

# Important Short Questions

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## 1. Name the various divisions of business. (2018)

The business is divided into three main categories.

- i. **Industry :** is a place where raw material is converted into finished goods which satisfy human needs.
- ii. **Commerce:** Embraces all those processes, which help to break the barriers between producer and consumer.
- iii. **Trade:** Trade is an activity of buying and selling of goods for money or other goods.

## 2. Name the ten qualities of successful businessman. (2018)

- i. Foresight
- ii. Courteous
- iii. Hardworking
- iv. Honest
- v. Man of principles
- vi. Confident
- vii. Leadership
- viii. Patience
- ix. Ability to plan and organize
- x. Experienced

## 3. Define the amalgamation. (2018)

When two or more existing companies lose their separate entity to form a new company, it is called amalgamation. In other words, amalgamation is a combination in which two or more companies sell their shares and transfer their liabilities to a new company under the law.

## 4. How can the name of the firm be chosen? (2018)(2019)

The name of the company should be selected very carefully and it must not be similar to any existing company. If the liability of shareholders is limited then the word limited must be written with the name of the company and word private should be used with the name of private company.

## 5. Define briefly any two types of business combination. (2018)

### Horizontal combination

When two or more different business units, doing similar business combine under one management, horizontal combination comes into form. It is also known as parallel or trade combination.

### Circular combination

When different nature of industrial and business units combine into single large company under one managing authority, it is called circular combination. It is also named as lateral combination. For example if sugar, chemical, paper and textile industries are combined together under one controlling authority then circular combination takes place.

## 6. Define separation of ownership from management. (2018) (2020)

The separation of ownership from management means the owners have no more direct control over management decisions. This separation is made for the better future of the company, as placing the management of the firm under the responsibility of professionals who are not its owners.

## 7. Give a list of advantages or disadvantages of a company. (2018)

### ADVANTAGES

- i. A joint stock company has a huge amount of capital due to large number of members.
- ii. Due to limited liability the property of shareholder cannot be used in case of loss.
- iii. A company pays the different types of taxes to the government, which increases the government income.
- iv. Any member can easily separate himself from company by selling his share to stock market.

## DISADVANTAGES

- i. Due to large size joint stock company can create monopoly by getting control over market.
- ii. In a company the decision making process is time consuming because a meeting is necessary to solve the problems and matters.
- iii. A joint cannot perform its functions freely because there is much interference of the government in the affairs of company.
- iv. A company pays double taxes to the government, firstly on the whole profit and then every single shareholder according to his profit.

### 8. List the types of business activities. (2017)(2019)

Business activities involve profit objective, social services, employment for others, investment, national interests, economic development, sales function and better living standard for members of the society.

### 9. Name the seven advantages of sole proprietorship. (2017)(2018)

- i. **Easy to form**  
A sole proprietorship is easy to form and very and very simple to run.
- ii. **Quick decisions**  
In such business, a sole trader can make quick decision, because there is no office formality and consultation from other individual required.
- iii. **Freedom of action.**  
Sole trader can do whatever he likes for the success of business because there is no interference of any other person in business matters.
- iv. **Business secrecy**  
A sole proprietor performs the business functions and decisions himself, so he can maintain the secrecy of business easily.
- v. **Contact with customers**  
In this business, the businessman has direct contact with customers due to limited market or scale. So he produces goods according to the demand of the customers.
- vi. **Less publicity cost**  
Because of limited market, the sole proprietor has not bear advertisement expenses for the sale of goods.
- vii. **Easy dissolution**  
The sole proprietor can be easily dissolved his business, as there are no legal formalities involved in it.

### 10. Define unlimited company. (2017) (2015) (2014) (2018) (2020)

This company is established under the section 15(2)(c) of companies act. In this company, the liability of shareholders is unlimited. It means the private property of the members is also liable to pay company's debts.

### 11. How may a memorandum of association be altered? (2017) (2014)

According to section 32 and 33 of companies Act 2017, the company can change the clauses of memorandum with the sanction of the commission.

### 12. Explain briefly the rights of minor partner? (2017) (2018)

- i. A minor partner have the right to his share of the profits of the firm.
- ii. The minor partner is not liable for any losses beyond his interests in the firm.
- iii. Minor partner's personal assets cannot be used to pay the firm's liabilities.
- iv. A minor partner on attaining majority has the right to become a partner of the firm.

**13. What do you understand by particular partnership? (2017)**

When the partnership is formed to conduct a particular business is called “particular partnership”. According section 8 of partnership Act, “A person may become a partner with another person in particular adventures or undertakings.

**14. Explain the standardizing and grading? (2017)**

<b>Standardisation</b>	<b>Grading</b>
Standardization involves the activities of sorting products according to their size, shape, colour, design and material.	Grading means the classification of products according to their quality and characteristics.

**15. Mention the five privileges of private company in comparison to public company? (2017)**

- i. No need to prepare a report for annual general meetings.
- ii. Only 2 minimum directors required.
- iii. No need to appoint independent directors.
- iv. They can adopt additional grounds for the disqualification of directors and vacation of their office.

**16. Write the four benefits of cooperative society? (2017) (2015) (2014)**

- i. Advantage for Farmers**  
Farmers can get fertilizers and seeds at low prices from such cooperative societies
- ii. Elimination of middlemen**  
In cooperative societies, consumer themselves produce the goods or services and supply in market without the involvement of middlemen, which result decrease in the cost of production.
- iii. Less prices**  
The society tries to provide goods and services to its members without adding any profit to the cost.
- iv. Employment opportunities**  
A cooperative society also plays a important role to fight against unemployment.
- v. Tax advantage**  
The purpose of society is not earn profit that’s why cooperative society enjoy tax advantage and incentives.

**17. Enumerate types of business risk? (2017)**

- i. Economic Risk.
- ii. Compliance Risk. ...
- iii. Security and Fraud Risk. ...
- iv. Financial Risk. ...
- v. Reputation Risk. ...
- vi. Operational Risk. ...

**18. Define statutory meeting of a joint stock company.(2015) (2014) (2011)**

It is the first meeting of a company shareholders. Its objective is to inform the shareholders about the affairs of the company statutory meeting is held once only in the whole life of the company. Statutory meeting is held by every limited company.

**19. List down any four rights of partners. (2015) (2014)**

**i. Right of profit**

All the partners are entitled to share the profit of the firm according to agreement.

**ii. Right to receive amount**

Every partner has right to receive the amount incurred by him to save the firm from loss

**iii. Right of management**

Every partner has right to take active part in the management of the business

**iv. Right of inspection**

Every partner has right to check the accounts of business at any time.

**v. Right of opinion**

Every partner has right to express his opinion for managing the partnership business.

**20. What is horizontal business combination? (2015)**

When two or more different business units, doing similar business combine under one management, horizontal combination comes into form. It is also known as parallel or trade combination.

**21. What do you mean by life insurance? (2015)(2019)**

This is the most important and popular type of insurance. In life insurance, insurance companies promise to pay a specific sum of money to the insured on the expiry period of the policy or on the death of insured.

**22. List down any four types of debentures.(2015) (2014)**

Ordinary debentures	Mortgage debentures
Registered Debentures	Bearer Debentures
Redeemable Debentures	Irredeemable Debentures
Convertible Debentures	

**23. Very briefly elaborate circular combination. (2015) (2014)**

When different nature of industrial and business units combine into single large company under one managing authority, it is called circular combination. It is also named as lateral combination. For example if sugar, chemical, paper and textile industries are combined together under one controlling authority then circular combination takes place.

**24. What do you mean by bonded warehouses. (2015)**

Bonded warehouses are those licenced by the government to accept imported goods for storage before the payment of customs duty. Goods stored in such warehouses are said to be "bond" therefore, the warehouse is known as 'bonded warehouse.

**25. Define channels of distributions. (2015) (2014)**

The distribution of channel is the path that a product or service takes in order to be sent from the manufacturer to the consumer.

**Manufacturer → Wholesaler → Retailer → Customer → End Consumer**

**26. Define salaried partner in partnership. (2014)**

Partners who receive a fixed salary, rather than a share of the firm's overall profits.

- 27. When insurable interest exists in the marine insurance? (2014)**  
 Insurable interest, in a marine policy, must exist at the time of the loss. In other words the insurable interest exists when the ship can sink, catch fire, any kind of damage or .filled with water.
- 28. Define business. (2011)**  
 Business may be defined as human activity directed towards producing or acquiring wealth through buying and selling goods.
- 29. Define risk. (2011)(2020)**  
 In this industry, hidden resources below the surface of the earth are extracted. All kinds of minings are the examples of extractive industry. e.g. extraction of oil gas and coal.
- 30. Define commerce. (2011)**  
 Commerce embraces all those processes, which help to break the barriers between producer and consumers
- 31. Define extractive industry. (2011)**  
 Industry is a part of business where raw material is converted into finished or semi-finished goods which have the ability to satisfy human needs.
- 32. Define place of utility. (2011)**  
 Place utility refers to the utility created for the product by the virtue of its location. The attractiveness of a product can be increased by changing its physical location.
- 33. Define sole proprietorship and partnership. (2011) (2020)**  
**Sole Tradership**  
 It is simplest form of business which is owned and controlled by one man.  
**Partnership**  
 When two or more persons become joint owners with a view to carrying on a business and sharing the profits or losses in agreed proportion, partnership come into existence.
- 34. Define sleeping partner. (2011)**  
 If any person invest his capital in the business and responsible for its profit or loss but does not participate in the working of the business, he is called sleeping partner.
- 35. Define nominal partner. (2011)**  
 Nominal partner is a partner who neither invests capital in the business and does not participate in the management of the firm. A firm only uses his name and good reputation.
- 36. Difference between dissolution of partnership and dissolution of firm. (2011)**  
**DISSOLUTION OF PARTNERSHIP**  
 Any change in the agreement among partners dissolves the partnership but does not the firm. Firm may continue its business under the same name and style according to new agreement.  
**DISSOLUTION OF FIRM**  
 According to section 39 of partnership Act 1932, "The dissolution of partnership among all partners of firm is called dissolution of firm. In other words dissolution of firm implies to stop all activities of partnership business completely.

**37. Define underwriter. (2011)**

An underwriter is someone whose job involves agreeing to provide money for a particular activity or to pay for any losses that are made. [business] If the market will not buy the shares, the underwriter buys them.

**38. Define deferred shares. (2011)**

The shares issued to promoters of the company are called “deferred or founder shares. The dividend on these shares is paid after the payment of dividend on all other kinds of shares.

**39. What are the different types of trade. (2011)**

**There are two types of trade:**

1. **Home trade**

In home trade, exchange of goods are conducted within the boundaries of a particular country. **Example:** (a) Wholesale trade (b) Retail trade

2. **Foreign trade**

Foreign trade is a trade or exchange of goods or services between two or more independent countries for their mutual advantages.

**Examples:** (a) Import trade (b) Export trade (c) Entrepot trade

**40. Define insurable interest . (2011)**

Insurable interest is a type of investment that protects anything subject to a financial loss.

**41. What are components of marketing mix. (2011)**

Marketing mix comprises of the following components:

i. Product ii. Price iii. Promotion iv. Place/Distribution

These are the key elements involved in marketing a good or service, and they interact significantly with each other.

**42. Discuss risk management.(2019)**

Risk management is the process of identifying, assessing and controlling threats to an organization's capital and earnings

**43. Define merger. (2019)**

In Mergers, a company absorbs or purchases the business of other companies. Especially when a big company buys the assets and liabilities of other small company.

**44. Explain declaration of solvency. (2019)**

A declaration of solvency is a formal, written declaration, made by the majority of the directors of a company stating that in the directors' opinion, the company is solvent. It means that the company will be able to repay its debts (and interest) within a fixed period.

**45. What do you mean by partnership at will? (2019)**

Section 7 of Partnership Act states, when no provision is made in partnership agreement for the duration of partnership or determination of partnership then the partnership is called partnership-at-will.

**46. Give five examples of housing societies. (2019)**

There are several housing societies in Lahore such as Defence Housing Society(DHA), Behria Town, Bankers Avenue Co-operative Housing Society, Rehman Garden and Lahore Madical Housing scheme etc

47. **Define the concept of artificial person. (2019)**  
An artificial person is an entity created by law and given similar legal rights and duties to that of a human being. A corporation is considered an artificial person for Service of Process.
48. **Give a list forms of combinations. (2019)**  
Following are the important forms of combination:  
**Simple associations**  
(a) Trade association (b) Chamber of commerce (c) Gentlemen's agreements  
**Federation**  
(a) Pools (b) Cartels  
**Consolidation**  
(a) Trust (b) community of interest (c) Holding company (d) Amalgamation (e) merger
49. **Which form of business organization would be best suited for starting a small travel agency? (2020)**  
An LLC (limited liability company) is fast, simple and inexpensive to set up and maintain. It protects your personal finances and assets and is a great way to start your travel agency business.
50. **What are the disadvantages of becoming a secret partner? (2020)**  
**DISADVANTAGES**  
(i) His name is not associated with the business in any way.  
(ii) Public does not know him as a partner of firm.  
(iii) The other partner may eliminate him out of the business due to taking advantage of his secretness.
51. **What are the advantages of general partnership? (2020)**  
**ADVANTAGES**  
i. A general partnership is easy to establish. Creating a general partnership is simpler, cheaper, and requires less paperwork.  
ii. A general partnership faces simplified taxes. General partnerships do not pay income tax.  
iii. The partnership is easy to dissolve.
52. **What are the main responsibilities of board directors of a corporation? (2020)**  
i. To make arrangements to conduct the company's meetings  
ii. They should prevent the misuse of capital  
iii. Get the company's accounts audited.  
iv. They keep check to stop the wrong payments.  
v. They submit the various reports to registrar.
53. **Define sales promotion. (2020)**  
A sales promotion is a marketing strategy where a business will use short-term campaigns to spark interest and create demand for a product, service or other offers.
54. **Differentiate marketing from selling. (2020)**  
**Selling** is a marketing function and defined as any transaction in which money is exchanged for a good or service. While on the other hand, **marketing** is wider term which includes the planning of a product's and service's price, promotion and distribution.