

# FOUNDATION EXAMINATION

(SYLLABUS 2008)

## SUGGESTED ANSWERS TO QUESTIONS

JUNE 2012

### Paper-3 : ECONOMICS AND BUSINESS FUNDAMENTALS

Time Allowed : 3 Hours

Full Marks : 100

*The figures in the margin on the right side indicate full marks.*

#### SECTION - I (60 Marks)

Answer Question No. 1, which is compulsory and any two from the rest.

**Q. 1.(a) Answer the following :**

[1×9=9]

- (i) Deductive method involves
  - (A) Applying ethical reasoning
  - (B) Using mathematical reasoning
  - (C) Moving from particular to general
  - (D) Moving from general to particular
- (ii) The concept of consumer's surplus was propounded by
  - (A) Malthus
  - (B) Alfred Marshall
  - (C) Robbins
  - (D) Pigou
- (iii) Law of Demand Explains
  - (A) Qualitative relationship
  - (B) Quantitative relationship
  - (C) Functional relationship
  - (D) None of the above

2 ♦ Suggested Answers to Question — EBF

- (iv) Economics is a
  - (A) Positive science
  - (B) Normative science
  - (C) Exact science
  - (D) Both (A) and (B)
- (v) Utility is
  - (A) Cardinal
  - (B) Ordinal
  - (C) Neutral
  - (D) Both (A) and (B)
- (vi) In the long run monopolists earn
  - (A) Nominal profit
  - (B) Abnormal profit
  - (C) Loss
  - (D) Heavy loss
- (vii) We cannot produce
  - (A) Any thing
  - (B) Every thing
  - (C) Useless things
  - (D) Good things
- (viii) A monopolist can control
  - (A) Price
  - (B) Output
  - (C) Both (A) and (B)
  - (D) Either (A) or (B)
- (ix) Under perfect competition demand curve, AR and MR are
  - (A) the same
  - (B) not the same
  - (C) AR more than MR
  - (D) MR more than AR

**(b) Fill in the blanks :**

[1×12=12]

- (i) Utility is \_\_\_\_\_ in nature.
- (ii) The want satisfying power of a thing is called \_\_\_\_\_ .
- (iii) \_\_\_\_\_ function of money makes it available for future use.
- (iv) Money is created by the \_\_\_\_\_ bank.

- (v) The production of foodgrains according to Malthus increases at \_\_\_\_\_ progression.
- (vi) The rate of interest charged by the Central Bank from other banks is called \_\_\_\_\_ .
- (vii) A firm maximizes its profit where its marginal revenue is equal to its \_\_\_\_\_ .
- (viii) The formula for calculating optimum population is \_\_\_\_\_ .
- (ix) Per Capita Income = National Income/ \_\_\_\_\_ .
- (x) Money is matter of functions four :  
a medium, a measure, a standard and a \_\_\_\_\_ .
- (xi) In Capitalism factors of production \_\_\_\_\_ are owned.
- (xii) The laws of economics should not be compared with the laws of physics, chemistry or maths but should be compared with the simple law of \_\_\_\_\_ .

**(c) State which of the following statements is 'True' and which is 'False' :** [1×9=9]

- (i) Good money drives bad money out of circulation is called Gresham's law.
- (ii) In perfect competition every firm is price maker and not price taker.
- (iii) All companies which have not been incorporated in India are foreign companies.
- (iv) Direct taxes lead to inflation.
- (v) Increase and decrease in demand is the same as expansion and contraction of demand.
- (vi) Product differentiation is the characteristic of monopolistic competition.
- (vii) Micro economics deals with behaviour of individual units.
- (viii) Under the law of variable proportions one factor is variable and others are fixed.
- (ix) Only physical capital is essential for production.

**(d) Define the following terms in not more than two lines :** [1×6=6]

- (i) Disguised unemployment;
- (ii) Marginal propensity to save;
- (iii) Positive Economics;
- (iv) Price Elasticity of Demand;
- (v) Price Discrimination;
- (vi) Deficit Financing.

**Answer 1. (a)**

(i) — (D) **Moving from general to particular**

**Reason:** The deductive method involves the reasoning from general to particular. The conclusions are drawn on the basis of general experience. Drawing conclusions under this method is easy and does not require the use of statistical or mathematical techniques.

(ii) — (B) **Alfred Marshall**

**Reason:** Marshall opined that consumer surplus is the excess of utility derived from the use of a commodity over the utility foregone in the form of money spent. The consumer will continue to purchase a commodity until he gets surplus in the form of Utility. However, the concept is just hypothetical.

4 ♦ *Suggested Answers to Question — EBF*

(iii) — (B) **Quantitative relationship**

**Reason:** Demand is the quantity of a commodity that will be bought at a given price over a period of time. Thus, demand without mentioning quantity and price has no relevance in economics.

(iv) — (D) **Both (A) and (B)**

**Reason :** Economists differ in opinion as to whether economics is a positive science or a normative science. Thus, to some, it is a positive science which means 'what is' on the other hand normative aspect means 'what ought to be'. Robins considered it to be a positive science while according to Marshall it is a normative science.

(v) — (D) **Both (A) and (B)**

**Reason:** Utility is both cardinal and ordinal. Who assume that utility can be measured, it will be cardinal and those who considered that it can not be measured according to them it will be ordinal. Marshall considered it to be cardinal whereas some other economists considered it to be ordinal.

(vi) — (A) **Nominal profit**

**Reason:** In the long run monopolist earn only nominal profit. In the long run more and more suppliers enter the market for earning profit. Due to increased competition the abnormal profits disappear and only nominal profits remain.

(vii) — (A) **Any Thing**

**Reason:** Man can not produce any thing. Man only changes the shape or place of things. By changing shape or place utility increases hence it can be said that man cannot produce any thing. Nature has provided every thing.

(viii) — (D) **Either (A) or (B)**

**Reason:** Monopolists can control either price or output. He cannot control both. If he control price output will be left for the market to be decided and if he decides output price will have to be left for the market to determine.

(ix) — (A) **The same**

**Reason:** Under perfect competition the demand curve is horizontal to the X axis, i.e. the price does not change. As the price for a monopolist is given therefore, AR and MR remain the same as the demand curve.

**Answer 1. (b)**

(i) Subjective

**Reason:** The same thing may be useful to one but may not be useful to other(s).

(ii) Utility

**Reason:** The reason being that utility has nothing to do with ethics or morality.

(iii) Store

**Reason:** Unlike other things money can be stored and used in future.

(iv) Central

**Reason:** Money is created by the Central Bank. i.e., Reserve Bank of India.

(v) Arithmetical

(vi) Repo Rate

(vii) Marginal Cost

**Reason:** Total profit increases when marginal profit is positive and total profit decreases when marginal profit is negative, it must reach a maximum when marginal profit is zero or when marginal revenue is equal to marginal cost.

(viii)  $(A-O)/O$

**Reason:** If the resultant is positive, the country will be overpopulated, negative result will be treated as under population. A = Actual Population, O = Optimum Population. Optimum population is one where the per capita income is maximum.

(ix) Size of population

(x) Store

(xi) privately

(xii) Tides

**Reason:** The laws of physics, chemistry and maths have certainty and the tides lack uncertainty. On a full moon night the water level of sea increases but how much, cannot be explained with certainty.

**Answer 1. (c)**

- (i) **False.** Gresham's Law states that bad money drives good money out of circulation.
- (ii) **False.** For any firm in perfect competition the price is given and it cannot dictate the market. A particular firm is only a very small part of the whole market.
- (iii) **False.** Multinational Companies also may/may not be incorporated in India.
- (iv) **False.** Direct taxes do not affect prices. Their burden cannot be shifted to others, hence they do not increase price level.
- (v) **False.** When change in demand is due to change in price it is contraction/contraction of demand. When change is due to other factors like income of consumer, price of related goods etc keeping price constant, it is called increase/decrease in demand.
- (vi) **True.** Monopolistic competition is a misnomer in the sense that there is monopoly and competition also. Such a situation is termed as monopolistic competition. Where there is competition but the product of different producers is differentiated due to brand popularity or due to illusion, there is monopolistic competition.
- (vii) **True.** In micro economics we study individual firms and companies. The law of economics are applied to them whereas in macro economics the whole is studied like population, poverty, national income etc.
- (viii) **True.** In the short run when production is required to be increased all the production except one are kept constant. However, in the long run law of return to scale becomes applicable where the factors are variable.
- (ix) **False.** For production not only physical capital is required but entrepreneurship and technology and intellectual property is also required.

**Answer 1. (d)**

- (i) Disguised unemployment is a type of employment where in an occupation the number of people employed is more than the number of people actually required. Large part of worker productivity is essentially zero.

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- (ii) Marginal Propensity to Save (MPS) refers to the increase in saving that results from increase in income.

$$\text{MPS} = \frac{\text{Change in Savings}}{\text{Change in Income}}$$

- (iii) Positive Economics is that science in which analysis is confined to cause and effect relationship. It is based on 'what is?' and not on 'what should be?'. Positive economics is thus the branch of economics that concerns the description explanation of economic phenomena.
- (iv) Price Elasticity of Demand means that change in the quantity demanded of a commodity due to change in its price, other factors remaining constant.
- (v) Price discrimination: A monopolist charging different prices from different customers for the same commodity/service is called price discrimination.
- (vi) When the government spending exceeds its earnings, deficit arises and this bridged by government borrowing money from Central Bank or by rundown of the accumulated reserves. This is deficit financing.

**Q. 2. Write short note on the following :**

[4×3=12]

- (a) Resolutions requiring special notice;  
(b) Implicit cost;  
(c) Backward bending labour supply curve.

**Answer 2. (a)**

A resolution requiring special notice is not actually an independent class of resolutions. It is a kind of ordinary resolution; with the difference that mover of the proposed resolution is required to give special notice of at least 14 days to the company before moving the resolution and the company in turn, is required to give the notice of the resolution to the shareholder at least "seven" days before the meeting either individually or through advertisement in an appropriate newspaper (Sec.190).

The article of a company may specify purposes in respect of which special notice is required. Under the Act a special notice is required before moving a resolution relating to the following matter:

- (a) Appointment of an auditor other than the retiring auditor (Sec.225).  
(b) Provision that a retiring auditor shall not be re-appointed (Sec.225).  
(c) Removal of a director before the expiry of his term (Sec.284).  
(d) Appointment of another person as a director in place of the director removed (Sec.284).

**Answer 2. (b)**

**Implicit Cost :**

Implicit cost is a cost that is represented by the **lost opportunity** in the use of a company's own resources, excluding cash. The implicit cost are the costs of an enterprise that does not require direct expenditure, it results from a **loss in the potential revenue**. The implicit costs results if a person is willing to forego the satisfaction in the search of an activity and is not rewarded by money and in any other form of payment. It begins and ends with foregoing the satisfaction and benefits. An implicit cost is an **indirect intangible cost**. An example of an implicit cost is **Goodwill**.

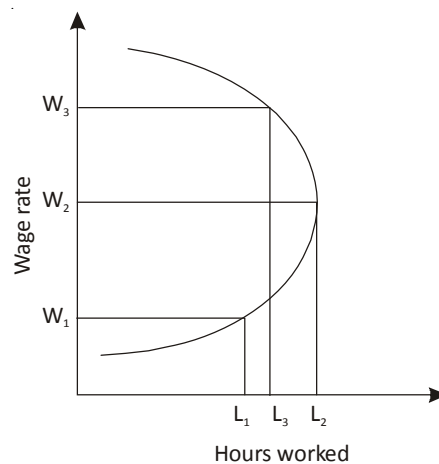
Implicit cost is the cost that is associated with an **action's tradeoff**. It represents the explicit cost, which is the actual cost of an activity and is related to a cost that is not recorded but is instead applied. For example, if an employee goes on a vacation, the explicit costs represent the expenses of the hotel room and other costs. Whereas the implicit costs indicates the tradeoff, i.e. the salary that the employee could have earned if he had not gone for a vacation.

The implicit cost for some enterprises is the result of the **total time taken** by a person to complete the project and the value of that person's time. For example if a contractor hires a plumber to complete a job, the contractor must charge enough to cover both the implicit and explicit costs to make a profit. Implicit costs cannot be traded and hence it cannot be counted in terms of money.

Implicit cost is an important concept in determining the **cost of completing projects**. If a person does an extra work added to his or her work without an extra pay, then he/she incurs an implicit cost. In case another person is hired to do the work, then an explicit cost is incurred as the hired person would be paid the wages.

### Answer 2. (c)

**BACKWARD-BENDING LABOR SUPPLY CURVE:** A labor supply curve that is positively-sloped for relatively small quantities of labor and negatively-sloped for relatively large quantities of labor. In other words, workers supply larger quantities of labor in response to a higher wage when the wage is relatively low. However, when the wage reaches a relatively high level, further increases in the wage entice workers to reduce the quantity supplied. The supply curve thus bends back on itself. The reason for the negatively-sloped, backward-bending segment rests with the tradeoff between labor and leisure. Workers decide to "spend" a portion of their higher wage "buying" more leisure time, and thus working less. The end result is that the higher wage decreases the quantity of labor supplied.



**Q. 3. (a)** Discuss the role of NABARD in rural development. [6]

**(b)** What is limited liability partnership? Discuss its strengths and weaknesses. [6]

**Answer 3. (a)**

NABARD is set up in 1982 as an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas. In discharging its role as a facilitator for rural prosperity NABARD is entrusted with :

- Providing refinance to lending institutions in rural areas.
- Bringing about or promoting institutional development and.
- Evaluating, monitoring and inspecting the client banks.

Besides this pivotal role, NABARD also :

- Acts as a coordinator in the operations of rural credit institutions.
- Extends assistance to the government, the **Reserve Bank of India** and other organizations in matters relating to rural development.
- Offers training and research facilities for banks, cooperatives and organizations working in the field of rural development.
- Helps the state governments in reaching their targets of providing assistance to eligible institutions in agriculture and rural development.
- Acts as regulator for cooperative banks and RRBs.

**Answer 3. (b)**

**A limited liability partnership (LLP)** is a partnership in which some or all partners (depending on the jurisdiction) have limited liability. It therefore exhibits elements of partnerships and corporations. Limited liability partnerships are distinct from limited partnerships in some countries, which may allow all LLP partners to have limited liability, while a limited partnership may require at least one unlimited partner and allow others to assume the role of a passive and limited liability investor.

**Here are some of the main features of a LLP :**

- LLP is a separate legal entity separate from its partners, can own assets in its name, sue and be sued.
- Unlike corporate shareholders, the partners have the right to manage the business directly.
- One partner is not responsible or liable for another partner's misconduct or negligence.
- Minimum of 2 partners and no maximum.
- Should be 'for profit' business.
- Perpetual succession.
- The rights and duties of partners in LLP, will be governed by the agreement between partners and the partners have the flexibility to devise the agreement as per their choice. The duties and obligations of Designated Partners shall be as provided in the law.
- Liability of the partners is limited to the extent of his contribution in the LLP. No exposure of personal assets of the partner, except in cases of fraud.
- LLP shall maintain annual accounts. However, audit of the accounts is required only if the contribution exceeds ₹ 25 lacs or annual turnover exceeds ₹ 40 lacs.



### Strengths of LLPs

- More flexibility: Although a limited liability company must file articles of organization with the state, it has a more flexible management structure than a corporation.
- Limited liability: As its title suggests, the LLC protects owners and shareholders from personal liability in case of judgments or debts against the business.
- Tax benefits: As with a general partnership, the profits and losses in a limited partnership flow through the business to the partners, all of whom are taxed on their personal income tax returns. The difference is that the limited partners in the relationship get to share in the profits and losses, but they do not have to participate in the business itself. Income is not double taxed.
- Fewer compliance issues: In most states, an LLP doesn't need to have an annual meeting, and the LLP isn't required to have a board of directors. Plus, there's less paperwork and recordkeeping required compared to a corporation.

### Weaknesses of LLPs.

- A partner, in a limited partnership, may transfer his or her share to a third party at any time, pending other partners first right of refusal.
- Failure to file a renewal on time will lose limited liability feature, due to the statutory nature of limited partnerships.
- Partners face the rigors of compliance with the centralized management of a limited partnership.
- Operational inefficiency is among the disadvantages of a limited partnership and frequently results in the decision to incorporate rather than form a limited partnership venture.

**Q. 4.** What is taxable capacity? Explain the factors on which taxable capacity depends. [2+10]

### Answer 4.

#### Taxable Capacity :

One of the principles of taxation is that the tax should be imposed according to the capacity of the tax payer. The concept of taxable capacity implies maximum possible amount of tax that can be collected from an economy without hurting it. It indicates the upper limit for taxation. In other words it may be said that taxable capacity means capacity to pay tax. The concept has been developed for the purpose of measuring how much can be collected from a community by way of tax.

The fact is that the taxable capacity is not rigidly fixed. It is a moving point. It is relative to so many factors that any change in any of them is bound to change our estimate about the taxable capacity of a nation. Findlay Shirras gives the following factors which determine the taxable capacity of a nation.

1. **Number of Inhabitants.** It is pretty clear that the bigger the amount, the larger is the taxable capacity of the society to add towards the operating cost of the management. From this point of view India is well placed. Its taxable capacity will infinitely increase when the proper economic development of the country is brought about.
2. **Distribution of Wealth.** If capital is more uniformly disseminated, the taxable capacity will be equally abridged. But if there are big accretions of capital in the minority hands, the management can collect additional money by levying taxes on the rich.

3. **Method of Taxation.** A systematically created tax system with an intelligent collaboration of several types of taxes, direct as well as indirect, is certain to fetch in a better yield. Our tax system is not so much diversified, e.g., we have no taxes on large agricultural incomes. This certainly reduces the taxable capacity.
4. **Purpose of Taxation.** If the intention of taxation is to encourage interests of the public, they will be more eager to taxing themselves.
5. **Psychology of Tax-payers.** Much relies on the people's approach towards an administration. A well-liked government can stimulate the will of the public and train them for larger sacrifice. A request to nationalism is over and over again the reason of the victory of a fiscal measure. This is what makes war loans successful. Psychology of the public is a vital feature, and unless they are appropriately advanced, they might be reluctant to taxing themselves.
6. **Stability of Income :** If the revenue of the residents is unstable, there will be not much capacity for additional taxation. The vagaries of the monsoons in India account for a lower taxable capacity. It is only on stable incomes that long-term financial arrangements can be based.
7. **Inflation :** It reduces the buying capacity of the nation and it cripples countless individuals; it has an unpleasant result on taxable capacity.

## SECTION - II (40 Marks)

Answer Question No. 5, which is compulsory and any two from the rest.

Q. 5. (a) Answer the following :

[1×6=6]

- (i) A holding company can control
  - (A) Only one subsidiary company
  - (B) One or more subsidiary companies
  - (C) Only three companies
  - (D) Any number of companies
- (ii) A resolution requiring special notice is
  - (A) Not an independent class of resolution
  - (B) An independent class of resolution
  - (C) A kind of ordinary resolution
  - (D) None of the above
- (iii) Kinked demand curve is a characteristic of
  - (A) Monopoly
  - (B) Perfect competition
  - (C) Monopolistic Competition
  - (D) Oligopoly

- (iv) Balance of Trade comprises of
  - (A) Exports
  - (B) Imports
  - (C) Exports and Imports
  - (D) Any number of companies
- (v) Examples of statutory companies are
  - (A) Reserve Bank of India
  - (B) Damodar Valley Corporation
  - (C) State Bank of India
  - (D) All of the above
- (vi) Various objectives of business are
  - (A) Economic objectives
  - (B) Social objectives
  - (C) Human objectives
  - (D) All of the above

**(b) Fill in the blanks :**

[1×6=6]

- (i) In capitalism the \_\_\_\_\_ hand guides all human efforts.
- (ii) To control inflation interest rates should be \_\_\_\_\_ by the banks.
- (iii) Inflation is unjust, deflation is inexpedient but of the two \_\_\_\_\_ is worst.
- (iv) The deductive method proceeds from \_\_\_\_\_ to the particular.
- (v)  $NNP = GNP - \text{_____}$  .
- (vi) The minimum number of members in a public company is \_\_\_\_\_ .

**(c) State which of the following statements is 'True' and which is 'False' :**

[1×6=6]

- (i) Mild inflation is also bad for the economy.
- (ii) Now private limited companies can also get their securities listed on stock exchange.
- (iii) SEBI is not a market regulator.
- (iv) Centrally planned economies increase the competitive spirit.
- (v) One of the aspects of social environment is taxation.
- (vi) Liability clause is a part of Articles of association.

**(d) Define the following terms in not more than two lines :**

[1×6=6]

- (i) Special Resolution;
- (ii) Lame duck;
- (iii) EGM;
- (iv) Bonus shares;

- (v) Preliminary expenses;
- (vi) Consumer co-operatives.

**Answer 5. (a)**

- (i) (B) One or more subsidiary companies
- (ii) (A) Not an independent class of resolution
- (iii) (D) Oligopoly
- (iv) (C) Exports and Imports
- (v) (D) All of the above
- (vi) (D) All of the above

**Answer 5. (b)**

- (i) Invisible
- (ii) Increased
- (iii) Deflation
- (iv) General
- (v) Depreciation
- (vi) Seven

**Answer 5. (c)**

- (i) **False.** Mild inflation is good for economy, it increases demand, hence production and employment.
- (ii) **False.** Shares of a private company are not allowed to be listed on a stock exchange as the shares of a private company are freely transferable.
- (iii) **False.** SEBI is a market regulator. The SEBI Act, 1992 has been enacted to regulate the stock market so as to develop the equity cult in the country and also to increase the faith of investors in the stock market.
- (iv) **False.** Centrally planned economies are regulated by the government of the respective country. What to produce and for whom is decided by the government. The factors of production are in government hands. Such an economy does not increase competitive spirit.
- (v) **False.** Taxation is an aspect of Economic environment. Social environment in a country has nothing to do with taxation.
- (vi) **False.** Liability clause is part of Memorandum of Association.

**Answer 5. (d)**

- (i) Special resolution are those when the votes cast in favour of the resolution by members present in person or where proxies are allowed, by proxy, are not less than three times the number of votes, if any, cast against the resolution and that has been duly specified in the notice calling the meeting.

- (ii) In case the bear is unable to strike the bargain immediately, he is said to be '**Lame Duck**'.
- (iii) Any meeting of the members of a company other than the statutory meeting and annual general meeting is called EGM.
- (iv) Bonus shares are issued to the existing shareholders by capitalization of reserves.
- (v) Expenses incidental to the formation of a company are known as preliminary expenses. These expenses are of a capital nature.
- (vi) Consumers' cooperative societies are established by the consumers of a certain locality for the purpose of social upliftment of their members.

**Q. 6. (a)** A public limited company was incorporated on 30.12.2011. Give the latest date by which it should hold its first AGM. [4]

**(b)** There may be instances when a public limited company may not be required to hold its AGM neither in the year of incorporation nor in the following year, explain. [4]

**Answer 6. (a)**

The first annual general meeting must be held within 18 months from the date of incorporation. So a Public Ltd Co. in corporation on 30-12-2011 should hold first AGM latest by 30-6-2013.

**Answer 6. (b)**

A public limited company is newly incorporated. It is required to hold its first annual general meeting within the next 18 months. Thus, a company is incorporated on 12-10-2011 will be required to hold its first AGM latest by 11-04-2013. In this case this company is not required to hold AGM during the year 2011 and 2012.

**Q. 7. (a)** What is a special business? [2]

**(b)** There may be instances where a private limited company may have even more than 50 members. Illustrate. [3]

**(c)** "Foreign company is not a company". Discuss. [3]

**Answer 7. (a)**

A special business is a business which is not an ordinary business.

Ordinary business include :

1. Consideration of the accounts by the members in the general meeting.
2. Appointment of directors in place of retiring directors.
3. Passing resolution for the appointment of auditors in place of those retiring.
4. Declaration of dividend.

Any business other than the above four to be considered in the AGM is called 'Special Business'. These business require explanatory statement to be sent to the shareholders along with the notice of AGM.

**Answer 7. (b)**

Yes, There may be instances where a private limited company may have even more than 50 members as in counting of the ceiling limit :

- (i) The members who are employee of the company are not counted.
- (ii) The employees who hold membership during their employment and now they are not the employee of the company but remain the members of the company are also not counted, and
- (iii) Joint shareholders are counted as one.

Thus, the company remains private limited company even when the members are more than 50.

**Answer 7. (c)**

According to Section 3(i)(iii) of the Companies Act the company incorporated under the Companies Act 1956 is a company. Thus, a company incorporated outside India is not a company. Hence, foreign company is not a company. However, for some limited purposes a company incorporated outside India but having a place of business in India is treated as a foreign company.

**Q. 8.** Write a letter to the Divisional Manager of the Insurance Company for sending its surveyor for assessment of loss caused to your company due to fire in your godown. [8]

**Answer 8.**

**Letter to; Divisional Manager of Insurance Company :**

**Rama Clothes Limited  
23/27, Loha Mandi, Agra**

The Divisional Manager,  
New India Assurance Ltd.,  
25, Court Road,  
Agra.

Date : xx-xx-xxxx

Sub: **Loss of Stock in the Godown.**  
Ref : **Policy No. 430667 dated 24-07-2011.**

Dear Sir,

We beg to inform you with great regret that a fire broke out last night in our godown situated at 23/27 Loha Mandi, Agra, Thana Hariparwat. The cause of the fire could not be established even by the police, who have been to the site this morning. The fire was seen by the watchman in the store where paper is stocked. He immediately informed the fire brigade which arrived within minutes. I also reached the spot as soon as I received the telephonic message from the watchman. Despite the best efforts put in by the fire brigade, nothing could be saved.

We estimate the loss worth Rs. 40,000/- and request you to please depute your surveyor or inspector to assess the loss and let us know the formalities to be completed for putting up a claim for the loss.

Thanking you,

Your faithfully,  
for Rama Clothes Ltd.,

(Manager)