

Principle of Commerce (English Medium) - 11th Class Principle of Commerce Chapter 17 Short Questions Preparation

Q1. State the sources of medium term finance.

Ans 1: i- Life insurance companies ii- Partial payment method

Ans 2: iii- Finance facility by agent iv- Financial institutions

Ans 3: v- TFC's vi- PTC's

Q2. Define short term finance.

Ans 1: Short term finance is generally required for 1 year or less. It is available at low rate of interest to meet the seasonal requirements of business.

Q3. Explain Types of Modaraba.

Ans 1: i- Multipurpose Modaraba: If a modaraba company is formed for more than one objectives, it is called multipurpose modaraba automatically.

Ans 2: ii- Specific Modaraba: Specific modaraba is established for the specific purpose. After completion of task, it will be dissolved automatically.

Q4. Define Business sources

Ans 1: i- Trade creditors ii- Customers iii- Factors
iv- Commercial paper house.

Q5. What is meant by long term finance.

Ans 1: Long term finance is generally required for more than 10 years. Some banking experts say that the period of long term finance is 6 to 10 years. It is used for purchasing permanent assets or to start a big business.

Q6. State say three characteristics of Musharika.

Ans 1: i- Musharika is an agreement between bank and its client to participate in a business as temporary partners.

Ans 2: ii- The parties contribute their capital according to agreement

Ans 3: iii- The total profit of Musharika is to be shared according to agreed ratio.

Q7. State the sources of short term finance.

Ans 1: i- Commercial banks ii- Foreign exchange banks

Ans 2: iii- Federal government agencies.

Q8. Give a brief explanation of Musharika.

Ans 1: The word Musharika is derived from the word shirkat shirkat means sharing. Musharika is a business organization in which two or more than two parties contribute capital and skill. The profit and loss of the business is distributed among persons according to their agreed ratio.

Q9. Write a personal sources

Ans 1: i- Friends and relatives ii- Indigenous bankers

Ans 2: iii- Public deposits iv- Personal loan companies

Ans 3: v- Co operative societies.

Q10. State the sources of long term finance.

Ans 1: i- Underwriters ii- bonds iii - incorporate savings.

Ans 2: iv- New partners v- Debentures vi. mortgage

Ans 3: vii- Musharika investment viii- Modaraba certificates.
