packages as they are received on the ship are counted and their packing is carefully examined. The captain at the ship then issues the receipt for the goods received and this receipt is called "Mate Receipt". If the mate is satisfied with all the details of the goods, it is called clean receipt. But if the mate is not satisfied, it is called foul receipt.

19. **Bill of Lading:**
Bill of lading is issued by the shipping company signed by the captain and the master of the ship. This bill contains the name of the ship, name of the port of export, name of the port of import, details of the goods, date of dispatch, name of the importer and his address, name of shipping company and the address etc.
20. Bill of Exchange:
After the completion of all steps, the exporter prepares bill of exchange in the name of importer in which he is asked to pay within a certain period of time. This payment is made either to the person whose name is mentioned in the bill or according to his order. This bill is attached with all papers, which are sent to importer. The importer signs it and sends it back to the importer.

### Documents Used in Foreign Trade:

<table>
<thead>
<tr>
<th>Documents Used in Export:</th>
<th>Documents Used in Import:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Indent.</td>
<td>• Importer license.</td>
</tr>
<tr>
<td>• Letter of credit (L/C).</td>
<td>• Letter of credit.</td>
</tr>
<tr>
<td>• Bill of exchange (B/E).</td>
<td>• Bill of exchange.</td>
</tr>
<tr>
<td>• Bill of lading (B/L).</td>
<td>• Insurance cover note.</td>
</tr>
<tr>
<td>• Shipping order.</td>
<td>• Proforma invoice.</td>
</tr>
<tr>
<td>• Proforma invoice.</td>
<td>• Bill of lading.</td>
</tr>
<tr>
<td>• Insurance receipt.</td>
<td>• Mate receipt.</td>
</tr>
<tr>
<td>• Dock receipt.</td>
<td>• Certificate of origin.</td>
</tr>
<tr>
<td>• Mate receipt.</td>
<td>• Packing list.</td>
</tr>
<tr>
<td>• Export invoice.</td>
<td>• VBF form.</td>
</tr>
<tr>
<td>• Consular invoice.</td>
<td>• Certificate of measurement and weight.</td>
</tr>
<tr>
<td>• Certificate of origin.</td>
<td>• Registration certificate as importer.</td>
</tr>
<tr>
<td>• Shipping bill.</td>
<td>• Certificate from Chamber of Commerce.</td>
</tr>
<tr>
<td></td>
<td>• Income tax certificate showing GIR.</td>
</tr>
</tbody>
</table>

**Q: 4:** Define the term filing and explain the classification of filing system.

**Filing:**
A system of arranging or preserving documents received and copies of letters in a proper way is known as filing system. Such a supervision of all letters and documents enables the businessman to have ready reference as and when needed.

**Characteristics of Good Filing:**
For an efficient filing system it is necessary to have the following qualities:

1. **Simplicity:**
The filing system should be quite easy and simple so that everyone in the office can use it without any technical knowledge.

2. **Safety:**
The letters and documents should be kept in a lock or other device to prevent unauthorized person to approach the correspondence.

3. **Elasticity:**
With the development of business sometimes it becomes necessary to alter the filing system. Therefore it is essential that filing system should be elastic.

4. **Minimum Space:**
The space occupied by a filing system should be as small as possible.
5. **Cheapness and Economy:**
To avoid any financial pressure the system of filing should be cheap and economical in proportion to the size of business.

6. **Suitability:**
Again the system of filing must suit the requirements of business in connection with which it is used. The requirements of each business house vary according to the nature and extent of its business and the actual system of filing best suited to it varies accordingly.

7. **Speedy:**
Filing of letters and documents should be easy in order to trace the required letters or documents without any loss of time.

**Classification of Files:**
Following classification is common in business world:
1. Alphabetical Filing.
2. Geographical Filing.
3. Subject Filing.
5. Date – Wise Filing.

1. **Alphabetical Filing:**
In this type of filing, files are arranged according to the alphabets.

2. **Geographical Filing:**
In this type of filing, files are arranged according to the area. In this type, files can be arranged by:
- Direction wise (east, west, north, south).
- Country wise (Pakistan, China, Japan).
- City wise (Karachi, Lahore, Islamabad, etc.).
- Continent wise (Europe, Asia).

3. **Subject Filing:**
Under this system of filing, files are arranged according to their functions such as sales, purchase, cash, receivables, payables, etc.

4. **Numerical Filing:**
In this type, files are arranged according to serial numbers such as license number, registration numbers, bank account numbers, etc.

5. **Date – Wise Filing:**
In this type, files are arranged according to the dates in ascending or descending order.

**Horizontal Filing:**
Files are placed one upon another is known as horizontal filing.

**Vertical Filing:**
In this method, files are placed side by side on their edge in standing position.
Q: 5: Describe the qualities of a goods business letter.

Characteristics of a Good Business Letter (9cs):
A good business is the one which achieves the object for which it is being written. Some of the essentials to make a business letter effective are given below:

1. Conciseness (Brevity).
2. Clarity.
3. Correctness.
4. Concreteness.
5. Confidence.
7. Consideration.
8. Courtesy.

1. Conciseness or Brevity:
Business executives are dead busy. They do not have time to go through unnecessary lengthy messages. The writer is also a loser if he writes wordy messages, because it involves more time to type and read. The letter should be as short as possible in view clearness, completeness and courtesy. To achieve conciseness avoid unnecessary repetition and wordy expression, include only relevant facts with courtesy, and organize the message logically and efficiently.

Example:

<table>
<thead>
<tr>
<th>Lengthy</th>
<th>Concise</th>
</tr>
</thead>
<tbody>
<tr>
<td>• For the purpose of:</td>
<td>• For</td>
</tr>
<tr>
<td>• It is the fact that the incidence was not like this</td>
<td>• It was the reality</td>
</tr>
<tr>
<td>• The copy of invoice is being attached with these papers</td>
<td>• Copy of invoice is attached</td>
</tr>
</tbody>
</table>

2. Clarity:
The language of the letter should be clear and understandable so all possibilities of misunderstanding might be eradicated. A caution and care is needed in selecting the words and phrases to be used in the letters. The words should be so simple, clear and commonly understandable that if the text of the letter is read even in hurry, the sense should be clear creating no confusion and complexity. It is not possible for the busy businessman to give much time on reading. This can be achieved only when the writer understating the subject and has command on language.

Example:

<table>
<thead>
<tr>
<th>Unclear</th>
<th>Clear</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Being a new member, we invite you to attend this meeting. (Who is the new member, you or we?)</td>
<td>• Since you are the new member, we invite you to grace this meeting.</td>
</tr>
</tbody>
</table>

3. Correctness:
All the matters and information included in the letter should be correct and provision of wrong and exaggerated information and statements should be avoided. A special care should be taken in connection with quoting figures. The letter should comprise truth and correct statements. For instance, if the letter of complaint is to be written in connection with the delivery of the consignment, the quantity of the goods received; date of receipt, nature of fault, etc. should be very correct.
Example:

<table>
<thead>
<tr>
<th>Incorrect</th>
<th>Correct</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Goods received are defective.</td>
<td>• Out of 1,000 PCs, 100 are defective.</td>
</tr>
</tbody>
</table>

4. **Concreteness:**
Concreteness makes the letter standard. If a general statement, pertaining any matter, is made in the letter not making it concrete and specific, it would go confused which is the defect of a business letter. The use of common nouns and adjectives should be avoided to include because they make the text of the letter weak and vague.

*Example:*

<table>
<thead>
<tr>
<th>General</th>
<th>Concrete</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Radios set manufactured by us are good and durable. (No explanation of brand of radio sets, good and durability has been given).</td>
<td>• Fico radio model T25 gives clear sound, easy to change channels and noiseless is their quality. Three years free service and warranty is extended.</td>
</tr>
</tbody>
</table>

5. **Confidence:**
Confidence in communication creates positive tone. Following are the words, which create doubts: I hope, if and when, I am of the opinion. Such phrases show difference in the message. Letter will be more successful when one shows confidence in oneself. Confidence in oneself is produce when he/she believes in the fairness of his/her decisions and actions. Writer should show the reader that he is decisive, positive, confident and straightforward.

6. **Conversational Tone:**
Letter should read as if writer is talking to the reader. The tone should be comfortable, natural, and conversational. Conversational tone makes the writer emphatic. To accomplish conversational tone the following guideline should be adopted:
- Vary words.
- Be straightforward.
- Keep the paragraph small.
- Avoid vague writing.

*Example:*

<table>
<thead>
<tr>
<th>Non – Conversational Tone</th>
<th>Conversational Tone</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Most respectfully I beg to say that I cannot attend the office tomorrow.</td>
<td>• Kindly grant me leave of absence for tomorrow.</td>
</tr>
</tbody>
</table>

7. **Consideration:**
Consideration refers to the attitude, empathy, the human touch, and understanding of human nature. Consideration means the message with the receiver in mind. Writer should try to visualize the readers, their desires, problems, emotions, circumstances, and possible reaction to writer’s request. The "WE ATTITUDE", in the letter, should be turned into "YOU ATTITUDE" because the word “I” and “We” reflects pride therefore, they should be avoided to use.

*Example:*

<table>
<thead>
<tr>
<th>&quot;We&quot; Attitude</th>
<th>&quot;You&quot; Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We are going to give a concession.</td>
<td>• You would be pleased to have this concession.</td>
</tr>
</tbody>
</table>
8. **Courtesy:**
All correspondents are to be treated as gentleman. It does not mean humility. What is required is honest, frank, and straightforward statement of facts worded in polite and courteous language. Writing under anger or sentiments, the writer loses grip on mental thoughts as well as on his pen. Writing full of politeness and courtesy make new customers.

*Example:*

<table>
<thead>
<tr>
<th>Rude and Uncourteous</th>
<th>Polite and Courtesy</th>
</tr>
</thead>
<tbody>
<tr>
<td>You have violated the contract by including some sub-standard items in the consignment.</td>
<td>We are assured that due to some misunderstanding or error some sub-standard items have been included in the consignment.</td>
</tr>
</tbody>
</table>

9. **Completeness:**
A standard and goods business letter should be complete in all respect so that the reader might not write again and again to have the complete information. For instance, if the purchase order is given in the letter, in one letter all information should be provided like the name of the products, their quality, quantity, price, brand, mode of shipping, delivery, packing, payment, etc.

**OR**

Draft a final reminder letter giving debtor “fair warning” for money collection. Assume necessary particulars and details.

**Reminder Letter:**

<table>
<thead>
<tr>
<th>King Corporation</th>
<th>Phone:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tariq Road,</td>
<td>Mobile:</td>
</tr>
<tr>
<td>Karachi.</td>
<td>Fax:</td>
</tr>
<tr>
<td>March 30, 2014</td>
<td></td>
</tr>
</tbody>
</table>

The Director Purchase,  
A.M. Ltd.  
Landmark Plaza, Karachi.

Dear Sir:  
On March 10, 2014, we shipped order worth Rs.500,000 vide our credit invoice No. 98P/14.

According to the deal you were bound to pay the invoice in five days after the receipt of the order. Since then 20 days have elapsed, but there is a silence on your part.

The non-payment has put our payables in abeyance damaging our market position.

We ask you to make it convenient to send the cheque for Rs.500,000 at once.

Yours sincerely,  
For King Corporation  
-sd-  
Sohail Amin  
Director Marketing
2014 – REGULAR PRINCIPLES OF COMMERCE
SECTION – A (MULTIPLE CHOICE QUESTIONS)

Q: 1: Choose the correct answer for each from the given options:

1. The wholesaler creates link between:
   * Retailer & consumer   * Producer & consumer   * Producer & retailer   * Exporter & importer

2. Those who form the company are known as:
   * Partners   * Promoters   * Experts   * Directors

3. The partner invests capital but does not take active part in management:
   * Nominal partner   * Active partner   * Sleeping partner   * Secret partner

4. Transportation creates:
   * Time utility   * Place utility   * Possession utility   * Marginal utility

5. The language used in official letter is:
   * Formal   * Complicated   * Literary   * Technical

6. The trade across territorial boundaries is known as:
   * Home trade   * Foreign trade   * Wholesale trade   * Retail trade

7. The ultimate objective of a business activity is:
   * Exchange of goods   * Earning profits   * Help for the deserving   * Welfare of society

8. The retailer holds the stock of:
   * Consumer goods   * Capital goods   * Manufactured goods   * Exchanged goods

9. Advertising is the art of:
   * Motivation   * Presentation   * Persuasion   * Collection

10. Minimum constraints are faced by:
    * Partnership   * Cooperative society   * Sole proprietorship   * Public limited company

11. Rate of return is fixed on:
    * Shares   * Bonds   * Charge account   * Dividend

12. The mode of transport in marine routes is:
    * Ship   * Trucks   * Aeroplanes   * Railways

13. Accommodation bill is a kind of:
    * Bill of exchange   * Promissory note   * Letter of credit   * None of these

14. Trade means:
    * Transportation of goods   * Buying and selling of goods   * Production of goods   * Storage of goods

15. Oil industry belongs to:
    * Extracting industry   * Analytical industry   * Fabricating industry   * Tertiary industry

16. A cooperative society is run on the basis of:
    * Profit   * Loss   * No profit no loss   * Charity
Q: 2 (i) Define commerce and state its scope.

Commerce:
Commerce is the aggregate of all those aspects of business activity which are concerned with the scale, transfer or exchange of goods and services. It embraces all those functions that are essential for maintaining a free and uninterrupted flow of goods and services between producers and consumers.

Scope of Commerce:
The scope and range of commerce can be determined from the fact that it includes production, marketing, banking, finance, transporting, warehousing, insurance and information.

1. **Trade**: Trade means exchange of goods and services for cash and for credit. Trade is concerned with actual buying and selling of goods. Trade may be classified into home trade and foreign trade. Home trade may be divided into wholesale trade and retail trade.
2. **Transport**: Transport implies conveyance of goods from one place to another.
3. **Warehousing**: Warehousing is an establishment for the storage of goods. Warehousing facilities help in avoiding the difficulties of waiting for the goods from the producer.
4. **Insurance**: Insurance stands for the security against heavy risk. It makes business operation very secure by making provision against all possible losses and damages.
5. **Finance and Banking**: Banks provide means by which capital is transferred from those who cannot profitably use it to those who can use it most productively for the benefit of the society as a whole.
6. **Production**: Business function starts with the planning for production which is conversion of materials from one form to another. It requires the purchase of raw materials, machinery, and equipment, and hiring different classes of labours.
7. **Information**: Commerce extends to getting information from various sources and media. It requires information at every stage.
8. **Grading and Standardization**: Grading is the specification of a quality, rank or class according to value. Standardization is the process of making goods of uniform size and shape.

Q: 2 (ii) Define short term finance and enlist its sources.

**Short Term Finance**: A loan which must be repaid within a year is called short term finance.

**Sources of Short Term Finance**:
1. Trade Accounts.
2. Installment Purchases / Hire Purchases.
3. Commercial Draft (Bill of Exchange).
4. Accommodation Bill.
5. Pledging Accounts Receivable / Factors.
7. Overdraft.
9. Call Loans.
11. Two-Name Paper Advance.
Q: 2 (iii): Describe the clauses of Memorandum of Association.

Memorandum of Association:
It is the document which sets out the constitution of the company and as such is really the foundation on which the structure of company rests. It must contain the following clauses:

1. **Name Clause:** In this clause the full name of the company is shown and the last word of the name of the company must be limited. An already registered name cannot be adopted.
2. **Object Clause:** This clause is very important and must be very carefully drafted as it determines the activities of the company. Here each and every detail of activities of the business to be carried out must be laid down.
3. **Domicile Clause:** This act provides that the company must have a registered office so that registrar may be able to send notice, etc. to the company at the registered office.
4. **Liability Clause:** This clause states that the liability of the shareholders is limited to the amount invested by shareholders in the company.
5. **Capital Clause:** This clause must contain a statement as to the amount of capital with which the company proposes to be registered and the division therefore into shares at certain fixed amounts.

Q: 2 (iv): State the services of wholesaler to producer.

Services of Wholesalers to Producers/Manufacturers:
The wholesaler renders very valuable services to the manufacturers.

1. By buying in large quantities the wholesalers enables the manufacturers to benefit from the economies of large scale production.
2. The wholesaler relieves the manufacturer of the necessity for carrying large stock. Thus enabling him either to release his capital for future production or to carry on the business with less capital that would otherwise be necessary.
3. The wholesaler directs the producer as regards the quality and quantity of the goods demanded, market developments, coming trends, etc. as they are in direct contact with retailer who know the market conditions.
4. The manufacturers are already short of funds and cannot afford to allow credit to retailers; however the wholesalers can do so and relieve the manufacturers from credit burden.
5. The wholesalers simplify the marketing process and make fewer transactions necessary. A manufacturer deals only with a selected number of wholesalers rather than hundreds and thousands of retailers.

Q: 2 (v): List the advantages of Joint Stock Company.

Advantages of Joint Stock Company:
The advantages of the company are as follows:

1. **Huge Amount of Capital:** The small value of shares allow a large number of persons to invest so due to limited and issuance of shares, large capital may be raised by a Joint Stock Company.
2. **Limited Liability of Shareholders:** The liability of shareholders is limited to the investment of them. It means that if the business is going to be lost, the shareholders are not liable to lose anything from the private property.
3. **Efficient Management:** The management of the Joint Stock Company is carried out by directors who are able, experienced and trustees of shareholders. The management is thus, in the hands of experts.
4. **Stability of Business:** Life of the company is unlimited. It cannot be liquidated by admission, retirement, insanity, bankruptcy, or death of a shareholder.

5. **Ease of Expansion:** In Joint Stock Company, if it is desirable to expand the business, it can be easily done by issue of more and more shares and debentures.

6. **Easy Transferability of Shares:** The shares of a company are freely bought and sold in stock exchange market and a shareholder can withdraw his money whenever required by selling his shares to others.

7. **Legal Entity:** The company has legal entity distinct from the shareholders. The company can enter into any contract with any person or company on the behalf of the company's name.

**OR**

State four kinds of media of advertisement.

**Media of Advertising:**

**Non – Electronic Media:**

1. **Newspaper:** The newspapers are daily or weekly used for advertising the goods of local businessman.

2. **Magazines:** Magazines can be used for the products which are sold out all over the country. This type of advertisement is not flexible as changes cannot be made in the advertisement copy easily.

3. **Pamphlets / Handbills:** A well drafted advertisement to print on places of paper of handy size in large numbers. These handbills are distributed with the help of paid man or newspaper hawker.

4. **Bill Boards / Hoarding:** They are installed along important and busy roads. They are used to attract passengers, automobile travelers, and pedestrians.

**Q: 2 (vi):** What are the kinds of partners?

**Kinds of Partners:**

Following are the kinds of partners:

1. **Active Partner:** These are those members of partnership who contribute to the total capital of the firm and taken the active part in the conduct and administration of the business.

2. **Sleeping / Dormant / Silent Partner:** They contribute to the capital of the firm but do not take active part in the management. They also share profit.

3. **Nominal Partner:** He is the one who neither contribute any capital to the firm nor takes active part in administration of the business. He only lends the use of his name to the firm. He is not entitled to share the profit.

4. **Secret Partner:** A secret partner takes active part in the business activities but public does not know him as partner of firm. He has capital in the business, enjoys profits and shares losses.

5. **Minor Partner:** Minor partner means whose age is less than 21 years. A minor partner may become a partner of the business with the consent of all the other partners but he only shares profit of the business.
Q: 2 (vii): Explain the qualities of a good businessman.

Qualities of a Good Businessman:
A businessman must possess certain qualities if he has to stay in the market.
1. **Ability to Plan and Organize:** It is essential for a businessman to have the ability to plan and organize effectively. A good planner can only make the best decisions for the business.
2. **Qualities of Leadership:** A businessman must have the qualities of leadership. With the help of this quality business can expand and earn more profit.
3. **Honest:** A businessman should be honest and sincere in public dealings. Goodwill of the business depends on his honesty.
4. **Foresight:** A good businessman should be careful about the future expectations. If he fails to anticipate the demand for his goods then will suffer a loss.
5. **Research on business:** To compete in business, a businessman must find out new products and new means of working. He uses his research work and experience to minimize the cost of production.
6. **Technical Skills:** A good businessman should have adequate technical skills. He should have command over specialized knowledge so that he may run his business in a proper way and earn profit.
7. **Hardworking:** A good businessman must be hardworking. He should be well balanced and cool minded person and have the ability of working for long hours.
8. **Patience:** Patience is an asset of a businessman. If a businessman loses his temper he may face problems.

OR

Describe the functions of marketing.

Functions of Marketing:
The functions are:
(a) **Exchange Functions:**

<table>
<thead>
<tr>
<th>Buying</th>
<th>The function of buying is performed in order to acquire quality materials for production.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling</td>
<td>Selling involves the discovery of customers, introducing them with available goods, and encourages them to buy goods.</td>
</tr>
</tbody>
</table>

(b) **Physical Functions:**

<table>
<thead>
<tr>
<th>Transportation</th>
<th>Transport implies conveyance of goods from one place to another.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage</td>
<td>Warehousing is an establishment for the storage of goods.</td>
</tr>
</tbody>
</table>

(c) **Facilitating Functions:**

<table>
<thead>
<tr>
<th>Finance</th>
<th>The whole marketing mechanism depends upon financing. Large scale of production requires enormous amount of money.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grading and Standardization</td>
<td>Grading is the specification of a quality, rank or class according to value. Standardization is the process of making goods of uniform size and shape.</td>
</tr>
<tr>
<td>Market Information</td>
<td>Producers are made aware of coming trends marketers informs them of changes in consumers want supply and demand, and the new market development, position of the competitors, etc.</td>
</tr>
</tbody>
</table>
Risk – Bearing: The mere act of owing goods carries with it burden of assuming certain risks in connection with them. Risks may be theft, damage, waste, change in demand or supply or price.

Q: 2 (viii): State Un-insurable risks.

Uninsurable Risks:
Business cannot insure many of the risks they face. These risks are called uninsurable risk.

Types of Uninsurable Risks:
Following are some types of uninsurable risks:

1. **Technology Changes**: Anytime technology changes, there is a possible effect on a business. This risk cannot be insured.
2. **Economic Conditions**: A downturn in the economy can quickly reduce sales and profits. It is also uninsurable risk for business.
3. **Consumer Demand**: If consumer tastes change, the company may end up with products in inventory that they are unable to sell at a profit.
4. **Competitor’s Actions**: The actions of competitors can affect the success of a business like advertising, reduce prices, entrance of new competitor, introducing new product, etc.
5. **Local Factors**: The laws, regulations, taxes, infrastructure of a local community can have an influence on the operations of a business.
6. **Business Operations**: The day-to-day operations of a business can have a major impact on its success or failure.

Q: 2 (ix): Describe direct channels of distributions.

**Direct Channel of Distribution:**
A direct channel of distribution describes a situation in which the producer sells a product directly to a consumer without the help of intermediaries. A direct chain of distribution may involve face-to-face sales, computer sales or mail order but does not involve any form of distributor other than the original producer. Chains of distribution that involve nonaffiliated retailers or wholesalers cannot be described as direct channels of distribution and are instead classified as indirect chains of distribution.

Q: 2 (x): What are the kinds of business letters? Explain any one.

**Kinds of Business Letter:**
2. Inquiry Letters.
4. Reminders.
5. Sales Letters.

**Sales Letters:**
Sales letters are generally written and sent either for increasing the sales or to introduce new products to the prospective buyers. The sales letters are written in such a manner and style that the reader should feel that if he would purchase the goods, he would have higher advantage than whatever he would pay in terms of their price. The price of the goods, standard, quality, durability, guarantee, warranty, and other characteristics are included in the text of letter. Sales letters can be classified into two kinds:
Unsolicited Sales Letters: These letters are written to the prospective buyers by the companies and organization on their own accord to create the buying motivation in them.

Solicited Sales Letters: These letters are sent in response of inquiry letters from the buyers.

SECTION – C (DETAILED-ANSWER QUESTIONS)
Q: 3: Describe the step by step procedure of importing goods from a foreign country. Enlist the documents used in this procedure.

Import Procedure:
The procedure of import trade is as follows:

1. Registration:
   It is imperative as a first step for the importer that he should registered himself as commercial importer or industrial raw material user or the consumer with the chief controller of imports and exports. The intended importer is supposed to submit the following documents with chief controller:
   - Receipt of rent of the place where he runs business.
   - The name of the banker and his account number.
   - Certificate of nationality or his passport.
   - Income tax assessment order.
   - Income tax certificate.
   - Membership certificate from Chamber of Commerce.
   - Profit and loss account of atleast one financial year.

2. Obtain the Import License:
   The next stage is to obtain the license of the goods which importer wants to import. The license is issued by the chief controller of imports and exports. Import license is the permit given by the government to import certain goods.

3. Correspondence with Foreign Exporter:
   After having the import license, the importer initiates correspondence with the foreign exporter regarding the price, brand, quality, time and mode of payment, delivery, shipping and packing of the goods to be imported.

4. Proforma Invoice / Quotation / Order:
   Now proforma invoice is prepared in which the name of importer, his address, details of goods to be imported, their prices, standard and the value in either US Dollars or British Pounds.

5. Appointment of Indenters:
   At this stage, the importer appoints indenter who is acting within the country as the agent of the foreign exporter. It should be noted that it is also necessary for the indenter to get himself registered with the chief controller of imports and exports.

6. Insurance Cover:
   It is the imperative for the importer to get the goods insured against theft, fire, decrease in number of goods and ship accident from local insurance company. The importer will get Insurance Cover as consequence getting his goods insured.

7. Letter of Credit (L/C):
   At this step, the importer has to arrange for the opening of letter of credit through his local bankers. The letter of credit is then forward to the exporter through the banker.
8. **Preparations of Exporter:**
The exporter, on the other hand, makes preparations to send the goods according to the order of the importer.

9. **Preparation of Bill of Exchange:**
The exporter prepares a bill of exchange in the name of importer and gets it accepted from the importer’s banker after which, receiving the advice of letter of credit, he hands over the shipping documents (includes invoice, certificate of origin, certificate of measurement and weight, bill of lading) to the shipping company. After completing this formality, he receives the amount in the letter of credit.

10. **Payment of the Bill:**
In this stage, the importer will pay the bill. If the importer fails to pay the bill he may ask his banker to pay the bill by granting him loans against the goods imported. In that case, the bank will ask the importer to give the letter of hypothecation on the strength of which the bank will hold the goods.

11. **Appointment of a Clearing Agent:**
After receiving all the relevant papers, he hands them over to his clearing agent. The clearing agent makes arrangement to get the goods cleared and received which according to his applications might have reached the port. The clearing agent is paid certain commission for his services.

12. **Payment of Custom Duty and Sale Tax:**
When the imported goods reach the port, the custom inspectors confirm whether goods are according to the invoice. Afterwards, they calculate custom duty, sales tax, and other taxes on the goods imported. After the payment of this amount, the goods get cleared and are handed over to the clearing agent of the importer.

**Documents Used in Import Trade:**
1. Importer license.
2. Letter of credit.
4. Insurance cover note.
5. Proforma invoice.
7. Mate receipt.
9. Packing list.
10. VBF form.
11. Certificate of measurement and weight.
12. Registration certificate as importer.
13. Certificate from Chamber of Commerce.
14. Income tax certificate showing GIR.
Q: 4: Explain the functions of Chamber of Commerce.

Chamber of Commerce:
Chamber of Commerce is a voluntary non-trading association of persons who are directly or indirectly connected with commerce. Its purpose is to promote trade and business, and protect the business interest of its member. Thus, only the businessmen, industrialists, bankers, and professional men like accountants, auditors are entitled to be the members of the Chamber of Commerce. The Chamber of Commerce is organized on regional basis. The businessman of a particular area form such organization e.g. Karachi Chamber of Commerce, Lahore Chamber of Commerce, Peshawar Chamber of Commerce.

Functions of Chamber of Commerce:
1. It helps to develop trade and industry of a country and looks after and protects their interest.
2. It collects all sorts of information concerning commerce and industry and maintains numerous records which are necessary in connection therein.
3. It issues reports and journals at regular interval full of information regarding commerce and industry for its own members as well as for the general public.
4. Advisory services on labour practices and disputes are provided.
5. It helps the members in recovering debts.
6. It provides trade reference information about financial status of its members.
7. It protects trademarks and patents and thereby encourages the cause of national commerce and industry.
8. It acts as arbitrator in case there is any dispute between businessmen.
9. It helps the exporters and importers by furnishing information of various natures in connection with import and export.
10. It issues export certificate and certificate of origin which are very common instruments in international commerce.
11. It advances commercial and technical education in the country.
12. Nowadays, an active part is played by the Chamber of Commerce in influencing economic policy of the government. It examines the budget every year and suggests appropriated modification in the tax proposals.
13. It invites the attention of the government and public on matters affecting trade, commerce and industry of the country.

OR

Define partnership. Explain the conditions of dissolution of partnership.

Partnership:
"Partnership is an association of two or more persons to carry on as co-owners a business for profit”. It is a business ownership which must have atleast two partners and maximum number of partners is 20 but in case of banking it is only 10.

Dissolution of Partnership:
When partnership is dissolved the firm may or may not be dissolved because the business activities may be carried on by the existing partners on the retirement, death, or insolvency of any partner. It means the business activities do not come to an end.

Conditions of Dissolution of Partnership:
Under the following circumstances the partnership stands dissolved:
1. Admission of Partner:
Admission of a partner means that a new person wants to join the partnership. If a new partner is admitted to the firm, the old partnership will have to be dissolved, and new agreement is drawn up to continue the business anew.

2. Retirement of Partner:
When a partner leaves the partnership and other partners continue the partnership, it is said to be retirement of a partner. In case of retirement of a partner the partnership stands dissolved.

3. Insolvency of a Partner:
If any partner becomes insolvent then partnership stands dissolved.

4. Insanity of a Partner:
If a partner has become of unsound mind the partnership stands dissolved.

5. A Convict Partner:
When a partner is convicted crime i.e. he is declared to be guilty by the court of law, the partnership will get dissolved.

6. Expiry of Period:
If a partnership is continued for a fixed period of time then it will be dissolved after the expiry of that period.

7. Death of a Partner:
The death of a partner may end the partnership.

8. Completion of Work:
If a firm is constituted to carry on a particular project then the completion of project will stop the continuation of partnership.

Dissolution of Firm:
The dissolution of firm means the dissolution of partnership among all partners of the firm. It means the activities of partnership business come to an end.

Conditions of Dissolution of Partnership:
A will cease to exist under the following state of affairs:

1. Illegality of Business:
If a business undertaken by a firm is declared illegal by law the firm will cease to exist.

2. Insolvency of all Partners:
Where all partners in a firm become bankrupt the firm becomes dissolved.

3. Mutual Agreement:
Partnership is formed by mutual consent so the firms may also be dissolved if all partners agree.

4. Notice of Dissolution:
If the partnership exists at will for a certain period of time and continues beyond the stipulated period the firm will stand dissolved if a notice in writing is served by a partner to others showing his intention to dissolve.
Q: 5: Describe the qualities of a goods business letter.

Characteristics of a Good Business Letter (9cs):
A good business is the one which achieves the object for which is being written. Some of the essentials to make a business letter effective are given below:

1. Conciseness (Brevity).
2. Clarity.
3. Correctness.
4. Concreteness.
5. Confidence.
7. Consideration.
8. Courtesy.

1. Conciseness or Brevity:
Business executive are dead busy. They do not have time to go through unnecessary lengthy messages. The writer is also a loser if he writes wordy messages, because it involves more time to type and read. The letter should be as short as possible in view clearness, completeness and courtesy. To achieve conciseness Avoid unnecessary repetition and wordy expression, include only relevant facts with courtesy, and organize the message logically and efficiently.

Example:

<table>
<thead>
<tr>
<th>Lengthy</th>
<th>Concise</th>
</tr>
</thead>
<tbody>
<tr>
<td>• For the purpose of:</td>
<td>• For</td>
</tr>
<tr>
<td>• It is the fact that the incidence was not like this</td>
<td>• It was the reality</td>
</tr>
<tr>
<td>• The copy of invoice is being attached with these papers</td>
<td>• Copy of invoice is attached</td>
</tr>
</tbody>
</table>

2. Clarity:
The language of the letter should be clear and understandable so all possibilities of misunderstanding might be eradicated. A caution and care is needed in selecting the words and phrases to be used in the letters. The words should be so simple, clear and commonly understandable that if the text of the letter is read even in hurry, the sense should be clear creating no confusion and complexity. It is not possible for the busy businessman to give much time on reading. This can be achieved only when the writer understating the subject and has command on language.

Example:

<table>
<thead>
<tr>
<th>Unclear</th>
<th>Clear</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Being a new member, we invite you to attend this meeting. (Who is the new member, you or we?)</td>
<td>• Since you are the new member, we invite you to grace this meeting.</td>
</tr>
</tbody>
</table>

3. Correctness:
All the matters and information included in the letter should be correct and provision of wrong and exaggerated information and statements should be avoided. A special care should be taken in connection with quoting figures. The letter should comprise truth and correct statements. For instance, if the letter of complaint is to be written in connection with the delivery of the consignment, the quantity of the goods receive; date of receipt, nature of fault, etc. should be very correct.
Example:

<table>
<thead>
<tr>
<th>Incorrect</th>
<th>Correct</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Goods received are defective.</td>
<td>• Out of 1,000 PCs, 100 are defective.</td>
</tr>
</tbody>
</table>

4. **Concreteness:**
Concreteness makes the letter standard. If a general statement, pertaining any matter, is made in the letter not making it concrete and specific, it would go confused which is the defect of a business letter. The use of common nouns and adjectives should be avoided to include because they make the text of the letter weak and vague.

**Example:**

<table>
<thead>
<tr>
<th>General</th>
<th>Concrete</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Radio set manufactured by us are good and durable. (No explanation of brand of radio sets, good and durability has been given).</td>
<td>• Fico radio model T25 give clear sound, easy to change channels and noiseless is their quality. Three years free service and warranty is extended.</td>
</tr>
</tbody>
</table>

5. **Confidence:**
Confidence in communication creates positive tone. Following are the words which create doubts: I hope, if and when, I am of the opinion. Such phrases show difference in the message. Letter will be more successful when one shows confidence in oneself. Confidence in oneself is produce when he/she believes in the fairness of his/her decisions and actions. Writer should show the reader that he is decisive, positive, confident and straightforward.

6. **Conversational Tone:**
Letter should read as if writer is talking to the reader. The tone should be comfortable, natural, and conversational. Conversational tone makes the writer emphatic. To accomplish conversational tone the following guideline should be adopted:

- Vary words.
- Be straightforward.
- Keep the paragraph small.
- Avoid vague writing.

**Example:**

<table>
<thead>
<tr>
<th>Non – Conversational Tone</th>
<th>Conversational Tone</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Most respectfully I beg to say that I cannot attend the office tomorrow.</td>
<td>• Kindly grant me leave of absence for tomorrow.</td>
</tr>
</tbody>
</table>

7. **Consideration:**
Consideration refers to the attitude, empathy, the human touch, and understanding of human nature. Consideration means the message with the receiver in mind. Writer should try to visualize the readers, their desires, problems, emotions, circumstances, and possible reaction to writer’s request. The “WE ATTITUDE”, in the letter, should be turned into “YOU ATTITUDE” because the word “I” and “We” reflects pride therefore, they should be avoided to use.

**Example:**

<table>
<thead>
<tr>
<th>“We” Attitude</th>
<th>“You” Attitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>• We are going to give a concession.</td>
<td>• You would be pleased to have this concession.</td>
</tr>
</tbody>
</table>
8. **Courteous:**
All correspondents are to be treated as gentlemen. It does not mean humility. What is required is honest, frank, and straightforward statement of facts worded in polite and courteous language. Writing under anger or sentiments, the writer loses grip on mental thoughts as well as on his pen. Writing full of politeness and courtesy make new customers.

*Example:*

<table>
<thead>
<tr>
<th>Rude and Uncourteous</th>
<th>Polite and Courtesy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• You have violated the contract by including some sub-standard items in the consignment.</td>
<td>• We are assured that due to some misunderstanding or error some sub-standard items have been included in the consignment.</td>
</tr>
</tbody>
</table>

9. **Completeness:**
A standard and goods business letter should be complete in all respect so that the reader might not write again and again to have the complete information. For instance, if the purchase order is given in the letter, in one letter all information should be provided like the name of the products, their quality, quantity, price, brand, mode of shipping, delivery, packing, payment, etc.

**OR**

Draft an application for the post of an assistant accountant with resume. Assume necessary details.

**Job Letter:**
House # R97, Rana Centre, Tariq Road, Karachi.
January 26, 2011
The Director Personnel, A.M. Ltd.
Landmark Plaza, Karachi.

Dear Sir:

I read the job ad placed by your company in Dawn dated January 23, 2011 for the post of Assistant Accountant. I want to apply for this job as I possess the job requirement.

I have done MBA from Iqra University. I have achieved a CGPA of 3.4 which is equivalent to 1st division. I completed my MBA in 2009. Besides other subjects, I also took the optional subject accounting in my MBA.

I have a 2 year work experience in the accounting and finance field. I worked at Hassan Traders for 1 year as an assistant accountant. After that I worked for Feroz Pharmaceuticals Limited for one year as assistant chief accountant.

I would appreciate an opportunity of interview to further discuss my qualifications.

Yours sincerely,

-SD-
Sohail Amin
SA : AH
Resume

Furqan Khan
House # 239, Rahat Manzil
Clifton Road
phone:  
E-mail:  

Objective:
To research thermal/fluid systems, particularly those in solar energy and gas turbine applications.

Personal Data:
Name: Furqan Khan
Father’s Name: Muhammad Ali Khan
Date of Birth: 21st November 1982
Place of Birth: Karachi

Education:
Matric: 2001 “A” Grade Karachi Board
Inter Com. 2003 “A” Grade Karachi Board
B.Com 2005 1st Division Karachi University
MBA 2009 1st Division Iqra University

Experience:
• 1 year work experience in Hassan Traders as an Assistant Accountant.
• 1 year work experience in Feroz Pharmaceuticals Limited as an Assistant Chief Accountant.

Computer Literacy:
• Diploma in Information technology (DIT)
• Computerized Accounting Software.

Interest and Hobbies:
Reading books and playing games.

Languages:
English and Urdu languages can read, write and speak.

Reference:
Reference available upon request.
2014 – PRIVATE
PRINCIPLES OF COMMERCE
SECTION – A (MULTIPLE CHOICE QUESTIONS)

Q: 1: Choose the correct answer for each from the given options:

1. Complete business secrecy is possible only in:
   * Partnership   * Sole proprietorship   * Joint Stock Company   * Cooperative society

2. This partner is not eligible to take part in the management of partnership form of business:
   * Sleeping partner   * Minor partner   * Nominal partner   * Secret partner

3. The rules and regulations of company are described in the:
   * Prospectus   * Articles of Association   * Memorandum of Association   * Resolution

4. The owners of a partnership firm are the:
   * Shareholders   * Partners   * Managers   * Auditors

5. It runs on no profit no loss basis:
   * Partnership   * Sole proprietorship   * Joint Stock Company   * Cooperative society

6. These risks are un-insurable:
   * Fire   * Price   * Theft   * Marine

7. Purchasing order of goods from the importer in the exporter is called:
   * Dock warrant   * Indent   * Shipping order   * Delivery order

8. A summary of the academic qualification and other personal information of a candidate for a job is called:
   * Job application   * Sales letter   * Resume   * Circular letter

9. The aim of foreign trade is to increase:
   * Production and income   * Industries   * Employment   * Foreign exchange

10. This refers to the moving of goods and from the point of production to the point of consumption:
    * Storage   * Transportation   * Information   * Production

11. Bonded warehouses are used by the:
    * Importer   * Retailer   * Wholesaler   * Exporter

12. The burden of expenditure for advertisement is ultimately shifted to the:
    * Consumer   * Retailer   * Producer   * Wholesaler

13. Fidelity insurance covers:
    * Health   * Theft   * Credit transaction   * None of these

14. Clearance sale is a selling device in:
    * Retailing   * Wholesaling   * Warehousing   * None of these

15. The Chamber of Commerce provides its services to:
    * Bankers   * Doctors   * Politicians   * Businessmen

16. A company formed under a company law is a:
    * Chartered company   * Statutory company   * Registered company   * Private company
Q: 2 (i): Define the following terms: (i) Business (ii) Trade (iii) Profession.

Business:
That economic activity which is related to production or distribution adopted by single person or groups of a person's for achievement their goals is called business. In the other words a business is an organization engaged in producing goods and services to make a profit.

Trade:
A basic economic concept that involves multiple parties participating in the voluntary negotiation and then the exchange of one's goods and services for desired goods and services that someone else possesses.

Profession:
Occupation, practice, or vocation requiring mystery of a complex set of knowledge and skill through formal education and/or practical experience is called profession. Every organized profession (law, accounting, medicine, etc.) is governed by its respective professional body.

Q: 2 (ii):
Write the basic considerations for starting a new business.

Basic Considerations for Starting a New Business:
The following are the factors which influence the selection of a legal from of business ownership.

1. Selection of Business: The first thing to be considered before starting a new business is deciding what type of business to start. There are many types of business available. The businessman has to select carefully whether to start industry or trade.

2. Detailed Investigation: A business cannot be started only by imagination. So after selecting a business detailed investigation should be done to determine the difficulties and possibility of future progress.

3. Forms of Business Organization: Sole proprietorship, partnership and Joint Stock Company are the various forms of business organization. Each forms of business organization has its own merits and demerits. Which type of business organization is suitable for the business depends upon various factors i.e. nature of the business, size, capital, risk, etc.

4. Capital: The volume of capital varies according to the nature and size of the business. Hence before starting a new business requirement of capital and the source for collecting capital should be determined.

5. Location of Business: Location means selecting a site for business. For starting a business location is also an important factor. It is very difficult to change the location once the business has been set up.

Q: 2 (iii):
Why is sole proprietorship form of business organization most common in Pakistan?

Sole Proprietorship:
The most common and simplest form of business is a sole proprietorship. An individual proprietor owns and manages the business and is responsible for all transactions. Sole proprietorship form of business organization is the most common in Pakistan because:

- A sole proprietor has complete control over the business.
- Sale or transfer can take place at the discretion of the sole proprietor.
- No corporate tax payments.
- Minimal legal costs to forming a sole proprietorship.
- Few formal business requirements.
Q: 2 (iv): What is partnership deed? List its contents.

**Partnership Deed:**
Partnership agreement in writing is called partnership deed. Partnership deed is a document which is signed by all the partners and which contains all the matters determining and governing the mutual rights, duties and liabilities of the partners in the conduct and management of the affairs of the partnership. The partnership deed usually contains the following clauses.

1. Name and location of business.
2. The nature of the business.
3. The amount of capital to be contributed by each partner.
5. The duties, powers and obligations of all the partners.
6. Length or life of business.
7. The method of distribution of profit and sharing of the losses.
8. Method of admitting a new partner.
10. The method of valuation of goodwill on and or retirement or death of a partner.
11. Method of revaluation of assets or liabilities on admission, retirement or death of a partner.
12. Procedure to be followed for expulsion of a partner.
13. Arrangements to be followed in case a partner becomes insolvent.
14. Salary, if any, payable to the partners for managing the firm.
15. The method of preparing accounts and arrangement for audit.
16. Procedure for the dissolution of the firm and settlement of accounts.
17. Arbitration in case of disputes among partners.
18. Operation of bank account.

Q: 2 (v): How does a public company differ from a private company?

<table>
<thead>
<tr>
<th>Difference Between Public Company and Private Company:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRIVATE COMPANY</strong></td>
</tr>
<tr>
<td>1. The minimum number of shareholder is two.</td>
</tr>
<tr>
<td>2. Maximum number is fifty</td>
</tr>
<tr>
<td>3. It cannot sell its shares to general public.</td>
</tr>
<tr>
<td>4. Commencement certificate from the registrar is not required for starting the business.</td>
</tr>
<tr>
<td>5. Annual or half-yearly accounting statement are not required to be submitted with the registrar.</td>
</tr>
</tbody>
</table>
OR

Differentiate between shares and debentures.

<table>
<thead>
<tr>
<th>Shares</th>
<th>Debentures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ownership:</strong> The share of a company provides ownership to the shareholders.</td>
<td>Debenture-holders are creditors of a company who provide loan to the company.</td>
</tr>
<tr>
<td><strong>Identity:</strong> Person holding share is known as shareholder.</td>
<td>Person holding debenture is known as debenture-holder.</td>
</tr>
<tr>
<td><strong>Certainty of return:</strong> No certainty of return in case of loss for the shareholder.</td>
<td>Debenture-holder receives the interest even if there is no profit.</td>
</tr>
<tr>
<td><strong>Convertibility:</strong> Shares cannot be converted into debentures.</td>
<td>Debentures can be converted into shares.</td>
</tr>
<tr>
<td><strong>Control:</strong> Shareholders have the right to participate and vote in company's meeting.</td>
<td>Debenture holders do not possess any voting right and cannot participate in meeting.</td>
</tr>
</tbody>
</table>

Q: 2 (vi): State the services of wholesaler to retailer.

**Services of Wholesaler to Retailer:**

1. The retailers are relieved of maintaining huge stock of goods because the wholesaler fills up the stock regularly. The wholesaler buys in large quantities and sell them at convenient lots to the retailers.
2. The wholesaler provides finance and credit facilities to the retailer and thereby relieves the financial difficulties of the retailer.
3. The wholesaler saves retailers from many types of risks. The retailer is not required to carry huge stock as he can get them from the wholesaler at regular interval. By extending credit has saved the retailers a lot.
4. The wholesaler provides valuable advices to the retailer on all matters relating to new product and market condition and thereby relieves him from collection of market data.
5. The wholesaler gives trade discounts on bulk purchase and as such it enables the retailers to earn handsome amount of profit.

Q: 2 (vii): Describe the advantages of storage.

**Advantages of Storage:**

1. **Regular Production:** Raw materials need to be stored to enable mass production to be carried on continuously. Storage enable manufacturers to produce goods in anticipation of demand in future.
2. **Timely Utility:** It helps in making available the goods whenever required or demanded by the customers.
3. **Storage of Surplus Goods:** Goods which are not required immediately can be stored in a warehouse to meet the demand in future.
4. **Price Stabilization:** Storage reduce violent fluctuations in prices by storing goods when their supply exceeds demand and by releasing them when the demand is more than immediate productions.
5. **Minimization of Risk:** Perishable products can be preserved in cold storage. By keeping their goods in warehouses, businessmen can minimize the loss from damage, fire, theft etc.
6. **Packing and Grading:** A modern warehouse provides facilities for processing, packing, blending, grading etc., of the goods for the purpose of sale.
Q: 2 (viii): Mention the steps required for importing goods.

Steps Required for Importing Goods:
In importing the goods from a foreign country the following steps are taken;
1. Registration.
2. Obtaining an import license.
3. Correspondence with the exporter.
4. Proforma invoice / Quotation / Offer.
5. Appointing indenters.
6. Insurance cover.
7. Opening letter of credit.
8. Supplier's (Exporter's) preparation / shipment of goods.
10. Payment of the bill.
12. Payment of custom duty and sales.

OR

List the documents used in exporting goods.

Documents Used in Exporting Goods:
1. Indent.
2. Letter of credit (L/C)
3. Bill of exchange (B/E)
4. Bill of lading (B/L)
5. Shipping order.
6. Proforma invoice.
7. Insurance receipt.
8. Dock receipt.
9. Mate receipt.
10. Export invoice.
11. Consular invoice.

Q: 2 (ix): What are the sources of short term finance?

Sources of Short Term Finance:
For business organizations are available many sources to borrow funds.
1. Trade accounts (A/P)
2. Installment purchases (Hire purchase)
3. Commercial draft (Bill of exchange)
4. Accommodation bill
5. Pledging accounts receivable / Factors
6. Commercial paper (promissory note)
7. Overdraft
8. Agricultural banks
9. Call loans
10. I.O.U. (I owe you)
11. Two-name paper advance
Q: 2 (x): What are the various common means of transportation in Pakistan?

Means of Transportation:

1. **Road Transport:** Road transport is very important mode of transport in land, it is the oldest form of transport. Road transport is used to carry goods as well as passengers from one place to another. In our country, where other forms of transport are not available, road transport plays a very important role.

2. **Railway Transport:** This method of transportation is very popular and suitable for bulky commodities. In Pakistan, railways are government-owned and the freight rates and fares are fixed by the government only. A huge capital is required for the establishment of railway tracks and the manufacture of wagons, etc., for long-distance transport, this type of transport is cheaper.

3. **Water Transport:** Water transport is the cheapest means of transportation. Boats, steamers, ships, etc., on rivers, canals, and on the oceans, are used in this type of transport. It can be divided into two parts: (i) Inland water transport. (ii) Ocean water.

4. **Air Transport:** Air transport is the most advanced and modern means of transport. It is the fastest mode of transport and it can cover long and very long distances in a few hours. The only drawback of this type of transport is that it is too costly.

SECTION – C (DETAILED-ANSWER QUESTIONS)

Q: 3: Define marketing and explain its functions.

**Marketing:**
Marketing is defined as the process of determining the needs and wants of consumers and being able to deliver products that satisfy those needs and wants. Marketing includes all of the activities necessary to move a product from the producer to the consumer. Think of marketing as a bridge from the producer to the consumer.

Marketing starts with market research, a learning process in which marketers get to know everything they can about the needs and wants of consumers, and it ends when somebody buys something. Many companies feel that services provided to customers after the purchase also are an important part of marketing. All of these enterprises -- production, advertising, transportation, processing, packaging, and selling -- are included in the marketing process.

**Functions of Marketing:**
In order for the marketing bridge to work correctly -- providing consumers with opportunities to purchase the products and services they need -- the marketing process must accomplish important functions. The functions are:

(a) Exchange Functions:
- Buying.
- Selling.
- Pricing.

(b) Physical Functions:
- Production.
- Transportation.
- Storage.

(c) Facilitating Functions:
- Finance.
- Grading and standardization.
- Market information.
- Risk-bearing.
PRINCIPLES OF COMMERCE – 2014 PRIVATE

(a) Exchange Functions:

Buying: The function of buying is performed in order to acquire quality materials for production. When you design a good product concept, you should also ensure you’re buying the essential materials for the product. This function is carried out by the purchase and supply department, but your specifications of materials goes a long way in assisting the purchasing department to acquire the necessary materials needed for production.

Selling: Selling is one element of marketing, which is the process of developing a product or service offering, communicating the benefits through promotions and managing the ongoing exchange of value with targeted customers. Selling has some key advantages over other forms of the promotional component, which makes it very important for customer-driven organizations.

Pricing: You perform the function of pricing on your product offerings by designing effective pricing systems based on your product stage and performance in the product life cycle. Price is the actual value consumers perceive on your product, so you as a marketer should ensure that your value of your product is not too high or too low to that of your costumers.

(b) Physical Functions:

Production: Production is the function performs by the production department. Though, this is interrelated to the department of marketing, because your product must possess the essential characteristics that can meet the target market needs and want as identified during your market research, such characteristics as in your product Test, Form, Packaging etc.

Transportation: Products must be physically relocated to the locations where consumers can buy them. This is a very important function. Transportation includes rail road, ship, airplane, truck, and telecommunications for non-tangible products such as market information.

Storage: Products must be stored and protected until they are needed. This function is especially important for perishable products such as fruits and vegetables.

(c) Facilitating Functions:

Finance: Financing deals with the part of marketing to providing incomes for your business. It refers to how you can raise capital to start operation and remain in business. It refers to your modes of payment for the goods and services transferred to your costumers.

Grading and Standardization: The function of standardization is to establish specified characteristics that your product must conform to, such standard as in having a specify test, ingredient etc. That makes your product brand so unique.

Market Information: Information from around the world about market conditions, weather, price movements, and political changes, can affect the marketing process. Market information is provided by all forms of telecommunication, such as television, the internet, and phone.
Risk – Bearing: The process of moving a finished product from the point of production to the point of consumption is characterized with lots of risks, such as risks as in product damaging, pilferage and defaults etc. So you must provide effective packaging system to protect your product, good warehouse for the storage of your product until they are needed, effective transportation system to speedily deliver your product on time.

OR Define Company. Describe the procedure of incorporation of a Joint Stock Company.

Company: A corporate enterprise that has a legal identity separate from that of its members; it operates as one single unit, in the success of which all the members participate. A company may have limited liability (limited company), so that the liability of the members of the company’s debt is limited. An unlimited company is one in which the liability of the members is not limited in any way. A company may be registered as a public limited company or a private company. The shares of a private company may not be offered to the public for sale.

Procedure of Incorporation of a Joint Stock Company: The formation of a company requires many steps to follow:

1. Getting Promoters Together: The founders of the company are known as the promoters who must get together in order to work out the skeleton of the company. In public company, they must be seven and in case of private company they must be two. Promoters are the original shareholders of the company. After the establishment of the company the same promoters are the directors of the first board of the company.

2. Appointment of the Advisor: The promoters of the company also appoint the legal advisor. These advisors are appointed for preparing the Memorandum of Association and the Prospectus under the guidance and instructions of the promoters. The advisors also deal with the proceedings in the office of the registrar on behalf of the company.

3. Company’s Documents: For the purpose of registration of the Joint Stock Company, some documents are prepared in accordance with the requirements incorporated in the company law. The company cannot apply for its registration prior to preparation of these documents. These documents include Memorandum of Association, Article of Association and Prospectus.

4. Submission of Application: After getting all the documents completed, the stage for submitting the application for registration reaches. The registrar of the company is the authorized person appointed by the government to accord the permission to the proposed company for business. The following documents are attached with the application of registration:
   - Memorandum of Association.
   - Article of Association.
   - Prospectus.
   - List of names of directors and their addresses.
   - Statement duly signed by the directors or the secretary of the company declaring that all the required legal formalities have fully been compiled with.
   - Address of the proposed head office of the company.
5. Payment of Registration Fee:
When the application of registration is submitted with the office of the registrar, the registration fee is also paid. Registration fee is determined in the light of the size of the capital of the firm.

6. Printing of Share Certificates:
After submitting the application, the promoters make the arrangements for the printing of the share certificates so that they could be sold for collecting the finance after getting the firm registered. The share certificate indicates the proportion of ownership in the company.

7. Issuance of Registration Certificate:
After having the application and the documents scrutinized if the registrar is satisfied with completion of legal formalities and the other documents, he issues a certificate called "Registration Certificate". Immediate after the issue of this certificate, the company legally comes into being and the private company could also commence the business but public company requires another certificate for commencing the business called "Commencement Certificate".

8. Commencement Certificate:
After the issuance of registration certificate, registrar issues another certificate to the public company known as "Commencement Certificate" without which the registered company cannot commence its business.

9. Publishing of Prospectus:
After receiving the registration certificate, the promoters issue the prospectus of the company through advertisement for keeping the people informed about the company. The issue of prospectus, is fact, is the invitation to purchase the shares of the company. When the company receives finances, through the issue of prospectus, the company becomes capable to commence its proposed business practically.


Business Finance:
Business finance refers to monetary needs of industries, commercial and service organization. They need it for financing short and long term requirements.

1. Short term finance.
2. Long term finance.

1. Short Term Finance:
A loan which must be repaid within a year is called short term finance.

Sources of Short Term Finance:

1. Trade Accounts.
2. Installment Purchases / Hire Purchases.
3. Commercial Draft (Bill of Exchange).
4. Accommodation Bill.
5. Pledging Accounts Receivable / Factors.
7. Overdraft.
9. Call Loans.
11. Two-Name Paper Advance.
(a) Trade Account:
A business may buy goods on account and pay after some time.

(b) Installment Purchases / Hire Purchases:
It is a method of buying goods in which the purchaser takes possession of them as soon as an initial installment of the price has been paid; ownership is obtained when all the agreed number of installments has been completed.

(c) Commercial Draft (Bill of Exchange):
An unconditional order in writing addressed by one person to another and signed by the person giving it, requiring the drawee to pay on demand or at a fixed determinable future time a specified sum of money to or to the order of a specified person or to the bearer.

(d) Accommodation Bill:
A bill of exchange signed by a person (the accommodation party) who acts as a guarantor. The accommodation party is liable for the bill should the acceptor fails to pay at maturity.

(e) Pledging Accounts Receivable / Factors:
Businessmen who possess accounts receivable and other types of receivables pledge them and get loans from the pledging companies.

(f) Commercial Paper (Promissory Note):
A document contains a promise to pay a certain sum of money to a named person, to that person's order, or to the bearer at a specified time in the future. It must be unconditional, signed by the maker, and delivered to the payee or bearer.

(g) Overdraft:
A loan made to a customer in which the account is allowed to go more than deposits, usually unto a specified limit.

(h) Agricultural Banks:
Agricultural banks provide loans to the farmers to finance their requirements like seeds, fertilizers, tractors, etc.

(i) Call Loans:
These are the loans issued for a short period and are callable any time as needed by the lender.

(j) I. O. U. (I Owe You):
It is a memorandum of debt given by a borrower, requiring no stamp but a holograph, usually dated, and addressed to the lender.

(k) Two – Name Paper Advance:
It is based on written agreement signed by two persons (borrower and guarantor). If the borrower fails to repay the guarantor is bound to pay.

2. Long Term Finance:
Investment in the business for over one year is called long term finance.

Sources of Long Term Finance:
Following are the sources of long term finance:
1. Capital.
2. Loans and bonds.
3. Retained earnings.
(a) Capital:
The initial capital is obtained by a new company by floating shares. Shares represent equal portion in which the capital of a company is divided. Selling of share is the most important method of securing fixed capital and the contributors are the general public.

(b) Loans and Bonds:
To raise sufficient capital debentures are issued by a company. Debenture is a promissory note for the repayment of the money borrowed and the payment of interest at fixed rates.

(c) Retained Earnings:
This is very easy method of financing and is available to only established enterprises. Reinvestment of a part of the profits is an ideal means of financing, expansion and improvements.

Q: 5: Draft an order letter for the purchase of electrical goods. Assume necessary details and particulars.

Order Letter:

UMAIR LIMITED
North Nazimabad, Karachi.

Phone: E-mail:

February 29, 2012 Ref: 28/DC/93

Sales Manager,
Ahmad Traders,
Mall Road,
Lahore.

Subject: Purchase Order
Dear Sir,

Following purchase order is extended:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Items</th>
<th>Description</th>
<th>Rate</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Vacuum Cleaner</td>
<td>Murphy 110-M5</td>
<td>Rs.4,000/-</td>
<td>10</td>
</tr>
<tr>
<td>2.</td>
<td>Refrigerator</td>
<td>Sharp 10-17</td>
<td>Rs.25,000/-</td>
<td>12</td>
</tr>
<tr>
<td>3.</td>
<td>Washing Machine</td>
<td>Super Asia T-31</td>
<td>Rs.8,000/-</td>
<td>09</td>
</tr>
<tr>
<td>4.</td>
<td>Television</td>
<td>Philips 20” Vx-100</td>
<td>Rs.19,000/-</td>
<td>18</td>
</tr>
</tbody>
</table>

According to your sales conditions we are entitled to have cash, sales and trade discount at the rate of 10% and 15% respectively.

We should have the delivery of the ordered goods within 10 days after the receipt of this order. Immediate after delivery, you would receive the draft.

We shall be waiting for your prompt and useful services.

Yours sincerely,

-Ali Haider
Director Purchase
Parts of Business Letter:
A business letter consists of following parts:

1. **Heading:**
   It is a sort of advertisement and that is why they are set up in a very attractive manner. It should be compact and well arranged. It should consist of printed names and address of individual firms, company or corporation sending the letter. The telephone number, telegraphic address, codes used, date and reference number are also given with the letter head.

2. **Inside Address:**
   It is the name and address of the party which is being addressed. It should be exactly the same as the outside address on the envelope. The name of the person or the firm used is an inside address must have proper courtesy titles. The common prefix for a man is Mr. if a person hold a degree or a title it must be added to his name such as Dr. Khan, if a person holds a university degree, it will precedes his designation as Mr. Khan M.Com, M.A.

3. **Salutation:**
   This is the compliment or greeting preceding the body of the letter. It would always be in harmony with the personal relations of the writer except in care of official letters which invariable have Sir for salutation. The most common forms of salutation in a commercial letter are Dear Sir when addressing one gentleman, Dear Sirs for a firm or company.

4. **Subject Line:**
   According to the modern principles of business correspondence, sometimes immediate after salutation the subject matter of the letter is written in one or two lines just below the salutation. Subject line helps the reader of the letter in connecting himself with the past (if there is any) matter. Moreover, he can pass the letter to the concerned clerk understanding but without going through the full text of the letter. Prior to writing the subject line, the letters "Sub" or "Ref" are written and the subject line is underlined so that it could be given a prominent and important position.

5. **The Body of the Letter:**
   The entire letter is to be divided into suitable paragraphs which is not only the question of appearance but giving the reader breathing times. Each paragraph should contain one topic. The correspondent should commence a new paragraph whenever he switches on a new topic. The introductory paragraph should be very carefully written. In subsequent paragraphs the discussion should continue dealing with the main subject matter of the letter. The last paragraph should be written in good spirit.

6. **Complementary Close:**
   Complementary close refers to the words or the phrases which are written immediate after finishing of the letter. It consists of words like "Your faithfully", "yours sincerely", etc. It should be noted that these closing words or phrases should be written in the light of the post, position, and title and social/business status of the reader of the letter. These closing words are written on left hand side just below the text. Complementary close should also be in synchronization of the salutation.
7. **Signature:**
The writer of the letter has to put down his signature in ink just below the complementary close. A letter without is unauthentic.

8. **Typist's Initial:**
These initials are usually placed in the lower left hand corner of the letter. These are put down with a view to hold the person responsible. Such as MA: NA. Here MA refers to Muhammad Ali and NA means Naseem Ahmad.

9. **Post Script (PS):**
If due to some after thoughts the writer wants to add something after the completion of the letter he puts down PS and after that writes down whatever he wants. PS should also be signed by the writer.

10. **Enclosure:**
If the letter is sent along with the documents, it should be indicated by writing about the enclosure on the left hand at the bottom corner of the letter paper.

---

**Sketch of a Business Letter:**

| Heading | ABC Corporation  
| Tariq Road  
| Karachi |
| Fax: | Phone: |
| Inside Address | Director Personnel  
| XYZ Corporation  
| Karachi |
| Subject Line | Sub:______________________________ |
| Salutation | Dear Sir: |
| Body / Text | -----------------------------First Paragraph------------------------------- |
| | -----------------------------Second Paragraph------------------------------- |
| | -----------------------------Third Paragraph------------------------------- |
| Complimentary Close | Yours Sincerely  
| | -sd-  
| | Sameer Hussain  
| | Director Personnel |
| Typist Initial | AW : PK  
| Post Script | PS. |