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اسائنمنٹ ایل ایم ایس پر اپلوڈ کروائیں

آن لائن ورکشاپس۔ ٹیوٹر لسٹ

نوٹ: تمام یونیورسٹیز کے آن لائن داخلے بھجوانے اور جابز کے لیے آن لائن اپلائی کروانے کے لیے رابطہ کریں۔

اس کے علاوہ: کمپوزنگ، سکیننگ، کلر پرنٹنگ،، فلیکس بنوانے، وزٹنگ کارڈ، سٹیمپ، لیٹر پیڈ، کاروبار کے لیے ویب سائٹ بنوانے، سکول کالجز کے لیے آئی ٹی لیب بنوانے اور لیپ ٹاپ خریدنے کے لیے رابطہ کریں۔

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امتحانی مشق نمبر 2

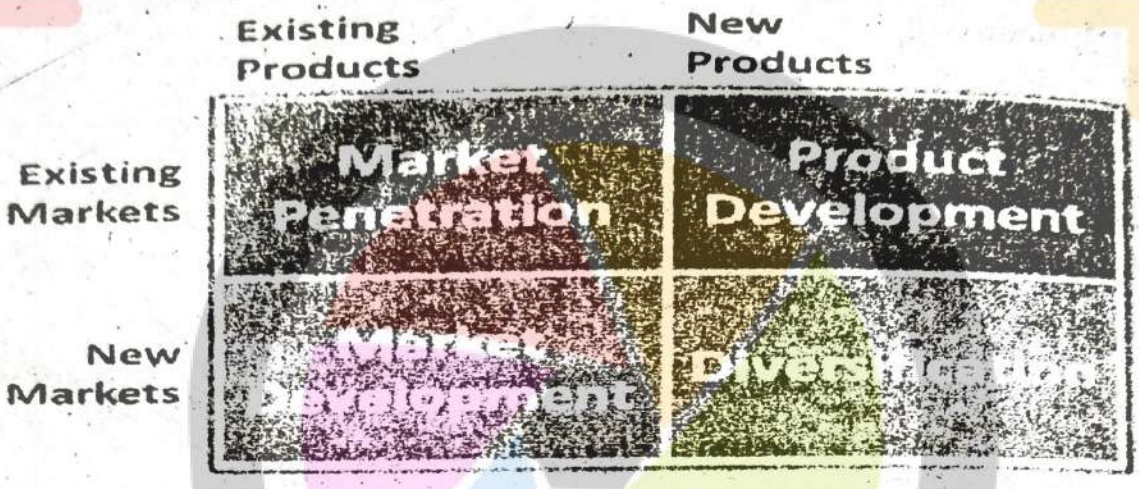
Question No 1: What is meant by strategy and structure of a business? Discuss with examples.

Ans: Business Expansion:

Over a period of time, the success of a business is measured by the amounts of revenues and profits it generates from the operations. As business progress, the customers are added by the business to increase the profits. The new customers of a business can be captured by moving to new markets or developing new products. The expansion of a business also called the growth of business generally requires market research on emerging trends among consumers and designing suitable products to meet their demand.

The expansion of a business signals the success of the strategies made by a business to satisfy its consumers. The business growth is highly dependent on the effective management skills of the managers working in the business organization. A business expansion or growth can take many forms and shapes in different organizations. Some businesses prefer to introduce new products to get more customers and the related revenues while

some other businesses capture new markets or move abroad to sell their existing products. The different business growth strategies are explained through the following diagram:



The above diagram presents four different types of growth strategies that business might adopt for increasing its revenues and profits. These strategies have been explained by considering two angles: Marekts and products.

i. Market Penetration:

The first strategy is called the market penetration strategy which is applied when a business is planning to achieve growth by participating in the existing market with the same existing products. In this strategy, various techniques are employed by the business to achieve the growth targets. These techniques include offering discounts to the customers, extensive advertizing, alliances with industry players etc.

ii. Product Development:

The second strategy is called the product development strategy which is followed by a business when it wants to work in the existing market by offering new products to the existing consumers. This strategy is applied in many ways in different business organizations. These ways include establishing research and development department to develop new product, conducting market surveys, analyzing new customers, requirements etc.

iii. Market Development:

The third strategy is called the market development strategy which is applied in a situation when a business is

searching for getting additional revenues by selling the existing products. In new market, this strategy is suitable for a business where research and development of new products is slow. The generally used methods to employ this strategy are moving to new areas for selling the products or engaging in exports to other countries etc.

iv. Diversification:

The fourth strategy is called the diversification and is applied when a business wants to enter into new markets with new products. In this strategy, the market research is conducting to know the needs and wants of the new consumers. Generally, this strategy is applied by using the skills of the market research department to know the customers' requirements and the products are designed accordingly for the new customers.

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Question No 2: What are the specific factors which prevent a small business from obtaining funds from a bank in Pakistan?

Ans: Process of Obtaining Bank Loans:

The loan process refers to those set of activities which are required to be performed by the lender to grant the loan. When a business wants to obtain a loan from a bank or any other financial institution, it has to fulfill certain procedures to get the required funds. These tasks are performed by the business to raise the desired debt capital activities. These include the necessary steps to be taken by the business to get the loan from a financial institution. A set of these activities is given below to understand the steps and documents required for a loan application:

Step 1: Finance Requirements:

The first step to acquire loan by a business is to estimate the requirements of funds for the business in the upcoming period. If the existing funds are not sufficient to meet the operational needs of a business then the option for obtaining a loan is considered generally from a bank. The finance manager in a business estimates the requirements for cash in the coming months to avert any situation in which a business is unable to make payments to its creditors and other bills.

Step 2: Products Information:

The second step for obtaining a loan is to gather the required information from the market for different options to obtain the loan. This information includes the maximum amount of loan that the business can obtain, the rate of interest on the loan, repayment period, conditions for obtaining the loan and the security or guarantee required for obtaining the loan. A business should avail the maximum possible information from all the banks operating in the area before selecting a bank for obtaining the loan.

Step 3: Bank Selection:

At third step, after the examination of all available information regarding different banks, a business selects a bank for getting the loan. The selection of a bank depends on the analysis performed by the finance manager to obtain the loan. The selection of a bank is generally made by comparing the terms and conditions of the loan with the other banks and the most favourable bank is selected for applying the loan.

Step 4: Documents Preparation:

In the next step, the required documents for the loan application are prepared by the finance manager. These documents include the present financial position of the business, owners details, security details, estimated profit and loss account and the loan repayment plan. Further, any other detail of the assets or liabilities can be requested by the bank to verify the eligibility of the applicant. The documents for making a loan application should be verified and submitted in a timely manner for processing to the bank.

Step 5:Loan Approval:

At last step, the loan application of a person is approved by considering the various factors: repayment capacity of the business, amount of loan, rate of interest and other terms and conditions. The loan application of a person is approved by the manager of a bank by evaluating it as per the defined criteria. Once a loan application is approved, the amount of loan is credited in the account of the business which it can use for meeting the functional needs of the business.

Question No 3: What are the financial statements? Explain their types and functions.

Q.3 What are the financial statements? Explain their types and functions.

Ans: **Financial Statements**:- Financial statements are written records that convey the business activities and the financial performance of a company. Financial statements are often audited by government agencies, accountants, firms, etc. to ensure accuracy and for tax, financing, or investing purposes. Financial statements include:

In general, there are five types of financial statements that prepare by an entity in monthly, quarterly, annually or the period required by management.

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1) **Income Statement**:- The income statement is one of the financial statements of an entity that reports three main financial information of an entity for a specific period of time. Those information included revenues, expenses, and profit or loss for the period of time.

This statement could be present in two different formats that allow by IFRS based on an entity's decision.

In conclusion, if the users want to see how much the entity makes sales, how much are the expenses incurred and how much is the profit or loss during the period, then income statement is the statement that the user should be looking for.

2) **Balance Sheet**:- Balance Sheet is sometimes called the statement of financial position. It shows the balance of assets, liabilities, and equity at the end of the period of time.

If the user of financial statements wants to know the entity's financial position, then the balance sheet is the statement the user should looking for.

3) **Statement of Change in Equity**:- A statement of change inequity is one of the financial statements that show the shareholder contribution, and movement in equity. and equity balance at the end of the accounting period.

Information that shows is these statements include classification of share capital, total share capital, retain earning, dividend payment, and other related state reserves.

Please noted that the statement of change of equity is the result of the income statement and balance sheet.

Basically, if the income statement and balance sheet are correctly prepared, the statement of change in equity would be corrected too.

4) **Statement of Cash Flow**:- The statement of cash flow is one of the financial statements that show the movement of the entity's cash during the period. This statement help users understand how is the cash movement in the entity.

There are three sections in this statement. They are cash flow from the operation, cash flow from investing, and cash flow from financing activities.

5) **Note to Financial Statements**:- Note to Financial Statements is the important statement that most people forget about.

This is the mandatory requirement by IFRS that the entity has to disclose all information that matters to financial statements and help users to have a better understanding.

Note or sometimes call disclosure detail the financial information related to the specific accounts. For example, in the balance sheet, you will see the balance of fixed assets.

Question No 4: What is income tax? How it is paid in Pakistan by a manufacturing business.

Ans:

Federal Government Taxes in Pakistan:

i. Income Tax:

The income tax is imposed in Pakistan through the Income Tax Ordinance 2001. The income tax is payable by the individuals, partnership firms and companies. The income tax is payable on the income generated by a person in a year. The rates of income tax are described by the federal government in the

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annual budget or finance bill. These rates are charged on the taxable incomes of the persons for calculation of the income tax liability. The revenues collected through income tax contribute approximately 40% to the tax revenues of the country.

I. Personal Income Tax:

All individuals, unregistered firms, associations of persons, etc., are liable to tax, at the rates ranging from 2% to 25% on different income levels. For the purpose of the charge of tax and the computation of total income, all income is classified under the following heads:

a. Salaries
b. Income from property
c. Income from business or professions
d. Capital gains; and
e. Income from other sources

II. Income Tax on Companies:

All companies incorporated in Pakistan are assessed for the payment of income tax. The income tax rate for companies in Pakistan is 32% on their taxable profits except banking companies which are taxed at 34%. However, the effective rate is likely to differ on account of allowances and exemptions related to industry, location, exports etc. The income tax on companies which is also called the corporate income tax is calculated by looking at the net profits reported in the annual profits and loss account by a company. This net profit is further adjusted by following the rules of taxation to arrive at the figure of income tax liability.

ii. Customs Duty:

Goods imported and exported from Pakistan are liable to rates of customs duties as prescribed in Customs Act 1969. Customs duties in the form of import duties and export duties constitute about 10% of the total tax receipts. The rate structure of customs duty is determined by a large number of socio economic factors. However, the general scheme envisages higher rates on luxury items as well as on less essential goods. The import tariff has been given an industrial bias by keeping the duties on industrial plants and machinery and raw material lower than those on consumer goods.

iii. Federal Excise Duty:

The Federal Excise Duty (FED) is charged under Federal Excise Act 2005 on a limited number of goods produced or manufactured, and services provided or rendered in Pakistan. On most of the items Federal Excise Duty is charged on the basis of value or retail price. Some items are, however, chargeable to duty on the basis of weight or quantity. Classification of goods is done in accordance with the Harmonized Commodity Description and Coding system which is being used all over the world. All exports are exempted from Central Excise Duty.

iv. Sales Tax:

Sales Tax is levied under Sales Tax Act 1990 at various stages of economic activity at the general rate (GST) of 17 per sent on:

a. All goods imported into Pakistan, payable by the importers;
b. All supplies made in Pakistan by a registered person in the course of furtherance of any business carried on by him;
c. There is an in built system of input tax adjustment and a registered person can make adjustment of tax paid at earlier stages against.

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Question No 5: Explain in detail the benefits and costs of acquisition and merger for a business.

Ans: Forms of Business Combinations:

A business can be combined in several ways depending upon the nature of transaction and the financial resources involved. The combination of business is initiated at the request of the shareholders of both businesses where their top leadership feels that combining the operations of both businesses can bring additional profits. A business can be combined in several ways

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depending upon the requirements of the concerned entities. A brief description of these methods is given below:

i. Acquisition:

The first form of business combination is called the acquisition where a large business organization purchases or buys the other business entity. In this form of business combination, the business entity who wishes to acquire the other business organization conducts a valuation of the target business organization. This valuation of the business organization can be done by estimating its market potential, costs of assets, revenues potential from the products of the business, processes and machinery installed and distribution networks etc.

Once the valuation of the concerned entity is completed, the business organization interested in buying the firm offers its purchase price to the owners of the concerned business. If the shareholders of the concerned business agree and the Government grants approval for acquisition, then the large business entity pays the price and acquires the business. After the acquisition, the name of the larger business firm who buys the other business entity remains and the name of the bought firm disappears.

ii. Merger:

The second form of business combination is the merger among two or more business firms. A merger is different from the acquisition discussed above in the way that after merger, the name of the company is changed and often the name of the two companies is written together. Before initiating a merger transaction, the interested firms conduct the analysis and valuations of each other. This analysis usually focuses on the number of customers of each firm, revenues and profits, range of products, idle capacity of each firm etc. After analyzing the relevant points, the scheme of merger is approved by the shareholders of the concerned business entities.

After approval from the shareholders and the government, the merger takes place and each firm ceases to exist as separate entity and joint business entity is created. Generally, after merger transactions, a new entity is created with a name showing the name of old two firms who have been merged with each other.

iii. Amalgamation / Consolidation:

The third form of business combination is the amalgamation or consolidation of two or more business firms resulting in creation of a new firm. In this method of business combination, two or more business firms combine their operations in a way that a new entity is created and the old business firms cease to exist. The purpose of amalgamation of two or more business firms is to reduce the competition in the market and reduce costs by sharing resources.

The amalgamation or consolidation generally occurs in large firms where two large entities combine their business operations. The scheme of amalgamation is approved by the shareholders of the concerned business entities and after getting the government approval, the process of amalgamation is completed.

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Ans:

Benefits of Business Combinations:

i. Sharing of Resources:

The merger or acquisition results in sharing of resources by the business entities. The sharing of machines, plants, building, software, manpower etc enables both business entities to increase their productivity and enhances their revenues. This sharing of resources eliminates the needs for new installing new plants or constructing new buildings.

ii. Utilizing Capacity:

The combination of business offers the opportunity to utilize the idle capacity of the plants or machinery in the business entities which was not previously used due to the lower demand and

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resources. This utilization of the idle capacity reduces the fixed costs of the business and more output is produced by using the existing resources.

iii. Reducing Costs:

The combination of businesses reduces the operating and administration costs of each entity as now a single business entity is formed as a result of merger or acquisition. The reduction in costs directly increases the profits of the business and the financial position of the business is strengthened.

iv. Saving Taxes:

When two business entities merge or acquire each other, the separate tax liability of each business ceases to exist. The combination of two businesses results in payment of single tax liability that reduces the overall tax burden of both business organizations. The savings in taxes brings additional monetary resources to the business.

v. Adding New Customers:

The first benefit of combining business activities is the addition of new customers which was not possible previously due to the limited resources of each organization. The additional markets bring new customers resulting in higher sales and profits for the businesses.

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