

تمام کلاسز کی حل شدہ مشقیں MrPakistani ویب سائٹ سے فری ڈاؤن لوڈ کریں۔

Allama Iqbal Open University Solved Assignments Spring 2026

Course Code:	463 Code
Course Name:	Fundamentals of Business
Class:	BS/AD
Total Credit Hours	3
Total Assignments	2

گھر بیٹھے حل شدہ مشقیں، گیس پیپرز، کتابیں اور خلاصے حاصل کرنے کے لیے رابطہ کریں واٹس ایپ نمبر: 03036940016

نوٹ: ہم طلبہ کے لیے جامع اور معیاری تعلیمی خدمات فراہم کرتے ہیں۔ ہماری خدمات میں علامہ اقبال اوپن یونیورسٹی کے حل شدہ اسائنمنٹس، گیس پیپرز، سابقہ پرچے، تازہ ملازمتوں کی معلومات، آن لائن سی وی تیار کرنا، ملازمت کے لیے درخواست دینا، یونیورسٹی داخلوں میں رہنمائی اور درخواست جمع کروانا شامل ہیں۔ اس کے علاوہ یونیورسٹی سے متعلق طلبہ کے ہر قسم کے تعلیمی اور رہنمائی کے کام میں مکمل تعاون فراہم کیا جاتا ہے تاکہ طلبہ کو ایک ہی جگہ پر تمام ضروری سہولیات میسر آسکیں۔



واٹس ایپ گروپ جوائن کرنے کے لیے سامنے دیے گئے لنک پر کلک کریں۔



واٹس ایپ چینل جوائن کرنے کے لیے سامنے دیے گئے لنک پر کلک کریں۔



یونیورسٹی کی تمام معلومات حاصل کرنے کے لیے ہمارا واٹس ایپ گروپ جوائن کریں۔

Assignment 2

Q.1. What is meant by insurance? Explain its key principles and various types.

Definition of Insurance

Insurance is a **contract** (policy) in which one party (the insurer) agrees to compensate another party (the insured or policyholder) for specified losses in exchange for a payment called a **premium**. It transfers the risk of significant financial loss from an individual or business to the insurance company. In return for small, regular premiums, the insured gains peace of mind.

Purpose: To provide financial protection against unforeseen events (death, accident, fire, theft, illness, etc.) and to reduce uncertainty.

Key Principles of Insurance (Fundamentals)

Principle	Explanation
Utmost good faith (Uberrimae fidei)	Both parties must disclose all material facts honestly. The insured must not hide any risk; the insurer must explain policy terms clearly.
Insurable interest	The insured must have a financial interest in the subject matter (e.g., you can insure your own house but not your neighbour's). Otherwise, insurance would be gambling.
Indemnity	The insurer promises to restore the insured to the same financial position as before the loss (not more). Applies to property insurance, not life insurance.
Subrogation	After paying a claim, the insurer can step into the insured's shoes to recover the loss from a third party who caused it (e.g., suing a negligent driver).
Contribution	If a loss is covered by more than one policy, each insurer pays a proportionate share. The insured cannot collect twice.
Proximate cause	The insurer is liable only if the loss was directly caused by an insured peril (e.g., fire, theft). Remote or indirect causes not covered.
Loss minimisation	The insured must take reasonable steps to minimise damage after an incident (e.g., calling the fire brigade).



Various Types of Insurance

A. Life Insurance (Assurance)

Covers the risk of death. Pays a sum assured to the nominee upon the policyholder's death or maturity.

Type	Description
Term life insurance	Pure protection for a fixed period (e.g., 10, 20 years). No payout if no death. Lowest premium.
Whole life insurance	Covers the entire life; pays on death; builds cash value.
Endowment policy	Pays either on death or after a fixed term (e.g., 20 years). Combines protection and savings.
Unit-linked (ULIP)	Part of premium goes to investments; returns depend on market performance.

B. General Insurance (Non-Life)

Covers losses other than death.

Type	Covered perils	Example in Pakistan
Fire insurance	Fire, lightning, explosion.	Factory burned – insurer pays for rebuilding.
Marine insurance	Loss/damage to ships, cargo during transit.	Ship sinks in Arabian Sea.
Motor vehicle insurance	Accidents, theft, third-party liability.	Car crash repairs, medical bills of injured person.
Health insurance	Hospitalisation, surgery, medical expenses.	Sehat Sahulat Programme for low-income families.
Property insurance	Burglary, flooding, earthquake, storm.	Shop broken into and goods stolen.
Liability insurance	Legal liability for injury/damage to others (public liability, product liability).	Customer slips in a store and sues.
Travel insurance	Trip cancellation, lost luggage, medical abroad.	Used by pilgrims going for Umrah.



Agriculture insurance	Crop failure due to drought, flood, pest.	Government-subsidised crop insurance.
------------------------------	---	---------------------------------------

C. Specialised (Islamic / Takaful)

Takaful is a Shariah-compliant alternative based on mutual cooperation and donation (tabarru). Members contribute to a pool, and claims are paid from the pool.

Conclusion: Insurance is a vital risk management tool for individuals and businesses. Its principles ensure fairness and prevent abuse. In Pakistan, both conventional insurance and Takaful are available, regulated by the SECP.

Q.2. Discuss in detail the following government organizations: i. FBR ii. SECP

i. Federal Board of Revenue (FBR)

Introduction

The Federal Board of Revenue (FBR) is the **apex revenue collection agency** of Pakistan. It operates under the **FBR Act, 2007** and is responsible for administering and collecting federal taxes, including income tax, sales tax, federal excise duty, and customs duties.

Functions of FBR

Function	Details
Policy formulation	Advises the government on tax policy; drafts changes to tax laws (Finance Bill).
Tax collection	Collects income tax from individuals, companies, AOPs; sales tax from goods and services; customs duties on imports/exports.
Taxpayer registration	Issues National Tax Numbers (NTN); maintains Active Taxpayer List (ATL).
Enforcement	Conducts audits, investigations, and recovery actions (bank account attachment, property seizure).



تمام کلاسز کی حل شدہ مشقیں [MrPakistani](http://MrPakistani.com) ویب سائٹ سے فری ڈاؤن لوڈ کریں۔

Withholding tax administration	Ensures employers, banks, contractors, and importers deduct tax at source and deposit it.
International taxation	Negotiates Double Taxation Avoidance Agreements (DTAAs); exchanges information with foreign tax authorities.
Automation	Operates the IRIS (Integrated Revenue Information System) portal for e-filing of returns, payments, and taxpayer services.
Anti-smuggling	Through Pakistan Customs, combats smuggling of goods and narcotics.

Powers of FBR Officers

- **Issue notices** under Sections 114, 176 for filing returns or producing documents.
- **Conduct audits** (Section 177) and amend assessments (Section 122).
- **Impose penalties** (Section 182) for non-compliance, late filing, false declarations.
- **Search and seizure** powers with a warrant (in cases of tax evasion).
- **Recover tax** as an arrears of land revenue (Section 140).

Structure

Hierarchy	Officers
Headquarters	Chairman FBR, Members (Inland Revenue, Customs, Legal, etc.).
Field formations	Chief Commissioners, Commissioners, Additional/Junior Commissioners, Income Tax Officers. Regional Tax Offices (RTOs) and Large Taxpayer Units (LTUs) in major cities.

Challenges faced by FBR

- Low tax-to-GDP ratio (~10-12%) compared to regional peers.
- Limited documentation of the economy.
- Frequent under-performance against revenue targets.
- Political interference and administrative burdens.

Recent Reforms

- Faceless tax assessment system (to reduce contact between officers and taxpayers).
- Automating withholding tax statements.
- Expanding the tax base through active taxpayer campaigns.

ii. Securities and Exchange Commission of Pakistan (SECP)



یونیورسٹی کی تمام معلومات حاصل کرنے کے لیے ہمارا واٹس ایپ گروپ جوائن کریں۔

Structure

- **Chairman** and **Commissioners** appointed by the Federal Government.
- **Divisions:** Company Law, Securities Market, Insurance, Supervision, Enforcement, Specialised Companies.
- **Registration offices** in Karachi, Lahore, Islamabad, Peshawar, Quetta, Multan.

Achievements and Initiatives

- **e-Services:** Online company registration (one-window operation); digital filing of returns.
- **Start-up facilitation:** Relaxed rules for single-member companies; reduced minimum paid-up capital.
- **Revamped Companies Act 2017** replaced the outdated Companies Ordinance 1984.
- **Islamic finance promotion:** Recognised Shariah advisory boards; allowed sukuk issuance.

SECP vs FBR – A Quick Comparison

Aspect	FBR	SECP
Primary focus	Tax collection	Corporate regulation and capital market oversight
Key law	Income Tax Ordinance 2001	Companies Act 2017, SECP Act 1997
Registers	NTN (National Tax Number)	Company registration number
Enforcement tools	Penalties, audit, attachment of assets	Fines, suspension of licence, delisting, prosecution
Public interface	Taxpayers (individuals, businesses)	Companies, investors, insurance policyholders

Conclusion: Both FBR and SECP are critical to Pakistan's economic governance. FBR ensures revenue collection to fund government operations, while SECP ensures that businesses operate legally and financial markets remain fair and transparent.

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.

Importance of Location for a Manufacturing Firm



Role of Location in Production Activities

Once the location is chosen, it directly affects:

1. Production cost structure

- Transport costs of raw materials and finished goods.
- Labour costs (wage levels in different regions).
- Energy costs (expensive electricity may force night shifts or investment in generators).

2. Production capacity and expansion

- If land is scarce, future expansion may be impossible.
- Congested industrial zones may have limited utility connections.

3. Logistics and inventory management

- Far-away locations require larger inventory buffers (lead times longer).
- Just-in-time (JIT) manufacturing requires suppliers to be nearby.

4. Quality and productivity

- Reliable utilities mean fewer production disruptions.
- Good living conditions attract skilled labour and reduce turnover.

5. Compliance and risk

- Locations with strict environmental laws may require costly pollution control equipment.
- Politically unstable areas increase risk of strikes, vandalism, or supply chain interruption.

Example: Textile Mill in Pakistan

A textile mill considers two locations:

- **Faisalabad (textile hub):** Near raw cotton, skilled labour, established repair workshops, better access to ports via motorway. Drawback: higher land cost and competition for workers.
- **Small town in rural Punjab:** Cheaper land and labour, but poor transport links, unreliable electricity (long outages), lack of trained mechanics.

Decision: Most textile mills choose Faisalabad despite higher costs because reliability, infrastructure, and support services reduce production risk.

Tools for Location Analysis

Tool	Purpose
------	---------



تمام کلاسز کی حل شدہ مشقیں [MrPakistani](http://MrPakistani.com) ویب سائٹ سے فری ڈاؤن لوڈ کریں۔

Factor rating method	Assign weights to factors (e.g., labour = 0.3, power = 0.25) and score each location.
Break-even analysis	Compare total cost (fixed + variable) for different locations at expected output.
Centre of gravity method	Finds optimal location minimising transport cost based on market and supplier locations.

Conclusion: Location is not merely about buying a plot; it's a strategic decision that shapes a manufacturing firm's cost competitiveness, operational efficiency, and long-term growth potential. A poor location leads to high costs, delays, and quality problems, while an optimal location provides sustainable advantage.

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

Income Tax – Definition

Income tax is a tax levied on the **taxable income** of a person (individual, association of persons (AOP), or company) for a **tax year**. In Pakistan, income tax is governed by the **Income Tax Ordinance, 2001** and administered by the **Federal Board of Revenue (FBR)**.

Taxable income = Total income (under five heads: salary, property, business, capital gains, other sources) minus deductible allowances (Zakat, donations, etc.).

How Income Tax is Paid (Modes of Payment)

Income tax is paid through a combination of **withholding tax** (deducted at source), **advance tax** (pre-payment during the year), and **payment on return filing** (balance payable). Below is the detailed process.

1. Withholding Tax (WHT)

The payer deducts a percentage of tax at the time of payment and deposits it to the government. For the recipient, this serves as a **tax credit**.

Common examples for businesses:



یونیورسٹی کی تمام معلومات حاصل کرنے کے لیے ہمارا واٹس ایپ گروپ جوائن کریں۔

تمام کلاسز کی حل شدہ مشقیں [MrPakistani](http://MrPakistani.com) ویب سائٹ سے فری ڈاؤن لوڈ کریں۔

Transaction	Who deducts	Rate (approx.)
Salary payments	Employer	Progressive rates
Contract payments	Payer (company, government)	3.5%-8%
Bank interest	Bank	15% (for filers)
Imports	Customs collector	1%-3%
Dividends	Company	15%-20%

How it's paid: The deducting person deposits the tax through **e-payments** (Bank Challan or online banking) using FBR's IRIS system, within the prescribed due date (usually 15th of next month).

2. Advance Tax (Section 147)

Taxpayers whose tax liability is expected to exceed a threshold (e.g., Rs. 1,000,000 for individuals) must pay their estimated annual tax in **four instalments** during the tax year (1 July to 30 June).

Installment	Due Date	Amount
1st	15 September	25% of estimated tax
2nd	15 December	25%
3rd	15 March	25%
4th	15 June	25%

How it's paid: The taxpayer calculates estimated income and tax, then generates a **payment challan** via IRIS and pays at an authorised bank (or through online banking).

3. Payment with Return (Final Settlement)

After the tax year ends (30 June), the taxpayer files an **income tax return** (due 30 September for individuals/AOPs; 31 December for companies). In the return, they calculate:

Total tax payable (on actual income)

Less: Withholding tax credits

Less: Advance tax paid

= Net tax payable (or refundable)

The net amount is either paid into the treasury or claimed as a refund.

Step-by-Step Process for a Business to Pay Income Tax



یونیورسٹی کی تمام معلومات حاصل کرنے کے لیے ہمارا واٹس ایپ گروپ جوائن کریں۔

تمام کلاسز کی حل شدہ مشقیں [MrPakistani](#) ویب سائٹ سے فری ڈاؤن لوڈ کریں۔

Step	Action
1	Register with FBR to obtain NTN (National Tax Number) and activate IRIS account.
2	Estimate income for the current tax year and compute advance tax payable.
3	Pay four advance tax instalments by their due dates (if applicable).
4	Throughout the year, ensure that withholding taxes are deducted from your receipts (or deduct if you are a withholding agent).
5	After 30 June, gather all income records, withholding tax certificates (e.g., Form 12-B, 12-C), and advance tax payment receipts.
6	File the Income Tax Return electronically via IRIS by the due date.
7	If the return shows additional tax payable, pay it immediately through e-payment. If refundable, request refund (which FBR may process after verification).

Methods of Making Payment (Physical and Digital)

Method	Description
Bank challan	Fill FBR prescribed challan (e.g., for advance tax, for payment with return) and deposit cash or cheque at authorised bank branches (National Bank, HBL, UBL, etc.).
Online banking (e-payment)	Through FBR's IRIS portal, generate a payment slip and pay via 1Bill or direct debit from participating banks.
Over-the-counter (at FBR)	Rare; mostly for small amounts or penalty payments.

Consequences of Non-Payment or Late Payment

Default	Consequence
Late payment of advance tax	Default surcharge at 12% per annum (Section 205).
Failure to pay tax shown on return	Penalty under Section 182 (Rs. 1,000 per day up to Rs. 25,000) plus surcharge.
Wilful non-payment/evasion	Prosecution under Section 191 (imprisonment up to 2 years, fine, or both).
Non-filing of return	Loss of Active Taxpayer List (ATL) status → higher withholding tax rates on all future transactions.



[یونیورسٹی کی تمام معلومات حاصل کرنے کے لیے ہمارا واٹس ایپ گروپ جوائن کریں۔](#)

Employment generation	Export industries create jobs directly (in factories) and indirectly (in logistics, banking, packaging).
------------------------------	--

Working of an Import-Export Transaction (Step-by-Step)

We will take the example of a **Pakistan-based importer** buying machinery from a German supplier and a **Pakistan-based exporter** selling rice to a buyer in the UAE.

A. Steps in an Import Transaction (Pakistan imports machinery from Germany)

Step	Description	Documentation
1	Pakistani importer finds a German supplier, negotiates price, quantity, delivery terms, and payment method (usually Letter of Credit – LC).	Proforma invoice
2	Importer applies to his bank (e.g., HBL) for a Letter of Credit (LC) . The bank undertakes to pay the German supplier once documents are presented.	LC application
3	Issuing bank (HBL) sends the LC to the German's bank (advising bank).	LC (SWIFT MT700)
4	German supplier ships the machinery via sea (Karachi port).	Bill of Lading
5	Supplier submits shipping documents (invoice, packing list, bill of lading, insurance certificate) to their bank.	Shipping documents
6	German bank sends documents to HBL, which checks compliance with LC terms.	–
7	Pakistani importer pays HBL the amount due (or arranges financing).	Bank payment
8	HBL releases documents to importer, who then clears customs at Karachi port.	Goods declaration (GD) / customs
9	Importer pays customs duty, sales tax, and income tax as per Pakistan's tariff.	Payment to FBR
10	Importer takes delivery and arranges transport to his factory.	Delivery order

Key documents used:

- **Bill of Lading:** Evidence of shipment, also title to goods.
- **Commercial invoice:** Supplier's bill.
- **Packing list:** Details of weight, quantity, dimensions.



تمام کلاسز کی حل شدہ مشقیں [MrPakistani](http://MrPakistani.com) ویب سائٹ سے فری ڈاؤن لوڈ کریں۔

- **Certificate of origin** (if required for preferential duty).
- **Insurance certificate.**

B. Steps in an Export Transaction (Pakistan exports rice to UAE)

Step	Description	Documentation
1	Pakistani exporter signs a sales contract with a UAE buyer.	Sales contract
2	Buyer opens a Letter of Credit in favour of the exporter through a UAE bank.	LC
3	Exporter arranges quality inspection (if required).	Inspection certificate
4	Exporter ships rice via sea (Karachi port to Dubai).	Bill of lading
5	Exporter prepares shipping documents and presents to his bank (e.g., National Bank of Pakistan).	Shipping docs
6	Exporter's bank forwards documents to the UAE bank.	–
7	UAE bank checks documents, debits buyer's account, and releases payment to exporter's bank.	Payment (SWIFT)
8	Exporter receives payment in his bank account (in Pakistani rupees converted from USD/AED).	Foreign exchange credit
9	Exporter must file a Foreign Exchange Declaration with his bank and may claim drawback or sales tax refund.	Export proceeds realisation

Role of Financial and Regulatory Bodies

Institution	Role in Imports	Role in Exports
State Bank of Pakistan (SBP)	Regulates foreign exchange; ensures import payments are legitimate.	Monitors export proceeds; allows export refinance schemes.
FBR (Customs)	Collects import duties, sales tax, income tax; prevents smuggling.	May provide customs duty drawback; verifies export declarations.
Trade Development Authority of Pakistan (TDAP)	–	Issues exporter registration certificate; facilitates trade fairs.



یونیورسٹی کی تمام معلومات حاصل کرنے کے لیے ہمارا واٹس ایپ گروپ جوائن کریں۔

