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ASSIGNMENT No. 02

Fundamentals of Business (463) BA/B.Com
Spring, 2025

Q. 1 The real strength of a business lies in the skills and competence of its employees to achieve growth and profitability. Discuss the importance of human resources (employees) in a trading organization. (20)

Training is very necessary for the growth of the organization. Man, Machine and material are the main capital of the organization. Men are most valuable resources of the organization. The effectiveness of the organization depends on competence of the employees. Training and career development are very vital in any company or organization that aims at progressing. Training simply refers to the process of acquiring the essential skills required for a certain job. It targets specific goals, for instance understanding a process and operating a certain machine or system. Career development, on the other side, puts emphasis on broader skills, which are applicable in a wide range of situations. This includes decision making, thinking creatively and managing people.

Despite the potential drawbacks, training and development provides both the company as a whole and the individual employees with benefits that make the cost and time a worthwhile investment.

Need of Training

Training of employees has a significant role in modern business era. Not just to equip them with latest tools your company has implemented, there is a lot more to it. I have sorted down them in a list. This is a must read if you employ or mean to employ in future at least one person.

Training for the Job

This type of training is given before the new worker starts on the job. It is used where the jobs are rather complex and where inexperienced operators cannot be permitted to function without seriously interfering with production flow.

Many firms operate so-called Company Schools or Training Sections to which new employees are sent after they are hired but before they are assigned to their jobs. In these schools they are given the requisite instruction for handling their jobs and they are tested for the proficiency that they acquire. These Schools or Section are staffed by special instructors who frequently devote their entire time to teaching. Obviously this sort of school is useful only where many workers are to be trained and where the training period is of more than brief duration.

The apprenticeship system is one in which inexperienced workers are apprenticed to master craftsmen for a period of years, during which time they are supposed to become thoroughly grounded in their trades or skills.

The role of training in the development of Employees of Organization

Training presents a prime opportunity to expand the knowledge base of all employees, but many employers find the development opportunities expensive. Despite the potential drawbacks, training and development provides both the company as a whole and the individual employees with benefits that make the cost and time a worthwhile investment.

Overcoming Weaknesses

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Most employees have some weaknesses in their workplace skills. A training program allows you to strengthen those skills that each employee needs to improve. A development program brings all employees to a higher level so they all have similar skills and knowledge.

Employee Performance Improvement

An employee who receives the necessary training is better able to perform his/her job. He/she becomes more aware of safety practices and proper procedures for basic tasks. The training may also build the employee's confidence because she has a stronger understanding of the industry and the responsibilities of her job.

Consistency

A structured training and development program ensures that employees have a consistent experience and background knowledge. The consistency is particularly relevant for the company's basic policies and procedures. All employees need to be aware of the expectations and procedures within the company. This includes safety, discrimination and administrative tasks.

Job Satisfaction

Employees with access to training and development programs have the advantage over employees in other companies who are left to seek out training opportunities on their own. The investment in training that a company makes shows the employees they are valued. The training creates a supportive workplace. Employees may gain access to training they wouldn't have otherwise known about or sought out themselves. Employees who feel appreciated and challenged through training opportunities may feel more satisfaction toward their jobs. Training programs increases communication between different levels of an organization. Any deficiency in processes and jobs are eliminated and those close to production processes become involve in the management. Staff empowerment is a recent trend in management; such empowerment will only be successful when proper training is provided to those empowered

Increased productivity

Through training and development the employee acquires all the knowledge and skills needed in their day to day tasks. Workers can perform at a faster rate and with efficiency thus increasing overall productivity of the company. They also gain new tactics of overcoming challenges when they face them.

Improved quality of services and products

Employees gain standard methods to use in their tasks. They are also able to maintain uniformity in the output they give. This results with a company that gives satisfying services or goods.

Reduced cost

Training and development results with optimal utilization of resources in a company or organization. There is no wastage of resources, which may cause extra expenses. Accidents are also reduced during working. All the machines and resources are used economically, reducing expenditure.

Reduction in supervision

The moment they gain the necessary skills and knowledge, employees will become more confident. They will become self-reliant and require only little guidance as they perform their tasks. The supervisor can depend on the employee's decision to give quality output. This relieves supervisors the burden of constantly having to give directives on what should be done.

Necessity for Training

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All new employees require a certain amount of training before they can give their best efforts to their jobs. This training is of two types: training on the job and training for the job. This is described below.

Importance of Training

Training the employees is important because:

1. Rapid technological innovations impacting the workplace have made it necessary for people to consistently update their knowledge and skills
2. People have to work in multidimensional areas, which usually demand far more from their area of specialization.
3. Change in the style of management.
4. Due to non-practical college education.
5. Lack of proper and scientific selection procedure.
6. For career advancement.
7. For higher motivation and productivity.
8. To make the job challenging and interesting
9. For self and development
10. For employee motivation and retention
11. To improve organizational climate
12. Prevention of obsolescence
13. To help an organization to fulfill its future manpower needs.

Q. 2 Discuss in detail the following government organizations: (20)

i. FBR

The Federal Board of Revenue (more commonly known by its initials as FBR) is the semi-autonomous, supreme federal agency of Pakistan that is responsible for auditing, enforcing and collecting revenue for the government of Pakistan.[1] FBR has the responsibility for (i) formulation and administration of fiscal policies, (ii) levy and collection of federal taxes and (iii) quasi-judicial function of hearing of appeals. FBR is estimated to be the largest federal bureaucracy in Pakistan.

As the agency conducts audit of taxpayers regularly, it's regarded as the guardian of national treasury in Pakistan. FBR primarily operates through its main collection arms, its field formations, the Regional Tax Offices (RTOs) and Large Taxpayer Units (LTUs) across the country. FBR has two major wings: the Inland Revenue Wing (Income Tax Department) which brings in over 90% of FBR's total collection and Customs Wing now called as Pakistan Customs Service. Mostly in the media, the acronym 'FBR' is also often mentioned when speaking in relation to Inland Revenue Officers (previously Income Tax Department officials) in Pakistan. For the purpose of collection of revenue and pursuing tax evaders, FBR's powers & functions also include but are not limited to: carrying out inquiries and audits/investigations into the tax affairs, commanding arrests, attachment as well as public auction of movable and immovable assets of a non-compliant. Tariq Bajwa is the current chairman of FBR; he was appointed by the Prime Minister.

Central Board of Revenue

The Central Board of Revenue (CBR) was created on April 1, 1924 through enactment of the Central Board of Revenue Act, 1924. In 1944, a full-fledged Revenue Division was created under the Ministry of Finance. After independence, this arrangement continued up to 31 August 1960 when on the recommendations of the Administrative Re-organization Committee, CBR was made an attached department of the Ministry of Finance. In 1974, further changes were made to streamline the organization and its functions. Consequently, the post of Chairman CBR was created with the status of ex officio Additional Secretary and Secretary Finance was relieved of his duties as ex officio Chairman of the CBR.

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Exercise of administrative powers

In order to remove impediments in the exercise of administrative powers of a Secretary to the Government and effective formulation and implementation of fiscal policy measures, the status of CBR as a Revenue Division was restored under the Ministry of Finance on October 22, 1991. However, the Revenue Division was abolished in January 1995, and CBR reverted to the pre-1991 position. The Revenue Division continued to exist since from December 1, 1998; however, owing to the recent controversy which arose when the federal government appointed the new CBR Chairman of the seventh common, bypassing several senior-most officials in the Customs & Federal Excise department, Prime Minister of Pakistan gave an additional charge of Revenue Division, Government of Pakistan to the then Secretary Finance and now the chairman of the agency Salman Siddiq, Government of Pakistan, thereby violating Federal Board of Revenue Act, 2007 as the senior officials in the then Customs & Excise Group now Pakistan Customs Service (PCS) refused reporting to a junior officer.

b) SECP

The Securities and Exchange Commission of Pakistan (SECP) was set up in pursuance of the Securities and Exchange Commission of Pakistan Act, 1997. This Act institutionalized certain policy decisions relating to the constitution and structure, powers, and functions of the SECP, thereby giving it administrative authority and financial independence in carrying out its regulatory and statutory responsibilities. The SECP became operational in January 1999 and has come a long way since then. It was initially concerned with the regulation of corporate sector and capital market. Over time, its mandate has expanded to include supervision and regulation of insurance companies, non-banking finance companies and private pensions. The SECP has also been entrusted with oversight of various external service providers to the corporate and financial sectors, including chartered accountants, credit rating agencies, corporate secretaries, brokers, surveyors etc. The challenge for the SECP has amplified manifold with its increased mandate.

Vision

The development of modern and efficient corporate sector and capital market, based on sound regulatory principles, that provide impetus for high economic growth and foster social harmony in the Country.

Mission

To develop a fair, efficient and transparent regulatory framework, based on international legal standards and best practices, for the protection of investors and mitigation of systemic risk aimed at fostering growth of a robust corporate sector and broad based capital market in Pakistan.

Strategy

To develop an efficient and dynamic regulatory body that fosters principles of good governance in the corporate sector, ensures proper risk management procedures in the capital market, and protects investors through responsive policy measures and effective enforcement practices.

The Policy Board

While ensuring full autonomy of the Commission, the 1997 Act provides for establishment of a Securities and Exchange Policy Board (Policy Board). The main objective of the Policy Board is to

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provide guidance to the Commission in all matters relating to its functions and to formulate policies in consultation with the Commission. The Policy Board is also responsible for advising the Government on matters falling within the purview of the Act and other corporate laws; and also to express its opinion on policy matters referred to it by the Government or the Commission.

According to the Act, the Policy Board should consist of a maximum of nine members appointed by the Federal Government, including five ex-officio members and four from the private sector. The ex-officio members are:

- Secretary, Finance Division;
- Secretary, Law and Justice Division;
- Secretary, Commerce Division;
- Chairman of the Commission; and
- a Deputy Governor of the State Bank of Pakistan (SBP).

The Commission

The Commission is a collegiate body with collective responsibility. Operational and executive authority of the Commission is vested in the Chairman who is the Commission's Chief Executive Officer (CEO). He is assisted by the Commissioners, particularly to oversee the working of various operational units as may be determined by him.

Q. 3 A business needs a suitable location to achieve its objectives. Keeping this view, explain the role of location in deciding the production activities of a manufacturing firm. (20)

When most people think of the term outsourcing in regard to a manufacturing company, they immediately think of moving production out of the United States to another country or offshore outsourcing. Manufacturing companies have a myriad of reasons for outsourcing production, but the main impetus for deciding in favor of outsourcing usually boils down to one thing: cost reduction.

Labor Costs

Part of any analysis for a manufacturing company deciding to outsource any of its operations includes the cost of labor. Labor remains one of the biggest costs of any manufacturing company. Having employees on the company payroll means paying them a competitive wage and, for most companies, it also means providing some form of employee health benefits. But outsourcing labor costs doesn't always mean moving the production to another country. Companies can outsource labor simply by using workers from temporary agencies instead of having employees on the payroll. Benefits for the company that outsources its labor include the flexibility of increasing or decreasing staffing needs as required, a lower hourly wage paid to a temporary worker than that of a comparably skilled fulltime employee and less employee healthcare benefits expenses.

Overhead Cost

Many United State companies have outsourced their manufacturing to eliminate the overhead cost associated with operating a manufacturing facility stateside. These overhead costs include utilities, such as gas, electric and water, and the maintenance required to operate production equipment. Other overhead costs include indirect labor such as quality assurance personnel, equipment technicians, material handlers, and shipping and receiving personnel.

Flexibility

Some manufacturing companies have gained increased flexibility by outsourcing their production. Typically, production gets outsourced to a contract manufacturer, or a company that produces goods

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under the label or brand of another firm. Contract manufacturers might produce goods for two or more companies, and even for competitors within the same industry. Since the contract manufacturer has more production capacity (the ability to produce more goods) than the original manufacturing company, it can respond to increased production requirements faster than the original manufacturer. Instead of the original manufacturer making a capital investment in new equipment to increase its production capacity, it informs the contract manufacturer that it requires more goods. Although the requested increase (or decrease) in production might change the terms and costs associated with the original production contract, it's more flexible than making a one-time capital investment that could sit idle if the increased demand diminishes.

Focus

Some companies have experienced extreme paradigm shifts that have prompted them to outsource their manufacturing. A company that realizes its core competency, the thing it does best, is the sales and marketing of its product and not the production of its product may often choose to outsource its non-core activity, or the manufacturing of its goods. With the production outsourced, the company can now focus its resources, both human and financial, on the areas that increase revenue and profit. Normally, outsourcing reduces manufacturing costs, so if the company increases its revenue through a better focus on sales and marketing, it increases its profit margin as well.

You need resources to produce goods and services. Relative to the needs and wants of businesses and people, however, the economic resources to produce them are finite, and therefore subject to scarcity. You must put resources to the most efficient use possible to maximize production. People depend on three distinct factors, referred to as the "factors of production," to make what they want: land, labor and capital. Sometimes, economists add a fourth or fifth factor to account for human wealth or entrepreneurial activity.

Land

Land refers not only to physical ground, but also natural resources available for production, including fossil fuels such as coal and oil and anything else not created by man. Nations supplied with natural resources can economically exploit these by specializing businesses in their resource. The only free unlimited land resource is the air you breathe: everything else is scarce since there is not enough to satisfy everyone's demands.

Labor

All the productivity and work provided by human beings that results in monetary compensation is what constitutes labor. This includes the thousands of different abilities and skills required to keep businesses running. Not all labor is the same quality: some workers are more productive because of increased natural skill, education or training. Homemakers, gardeners and other uncompensated laborers produce goods without being paid, so their labor is not included.

Entrepreneurs

Entrepreneurs organize other productive resources to make goods and services with an element of risk. Some economists label entrepreneurs as a special source of labor input, but others think they deserve to be a separate production factor. The quality of entrepreneurship is directly related to the success or failure of a business.

Wealth

When human labor turns natural resources into goods that satisfy human desires and have exchange value, those goods are called wealth. When labor satisfies a desire directly, without a material product, it's called a service. Economists say that labor provides the economy with goods and services that produce wealth.

Capital

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Wealth, when used to produce more wealth, becomes capital. More that just money, capital includes machinery, infrastructure like roads and bridges, factories, schools and office buildings that humans design and construct to produce other goods and services. The modern industrial economy requires a large amount of capital that is continually increasing, improving and renewing its ability to produce

Economists call factories, office buildings and machinery produce by business and industry, "fixed capital." Social capital derives from government investment in schools, universities and the infrastructure network. Working capital refers to stocks of finished or unfinished goods produced for consumption or made into consumer goods in the near future.

Q. 4 The government imposes taxes on the business to get the required revenues for meeting its budgetary requirements. What is the sales tax and how it is paid? Explain in detail.(20)

Many countries impose corporate tax or company tax on the income or capital of some types of legal entities. A similar tax may be imposed at province or lower levels. The taxes may also be referred to as income tax or capital tax. Entities treated as partnerships are generally not taxed at the entity level. Most countries tax all corporations doing business in the country on income from that country. Many countries tax all income of corporations organized in the country.

Pakistan Taxation System for Companies

Pakistan's taxation system for companies is based upon two basis i.e. Direct Taxation and Indirect Taxation. Effective rate of tax may differ for company's depending upon their size, allowances and exemption to particular company/industry, location, exports and so forth. As a general guide companies are taxed as follows on their net income directly:

Corporate Tax Rates — Tax Year 2010(running from 1st of july, 2009 to 30th of June, 2010)

Public Companies	35%
Private Ltd. Companies	35%
Banking Companies	35%
Small company	20% up to 35%

Indirect Taxation include deduction at source which may be payment on supplies, services, imports, exports, dividends and so forth. Rates of deduction may vary from a meagre 1% up to as high as 30%.

Pakistan's Taxation System

Pakistan's Current Taxation system is defined by Income Tax Ordinance 2001, promulgated on 13 September 2001, which became effective from 1 July 2002 Federal taxes in Pakistan like most of the taxation systems in the world are classified into two broad categories, viz., direct and indirect taxes. A broad description regarding the nature of administration of these taxes is explained below:

Direct Taxes

Direct taxes primarily comprise income tax, along with supplementary role of wealth tax. For the purpose of the charge of tax and the computation of total income, all income is classified under the following heads:

- Salaries
- Interest on securities;
- Income from property;
- Income from business or professions
- Capital gains; and
- Income from other sources.

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Personal Tax

All individuals, unregistered firms, associations of persons, etc., are liable to tax, at the rates rending from 10 to 35 per cent.

Tax on Companies

All public companies (other than banking companies) incorporated in Pakistan are assessed for tax at corporate rate of 39%. However, the effective rate is likely to differ on account of allowances and exemptions related to industry, location, exports, etc.

Inter-Corporate Dividend Tax

Tax on the dividends received by a public company from a Pakistan company is payable at the rate of 5% and at the rate of 15% in case dividends are received by a foreign company. Inert-corporate dividends declared or distributed by power generation companies is subject to reduced rate of tax i.e., 7.5%. Other companies are taxed at the rate of 20%. Dividends paid to all non-company shareholders by the companies are subject to withholding tax of 10% which is treated as a full and final discharge of tax liability in respect of this source of income.

Customs

Goods imported and exported from Pakistan are liable to rates of Customs duties as prescribed in Pakistan Customs Tariff. Customs duties in the form of import duties and export duties constitute about 37% 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.

Central Excise

Central Excise duties are leviable on a limited number of goods produced or manufactured, and services provided or rendered in Pakistan. On most of the items Central 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.

Sales Tax

Sales Tax is levied at various stages of economic activity at the rate of 15 per cent on:

- All goods imported into Pakistan, payable by the importers;
- All supplies made in Pakistan by a registered person in the course of furtherance of any business carried on by him;
- There is an in-built system of input tax adjustment and a registered person can make adjustment of tax paid at earlier stages against
- The tax payable by him on his supplies. Thus the tax paid at any stage does not exceed 15% of the total sales price of the supplies;

Q. 5 Why international business is necessary? Explain in detail the workings of an import-export transaction.(20)

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Thanks to modern technology, even the smallest business can now do business around the world. However, just because you can do business internationally does not mean it's a good choice for you. International business dealings present several struggles, including everything from culture and language barriers to shipping costs. Before you do business internationally, you should prepare for those challenges, and decide to start working oversees when it works for you.

Affordability

International business means more costs, including travel, customs, phone calls and office space if you plan to offer an oversees office. For most companies, the biggest difference in costs between having an international or domestic business is shipping. Don't forget to include the hidden costs involved with shipping overseas, such as hiring a freight forwarder and purchasing overseas shipping insurance. Further, overseas buyers might ask for long periods of credit extension, leaving you with cash flow issues unless you prepare for them. Develop a list of all the costs your international business venture will incur, and measure them against the potential gains.

Feasibility

Entrepreneur.com recommends revising your business plan to include your overseas goals, while Smart Business suggests networking with other industry contacts who have gone global. Discuss the decision both with those in your business and with consultants and your industry peers. Look at other similar companies who have gone overseas and evaluate their success. Think about what makes their company different from yours.

Communications

Language and cultural barriers can be detrimental to some kind of businesses if they are not addressed. Determine if you will need to hire translators or change your website. How will you learn about business etiquette in other countries?

Market

According to Entrepreneur.com, you should not take your whole business overseas at one time. Instead, you should run a test case offering one product or service overseas. If it works well, then you might slowly start to expand.

Currency Exchange

According to "Smart Business," expanding your business internationally can be scary for both you and the person with whom you are doing business in terms of payment and delivery of goods. "Smart Business" recommends going through an international collection service that will help the transaction run smoothly on both ends.

Problem-solving

Solving problems in the United States is relatively easy. If the problem can't be solved with a phone call or e-mail, you simply hop on a plane and fly a few hours to meet the partner or customer in person. However, doing international business creates a whole different problem. Develop a strategy for how you will deal with problems when it is not cost-effective to handle them in person.

Customs and Boarder Operations

Whether you will be traveling, or an employee or product will be going overseas, knowing how customs and boarder operations work is integral. Understand how to pack your product for shipment overseas and learn how to make passing through customs easier for you and your employees.

Discounts

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If your company will have employees overseas often, you will need to determine how you can save money on things like cell phone and Internet use, lodging and meeting locations. Some airline, phone and hotel companies will give discounts to those who do frequent business overseas.

Hidden Fees

According to "Smart Business," many banks will exchange currency for you before and after you leave for a trip, so you don't have wait to do so at the airport and pay high exchange fees. You can also use credit cards to minimize exchange rates.

Exit Strategy

If you start small, trying a single product or service overseas, your losses will not be as hard to make up. However, consider how many times you are willing to try different types of international markets and how you will expand domestically if the international idea falls through. There are a number ways businesses can sell their products in international markets. The most appropriate method will depend on the business, its products, the outcome of its Marketing Environment analysis and it's Marketing Plan. This article talks you through market entry options.

Direct Export

The organization produces their product in their home market and then sells them to customers overseas.
Direct exporting is selling directly into the market you have chosen using in the first instance you own resources. Many companies, once they have established a sales program turn to agents and/or distributors to represent them further in that market. Agents and distributors work closely with you in representing your interests. They become the face of your company and thus it is important that your choice of agents and distributors is handled in much the same way you would hire a key staff person.

Indirect Export

The organizations sells their product to a third party who then sells it on within the foreign market.

Licensing

Another less risky market entry method is licensing. Here the Licensor will grant an organization in the foreign market a license to produce the product, use the brand name etc. in return that they will receive a royalty payment.

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Licensing is a relatively sophisticated arrangement where a firm transfers the rights to the use of a product or service to another firm. It is a particularly useful strategy if the purchaser of the license has a relatively large market share in the market you want to enter. Licenses can be for marketing or production. Licensing).

Franchising

Franchising is another form of licensing. Here the organization puts together a package of the 'successful' ingredients that made them a success in their home market and then franchise this package to overseas investors. The Franchise holder may help out by providing training and marketing the services or product. McDonalds is a popular example of a Franchising option for expanding in international markets.

Contracting

Another of form on market entry in an overseas market which involves the exchange of ideas is contracting. The manufacturer of the product will contract out the production of the product to another organization to produce the product on their behalf. Clearly contracting out saves the organization exporting to the foreign market.

Manufacturing Abroad

The ultimate decision to sell abroad is the decision to establish a manufacturing plant in the host country. The government of the host country may give the organization some form of tax advantage because they wish to attract inward investment to help create employment for their economy.

Joint Venture

To share the risk of market entry into a foreign market, two organizations may come together to form a company to operate in the host country. The two companies may share knowledge and expertise to assist them in the development of company, of course profits will have to be shared between the two firms. Joint ventures are a particular form of partnership that involves the creation of a third independently managed company. It is the 1+1=3 process. Two companies agree to work together in a particular market, either geographic or product, and create a third company to undertake this. Risks and profits are normally shared equally. The best example of a joint venture is Sony/Ericsson Cell Phone.

Partnering

Partnering is almost a necessity when entering foreign markets and in some parts of the world (e.g. Asia) it may be required. Partnering can take a variety of forms from a simple co-marketing arrangement to a sophisticated strategic alliance for manufacturing. Partnering is a particularly useful strategy in those markets where the culture, both business and social, is substantively different than your own as local partners bring local market knowledge, contacts and if chosen wisely customers.

Buying a Company

In some markets buying an existing local company may be the most appropriate entry strategy. This may be because the company has substantial market share, are a direct competitor to you or due to government regulations this is the only option for your firm to enter the market. It is certainly the most costly and determining the true value of a firm in a foreign market will require substantial due diligence. On the plus side this entry strategy will immediately provide you the status of being a local

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company and you will receive the benefits of local market knowledge, an established customer base and be treated by the local government as a local firm.

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