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ELEMENTARY THEORY AND PRACTICE OF COMMERCE

BY

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College of Commerce. Author of Standard Text Books
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PREFACE

THIS little book covers in a simple and necessarily short way, a wide range of subjects which are of considerable use to students in High schools preparing for Commercial and Technical Diploma Examinations. It deals with Shipping, Commercial and Official Correspondence, Banking, Insurance, the Import and Export Trade, the Money Market, Postal Services, etc.

The requirements of candidates for Commercial and Technical Examinations have been very carefully studied before assembling the various topics dealt with in this book under their appropriate headings, and the author's long experience of thirty-two years as the pioneer of Commercial Education in India, and as a professor, teacher and examiner has guided him in this selection and arrangement. Questions from various examinations have been carefully selected and added at the end of the appropriate chapters, for the ready use of teachers and students.

Any suggestions from teachers which are likely to add to the usefulness of this book will be highly appreciated, and will be carefully considered in connexion with the publication of future editions.

SOHRAB R. DAVAR

Davar's College of Commerce
Esplanade Road
Bombay

15 July 1933

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I

BUSINESS CORRESPONDENCE

IN all businesses correspondence naturally plays a very important part. In fact, if a person starts a new business, the first step which he will have to take is to write letters informing all who are likely to deal with him of the fact that he has started a new business, and throughout his career as a business man he will have to write letters at every step. Thus it is important for a young aspirant to business success to master this branch in detail. He must study the English language with great care.

1. Language in a Business Letter

It should be remembered that the main object with which a business letter is written is to communicate the message clearly without any ambiguity. For this purpose the language and the style of expression should be very simple. Some authorities suggest that the writer of a business letter should imagine that the person to whom he is writing is present near his desk, and that his writing should be in the style and language he would use in personal conversation. In order to ensure simplicity, idioms should be strictly avoided. Of course, proverbs and poetry should have no place in a business letter. Discussion on every new item should be introduced with a separate paragraph, which, where desirable, should be headed appropriately, so that when in the future either the writer or the addressee wishes to find out any particular portion he should have no difficulty in doing so from the copies in his file. The other point to be borne in mind is that to a business man time is very precious. The business letter should therefore be as brief as circumstances permit, i.e. without sacrificing the material

points which the writer wants to urge. An unnecessarily lengthy letter creates unnecessary annoyance in the man to whom it is addressed, who has a mass of correspondence to read, and give instructions upon, daily. Bad spelling is unpardonable in a business letter as it indicates the writer's lack of education.

2. Courtesy

The next point to be remembered is that courtesy and good manners are also valuable assets in business. The language should be courteous, both with a view to maintain the old business and to create new business. Bad manners are objectionable everywhere, but in business they mean loss of money and business friends, which is most serious. When the writer is considerably annoyed, and feels that he should write rather strongly, the easiest course open to him is to write down his ideas and then lock the letter up for a night. In cooler moments he is sure to see his errors, with the result that the letter will probably not be sent out. But even under great provocation one is never justified in writing in rude and insolent language. A business letter should be clear in language, correct in statement and concise in form.

3. The Make-up of a Business Letter

Let us make a brief skeleton of what a business letter should contain. We can divide it into the following parts, viz.

- i. The Heading
- ii. The Inside Address
- iii. Salutation
- iv. Body or Substance of the Letter
- v. Complimentary Close
- vi. Signature

(i) *The Heading*

This consists of the address of the writer and the date on which he writes the letter. Thus the person addressed knows where the reply should be forwarded.

(ii) *The Inside Address*

This consists of the name and address of the addressee.

Every commercial letter must contain the name and address of the person to whom the letter is written, because every commercial letter is either press copied or carbon copied, and thus the detail as to the person to whom the letter is sent must be retained. At the same time the junior clerk who has to address the envelope gets his material from the letter itself and so saves much time.¹

(iii) *The Salutation*

The usual salutations in a business letter are *Sir*, or *Dear Sir*, and in rare cases of personal friendship, *My dear Sir* or *My dear Madam*. These salutations are used to begin the letter shortly, and in a business-like manner.

(iv) *The Body or Substance of the Letter*

Here the subject matter of the letter is dealt with in convenient paragraphs, which are in some cases given appropriate headings. Care must be taken that the letter is not written or typed in such a manner that a page has to be used for only the 'Complimentary Close'. We have already made general observations on the language of a business communication.

It should be noted that in a business letter colons, semi-colons, dashes and parentheses are rarely used, because a business letter is made up of short sentences, to avoid misunderstanding and confusion of ideas.

(v) *The Complimentary Close*

This clause is written on a separate line at the foot of the letter just above the signature. The usual complimentary closes appropriate to a business letter are *Yours faithfully*, *Yours truly*, and *Yours very truly*. The student has to be very careful to see that the complimentary clause appropriate to the salutation is used. (See p. 4.)

(vi) *The Signature*

The signature ought to be written in the plainest style. The bad habit of making the signature the most illegible part of the business letter ought never to be cultivated.

¹ Sometimes the labour of addressing envelopes may be avoided by using 'window envelopes' which have a transparent panel through which the address can be read.

Mrs. when married. There are other Indian prefixes; for example, in western India, *Bai* for both married and unmarried women; *Srimati* with the names of married women and *Kumari* with those of unmarried women; and *Ganga Swarup* is the prefix used with the names of widows.*

6. The Modes of Address for Title Holders

The following modes of address for title holders may be remembered:

TITLE	EXAMPLE OF SALUTATION	ADDRESS
Ambassador	His Excellency Lord Pembroke	My Lord
Archbishop	His Grace the Archbishop of Canterbury	My Lord Archbishop
Baron	The Rt. Hon'ble Lord Somerset	My Lord
Baron's son <i>or</i> daughter	The Hon'ble John Cornwallis	Sir <i>or</i> Madam
Baroness	The Rt. Hon'ble the Baroness Sinha	My Lady
Baronet	Sir Jamsetji Jeejibhoy, Bart.	Sir
Baronet's wife	Lady Jemsetji Jeejibhoy	Madam <i>or</i> Your Ladyship
Bishop	The Rt. Rev. the Lord Bishop of London	My Lord Bishop
Countess	The Rt. Hon'ble the Countess of Suffolk	Madam <i>or</i> Your Ladyship
Duke	His Grace the Duke of York	My Lord Duke <i>or</i> Your Grace
Earl	The Rt. Hon'ble the Earl of Pembroke	My Lord
King	The King's Most Excellent Majesty	Sire <i>or</i> May it please Your Majesty
Queen	The Queen's Most Excellent Majesty	Madam <i>or</i> May it please Your Majesty
Indian Ruling Princes	His Highness the Maharaja of Baroda	Your Highness
The Nizam of Hyderabad	His Exalted Highness the Nizam	Your Exalted Highness
Chief Justice (British)	The Rt. Hon'ble Lord Chief Justice of England	My Lord

TITLE	EXAMPLE OF SALUTATION	ADDRESS
Chief Justice of Indian High Court	The Hon'ble Mr. Justice Mirza	My Lord
Judge of a Sub-ordinate Court including Dt. Judge	His Honour Mr. Ramachandra Rao	Your Honour
Sheriff of London	The Rt. Worshipful	Sir
Lord Mayor of London	The Rt. Hon'ble	My Lord Mayor
Mayor	His Worship the Mayor	My Lord
Governor-General and Governors	His Excellency	Your Excellency

Firms are addressed as Messrs. (e.g. Messrs. John Roberts & Sons) but in the case of Joint Stock Companies and Corporations, the title of *Messrs.* should not be applied because the personal element is not supposed to be there. *Messrs.* is a contraction of the French *Messieurs*, which means *Gentlemen*. The usual form would be 'The Bombay Trading and Manufacturing Co., Ltd.'

A letter to a Frenchman may be prefixed by *Monsieur* (e.g. Monsieur Jules Dupare, or M. Jules Dupare); and one to a German by *Herrn* (e.g. Herrn Niemand).

7. Enclosures

Whenever there is anything enclosed in a letter, it is usual to state at the foot of the letter after the signature in the left hand corner *Encl: 3*, or *Encl: Invoice, Bill of Lading, Bill of Exchange*. In the former case it indicates only the number of enclosures, in order to guide the despatch clerk and to warn the addressee as to the number of enclosures he should expect. In the second illustration a detailed and explicit mention of the documents enclosed is made. It is also usual to enclose a stamp or stamped envelope bearing the address of the writer in letters containing a request for a favour, or information which is not likely to result in mutual business.

8. Letter Reference

It is usual to give a reference at the top of the letter, such as *X-221*, which is usually accompanied by the request *Please quote when replying*. Such references are essential if an efficient filing system is to be maintained.

QUESTIONS

1. Show the method of addressing letters to the following: (1) The British Consul at Pondicherry, (2) The Secretary of State for India, (3) A commercial firm, (4) A Member of the Fort St. George Legislative Council. (Madras, E., 1916.)

2. Name the different parts of a letter, stating which is the principal part and why. Mention four points which would be specially borne in mind when writing the principal part. (Madras, E., 1919.)

3. How many divisions are there to a business letter? Name them. (Madras, E., 1921.)

4. How would you address a business letter to a Sheriff, Lord Chief Justice, a Limited Company, a married lady and a spinster? (Madras, E., 1921.)

5. Write notes on the use of the full stop, the comma, the dash and quotation marks in punctuation. (Madras, I.G., 1915.)

6. What is the current form of commencing and ending letters to the Bishop of Madras, a mercantile firm, a Judge of the High Court, and a Member of the Board of Revenue, and what is the correct superscription? (Madras, I.G., 1917.)

7. In addressing correspondence to each of the following, how would you begin and end your letters?

(1) The Governor of Madras, (2) The Bishop of Madras, (3) The Chief Justice, (4) An Indian gentleman of title, (5) A firm of general merchants, (6) A military officer. (Madras, I.G., 1922.)

8. Set out in business style the following letter and punctuate it where necessary:

Dated 10th October from Ram Lall & Co., Meston Road, Allahabad. To Rahman & Co., Elgin Road, Simla. In reply to your inquiry of the 6th instant we have known the gentleman you mention for more than 10 years during the greater part of which time we have had close business relations with him. We can consider him intelligent and industrious and have always found him absolutely straightforward in his dealings although our commercial relations have had an unfortunate termination for us we have the greatest regard for him and are anxious to do anything in our power to assist him yours faithfully,

(Benares, 1926.)

II

MODEL LETTERS

HAVING thus briefly discussed the general principles applying to letter writing, I shall now take up a few illustrative letters in common use in daily business life.

1. Circular Letters

The first letters that a business man will probably have to write are what are called 'Circular Letters'. These are generally printed, or duplicated in typewritten form. Such letters should be drafted with great care, and should enunciate such particulars as are likely to influence the parties to whom they are addressed, and are likely to attract business. All the advantages commanded by the goods offered by the writer (or what are called their selling points) should be prominently brought out in a style which is free from suspicion of boasting or exaggeration. In fact you have to emphasize the virtues in such a way that they will seem to have been unconsciously disclosed. At the same time take care to see that you are not over-modest, which would create an impression of want of confidence. Almost identical rules apply to a letter applying for an appointment. Do not forget to give your references in these letters, as your own word, however prized, can never be taken as final.

(i) *A Circular Letter of a Firm of two Partners established in Bombay as Silk Merchants*

RATTANJI, RAGHOB & Co.,
80 HORNBY ROAD,
BOMBAY, 9 February, 1933.

To
MESSRS. WILLIAM ROBIN & Co.,
CHOWRINGHEE, CALCUTTA.

DEAR SIRs,

" We take pleasure in informing you that we have recently established ourselves as wholesale silk merchants in this city, and are now in a position to supply the best qualities of Chinese, Japanese and Parisian Silks. We stock a very large number of varieties and shall be happy to forward samples on hearing of the lines in which you are interested.

Our senior partner, Mr. Rattanji, for a number of years held the appointment of manager in the firm of Messrs. Bhedwar and Co. of this city, and during these years he was in close touch with the best manufacturers of silk in China, Japan, Paris and India. After severing his connexion with his old masters, he travelled extensively in order to select carefully sole agencies from among the leading Indian, French, Chinese and Japanese manufacturers, and we have now arranged to buy silk in large quantities at exceptionally favourable prices. We are thus in a position to quote the lowest prices to our customers and we invite you to place a trial order.

Our Mr. Raghoba not only possesses valuable experience as a silk mercer, but has also made large capital investments in the firm. As we have already stated, we only ask for the favour of your trial order, which we promise to execute at the most favourable market prices, and to supply the best class of goods obtainable.

The Central Bank of India Ltd. of Bombay and Calcutta are our Bankers, and will be happy to give you any information as to our financial standing and credit that you may require.

Awaiting your esteemed commands,

We remain, Dear Sirs,

Yours faithfully,

RATTANJI, RAGHOB & Co.

2. Applications for a Situation

In the first instance, applicants for a situation are judged by the letters they write. If, in answer to his advertisement the employer receives a badly composed and uninformative letter, he will not even consider the application; he will only give interviews to those who have stated their qualifications clearly and briefly in their letters. 'Opinions' and references are not as effective as a good letter. The employer wants to

see what the applicant himself can do, and not what his friends think of him.

(ii) *Application for the Post of Secretary*

25 GOLKONDA LANE,
BOMBAY,

25th February, 1933.

THE MANAGING DIRECTOR,
THE BOMBAY IRON FOUNDRY, LTD.,
CHURCHGATE STREET, BOMBAY.

SIR,

With reference to the advertisement in today's *Bombay Chronicle* for a secretary in your Company, I take the opportunity to offer myself for the position.

I have been working for the last ten years on the staff of the Tata Iron and Steel Co., Ltd., of this city. For the last three years of this service I have been holding the appointment of Assistant Secretary to this Company. During the temporary absence of our Secretary, on two occasions, I had also the opportunity to act as a secretary with full powers. Not only am I fully conversant with secretarial duties, but during these years I have developed the best business relationships with most of the important buyers in iron. I was educated at the Davar's College of Commerce, Bombay, and secured First Class Honours in the Final Examination of the Incorporated Secretaries Association of London in 1922.

My employers will no doubt give you an idea as to my capacity for work and honesty, and I take the liberty to refer you to them, and particularly to my Manager, Mr. S. P. Higgins, for further information.

Soliciting the favour of an interview, and assuring you that if my application is successful I shall always endeavour to satisfy you,

I remain, Sir,

Yours obediently,

RAMACHANDRA GOVIND.

3. Letters of Introduction

A business man is frequently called upon to issue letters of introduction to business friends. It is no doubt a duty which mutual courtesy entails on every business man, but such a duty has its responsibilities. These letters should be given only to those who are well known to the writer. Your duty in this connexion is twofold, namely: (1) Your duty towards the man to whom the letter is given and (2) Your duty to the business friend to whom the man is introduced. It is bad enough to introduce a man of doubtful standing to

any friend, but a careless introduction in business may lead to more serious consequences. A word or sentence carelessly written may carry a meaning far beyond the writer's contemplation, and it may lead your business friend to enter into larger credit transactions than are warranted by the circumstances, and so involve him in financial loss. It is therefore the golden rule to refuse a letter if you have any doubt whatever as to the honesty or integrity of the party asking for it.

A letter of introduction should be left open, as the party introduced has the right to read it.)

This letter should embrace information as to the position of the person introduced, the purpose for which he asks the introduction, and the duration for which you have known him. You may add any other remarks that you consider necessary.

(iii) *Letter of Introduction for a Merchant seeking New Markets*

10 CHURCHGATE STREET,
BOMBAY,

22nd February, 1933.

MESSRS. BYRAMJI & Co.,
PEKIN, CHINA.

DEAR SIRs,

This letter will be handed to you by Mr. Sakerlal Patel, a partner in the firm of Messrs. Patel Bros. & Co., of this city, who deal largely in cotton and yarn and own two large spinning mills in Bombay, and Ahmadabad. We have had dealings with Messrs. Patel Bros. & Co. for a number of years and take pleasure in introducing this gentleman to your kind and favourable attention.

Mr. Sakerlal Patel is leaving for your country with a view to arranging with some reliable Chinese firm for the selling agency in China of the goods manufactured by his mills, and we feel assured that you will be able to give him the best assistance in the matter.

We need hardly add that any assistance you may render to Mr. Patel will be highly esteemed by us and that on our part we shall be happy to reciprocate in a similar matter, whenever you are pleased to afford us an opportunity.

We remain, Dear Sirs,

Yours faithfully,

JAMSETJI AND FRAMJI.

The above letter illustrates the introduction of a business friend. A letter of introduction may also be given to a commercial traveller, or an ordinary friend, or a clerk in

search of appointment. In the case of a commercial traveller, you should add that the addressee's assistance would be valuable in guiding the traveller as to where, and with whom, he should seek business; and finally you should request your friends to furnish the traveller with letters of recommendation to firms known to them.

If such a letter is given to a clerk in search of an appointment it should include all information relating to his education, abilities, honesty and experience; it should close with a request to the party addressed to use his influence in securing the desired appointment.

4. Retirement of an Old Partner or Introduction of a New Member in a Firm

(When a partner retires, either on account of failing health, advancing age, or for some other reason, it is necessary that both the retiring partner and continuing partners should address letters to the various constituents of the firm. Partnership law throws this duty on the retiring partner, as it lays down that unless a retiring partner gives public notice of such a retirement, he continues to be liable for debts incurred by the firm after his retirement, if credit is given to the firm in ignorance of his retirement.) With regard to the other partners, it is desirable that they also should inform their constituents as to the change in the constitution of the firm, and to bring to the notice of their customers the fact that the said retirement will not materially affect the business of their firm.

In the letter written by a retiring partner, he generally gives the reason for his retirement, thanks the constituents for their kindness and courtesy to the firm during the period of his connexion with it, and generally expresses the hope that the old constituents will continue their connexion with his old firm.

The letter written by the continuing partners on behalf of the firm will refer to the fact of the retirement, but will add the partners' grounds for believing that this retirement is not likely materially to affect the business of their friends. Usually the partners arrange to make up for the withdrawal of the capital by the retiring partner.

(iv) Letter of a Retiring Partner

15 MAIN STREET,
CALCUTTA,
26 February, 1933.

MESSRS. PAUL PESTONJI & Co.,
BOMBAY.

DEAR SIRs,

It is with regret that I have to write to inform you of my retirement from business on account of old age and my failing health.

My retirement will not affect in any way the business of the firm with which I have been connected for so many years, as my other partners have made most satisfactory arrangements to carry on the same under the same name and style. They have admitted my nephew, Mr. William Newcome, as a partner who brings an additional capital of £10,000 into the new firm. This factor combined with the experience of my old colleagues will, I feel confident, succeed in maintaining the name and reputation of the firm during future years, and I trust that you will be so good as to continue to extend your patronage to this new firm in the future, as you have so kindly done in the past.

I assure you that I shall always remember with feelings of satisfaction the friendly relations that have for so many years existed between us, and, wishing your firm continued prosperity,

I remain, Dear Sirs,

Yours faithfully,

JOHN OLDMAN.

(v) Letter of the Continuing Partners

CALCUTTA,
25 February, 1933.

MESSRS. PAUL PESTONJI & Co.,
BOMBAY.

DEAR SIRs,

We regret to have to inform you of the retirement from our firm of our senior partner, Mr. John Oldman, on account of failing health.

It is, undoubtedly, a cause for regret that we should be losing the advice and assistance of one of our oldest and most esteemed colleagues. But we are consoled with the idea that as during the last two years, owing to Mr. Oldman's irregular health, the principal work of the firm was solely in the capable hands of our Messrs. Robins and Williams, the business of the firm will not suffer in the least in its efficiency by this change. Both the continuing partners have increased their capital in the firm; and at the same time we are fortunate in securing as our colleague Mr. Newcome, a nephew of our retiring senior, who brings in an additional capital of £10,000.

We take this opportunity to thank you sincerely for the confidence you have reposed in us in the past, and assure you that any orders

with which you may favour us in the future, will receive our prompt and careful attention.

We remain, Dear Sirs,
Yours faithfully,
OLDMAN, ROBINS & Co.

5. Letters of Information

A business man is frequently requested to furnish information as to the standing and position of a particular trader or firm. The fact to be borne in mind here is that nothing which is likely to present an exaggerated picture must be stated. Careful inquiries should be instituted and a frank report embracing all important details should be forwarded. Information, notably regarding the financial standing and business possibilities of the party concerned, will be specially appreciated.

(vi) *Request for Information as to a Firm's Financial Standing*

MADRAS,
5 February, 1933.

MESSRS. SASSOON JACOB & Co.,
25 HORNBY ROAD,
BOMBAY.

DEAR SIRs,

Messrs. Govindji, Ludha & Co., of Shaikmemon Street, Bombay, have offered to act as our Sale and Consignment Agents for Mangalore tiles and coconuts, and, with their permission, we are approaching you for information with regard to their financial standing and business possibilities. With a view to guide you as to the nature of business we propose to do with them, we would state that the same is likely to range between one and two lakhs of rupees yearly, against which we are to draw for bills half the invoice amount three months from the date of such drafts, and the balance due on each transaction is to be settled on completion.

We understand that you have known and dealt with this firm for a number of years in connexion with your opium department, and are thus likely to be in a position to give us accurate information.

Thanking you in advance for any information with which you may favour us and offering our services in similar matters.

We remain, Dear Sirs,
Yours faithfully,
RAMGOPAL PILLAI & Co.

(vii) *Favourable Reply*

25 HORNBY ROAD,
BOMBAY,
18 February, 1933.

MESSRS. RAMGOPAL PILLAI & Co.,
MOUNT ROAD,
MADRAS.

DEAR SIRs,

With reference to your letter, dated the 5th instant, asking for information as to the standing and reputation of Messrs. Govindji, Ludha & Co., of this city, we have pleasure in stating that you can repose implicit confidence in the ability of these gentlemen to give you entire satisfaction. They are a highly respected and perfectly sound firm of merchants, who have the reputation of keeping the engagements which they make. The senior partner, the Hon'ble Mr. Govindji, is said to be worth over 20 lakhs of rupees, and is the president for this year of the Indian Merchants' Chamber.

The firm deals largely in cotton and opium and our accounts with them run into lakhs of rupees.

You are welcome to this information and we are pleased to be of service to you.

Yours faithfully,
SASSOON JACOB & Co.

(viii) *Unfavourable Reply*

25 HORNBY ROAD,
BOMBAY,
18 February, 1933.

MESSRS. RAMGOPAL PILLAI & Co.,
MOUNT ROAD,
MADRAS.

DEAR SIRs,

With reference to your inquiry, dated the 5th instant, we regret to have to state that we are unable to give you a satisfactory report on the questions raised by you as to the standing, etc., of the firm of Messrs. Govindji, Ludha & Co. They came to grief, about a year ago, through their dealings with the Manilal Banking Corporation, which went into compulsory liquidation, after a career of mad speculation on the Silver Bazaar and the Stock Exchange. The senior partner of Messrs. Govindji, who happened to be the chairman of this corporation, lost heavily, seriously imperilling the position of his own firm, which is now much hampered for want of adequate capital. In the circumstances we recommend cash transactions or transactions on bank guarantees only.

You are welcome to this information which we trust you will treat as confidential.

Yours faithfully,
SASSOON JACOB & Co.

(ix) Letter asking for References

CALCUTTA,
11 March, 1933.

MESSRS. ALFRED LITTLE & Co.,
ELPHINSTONE CIRCLE,
BOMBAY.

DEAR SIRs,

We have an application for the appointment as a cashier from one Mr. Damodar Shroff of your city, who has stated that he was in your service for six years in a similar capacity, but had to resign for reasons of health, being advised by his physician to leave for a warmer climate. May we request you to give us your opinion as to whether this party is competent to take charge as cashier of a department of twenty-five assistants, with a monthly turnover of ten lakhs of rupees. We should also expect him to guide us as to the financial standing of various Bombay merchants. As we are not asking any securities from this party, we are naturally anxious that you should favour us with your frank opinion in this matter.

Thanking you in advance for this favour,

We are, Dear Sirs,
Yours faithfully,
BYRAMJI, FINLAY & Co.

(x) Favourable Reply

BOMBAY,
14 March, 1933.

MESSRS. BYRAMJI, FINLAY & Co.,
CALCUTTA.

DEAR SIRs,

Re : Mr. Damodar Shroff

With reference to your letter of the 11th instant, in the above matter, we may state that Mr. Shroff gave us complete satisfaction in his work as the head of our Cash Department. He had under him in this department over twenty assistants and the cash turnover during his period of service considerably exceeded the figures you indicate. We found him to be trustworthy, regular and accurate, and much regretted losing him when he had to resign under medical advice. We have no doubt that you will get complete satisfaction in every way if you decide to take Mr. Shroff into your employ.

Yours faithfully,
ALFRED LITTLE & Co.

(xi) *Unfavourable Reply*BOMBAY,
14 March, 1933.MESSRS. BYRAMJI, FINLAY & Co.,
CALCUTTA.

DEAR SIRs,

With reference to your letter of the 11th instant, in the matter of Mr. Damodar Shroff's application to you, we much regret to have to state that Mr. Shroff was compelled to resign from our service on account of two unaccountable defalcations in his department during the term of his office which were due to neglect on his part. Our experience, unfortunately, is not very favourable as far as this person is concerned, as we found him to be quite unfit to be in charge of our cash department. He might do for the position of a clerk, but we should not recommend him for the responsible position you have indicated.

Yours faithfully,
ALFRED LITTLE & Co.✓ 6. **Inquiries and Replies**

Letters of inquiry as to prices and samples, should include a careful description of the article required and, if possible, also state the purpose for which it is required. If you are also in a position approximately to indicate the quantity required, it is of advantage to do so.

(xii) *Letter of Inquiry*BOMBAY,
10 July, 1933.MESSRS. KING, RENOLD & SONS,
CALCUTTA.

DEAR SIRs,

We are in need of Hessians, in the usual sizes and weights suitable and usual to the requirements of our Bombay Cotton Mills. We shall therefore thank you to let us have your quotations for the following qualities:

45" x 11 oz.	Hastings.
45" x 14 oz.	Any mill.

We may add that our yearly requirements range from 800 to 1,000 bales of each quality. We trust that in quoting F.O.B., Calcutta, you will give us your very best terms, so that we may be encouraged to place our future orders with you. On hearing from you we shall give you instructions as to shipment and other particulars.

Awaiting your early reply,

Yours faithfully,
MULJI PRAGJI & Co.

(xiii) *Reply*CALCUTTA,
15 July, 1933.MESSRS. MULJI PRAGJI & Co.,
BOMBAY.

DEAR SIRs,

We are much obliged by your kind inquiry of the 10th instant, and in reply have pleasure in quoting as follows :

45" × 11 oz.	Hastings	Rs. 11, F.O.B.
45" × 14 oz.	Any mill	Rs. 14, F.O.B.

This offer is subject to the receipt of your reply by wire on or before the 19th instant, as the market has been rather active, with a bull tendency, for some time past.

Awaiting your esteemed commands,

We remain, Dear Sirs,

Yours faithfully,

KING, RENOLD & SONS.

7. Consignments and Letters relating thereto

There are occasions when a business man wishes to find new markets for his goods, and to achieve this he is often prepared to take the risk of sending them to new places, to be sold at his own risk. Or it may be that the merchant finds he has more goods than he is in a position to sell at his own centre, but finds that in some other country they could be sold at an advantageous price; he thus arranges to send consignments for sale on his own account. Before sending out these consignments, the merchant should make searching inquiries as to the firm in that particular part of the world, to whom he can entrust his goods to the best advantage. After securing this information, he writes to make his arrangements. The first letter consists of a detailed proposal dealing with terms of shipment and similar particulars. The letter is usually in the following form:

(xiv) *Letter offering Goods 'On Sale'*

10 CHURCHGATE STREET,
BOMBAY,

15 July, 1933.

MESSRS. POW AMIRCHAND & Co.,
RANGOON, BURMA.

DEAR SIRs,

Our friends, Messrs. Cowasji & Co., have given us your name as a firm of good standing, dealing extensively in white shirting and

yarn, and have suggested that we should send out consignments of these articles to you to our mutual advantage. We are prepared, subject to trial, to place our interests in your hands and accordingly propose to send you a trial consignment of Bombay yarn, which we trust you will be in a position to sell on our account to the best advantage. We shall draw on you for half of our invoice amount, at three months after date, the balance being payable after sale, in accordance with your account of sale.

We shall furthermore be pleased to take care of any consignment of goods suitable for this market that you may be disposed to send to us, and our bankers, the National Bank of India, Ltd., of this city, or our friends Messrs. Cowasji & Co., of this city, will give you any information concerning us which you may require. We trust that this proposal is satisfactory to you and look forward to a long and profitable business connexion.

We remain, Dear Sirs,
Yours faithfully,
GOPICHAND & Co.

(xv) *Reply*

HIGH STREET,
RANGOON,
25 July, 1933.

MESSRS. GOPICHAND & Co.,
BOMBAY.

DEAR SIRs,

We are much obliged to you for your esteemed communication of the 15th instant and need hardly state that we shall be pleased to receive a trial consignment of ten bales of Bombay yarn to be sold here on your account. We feel confident that we shall be able to dispose of this shipment to your entire satisfaction.

With regard to your proposal to import from this country we are prepared to send you consignments of Rangoon rice, in any quality in which you may be particularly interested. We send you by separate post sample packets with labels indicating the present market quotations here to guide you in deciding the line in which our present shipments may be made. On receiving an indication from you as to the quality in demand at present in Bombay, we shall arrange to send you a trial shipment. Meanwhile,

We remain, Dear Sirs,
Yours faithfully,
POW AMIRCHAND & Co.

8. Agencies

Letters offering to act as agents for manufacturers have to be written in such a way as to convince the manufacturer of your capacity to introduce and sell his goods. Your sales organization (branches, sub-agencies, show-rooms, travellers,

advertising) should be mentioned. The terms and conditions on which you are prepared to work should also find a place in this proposal. The usual references should of course be given.

(xvi) *Offer to take up an Agency*

BOMBAY,
10 July, 1933.

MESSRS. MAPLE & Co.,
LONDON.

DEAR SIRs,

Our friends, Messrs. Bradley & Co., of London, inform us that you are on the look-out for a reliable Bombay firm willing to act as agents for furniture of your manufacture, and we take pleasure in offering our services to you in this connexion.

We have been doing extensive business in this line and are well known in India as importers of furniture from England and France. We have branch offices in all the principal Indian countries, and our connexions are both numerous and valuable. We are particularly anxious to deal with you, because we are informed that you make a speciality of manufacturing furniture suited to tropical climates, and enjoy the reputation of being in close touch with the wants of Indian customers. We also understand that you are in a specially advantageous position to give us facilities with regard to prices, terms and freight.

If you are favourably inclined to our proposal, please let us know of it at your early convenience, with details as to the general conditions and terms upon which you are willing to deal with us.

We refer you to Messrs. Bradley & Co., of your city who will give you a first class reference.

Awaiting your favourable reply,

We remain, Dear Sirs,
Yours faithfully,
JAMISON & Co.

(xvii) *Reply*

LONDON,
20 August, 1933.

MESSRS. JAMISON & Co.,
BOMBAY.

DEAR SIRs,

We take pleasure in acknowledging receipt of your letter dated the 15th ultimo, and may add that we are favourably impressed with the proposal you make.

As you are perhaps aware, we are already represented in India by two substantial firms of furniture merchants, but if you are willing to give us an undertaking to purchase yearly goods to the value of twenty

thousand pounds at least we should be inclined to leave the sole agency of our manufactures with you. We should allow you a trade discount of $33\frac{1}{2}$ per cent. on our catalogue prices on all orders from you, and should draw at sixty days after sight for full invoice amount.

We should also be sending you consignments for sale on our account in such new lines as are not yet introduced in your market, on the realized value of which we should allow you a commission of 10 per cent. with an additional $2\frac{1}{2}$ per cent. for 'del credere'. The sale account for all sales of these consignments, together with remittance, are to be forwarded to us within thirty days of the date of each sale.

If you are agreeable we shall thank you to write to us accordingly to enable us to forward a draft copy of the Agency Agreement for your consideration.

We remain, Dear Sirs,
Yours faithfully,
MAPLE & Co.

9. Shipments

In letters concerning shipments, the name of the steamer on which the goods are forwarded must be stated, together with the date of shipment, the details of the articles shipped, a reference to the order against which the said shipment is made, and whether the shipping documents are enclosed. If the shipping documents are being sent through bankers, as is usually done in the case of foreign shipments, state the name of the bankers and the terms on which they are forwarded.

(xviii) *Letter advising Shipment of Goods*

54 OXFORD STREET,
MANCHESTER,
15 July, 1933.

MESSRS. PERKINS, ROBERTS & Co.,
BOMBAY.

DEAR SIRs,

In compliance with your esteemed order, dated the 20th ultimo, we have shipped per S.S. *Rajputana*, 50 bales of Manchester Cloth 'A'

quality, numbered 1 to 50, and marked  the particulars of which we herewith enclose.

Annexed please also find our invoice for £ 255-10-6. We have drawn on you through our bankers, the National Bank of India, Ltd., a bill for the invoiced amount at sixty days sight, on acceptance of

which the shipping documents will be handed to you by the branch office of the National Bank in Bombay.

Soliciting your further inquiries,

We are, Dear Sirs,
Yours faithfully,
TIMES, JAMSETJI & Co.

(xix) *Reply acknowledging Receipt of Goods and lodging a Complaint*

BOMBAY,
20 August, 1933.

MESSRS. TIMES, JAMSETJI & Co.,
MANCHESTER.

DEAR SIRs,

We are in receipt of your letter, dated the 15th ultimo, together with particulars of shipment of 50 bales of Manchester cloth 'A' quality per S.S. *Rajputana*.

We regret, however, to have to state that the contents of these bales are extremely unsatisfactory, being irregular, as well as inferior, in substance and finish. One of these bales was torn and two pieces of 50 yards each were missing therefrom. We had thus to submit a claim to the agents of the Royal Insurance Company in Bombay, but must add for your information that the damage was largely due to the defective packing of these bales.

We have notified your Bombay agents of this matter and have called upon them to appoint a surveyor with a view to assess the damages.

We expect our claim to amount to about 30 per cent of the invoice amount, when based on the inferiority of the quality alone.

Yours faithfully,
PERKINS, ROBERTS & Co.

(xx) *Reply to Complaint*

MANCHESTER,
9 September, 1933.

MESSRS. PERKINS, ROBERTS & Co.,
BOMBAY.

DEAR SIRs,

We regret to notice, from your letter of the 20th ultimo, that you complain that the goods shipped per S.S. *Rajputana* were inferior in quality and finish, and that one of the bales was torn from which two pieces of 50 yards each were missing.

We are placing your complaint before the manufacturers as we fail to understand this variation in quality to the extent you mention. Meanwhile, we are waiting for our Bombay Agents' report, on receipt

of which we shall take such steps as may be necessary to recover the damage.

Apologizing for the inconvenience this matter must have put you to.

We remain, Dear Sirs,
Yours faithfully,
TIMES, JAMSETJI & Co.

(xxi) *The Agents' Report*

BOMBAY,
26 August, 1933.

MESSRS. TIMES, JAMSETJI & Co.,
MANCHESTER.

DEAR SIRs,

Re: Shipment per S.S. Rajputana

In the above matter we had a complaint from the buyers, Messrs. Perkins, Roberts & Co., of this city, who claim 30 per cent for the difference in inferiority in quality. The surveyor's report indicates an inferiority of about 10 per cent, but the buyers do not seem to agree with this and insist on submitting the matter to arbitration in accordance with the terms of the indent. With a view to avoid unpleasantness, Messrs. Perkins being our old constituents, we have expressed our willingness, without prejudice, to allow them 15 per cent which we trust they may be inclined to accept.

We must however state, in confidence, that the quality of goods of this shipment is undoubtedly inferior and unsuited to the requirements of the local market. We should consider ourselves fortunate, in the circumstances, if Messrs. Perkins can be induced to accept the proposal we have made.

Expecting your concurrence,

We remain, Dear Sirs,
Yours faithfully,
WALTER SMITH & Co.

10. Insurance Letters

Supposing that you have taken out an insurance policy against fire, and a fire breaks out. Letters notifying the breaking out of fire to the insurance office concerned must be written, according to the terms of all fire policies. The insured is also given a certain period within which he has to submit his claim. This letter must state the policy number and inform the company, in the case of fire insurance, as to the time at which the outbreak occurred, giving particulars, as far as possible, as to the extent of the damage. In case of

marine insurance all particulars as to the nature of the damage should also be included.

(xxii) *Letter making a Claim on an Insurance Company*

BOMBAY,
4 August, 1933.

THE INDIAN FIRE INSURANCE CO. LTD.,
BOMBAY.

DEAR SIRs,

Re: Policy No. 2345.

Please note that a fire broke out last night in our warehouse, situated at 50 Mody Bay, in which 100 bales of Broach Cotton belonging to us were deposited. On a hasty estimate we find that about forty (40) bales are burnt to ashes, whereas about twenty are more or less damaged by water used by the fire brigade to extinguish the said fire.

Kindly arrange for a survey by a competent surveyor. The godown was in charge of a night watchman. The cause of the fire is so far not clearly ascertained.

Yours faithfully,
J. WADIA & Co.

11. Dunning Letters (or Letters asking for Payment of Money due)

It is part of the usual routine work to write letters to firms owing money requesting payment. The general practice is to send out simple reminders to begin with and, if they are not satisfactorily responded to, a more or less firm communication has to follow. Here the work of the draftsman is rather delicate as he has to see that the object is achieved, as far as is possible in the circumstances, without giving offence. The language should be courteous, and where legal steps have perforce to be suggested, it should be made clear that you are 'reluctantly compelled' to take such a step.

(xxiii) *First Reminder*

BOMBAY,
2 August, 1933.

MESSRS. RUTTONSEY & Co.,
BOMBAY.

DEAR SIRs,

Permit us to invite your attention to our account for Rs. 585-12-6. The amount is long overdue and a cheque will oblige.

Yours faithfully,
J. SMITH & Co.

(xxiv) *Second Reminder*

BOMBAY,
20 August, 1933.

MESSRS. RUTTONSEY & Co.,
BOMBAY.

DEAR SIRs,

We once again draw your attention to our account for Rs. 585-12-6 and must now request you to send us a cheque without further delay.

Yours faithfully,
J. SMITH & Co.

(xxv) *Third Reminder*

BOMBAY,
31 August, 1933.

MESSRS. RUTTONSEY & Co.,
BOMBAY

DEAR SIRs,

Our reminders of the 2nd and 20th instant, regarding our long outstanding account have not been attended to by you. Please therefore note that unless a cheque in full settlement is received by the end of this week we shall be reluctantly compelled to place the matter in the hands of our lawyers. We trust, however, that you will save us from this unpleasant necessity.

Yours faithfully,
J. SMITH & Co.

12. Market Reports

Firms working as buying agents in various lines, whether the goods are of local produce or manufacture or are imported, have to report by letter on the state of the market to their up-country constituents in order to keep them in

touch with the prices and the tone of the market. These market reports should clearly indicate fluctuations, if any, giving reasons wherever possible. The writer generally expresses his opinion as to whether it is advantageous to buy or sell at the moment. In some cases the reports constitute a mere statement of prices. Of course, it is always best to make these reports as interesting as possible by furnishing the other side with intelligent information. The draftsman ought to be accurate and impartial.

(xxvi) *Piece Goods Market Report*

10 ESPLANADE ROAD,
BOMBAY,

15 August, 1933.

MESSRS. GOVIND NARAYAN & Co.,
NAGPUR.

DEAR SIRs,

Market Report

In continuation of our letter dated the 8th instant, we report that since we wrote to you last, the cloth market has suddenly strengthened owing to large purchases by local and up-country dealers at steadily advancing prices. Some of the first class mills have made forward contracts for the best Calendered Grey Longcloth at the record price of $13\frac{1}{2}$ annas per pound. With firmer cotton, and the excellent progress of the monsoon, it is confidently expected that the prices are likely to continue at this high level for some time. In short, there is a bull tendency all round here. We should advise you to buy just the quantity sufficient to enable you to tide over one or two months, as we believe that these prices must come down within that period.

The Bleached Shirtings Number 231 have recorded a drop of 4 to 5 annas per piece, as some of the weak holders, in the absence of any speculative demand, have begun selling at the best available rates. There is thus a good opportunity for you to replenish your stocks in this line. If you decide to do so, please send us a wire giving your detailed instructions, as we expect a steadier demand next week which might raise the prices to their normal limits.

Awaiting your instructions.

We remain,

Yours faithfully,

ROBERTSON & Co.

13. The Postage Book

This book is maintained to keep a record of the despatch of all letters, packages and telegrams. It also serves as a convenient check on postal expenditure and on the stamps

issued by the office. The postal book is also very convenient when the cost of sending out packages is to be charged to the customers. This book should be ruled more or less on the following plan:

1	2	3	4	5	TIME		7	8
DATE	NAME	ADDRESS	KIND OF PACKET	WHERE POSTED	A.M.	P.M.	By WHOM	COST
							✓	

Columns 5 and 7 are not always necessary.

QUESTIONS

1. Draft a letter to A.B. & Co., asking for payment of an account of Rs. 100 now several months overdue. (Madras, E., 1915.)

2. You wish to insure your life for Rs. 5,000. Write a letter to an insurance company asking for prospectus and necessary forms of application. (Madras, E., 1915.)

3. Draft a business-like letter to Messrs. X. & Co., quoting prices, terms of payment, and necessary particulars in reply to an inquiry from them for steel trunks. (Madras, E., 1916.)

4. A.B. has owed you Rs. 500 for many months on account of goods supplied. He pays you Rs. 200 and sends a further order for more goods. Write a letter acknowledging receipt of the amount, pressing him for payment of the balance and declining to give him further credit. (Madras, E., 1917.)

5. Write a letter to Messrs. A.B. & Co., enclosing a much overdue account and asking for a prompt payment to obviate legal proceedings. (Madras, E., 1918.)

6. Messrs. Anderson Smith & Co., Madras, have despatched 50 bales of coir matting to Messrs. Jones & Co., Limited, London, by the S.S. *Mooltan*. Write (1) a formal letter from the former to the latter advising despatch of the goods and enclosing invoices, and (2) a letter from Messrs. Jones & Co., Limited, acknowledging receipt of the goods, stating that they are satisfactory and enclosing a draft for Rs. 5,000 in payment. (Madras, E., 1919.)

7. Write an application for an appointment as manager of a Brewery describing your qualifications and general suitability for the post. (Madras, I.G., 1915.)

8. Write a final letter from Messrs. Jones & Co., Limited, to a customer threatening him with legal proceedings if he does not pay his account. (Madras, I.G., 1917.)

9. Messrs. A.B. & Co., Madras, advertise for a shorthand typist clerk with a knowledge of book-keeping and out of the numerous applications received they consider Mr. A. David the person most likely to suit them. Mr. David was in the employ of Messrs X. & Co., Cochin, and C.D. & Co., Coimbatore, and he refers Messrs. A.B. & Co., to each of his previous employers. Messrs. A.B. & Co. write to both firms requesting to tell them in confidence all they know about Mr. David.

Write (1) The advertisement, (2) Mr. David's application, (3) Letter of inquiry to Cochin, and (4) Satisfactory reply to letter of inquiry. (Madras, I.G., 1918.)

10. You are the manager of a daily newspaper. Write to two firms, respectively, doing business in exports and imports pointing out the advantage of advertising in your newspaper and offering liberal terms for large insertions. (Madras, I.G., 1919.)

11. Messrs. Moonaswami & Co., of Madras, drew upon you, through their bankers, a 30 d/s draft for Rs. 5,000 against a consignment of produce, which was duly accepted by you. Owing to stagnation of trade you have not been able to dispose of the produce. Write to Messrs. Moonaswami & Co., explaining the circumstances and asking for an extension of one month for payment.

12. Write the reply of Messrs. Moonaswami & Co. stating that they are unable to accede to your request as they have commitments of their own to meet and threatening proceedings if the bill is not met on due date. (Madras, I.G., 1921.)

13. Write a complete letter in reply to an inquiry regarding the means, business integrity and general reputation of a merchant whose circumstances are well known to you. (Madras, I.G., 1921.)

14. Write a circular letter to your constituents, announcing the amalgamation of your firm with Messrs. Ramaswami & Co., doing a similar business, describing the enlarged business likely to result, and asking for their continued support. (Madras, I.G., 1922.)

15. Write a traveller's report to his firm regarding some adverse information he has obtained as to the position of a customer with a considerable account outstanding to the firm. (Madras, I.G., 1922.)

16. Write a letter to a firm of general dealers offering them the agency for the sale of a patent fire extinguisher, describing the patent and stating the terms you are prepared to offer them. (Madras, I.G., 1922.)

17. Write a letter enclosing samples of different kinds of lace giving full details regarding prices, etc., and making suggestions as to which is likely to be most suitable for your customer's requirements. (Madras, I.G., 1922.)

18. Write an application to Messrs. Muhammad Khan & Co., offering your services as a book-keeper, stating your age, qualifications, and salary required. (Madras, I.G., 1922.)

19. (1) Write a letter from a manufacturer of bicycles in Glasgow to a merchant in Bombay, asking for four weeks further time for delivery of goods ordered and explain that the delay is due to a shortage of rubber tyres.

(2) Write a reply urging expedition, as other makes are meanwhile invading the market. (Madras, I.G., 1923.)

20. Write a letter, replying to a reference from a banker regarding a person who has newly set up in business, stating how long you have known the tradesman, what transactions you have had with him and your general impression regarding his uprightness and business habits. (Madras, I.G., 1923.)

21. Write a short letter to a customer from the successor of a deceased tradesman, soliciting the continuation of orders as in the past. (U P., 1923.)

22. Draft a letter from a limited company informing a candidate of his appointment as an accountant and asking him to present himself at the office for necessary instructions. (U.P., 1928.)

23. Write an application for a post as clerk in a sugar factory, as advertised by X. Y. in the *Leader*. (Benares, 1925.)

24. Draft an advertisement for a clerk and accountant for motor works. Draft also a letter with which to despatch it for insertion in a newspaper. (Punjab, 1926.)

III

OFFICIAL CORRESPONDENCE

1. Routine in a Government Office

(i) *Opening*

ALL letters received which are addressed officially to a particular officer are generally opened by the head clerk, who impresses a rubber stamp on them indicating the name of the office and the date of receipt. In the case of letters requiring immediate attention, coloured labels are affixed or pinned bearing the words *Urgent, Immediate*,¹ etc.

(ii) *Registration*

Particulars of these letters are then noted in a book by the clerk who is sometimes known as the 'register-clerk'.

(iii) *Docketing*

After registration, the receipts are docketed, i.e. put in the docket or folder to which they relate, or if it is a new correspondence, a new docket is prepared. On the outside of the docket must be written the serial number of each letter, its date, sender's name and address, plus a short title of the subject.

(iv) *Diarizing*

After the receipts are docketed, they are *diarized*, i.e. entered in a diary. This diary is a register which contains detailed information as to the communication received and in which its progress in the department concerned is recorded. Separate diaries are kept of receipts and issues.

(v) *Précis*

When the whole of the correspondence is there and before

¹ The letters received (or inward correspondence) are known in official language as *Receipts*, and those sent out are termed *Issues*.

it is passed on to a higher official to be dealt with, a *précis* is made. A *précis* is a brief abstract embracing all the important points covered by the correspondence and eliminating what is unimportant or unnecessary. Thus the higher official has not to waste his time reading the whole correspondence, but on reading the *précis* gets all the information required. If he desires detailed information on a particular point dealt with in the *précis*, he can easily refer to the letter which contains it.

(vi) *Indexing*

After the whole correspondence which deals with the case is disposed of, it is unnecessary to keep it in the 'Current Letters' department, and it is passed on to the record room where it is indexed.

2. Style of Official Correspondence

One difference between official and business correspondence lies in the fact that official correspondence is generally dealt with on a foolscap-sized paper while the business letter is written on smaller (usually quarto-sized) paper. The official letter generally opens with an official salutation 'Sir', is written in the first person and begins formally with the phrase, 'I have the honour to acknowledge the receipt of your letter No. 1605, dated 16th January, 1933,' etc. All official letters are numbered, and the replies to them must indicate the number of the letter under reply, so that easy reference may be made to the original letter. When a Department of the Government of India is addressed, it is usual to address the letter to the secretary of the particular department. Besides purely official letters, D.O. (i.e. Demi-official) letters, are frequently written. These are written from one individual to another (not from one department to another) and so generally begin with the salutation 'Dear Sir', or 'Dear Mr. Johnson', and close with 'Yours very truly', or 'Yours sincerely,' instead of with the official complimentary close, which is:

I have the honour to be,
Sir,
Your most obedient servant,

QUESTIONS

1. How would you write the address on the envelopes containing business letters to the following:

(1) A Collector; the wife of a knight; a merchant firm called 'Jones and Sons'?

(2) How should the letters inside be terminated? (Madras, E., 1918.)

2. How would you (1) begin and (2) conclude:

(a) A commercial letter, (b) an official letter? (Madras, E., 1920.)

3. Illustrate by a simple letter the usual form in which communications with a Government department are acknowledged. (Madras. I.G., 1917.)

4. Write a letter to the Private Secretary to the Ruler of a Native State in Central India, offering your services as a horse buyer in the Madras market. Mention your terms as to commission, stabling charges and railway freight, and ask for an advance for contingent expenses. Furnish references. (Madras, I.G., 1923.)

5. (1) Write a complaint to the Post Office that the registered cover duly posted to your address has not reached your hands.

(2) Write a letter from the Postmaster-General, promising due inquiry. (Madras, I.G., 1923.)

6. Draft a memo., as from the Secretary, Staff Selection Board, Simla, to P. N. Banerji, B.A., Lucknow, informing him that he has passed the Board's Examination held in December last, and requiring him for a personal interview. (U.P., 1926.)

7. Write a circular letter from the Punjab High Court to all the District and Sessions Judges, inviting their opinion on the question of the starting of a competitive examination for the appointment of *munsifs* in the Punjab. (U.P., 1927.)

8. Draft a circular sanctioning a grain allowance of Rs. 2 per mensem for all Government menial servants drawing Rs. 25 or less per mensem. (Punjab, 1925.)

9. Draft an official letter as from a *tahsildar* to the Deputy Commissioner, requesting transfer for reasons stated.

or

Draft a D.O. as from the Headmaster of a High School to the Inspector of Schools suggesting the transfer of a teacher for reasons stated. (Punjab, 1926.)

10. Draft an official letter as from an Inspector of Post Offices to the Superintendent complaining against a postman and recommending certain punishment. (Delhi Board, 1927.)

IV

FILING, INDEXING AND TELEGRAMS

IN these days of short credit and quick returns, with the margin of profit very small, correspondence generally assumes proportions which are unmanageable unless efficient filing and indexing systems are maintained. We will deal with a few methods, simple and advanced, which are in use in modern business offices.

1. The Press Copy Book

This book is still in use in many offices, even where modern systems of filing and indexing are worked, because the press copy book affords the most useful evidence of the fact that a particular letter was written on a particular date, in the regular course of business. There are, however, numerous establishments who have entirely abolished its use, or who 'press copy' only their most important correspondence.

In large firms the press copy books are divided either on the alphabetical or geographical basis. Thus, one press copy book may embrace press copies of all letters written to customers whose surnames begin with the letters A to E, another with F to I and so on. When, however, the number of letters is large, and the firm has correspondents in different parts of the world, it may be found convenient to divide these books on a geographical basis, reserving one for Europe, one for the Far East, one for America, and so on.

Letters dispatched are press copied in order of date and indexed at the beginning, or the end, of the book.

The press copy book is usually made of thin sheets of paper, but stronger writing paper is usually bound in to make the index. These index sheets are divided according to the letters of the alphabet, and when indexing the clerk

should write on the appropriately lettered index page, the addressee's name and the numbers of the pages where letters addressed to him are copied. If, for example, letters to Messrs. Currimbhoy, Ebrahim & Sons have been press copied on pages 17, 24, 37, 55 and 65 the entry will appear in the index under the letter C as follows: 'Currimbhoy, Ebrahim & Sons, 17, 24, 37, 55, 65'.

2. The Pigeon-hole System of Filing

This system is one of the most ancient, and is now in use only in Government and old-fashioned lawyers' offices. Nests of pigeon-holes, each consisting of at least twenty-six holes (one for each of the letters of the alphabet) are used. Supposing that the correspondence of the firm is small, and only one nest of pigeon-holes is used, the system would be worked as follows:

Each pigeon-hole indicates a letter of the alphabet, and all correspondence with constituents whose surnames begin with the letter A are filled in the pigeon-hole A. This filling is done by *docketing* the letters of each correspondent separately. Supposing that a letter, received from a constituent called John Adam, has been replied to. The original letter, plus either a carbon-copy or the press-copy of the reply, is wrapped in a thick hand-made paper and folded lengthwise. On this wrapper (or docket), is written in bold letters the name, 'ADAM, JOHN,' the year (say, 1933) and one-line summaries of the contents and dates on the letters in the docket. The firm's correspondence with John Adam during the year 1933 would thus accumulate in this docket and be ready either for reference, or to be taken out of the office in an emergency. Where correspondence is heavier, several pigeon-holes, or whole nests of pigeon-holes, may be utilized for each letter of the alphabet. At the end of the year the pigeon-holes are cleared and the correspondence tied up in bundles and stored in boxes. The boxes should be labelled alphabetically, and with the year during which the correspondence was carried on.

3. The Flat System of Filing

The flat system of filing is undoubtedly an improvement on the pigeon-hole system. Cardboard covers, or drawers of

specially made cabinets, are utilized as files. If cardboard covers are utilized, what are known as *Pilot files* are used. A Pilot (or Lever) File consists of a metal 'pilot' into which the letters are stuck, with a mechanical contrivance which enables letters to be removed or inserted at will. On the outer cover of this file are pasted labels on which the alphabetical, or geographical, title of the file is written. To insert letters on the file, holes through which the metal pilots are to pass must be made; special punches to do this are obtainable. Several alphabetical divisions may be made in the same file, or a separate file may be used for each correspondent, according to the volume of correspondence.

Sometimes *Filing Cabinets*, with a large number of drawers of suitable size with the pilot fixed in each, are used so that the correspondence lies flat in these drawers. The drawers may be alphabetically indexed in the same manner as the cardboard files. These are called 'flat systems' of filing, because here the letters lie flat.

4. The Vertical System of Filing

The vertical system of filing, otherwise known as upright filing, is a system in which a cabinet, or a number of cabinets, with drawers are used. The drawers are so made as to admit of the letters being kept in a vertical or upright position. Each of the drawers is alphabetically numbered, and where correspondence is small, a number of letters of the alphabet may be assigned to one drawer, whereas if the correspondence is large a number of drawers may be assigned to a single letter of the alphabet. The letters received from each correspondent, together with carbon copies of the replies are arranged in order of dates and placed in a separate folder. The folders are numbered. Thus in the drawer indicating the letter D, folder No. 1 may indicate Davar, W.'s correspondence; No. 2, David, R.; No. 3, Dunlop, P.; and so on. If, however, this drawer is assigned to more than one letter of alphabet, say to letters D, E and F, folders relating to the correspondents whose names began with the letter D would be kept in one group, those whose name began with E in another group, and those with F in a third group. The divisions are indicated by thick pieces of cardboard, with a projecting end

which bears the letter of the alphabet concerned. Whenever a letter relating to a particular correspondent has to be referred to, it can be easily traced in the appropriate folder. Periodically the folders must be sorted, and out-of-date correspondence removed. The letters extracted should be tied up in bundles and labelled as described in the case of the pigeon-hole system (§ 2).

5. The Card Index

Under this system the index of anything, books in the case of libraries, or names in the case of firms or companies, is maintained on cards instead of in books. These cards are kept in trays, or in drawers of a cabinet, standing in alphabetical order. The cards are kept in position by a rod inserted through them and fixed to guide blocks. They are separated by what are called guide cards, which indicate the division according to the letters of the alphabet. Names, addresses and other particulars to which reference is required are written on these cards, and the cards are arranged according to the first letter of the surname, or the principal name of the firm or individual concerned. You can by this means easily maintain indexes of correspondents, policy-holders, shareholders, members of a club or association, etc.

6. The Loose-Leaf and Card Ledger Systems

There is a method of keeping accounts, whether under the double or single entry system, in books composed of detachable leaves, or loose-cards filed in drawers, instead of in the usual bound books. *Loose-leaf ledgers*, sometimes called 'perpetual' ledgers, consist of sheets, ruled like the pages of an ordinary bound ledger, which can be inserted in, or taken from, an expanding binder as required. The binder, or cover, is often made so that the back will expand or contract so as to hold a varying number of leaves. The leaves are punched with uniform holes, and are kept within the binder by a mechanical locking device which holds them securely. No leaf can be inserted or removed without the lock being opened.

Card ledgers are similar, except that the cards are kept in special trays or drawers, instead of being bound in books.

Every card has a hole punched through it. The trays or drawers, in which the cards are kept, are fitted with a metal rod which can be inserted through the cards, and thus every card is automatically locked in position.

Loose-leaf ledgers or card ledgers are very largely used in business houses and manufacturing concerns, in preference to, or side by side with, the usual bound books. Though it cannot be contended that in every instance they are better than fast-bound books, it is generally agreed that the accounts and records of the majority of businesses can be more efficiently and economically kept in loose-leaf books.

The loose-leaf ledger principle may be extended to subsidiary books also with great advantage. Separate binders can be kept for the sales book, purchase book, cash book, stock book, etc., both for current work and completed work. As the leaves are detachable, the posting of past transactions can be distributed among several clerks without disturbing the current account. By duplicating with the aid of carbon-sheets, exact statements of your customers' accounts as they stand in your ledger could be rendered from time to time without any extra labour.

7. The Telegram

The importance of telegrams in business lies in the fact that messages can be sent most quickly to any part of the world through their medium. As telegrams are costly, every word being separately charged for, the person who drafts them must do so in the smallest number of words he can without sacrificing the meaning, or creating any ambiguity. What is wanted is clearness and brevity, irrespective of correctness of style or grammar. The best way to draft a telegram is to write out the full message on a piece of paper and then to cut out all the unnecessary words.

8. The Telegram Code

Firms who constantly communicate through the medium of cables and telegrams usually use telegram codes. The telegraph offices are prepared to take inland telegrams which are not of an objectionable or alarming character and which are written in plain language, i.e. 'one which offers an

intelligible sense, in English or in any European or in any of the vernacular languages, and is counted at the rate of one word for each fifteen characters, plus one word for any excess. Plain language inserted in the text of a telegram containing words in code language is counted at the rate of one word for each ten characters.' In case of foreign telegrams, it is provided that the International Telegraph Convention, to which the Government of India is a party, has the power to stop the transmission of 'any private telegram which might appear dangerous to the security of the state, or contrary to the laws of the country, to public order, or decency'. In this case it is provided that 'telegrams in plain language composed of words, figures and letters, which offer an intelligible meaning', will be accepted. They may be expressed in any of the principal European languages and certain others. They must be written in Roman characters.

9. The Cipher Telegram

The cipher telegram is generally composed of a group of letters or figures. The telegraph authorities consider it desirable that the public should avoid, as far as possible, the use of letters in a cipher, because it is not easy to transmit a group of letters which cannot be reduced to pronounceable words. Generally, therefore the ciphers are made up of a group of Arabic figures, each group of figures indicating a certain message.

10. The Telephone

Telephones are now universal in business offices. They are increasingly worked on what is called the automatic system, under which a subscriber who wishes to call any other subscriber has only to indicate the required number on a dial attached to his instrument, when a connexion is automatically established. In cases where this automatic system is not installed, in order to get the number wanted it is necessary first to call up the exchange. The automatic system works only within the limits of a town, but by the system of trunk lines the most distant places can be brought within the reach of the telephone.

In offices where a large number of telephone messages are

received there is generally a special telephone clerk who attends to them. Frequently, private lines within the office are made to lead to the desks of various heads of departments. Such private lines are called extensions.

QUESTIONS

1. Explain briefly the use of an index and the system of cross-reference used in a copy letter book. (Madras, E., 1915.)

2. What is the advantage of having a letter book indexed? Explain the meaning of a 'cross reference'. (Madras, E., 1916.)

3. The following pages of the press copy book contain letters to B.C. & Co.; 7, 58, 72, 80. On indexing them what marks would appear on each page? (Madras, E., 1918.)

4. What are the advantages of the card index over other forms of indexes? State what you understand by the cross reference method of indexing a press copy book. (Madras, E., 1919.)

5. Explain the following methods of filing documents: (1) docketing (2) flat filing, and (3) vertical. (Madras, E., 1922.)

6. Name and describe two principal methods of copying letters and state which is the more economical. (Madras, E., 1922.)

7. State the principles to be kept in view in drafting business telegrams.

Put the following message into suitable form for communication by telegram:

'The timber which we ordered from you in August of the current year is not yet to hand. Our order was conditional on your immediately delivering the goods at our premises and, as the goods are required for an urgent contract, we have, in view of your failure to comply with our condition, been compelled to place the order elsewhere. We should therefore be obliged if you would regard this communication as cancelling our order.' (Madras, I.G., 1915.)

8. State briefly the chief points to be attended to with letters received prior to placing them in pigeon-holes. (Madras, I.G., 1916.)

9. Describe fully two different methods of filing correspondence showing the nature of the correspondence to which they are each particularly suited. (Madras, I.G., 1917.)

10. (1) What is a letter reference and what purpose does it serve? (2) Under what letter of the alphabet would you index the under-noted correspondence:

(a) John Dickinson & Co., Calcutta, (b) The Agent, National Bank of India, Limited, Cochin, (c) Pierce, Leslie & Co., Mangalore, and (d) The Manager, Henke's Tile-works, Feroke, Malabar. (Madras, I.G., 1918.)

11. Condense the following into a telegram, limit 16 words, from Najgee & Co., Calicut, to Ralli Bros., Bombay: 'One of the pieces of blue serge invoiced February 12th only measures 28 inches instead of 39 inches. Unless a reply is received by the 27th instant the cloth will be used as it is urgently required and liberal allowance claimed.' (Madras, I.G., 1918.)

12. Write a reply, dated 25th February, to the telegram mentioned in question 11 regretting short measurement and stating that a C/N is enclosed for same, to include also the amount charged for package duly received. Make out the Credit Note. (Madras, I.G., 1918.)

13. What is the object of docketing and indexing correspondence? Explain the uses of the letter book and how it should be kept to make it of easy reference. (Madras, I.G., 1922.)

14. Explain the chief uses of the index card for (1) preserving copies of correspondence and (2) tracing references. (Madras, I.G., 1923.)

15. Mention a few points which a junior clerk should observe in his care of the letter book. (Madras, I.G., 1924.)

16. State briefly the uses of the telephone to a business man. (Madras, I.G., 1925.)

17. What do you understand by a vowel index and cross reference as applied to correspondence? Give a specimen page of the vowel index for the following: Messrs. Spartan and Bark; Dr. Spencer Smith; The Steward, St. John's Club; The Rev. Rustum Proctor; The Demountable, Limited; The Honorary Secretary, The Southern India Chamber of Commerce; Mrs. Emma Smithfield; The Right Hon'ble Sulevan. (Madras, I.G., 1926.)

18. Explain clearly the method of indexing in the following cases: Card index, vowel index, alphabetical index, numerical index. Give the particular uses of each. (Madras, I.G., 1929.)

19. Explain how you could keep a copy of your letter (1) if written with pen and ink; and (2) if type-written. How would you file the office copy? (U.P., 1922.)

20. What system of filing correspondence would you introduce in a large business house having many correspondents living in India, Japan, Europe and America? Describe the working of the system in detail. (U.P., 1927.)

21. The following extract is taken from *Sell's Telegraphic Code*:

PHRASE OR SENTENCE	CODE WORD	NO. OF CODE WORD
Sell all you can	salvo	17,454
Within the time mentioned	wucha	71,653

It is desired to send the following message by means of a cypher telegram: 'Sell all you can within the time mentioned.' Using your own key word, prepare the message to be sent, and explain how the person to whom it is sent will be able to understand it. (U.P., 1927.)

22. Describe how you will transmit a telephone message to your customer. (Madras, I.G., 1929.)

23. Condense the following into telegraphic form:

'We have received and tested the sample of zinc ashes referred to in your letter of the 6th instant, and for the 20 tons we can offer you Rs. 90 per ton, dry weight, delivered free at our works, subject to the bulk being equal to sample submitted. Early delivery and net cash payment. (Benares, 1926.)

QUESTIONS

1. Write a short note on any three of the following office machines and appliances:

Addressograph; Dictaphone; Punch; Stapling Machine; Adding Machine; Billing Machine. (U.P., 1926.)

2. Describe two of what you consider to be the most useful time-saving devices of an up-to-date office. (U.P., 1928.)

VI

POSTAL SERVICES

(A) INLAND POST

THE Post Office in India undertakes to carry letters, post-cards, packets of books, pattern packets, literature packets, registered newspapers and parcels. According to the Post Office regulations, Inland Post means the post maintained by the Government of India, either by land or by sea—

1. Between any places in British India;
2. Between any places in British India and places beyond the limits of British India at which there are Indian post offices; and
3. Between any places beyond the limits of British India at which there are Indian post offices.

Inland postage rates apply to Ceylon, Portuguese and French India.

1. Rates

The rates of postage on letters are at present as follows:

	As.	Ps.
For a letter not exceeding two and a half tolas in weight	1	3
For every additional two and a half tolas, or part of that weight	1	3

2. Unpaid and Insufficiently paid Letters

Any unpaid letter, or one insufficiently paid for, is charged on delivery with double the amount of the deficiency. In the case of unpaid letters, unless they are securely closed, they will not be delivered but sent to the Dead Letter Office to be destroyed forthwith.

3. Postcards

Single and reply postcards for transmission by the inland post are issued by the Post Office. A single postcard has a stamp of nine pies impressed on it; a double, or reply, postcard has a stamp of the value of nine pies impressed on each of the post cards. Reply postcards are used so that the persons receiving them may tear off the blank card to use for their reply.

4. Book Packets

The rate of postage on book packets is at present half an anna for every five tolas or part of that weight. These book packets must not contain anything other than what the post office regulations provide, viz., newspapers and publications of all kinds, including printed music, blank paper, parchment and cardboard, either blank or printed. Also printers' proofs forwarded for correction with or without the manuscripts, pictures, photographs, drawings, whether done by hand or mechanical processes, not bearing any writing except the signature of the sender, can be included as book packets. Business papers, commercial or legal documents done wholly or partly by hand such as deeds, bills of lading, invoices, accounts, proposals and policies of insurance, powers-of-attorney, can also be sent as book packets. In the case of duplicated or typewritten circulars, the rule is that they will be allowed to go as book packets provided at least 20 identical copies are posted at the same time. They must be handed in at the post office, and the special attention of the counter or window clerk must be drawn to the fact that they are circular letters. Book packets should not, of course, contain paper moneys.

5. Pattern Packets

A pattern packet may contain *bona fide* trade patterns or samples of merchandise not having any saleable value, together with or without any matter which may be sent as a book packet. It may also contain objects of natural history, dried or preserved animals and plants, geological specimens or similar objects. It must not exceed 200 tolas in weight or be more than two feet in length and one foot in width and one

foot in depth. It must be posted without a cover, or with a cover open at both ends, or in an unfastened envelope or other cover which can be easily removed so as to admit of a ready examination of the contents. The rate of postage is, at present, half an anna for every five tolas or part of that weight.

6. Blind Literature Packets

These may contain papers of any kind, periodicals, books, etc. The rates of postage are, at present, as follows:

	As.	Ps.
For a packet not exceeding 80 tolas	0	6
For a packet exceeding 80 tolas, but not exceeding 200 tolas in weight	1	0
For a packet exceeding 200 tolas, but not exceeding 300 tolas in weight	1	6
For a packet exceeding 300 tolas, but not exceeding 400 tolas in weight	2	0

7. Registered Newspapers

Registered newspapers are defined as 'every publication consisting wholly or in great part of political or other news, or of articles relating thereto, or to other current topics, with or without advertisements', provided they are published in numbers at intervals of not more than thirty-one days, and have a *bona fide* list of subscribers. The postage rate is:

	PIES
For a newspaper not exceeding 8 tolas ...	3
Exceeding 8 tolas, but not exceeding 20 tolas ...	6
For every additional 20 tolas, or part of it ...	6

The newspaper, however, must also be registered in the office of the Postmaster-General, or officer exercising the powers of the Postmaster-General in the circle where it is published.

8. Parcels

A parcel must not contain anything in the nature of personal correspondence or letter of communication and must not exceed 440 tolas in weight, unless it is registered, in which case the weight must not exceed 800 tolas; and it must be enclosed in a reasonably strong case, wrapper or cover fastened in a manner calculated to preserve the contents. Parcel rates are at present as follows:

Parcels not exceeding 440 tolas in weight

NOT OVER, TOLAS	POSTAGE Rs. As.	NOT OVER, TOLAS	POSTAGE Rs. As.
20	2	240	1 8
40	4	280	1 12
80	8	320	2 0
120	12	360	2 4
160	1 0	400	2 8
200	1 4	440	2 12

Parcels exceeding 440 tolas in weight

NOT OVER, TOLAS	POSTAGE Rs. As.	NOT OVER, TOLAS	POSTAGE Rs. As.
480	3 0	680	4 4
520	3 4	720	4 8
560	3 8	760	4 12
600	3 12	800	5 0
640	4 0		

It should be noted that all registered letters, etc., must be prepaid.

9. Registration

Registration of letters and packets makes them safer and more secure in the course of transmission, although the Post Office does not take any responsibility for the loss of letters and packets which are not insured. An article which is to be sent by registered post should be presented at the Post Office and a receipt obtained. If an acknowledgment from the addressee is required, on a special additional payment of one anna, an acknowledgment form will also be provided for. The Post Office, as a matter of grace, is prepared to consider the question of compensation for the loss of a registered packet or letter up to a limit of Rs. 25, provided all the conditions in connexion with the posting of a registered letter have been strictly observed.

10. Insured Articles

Insured articles must be registered. Registration is compulsory in the following cases:

- (1) Any parcel exceeding 40 tolas in weight.
- (2) Any insured article.
- (3) Any parcel addressed to a place for which a customs declaration is required.
- (4) Any article containing postage or other stamps or labels or a cheque, hundi, banknote, bankpost bill, bill of exchange, or the like, if the contents are either superscribed upon the cover or are known or manifest to the officers of the Post Office owing to the transparency, insecurity or insufficiency of the cover or to any other cause.
- (5) Any article bearing the word 'Registered' or any other word phrase or mark to the like effect, written or impressed on the cover.
- (6) Any registered article which is re-posted after having been delivered.
- (7) Any value payable article.

11. P.O. Insurance

The Post Office is prepared to cover all risks in the course of transmission through the post by insuring packets up to the value of Rs. 600 in branch post offices, and up to the value of Rs. 3,000 at other post offices. The fees for insurance are charged in addition to postage and registration, and are, at present, as follows:

	ANNAS
Where the value insured does not exceed Rs. 100 ...	3
Where the value exceeds Rs. 100, but does not exceed Rs. 150 ...	4
Where the value exceeds Rs. 150, but does not exceed Rs. 200 ...	5
For every additional Rs. 100, or fraction thereof, over Rs. 200 and up to Rs. 1,000 ...	2
For every additional Rs. 100, or fraction thereof, over Rs. 1,000 ...	1

The Post Office regulations provide that insured letters must be enclosed in a strong cover, securely fastened, and sealed with fine wax bearing a private mark in such a way

that the letter cannot be opened without breaking the seals, or leaving obvious traces of violation. With regard to parcels also it is provided that they must be carefully packed with due regard to the nature of the contents and length of the journey, and must be sealed with wax or a seal bearing a private mark, in such a way that they cannot be opened without breaking this seal or leaving traces of violation, as in the case of letters. All the seals used for a parcel must be of the same private device. The article must be presented at the Post Office window with the amount for the value of which the article is to be insured written clearly in words as well as in figures on it, without erasure or correction. A receipt is given to the person who presents such an article. At the other end, when the article arrives, if it is insured for Rs. 250 or less, it will be delivered at the address, whereas in other cases an intimation is given to the addressee and he or his agent has to call at the Post Office to take delivery. Compensation is paid for any actual loss suffered, but not in excess of the amount for which the packet is insured.

12. Compulsory Insurance

The Post Office rules lay down that the following articles should not be sent through the post except in insured letters or insured parcels, viz. coins, bullion, platinum, precious stones, jewellery. currency notes or any portion thereof and any articles of gold or silver.

13. Value Payable Articles

The Post Office also provides facility for traders to forward parcels of goods, for which payment is to be recovered at the other end against delivery. This value payable system is also very convenient for sending bills or railway receipts.

The postage on a parcel sent by V.P. post has, of course, to be prepaid by the sender, and he has to declare that the articles are sent in accordance with a *bona fide* order received by him. No articles are accepted by the Post Office unless this declaration is made. (Forms for sending these V.P. parcels are available at all post offices.) The schedule of fees is at present as follows:

				ANNAS
Amount specified for remittance to sender	{	not exceeding Rs. 10	...	2
		exceeding Rs. 10, but not exceeding Rs. 25	...	4
		Rs. 25	...	4 for

each complete sum of Rs. 25 and 4 annas for the remainder, provided that if the remainder does not exceed Rs. 10, the charge for it shall be only 2 annas.

Here it may be added that if the addressee does not take delivery of the V.P. article within seven days following the date of its first presentation, the same is returned to the sender on the eighth day, unless in the meantime the addressee has applied in writing to the Post Office for detention of the article for a further period not exceeding seven days beginning with the eighth day, and has agreed to pay at the time of delivery of the article a fee of two annas for each day of such further period.

14. Late Letters and Certificates of Posting

The Post Office offers special facilities for receiving late letters on payment of an extra late fee, both for inland and foreign correspondence.

When a person does not wish to register a letter, but wishes an acknowledgment of posting to be given to him, the Post Office will give such an acknowledgment of posting on payment of an extra charge. The object of the certificate of posting is to serve as evidence that the article has been duly posted.

15. Recall of Articles Posted

The Post Office regulations provide that inland letters, postcards, book and pattern packets and parcels, foreign registered articles of the letter mail, and foreign registered parcels which have not been despatched from India, may be recalled when in course of transmission by post without reference to the consent of the addressee. It is, however, provided that no such postal articles shall be re-delivered to the sender unless (1) Orders are received from First class Postmasters or Superintendents of post offices, or the Director-General, or the Local Government, or the Governor-General in Council, and (2) a fee of Re. 1 is paid in respect of each postal article for the re-delivery of which to the sender an application is made. The application must be made in

writing by the party himself or a person authorized by him, and should be accompanied by a statement of the reasons why re-delivery is sought.

16. Poste Restante: Dead Letter Office

The Post Office will keep letters till called for, and the system is commonly known as *Poste Restante*. Letters or articles superscribed with the words *Poste Restante* are retained a certain specified length of time by the post office for the addressee.

Articles not claimed, and letters or articles addressed to people who cannot be found, ultimately go to a special department of the Post Office known as the D.L.O., or Dead Letter Office. If this also fails to trace the addressee the letters or articles are returned to the sender if possible, otherwise they are destroyed.

(B) FOREIGN POST

The rules for letters sent by Foreign Post are almost identical with those for the Inland Post, except that special rates for postage stamps are levied. 'Foreign Post' means the post maintained either by land or by sea between any place in British India, or any place beyond the limits of British India, at which there is an Indian post office, and any place beyond the limits of British India at which there is not an Indian post office.

The post offices of the world have established what is known as the 'Universal Postal Union' to secure, as far as possible, uniformity in procedure and in rates of postage between the various countries of the world which have joined the union.

17. Rates

The rates of postage on letters for Great Britain and Northern Ireland and the British possessions specified in the list published in the *Postal Guide* is, at present, two-and-a-half annas for the first ounce, and two annas for every additional ounce or part of that weight.

Letters must not measure more than eighteen inches in any one direction, or if a packet is in the form of a roll, more

than thirty inches in length and four inches in diameter; the weight must not exceed four pounds, six ounces. Single foreign postcards have stamps of the value of two annas impressed on them.

Printed papers are charged nine pies for every two ounces, or part of that weight. Postage on printed papers must be fully prepaid. The postage on business papers is: for a package not exceeding eight ounces in weight, three annas, and for every additional two ounces, or part of that weight, nine pies.

18. Sample Packets

Postage on sample packets by foreign post is nine pies for every two ounces or part of that weight, subject to a minimum charge of one-and-a-half annas for every packet, however small it may be. In size the sample packets must not exceed one and a half feet in length, eight inches in width and four inches in depth, or if in the form of a roll, one-and-a-half feet in length and six inches in diameter. The weight must not exceed one pound, two ounces. These sample packages must be fully prepaid.

19. Registration of Foreign Articles

The registration of foreign articles is three annas in all cases.

20. Foreign P.O. Insurance

The insurance fee for articles addressed to Great Britain, Northern Ireland and to British possessions in foreign countries is, roughly, at the rate of four-and-a-half annas if the value does not exceed £12, and four-and-a-half annas for every additional £12, or fraction thereof.

21. Articles subject to Customs Duty

All articles which are liable to customs duty must be sent by Parcel Post, and the sender must fill in the customs declaration on a special form provided. This declaration must state the value and nature of the article sent, and must be pasted on the parcel itself. For articles which are to be sent to British possessions, the Post Office will accept a

POSTAL SERVICES

deposit from the sender, from which any customs duties will be paid and the balance returned.

(C) AIR MAIL SERVICES

22. Routes

Correspondence in the form of letters, postcards, printed papers, business papers and samples are accepted now for transmission by air, and may be posted in the same manner as ordinary articles. To all such covers must be affixed the special 'Blue Air Mail Label' on the left hand top corner of the address side. These labels are obtainable free of charge at any post office. The route to be followed must be indicated in ink above or below the blue label. The air fee for the route indicated must be prepaid, otherwise the article will not be sent by air route, but will be diverted by the ordinary route. There are special air mail stamps available for annas two, three, four, six, eight and twelve, but their use is not compulsory; ordinary postal stamps may also be used. The rates for the Air Mail are as follows:

The full air fee on foreign articles using both the Madras-Karachi Air Mail Service and Imperial Airways Service will be:

1. India—Iraq	...	...	...	5 Annas per half oz.
2. India—Palestine	...	...	...	6 " "
3. India—Egypt	...	...	...	6 " "
4. India—Any destination in Europe	...	...	8	" "
5. India—Tanganyika	...	...	10	" "
6. India—Kenya and Uganda	...	...	10	" "
7. India—Rhodesia	...	...	14	" "
8. India—South Africa	...	...	16	" "

in addition to the ordinary foreign postage to the destination, and registration fees in the case of registered articles.

23. Parcels

Air mail parcels are accepted in post offices which accept foreign parcels for despatch for any post office in Great Britain or Northern Ireland. The fees are:

				RUPEES
For a weight not exceeding 1 lb.	...	...	...	5
For every additional pound or part of that weight, up to 20 lbs.	...	...	...	4

An article sent by air mail cannot be insured at the Post Office.

(D) MONEY ORDERS AND POSTAL ORDERS

The Post Office offers to the public its services for the remittance of money from one centre to another. This is done either through the medium of a money order or a postal order.

24. Money Orders

The person who wishes to remit money through the Post Office by money order has to fill up a money order form which is supplied by the Post Office, adding his signature at the foot. He has also to fill up the acknowledgment portion of the form with his own name and address and the amount of the money order, plus the payee's name. The money order form contains a coupon on which the remitter is permitted to write any communication that he may desire to make to the payee. The money order form is thereafter handed over with the money, plus the Post Office charges, at the counter or window.

The remitter is given a receipt for the amount paid by him on account of the money order and the Post Office commission. The money is paid in the usual course of the procedure of the Post Office, and the payee is made to sign a receipt or acknowledgment both on the form and on the coupon, the latter being sent to the remitter. In case of an illiterate payee it is necessary for him to make his mark or thumb impression on the money order form in the presence of a witness who is able to sign.

The Post Office does not take responsibility for the wrong payment of a money order caused through incorrect or incomplete information given by the remitter as to the name and address of the payee, or where the payment is delayed or refused on account of any accident, neglect, omission or mistake of the postal officials.

25. The Limit of Value

A single money order must not exceed Rs. 600 and, except when issued by or in favour of any department of

the Government, or any District, Local or Municipal Board, it must not include the fraction of an anna.

26. Rates of Commission

The rates of commission on the issue of inland money orders are as follows:

	ANNAS
On any sum not exceeding Rs. 10	2
„ exceeding Rs. 10, but not exceeding Rs. 25	4
„ exceeding Rs. 25	4 for
each complete sum of Rs. 25 and 4 annas for the remainder, provided that if the remainder does not exceed Rs. 10 the charges for it shall be only 2 annas.	

27. Foreign Money Orders

The Post Office also undertakes the payment of money to certain foreign countries, a list of which is usually to be found in the *Post Office Directory*. These are, of course, rupee money orders, and they must not exceed Rs. 600, nor include the fraction of an anna. The rates of commission are as follows :

	ANNAS
On any sum not exceeding Rs. 10	3
„ exceeding Rs. 10, but not exceeding Rs. 25	6
„ exceeding Rs. 25	6 for
each complete sum of Rs. 25 and 6 annas for the remainder, provided that if the remainder does not exceed Rs. 10, the charge for it shall be only 3 annas.	

The inland rules are generally applicable to these money orders also.

28. Telegraphic Money Orders

Money orders can be sent by telegraph, and the rules applying to the usual money order by post apply here also. The limit of value payable is Rs. 600, and must not include the fraction of a rupee. The remitter has to fill in a special telegraphic money order form which is supplied and in which he has to indicate whether he wants the money order to go by express telegram or ordinary telegram. If he does not specify the route, it will be sent by ordinary telegram. Here an abbreviated address, or code words to represent the names of the remitter, or of the payee, cannot be used.

29. Sterling Telegraphic Money Orders

For money orders sent to the United Kingdom and certain other countries, a special sterling telegraphic form has to be used. The maximum amount here is £40.

30. Air Mail Money Orders

Air mail money orders may also be issued from any post office in India to any post office in Great Britain, Northern Ireland and Egypt. The limit of value and other conditions are the same as in ordinary money orders, but the fee for the air mail orders consists of (1) the rates applicable to ordinary money orders and (2) an air mail charge at the rate of three annas for each money order irrespective of the amount.

31. British Postal Orders

British postal orders for fixed sums from 6d. to £1-1-0 are available for sale at the head and sub-post offices, in places where large European communities exist, or where there is a demand for such orders. These postal orders are payable in Indian currency at the rate fixed by the Post Office from time to time. When the postal order is to be made out in the payee's name, the name of the office of payment should also be filled in. The filling in of the name of the payee should be made by the remitter for his own safety. Where a postal order is 'crossed' (i.e. when two parallel lines are drawn across it) it can only be collected through a bank. If the name of a bank is written between these two lines, payment will only be made through that bank. The order must be presented for payment by the payee within three calendar months from the last day of the month of issue. If the order is lost, or miscarried, the applicant must produce the counterfoil, or the serial number of the order, before the Post Office will investigate.

These postal orders are very convenient for the purpose of sending small foreign remittances, as exchange banks are usually unwilling to issue demand drafts for very small amounts, say below £1. Postal orders for large amounts are not so popular in places where the exchange banks are

situated because exchange bank rates are generally more favourable than the rates offered by the Post Office.

(E) POST OFFICE SAVINGS BANKS

The Post Office also runs a savings bank for the convenience of the public, with a view to provide for the collection and deposit of the money from poorer people of the country, and to encourage thrift and saving. These savings bank accounts are treated as strictly confidential and a reasonable rate of interest is allowed. The savings bank account is not meant to be used as a current account, and the authorities are empowered to close these accounts should they have reason to believe that they are not used for the purpose for which the savings bank is intended. It may be added that, like bank officers in ordinary banks, the postal officials dealing with savings bank accounts are bound to secrecy, that is, they are not allowed to disclose the names of any depositor or the amount deposited, or withdrawn, by him.

32. Who may Deposit

Any person may deposit money in the savings bank on behalf of:

- (1) himself;
- (2) any minor relative;
- (3) any minor of whom he, or she, is the guardian; or
- (4) any lunatic of whom he is the manager, or guardian, appointed by law.

A person cannot have more than one savings bank account in his own name, though he may open any number of separate accounts on behalf of minor relatives, etc. An account is not allowed to be opened in joint names, though a deposit of money may be made in the name of a firm.

33. Limits of Deposits

The smallest sum that can be deposited at any time is four annas, but a fraction of an anna will not be taken. The total amount at call which a depositor may have at any time, exclusive of interest for the current year, is Rs. 5,000 in the case of an adult, and Rs. 1,000 in the case of an account opened on behalf of a minor by his relative or guardian.

34. Withdrawals

A depositor is allowed to withdraw money only once a week (i.e. from Monday to Saturday); there is no objection to a depositor withdrawing money on Saturday and again on the following Monday. Money deposited on behalf of minors can be withdrawn by his guardian until the minor attains age. Women, whether married or single, may withdraw money deposited by them in their own names.

35. How to Open an Account

An account can be opened by any person desiring to do so by applying to any post office which is also working as a savings bank. This application need not be made in person, but must be made by signing a declaration to the effect that the applicant has read and accepted the Post Office Savings Bank Rules. In the case of an illiterate person, he must attend personally, and in the presence of a witness, affix his mark or seal to the declaration of acceptance. Women may open accounts in their own names, through their agents, or if they are married, through their husbands. In this case, a letter of authority in the prescribed form will be required from the depositor, besides the usual declaration.

A preliminary receipt for the first deposit will be given to the depositor, who will be informed of the date on which he has to call for the pass-book. When the pass-book is handed to the depositor, the preliminary receipt has to be returned, and the depositor is asked to give a special receipt for the pass-book.

36. The Pass-book

According to the Post Office regulations, every time a deposit or withdrawal is made on the account, the pass-book must be produced. This pass-book must be carefully kept by the depositor in his own possession, as the Post Office does not take any responsibility for any loss caused through neglect on the part of the depositor whereby a fraudulent person obtains possession of this pass-book and obtains the payment of the sum belonging to the depositor. No charge is made for the first pass-book, or any book issued in the

regular course of business, but if a pass-book is lost or spoiled, except in circumstances over which the depositor has no control, or if any account is re-opened with the permission of the Deputy Accountant General of Post and Telegraphs before the expiration of three months from the date of closure, the depositor will have to pay one rupee for a fresh pass-book.

The mode of working the deposit is quite simple, because all that the depositor has to do is to take or send the amount to be deposited with his pass-book to the post office. The amount of his deposit will be entered in the pass-book and the balance struck. The pass-book is in the following form, as given in the *Post Office Directory* (omitting the pies column):

DATE	DATE STAMP OF P.O.	AMOUNT OF EACH DEPOSIT OR WITH- DRAWAL (TO BE ENTERED IN WORDS)	AMOUNT DEPOSITED	AMOUNT WITHDRAWN	BALANCE OF CREDIT OF DEPOSITOR	INITIALS OF THE POST- MASTER
1883			Rs. A.	Rs. A.	Rs. A.	
3rd April	...	Deposited ten rupees	10 0		10 0	...
9th "	...	Deposited twenty- five rupees	25 0		35 0	...
12th May	...	Withdrawn three rupees		3 0	32 0	...

The same process is gone through when withdrawing money, that is, the depositor has to present his pass-book, either personally or through his agent, at the office concerned, with a printed form of application for withdrawal which is supplied by the Post Office. This form must be signed by the depositor, and if the application for withdrawal is sent through an agent, the name and signature of the agent are introduced in the application for withdrawal before it leaves the depositor's custody. An illiterate depositor must attend personally and affix his mark to the application, or get it attested by some respectable witness, in which case the postmaster will make payment to the person presenting this application with the pass-book, if he is satisfied of the

inability of the depositor to attend and of the genuine character of the application.

37. Interest

The usual rate of interest allowed is three per cent per annum on all deposits, calculated for each calendar month on the lowest balance at credit of an account between the close of the fourth day and the end of the month. The interest is allowed on sums of complete rupees, but not allowed on sums in excess of Rs. 5,000 (or of Rs. 1,000 if the account was opened on behalf of a minor).

38. Transfer of Accounts

The Post Office permits the transfer of account by the depositor free of charge to any office which also conducts a savings bank, provided the account has been in existence for at least three months from the date on which it was opened. Here the applicant must present his pass-book personally or send it to the post office and must in either case make a written application for transfer.

39. Closing an Account

The account is closed on application by the depositor by presenting the pass book with a form of application for withdrawal of the amount shown at his credit in the pass-book. He is allowed any further interest that may be due to him on his account up to the end of the calendar month preceding the date of presentation. On payment of the amount, the pass-book is retained by the post office.

QUESTIONS

1. Name some methods by which money can be transmitted from Madras to Calcutta through a post office. How would you send Rs. 5 to your friend in Rangoon? (Madras, L.G., 1925.)
2. What are the restrictions that have been introduced by the postal department concerning the transmission of notes under registered or insured cover? How are small amounts remitted to England through the post? What do you understand by value payable receipt? (Madras, L.G., 1926.)

3. (1) Explain the formalities to be observed in opening an account in the Post Office Savings Bank and in withdrawing amounts from it.

(2) How does the Post Office Savings Bank differ from an ordinary bank? (Madras, L.G., 1927.)

4. According to inland postal rules when is registration compulsory and when pre-payment of postage? (Madras, L.G., 1929.)

5. You have to send by parcel post a Kashmir shawl to a friend of yours in England and want to have an acknowledgement of its receipt. Name the postal forms you will be required to fill in, and state the cost of sending the parcel, if it weighs 215 tolas. (U.P., 1926.)

6. (1) Name five postal articles which require compulsory registration. Is the Post Office responsible if a registered article is lost or damaged?

(2) What is the minimum cost of sending from Agra to Bombay the sum of Rs. 1,000 by insured letter post? (U.P., 1927.)

7. Describe how a literate *parda-nashin* woman can open a post office savings bank account in her name and how the money will be deposited and withdrawn. (U.P., 1927.)

8 (1) How can a part of a deposited money be withdrawn from the P.O. Saving Banks account in each of the following cases:

(a) An illiterate person.

(b) A minor.

(2) Point out the rates of postage on the following classes of articles when postage is paid:

(a) A letter weighing 3 tolas.

(b) A blind literature packet weighing 199 tolas.

(c) A parcel weighing 18 tolas.

(U.P., 1928.)

VII

BANKS AND THEIR USES

THE origin of the word 'Bank' is not quite certain. According to some writers the word 'Bank' was derived from 'Banco', 'Bancus', 'Banque', or 'Banc', all of which mean a bench upon which the medieval European money-lenders and money-changers used to display their coins. In India also, banking is of very ancient origin. It is stated by some authoritative writers that as early as the Vedic period, say between, 2000 and 1400 B.C., records of taking and giving of credits are to be found. Throughout the period of Indian history, money-lenders, who were called either bankers or *seths*, are recorded to have existed and are said to have carried on a roaring trade. J. B. Tavernier, the famous French traveller, also spoke very highly of the bankers, whom he came across while he travelled through this country in the 17th century. During the Mogul period, Aurangzeb conferred the title of *Seth*, on Maneckchand, the famous banker of his time; and the nephew of Seth Maneckchand was given the title of *Jagat Seth*, that is, the 'Banker of the World', by the Emperor Ferrukshiya. The house of Jagat Seth virtually came to occupy the position of the Rothschilds of America and rendered great assistance to the British in the early days of their advent to India. Thereafter, western banking gradually came in with the East India Company, and the operations of the Company developed into the Presidency Banks. These Presidency Banks were ultimately amalgamated, and out of that amalgamation the present Imperial Bank of India was formulated.

Banks, for our purpose, may be divided into two classes: viz. (1) Savings Banks and (2) Commercial or Traders' Banks. The former exist for the encouragement of thrift and are

meant merely for investment. The savings banks do not concern themselves with trade, though some of the commercial banks of late have been inviting current accounts by maintaining a separate department which they call 'Savings Bank Department'. We have already dealt with the case of the Post Office Savings Bank: we shall now discuss the working of commercial banks.

1. Commercial Banks

Commercial Banks in India may be divided into three groups:

- (1) The Imperial Bank of India, which plays the part of a central banking institution with the prestige and the privileges which it enjoys as the banker of the Government. The Imperial Bank is a Proprietary Bank owned by shareholders who have contributed its capital. It is, however, acting as the Agent of the Government in treasury matters and Government funds are kept with it. It is formed under a special Act of the Legislative Assembly and works under certain restrictions and the supervision of the Government.
- (2) The second group of banks, known as the Exchange Banks, are mostly foreign banks, or banks incorporated in other countries doing business in this country. They are called exchange banks because they look after the financing of import and export trade and issue bills for the remittance of money to foreign centres. They also work as commercial banks and do a good deal of local business. The Indian deposits of these exchange banks in 1924 amounted, according to Mr. B. T. Thacker, to Rs. 70½ crores, which were distributed between eighteen exchange banks. These exchange banks now, virtually speaking, enjoy the monopoly of the exchange business of this country.
- (3) The third group of banks represent those established in India, being mostly incorporated under the Indian Companies Act of 1913. Very few of these banks carry on exchange business, the bulk of their business

being made up of what is called local business—the financing of local trade and the receipt of Indian deposits.

2. The Indigenous Banker

A fourth group of bankers are known as Indigenous bankers. This form of banking is confined to members of certain well-known castes of Hindus, such as the Marwaris, the Jains, the Multanis, and the Nattukottai Chettys. These indigenous bankers are located at different centres in villages and towns, and are mostly family concerns. These bankers receive deposits, and frequently honour cheques or orders, payable on demand, for those of their clients who keep a current account with them. The cheques are made out in the vernaculars, and as they have no inter-relation with other banks, they are cashed on the footing of *hundis* payable on demand. Some of these indigenous bankers combine trade with banking; there is, however, a good proportion who confine themselves to banking. This class is largely to be found among the Nattukottai Chettys and the Multanis. These indigenous bankers render great assistance in the financing of internal trade, particularly in connexion with the movement of produce and the financing of crops. Many of these bankers have offices in important centres like Bombay, Calcutta, Madras and Rangoon, and there are some who maintain correspondents outside India in places such as Africa, Aden, Abyssinia, Europe, Japan and China. The Chettys are said to be the cleverest of all our indigenous bankers, in spite of the fact that they are mostly uneducated, according to modern standards. They possess a natural banking acumen, for they are associated from very early childhood with the business of banking, which members of their family have been carrying on for generations. There is one class of bankers, called shroffs, whose principal business is dealing in *hundis*, promissory notes, railway receipts, etc. They do not generally advance money on mortgage or immoveable property. The shroffs also finance cottage industries and small industrial concerns like rice factories, and silk and cotton industries. They also finance agriculture through *soucars*, who borrow money from the shroffs and lend it out together with their own capital to agriculturists. The

Multani shroffs are said to get the largest assistance from the Imperial Bank in connexion with the re-discounting of *hundis*, either through advances on demand promissory notes signed by at least two of them, or by one shroff and one merchant.

3. How to Open an Account with a Bank

In order to open an account with a bank, you must have a proper reference from one who is known to the banker. The banker thereupon takes the customer's signature on a card or in a book called the signature book. The signature is taken for comparison when the customer signs any document for withdrawing money from the bank, or corresponds with it for any other purpose. Next, a book called the paying-in slip book is handed over to the customer, together with a cheque book and a pass-book.

4. The Paying-in Slip Book

The paying-in slip book is a book in which blank forms of what are known as paying-in slips are bound up with counterfoils. The counterfoils remain in the book itself, and the originals can be torn off when necessary. When a person wishes to pay an amount into the bank he fills in both the counterfoil and the original and presents them at the cash desk of the bank with the money. The teller (or the cashier) detaches the original and keeps it for himself for his own reference, and returns the paying-in slip book with a rubb stamped receipt on the counterfoil for the record of the customer. The form of the paying-in slip book is as follows:

BOMBAY,
26th October, 1932.

Paid in for the credit of *Sakaram & Co.*, in account current with the Central Bank of India, Ltd. Bombay.

	Rs.	A.	P.
Notes ...	1,500	0	0
Cash ...	250	0	0
Cheques for credit on realisation ...	1,000	0	0
Total Rs.	2,750	0	0

Received

.....Acctt.
.....Shroff.

BOMBAY,
26th October, 1932.

Paid in for the credit of *Sakaram & Co.* in account current with the Central Bank of India, Ltd. Bombay.

	Rs.	A.	P.
Notes ...	1,500	0	0
Cash ...	250	0	0
Cheques for credit on realisation ...	1,000	0	0
Total Rs.	2,750	0	0

SAKARAM & Co.

5. The Cheque Book

The cheque book contains blank forms of cheques, which the customer fills in and signs when he wants to draw money, either for himself, or to pay anyone in the course of business. These cheques are orders drawn on a bank by its customer to pay on demand a stated sum of money to the person named therein, or to his order, or to the bearer of the cheque. The banker is bound to honour (i.e. pay) these cheques when presented, provided of course there is sufficient amount to the credit of the customer and the cheque is regular. If the cheque is payable 'to order', the person to whose order it is drawn has to sign his name on the back of that document (i.e. endorse it) before the banker will pay. The cheque is made out in the following form:

8/A 23459.

November, 1932.

Madanlal and Co.,
Bom.

B/26. BOMBAY: 1st November, 1932.
238/A 23459.

1a. THE CENTRAL BANK OF INDIA, LTD.,
BOMBAY.

Pay Messrs. Madanlal and Co. or Order,
Rupees Two hundred and fifty, Annas two
only.

Rs. 250-2-0.

P. R. Dinshaw.

From the above cheque it will be noted that it is numbered serially. This is done in order to help the bank to trace the cheque in case it is lost. The number is printed both on the counterfoil and on the original. In India cheques require to be stamped with one-anna stamps under the present law; in England each cheque must bear a twopenny stamp. The student will also notice from the above cheque that it is drawn on the Central Bank of India, Ltd. by P. R. Dinshaw, in favour of Madanlal and Co., or Order. This means that Madanlal and Co. will have to endorse the cheque, before it will be paid by the Central Bank of India. Madanlal and Co., instead of cashing the cheque themselves, may pass it on to some creditor of theirs, either by a plain endorsement, or by mentioning the name of the party to whom the cheque is made payable and signing under (i.e. special endorsement). The difference between these two forms of endorsements is that when the document is endorsed 'blank', it becomes a 'Bearer cheque' and can be passed from hand to hand without requiring any further endorsements, whereas if it is specially endorsed (say, in favour of 'Ramchandra and Co. or Order,') Ramchandra and Co., will have to endorse it again before the same can be paid. This special endorsement should be written as follows:

Pay to Ramchandra & Co. or Order
(Sd.) *Madanlal & Co.*

6. Crossing a Cheque

This is the process by which two parallel transverse lines are drawn across the face of the cheque with or without the addition, 'and Co', or 'Not Negotiable', or 'Under Fifty Rupees' or 'Union Bank'. Even if a banker's name is written across a cheque without the parallel lines, that operation will be taken as a 'Special Crossing' by the bank.

7. Forms of Crossing

The effect of two parallel lines drawn across a cheque (i.e. crossing) is that the holder of the cheque, unless he is a banker, cannot cash it. If he is not a banker he has to get it collected to the credit of his account by his banker. If he has no banking account, he should get

the cheque collected through some friend who has a banking account. No person is bound to receive a cheque either crossed or uncrossed, because in law every creditor has a right to demand payment in cash, i.e. the legal tender currency of the country where payment is made. Thus, when a person has no banking account he can insist on payment being made to him either in cash, or by way of an uncrossed cheque. In fact, crossing is done for the safety of the person to whom the cheque is given, because if the cheque is stolen or lost it could be traced through the bank through which the money was collected. When there is no name of any bank between the parallel lines, the cheque may be collected through any banker to whom it is presented. If, however, there is any banker's name between the lines, or across the cheque without these two lines, it means that it can be paid only through that particular bank. This is why it is called special crossing. The different forms of crossings are illustrated hereunder.

1. _____
2. _____ & Company
3. _____ & Co.
4. _____ Not Negotiable
5. _____ Not Negotiable
6. _____ & Co.
7. The Central Bank of India, Ltd.

- | | |
|-----|---|
| 8. | <hr/> The Central Bank of India, Ltd. <hr/> |
| 9. | The Central Bank of India Ltd.
Not Negotiable |
| 10. | <hr/> The Central Bank of India Ltd. <hr/> Not Negotiable <hr/> |

*Note :—*It should be noted here that crossing may be with, or without, two parallel lines if the name of the Bank is written across the cheque.

When there is no bank's name mentioned between the transverse lines, the crossing is called a 'general crossing'.

Crossed cheques are very handy and safe for the purpose of remittances to foreign countries. Where the remitter knows the name of the bankers of the party to whom he is sending the remittance, by crossing the cheque specially to that bank he can make the remittance still safer. When the party to whom the cheque is given objects to the crossing, it is not necessary to write out another cheque; if the words 'Pay Cash' are written on the margin of the cheque with the signature of the drawer, the cheque becomes uncrossed or open.

The person who draws a cheque is called the drawer, the banker on whom it is drawn is the drawee, the person in whose favour it is made payable is the payee, the person who endorses the cheque is the endorser, and the party in whose favour it is endorsed is called the endorsee.

8. How to Fill in a Cheque

The person who fills in a cheque should take care to see that he fills in both the original and counterfoil at one operation. The name of the payee should be legibly written in correct spelling and the proper dates entered. If a cheque is post-dated, it will not be paid by the banker until the correct date. If a cheque is ante-dated, there will be trouble if its date happens to be more than six months old, as the banker will then treat it as a stale cheque unless the drawer

again signs and confirms it. Care should be taken also to see that the amount, both in figures and in words, is entered accurately, and when the drawer signs the cheque he should see that the signature is in the same form as the specimen signature which he has given to his bankers.

9. Marking of a Cheque

Marking a cheque means getting the cheque certified by the bank to the effect that there is sufficient money to the credit of the person to pay that cheque when presented, and that the banker undertakes to pay same at the time of presentation. This is done with a view to secure additional currency for the cheque by indicating on its face that it was drawn in good faith on funds sufficient to meet its payment. By thus adding to the credit of the drawer the credit of the banker on whom it is drawn, the cheque even for a very large amount is made more acceptable by the party to whom it is offered. The 'marking' may be done in any of the following three circumstances:

- (1) Marking at the instance of the customer.
- (2) Marking as between a banker and a banker.
- (3) Marking at the instance of the holder or the payee.

In the first case where the marking is done at the instance of the customer, the customer cannot prevent payment being made by the banker thereafter. If, however, the marking is done at the instance of the holder or payee, and the customer instructs the bank not to pay, the banker will find himself in trouble. Here he has bound himself to pay to the holder, but at the same time he cannot debit his customer if he pays. For this reason British bankers refuse to mark cheques at the instance of the holder or the payee. In the case of marking as between banker and banker, it is rather doubtful what the banker's position will be if the customer countermands payment after the cheque is marked.

10. The Endorsement

We have already dealt with endorsements in a cursory manner. We shall now deal with them in some detail. An endorsement is defined as the signature of the holder of a

cheque, bill of exchange, promissory note or negotiable instrument for the purpose of negotiating or transferring, either on the back or face thereof, or on a slip of paper annexed to the instrument. This signature may be with or without additional words and must be of the entire bill. A partial endorsement (i.e. an endorsement which purports to transfer only part of the amount payable on the instrument) is inoperative.

11. Different Classes of Endorsement

The endorsements may be either:

(1) Blank, i.e. only a signature.

(2) Special, e.g. *Pay to John Smith or Order.*

(Sd.) *William Green*

(3) Partial, e.g. where only a part of the amount of the bill is transferred. This does not operate as a negotiation of the instrument, but may authorize the endorsee to receive payment of the amount specified. The law lays down that an endorsement must relate to the whole instrument.

(4) Restrictive, i.e. (a) where it prohibits further negotiation, as, *Pay to M only*, or (b) restricts the endorsee to deal with the bill as directed by the endorser, as, *Pay to M, or Order, for collection.*

(5) *Sans Recourse*, i.e. where the endorser makes it clear that the endorsee, or the subsequent holders, should not look to him for payment in case the bill is dishonoured, e.g. if A endorses a bill *Sans Recourse* to B, and if B agrees to take it with such an endorsement, he takes it with the understanding that in case he (B) fails to recover money from the acceptor or any of the previous endorsers to A, he (B) cannot sue A on the bill.

If a bill or cheque is endorsed conditionally as *Pay C or Order on Arrival of Ship Marmora*, the same may be disregarded by the payer, and the payment to the endorsee is valid, whether the condition has been fulfilled or not.

12. The Liability of the Endorser

It should be noted that every endorser of a promissory

note, bill of exchange, or cheque, or any other negotiable instrument, by endorsing the document engages that it shall be paid when presented, and in case of dishonour by non-payment he engages to compensate the holder of the document for any loss or damage caused to him, provided due notice of dishonour has been given, and requisite proceedings on the dishonour have been taken. In the case of a bill of exchange the endorser also undertakes that the same shall be accepted according to the tenor, besides undertaking that it shall be paid as in the case of a cheque. The endorser cannot deny to the holder in due course that the document is genuine, or regular, or that the drawer's signature, or previous endorsements, are also genuine. He also cannot deny to all subsequent holders that the bill was, at the time of his endorsement, a valid and regular bill and that he, the endorser himself, had then a good title.

13. The Forged Endorsement

If an endorsement on a cheque, or bill of exchange, is forged, the forgery, of course, gives no title or right to the person who holds it under a false endorsement. Such a holder must look to the person who gave this false endorsement for compensation, or damage caused by the forgery. It may, however, be noted that if a banker pays a cheque, purporting to have been drawn on him by the customer, he is no doubt liable to make good the amount of the cheque if his customer's signature happens to be forged; but if his customer's signature is genuine, and the endorsement of the payee or holder is forged (though regular in all respects so that the forgery is not apparent to the banker and the banker pays same in good faith and in the regular course of business) the banker will be protected.

14. The 'Not Negotiable' Cheque

In case of a cheque crossed 'Generally' or 'Specially,' and bearing in either case the words *Not Negotiable*, the position is that such instruments shall not have, and shall not be capable of giving, a better title to the holder than that which the person from whom they were taken had. The effect of a 'not negotiable' crossing is to deprive the instrument of

the special advantage which a negotiable instrument as such enjoys. The special advantage is, as we have seen, that the holder in due course of a negotiable instrument who receives it in good faith complete and regular on the face of it, and without any notice as to the defective title of a previous holder, receives it free from all defects in title of the previous holder. An instrument crossed 'Not Negotiable' may of course be endorsed any number of times, as far as its transferability is concerned. Lord Halsbury in *Laws of England* says that 'the effect of adding the words "not negotiable" to a cheque is not to impede transfer but to perpetuate in the hands of any transferee whatever defect or infirmity of the title may affect the person who first transferred the cheque with those words on it.'

15. Current or Drawing Account

This is an account which the customer of a bank opens by depositing money from time to time, and from which he is entitled to draw, without any notice, through the medium of cheques. The usual practice of banks is to open these current accounts on payment of a certain amount, usually Rs. 500, and in some cases even less. Of course the customer has to be introduced by some old customer of the banker, and then the banker makes investigation as to his respectability and standing. We have also seen that the banker takes his specimen signature, and enters the money deposited to the credit of his account, and hands him the pass book in which the amount so deposited is shown credited to the customer's account. The customer is then free to pay in money during business hours or working days, by filling in the paying-in slips and presenting them at the counter. He can similarly pay in when he desires cheques, bills of exchange and promissory notes that may have been received by him in the course of his business, to be collected by the bank to the credit of his current account. The pass-book is written up at intervals and presented to the customer so that he can check the entries made therein with those of his own ledger account, and return the pass-book to the banker to be rewritten when necessary. Some banks allow a small interest on current accounts, whereas others, such as the Imperial Bank of India, do not allow any interest on current accounts.

The advantage of a current account with the bank may be summarized as follows:

- (1) The avoidance of danger and inconvenience caused through having to keep large amounts in the office safe in the form of notes or cash.
- (2) The convenience of using a cheque book from which one can draw cheques and pay all accounts.
- (3) The advantage of assistance from the banker in connexion with the collection of cash for your cheques, bills of exchange and promissory notes. Also that of other services, which an ordinary bank renders to its customers, such as keeping in safe custody the shares and securities belonging to the customer, and collecting dividends and interests thereon, from time to time, to the credit of his current account.
- (4) When periodical payments have to be made towards insurance premiums, club fees and other recurring items, the banker on being instructed pays same regularly on instruction until further notice.
- (5) Whenever, in connexion with any business, the customer's financial status has to be proved, the banker can be referred to. His references, owing to the prestige and position of the banks, are received as authentic. In the case of temporary financial requirements, one can always arrange with a bank for a loan or overdraft, with or without security, and by giving proper securities or guarantees even large business or private loans can be obtained.

16. Fixed Deposits

In the case of a fixed deposit the rule is that the person who deposits the amount with the banker is not to withdraw it for a specified time, say, six months, or one year. The usual Indian practice is not to take fixed deposits for more than a year. These are renewable at the end of the specified time, by mutual consent, at a fresh rate of interest that may be agreed upon. The advantage of the fixed deposit is that the depositor is allowed a much higher rate of interest, whereas, in the current account he may not be allowed any interest and, if he gets any interest at all, it is extremely

small. The fixed deposit may not be for a fixed period, but an agreement may be made that the amount can only be withdrawn after giving a notice of a period agreed upon, say that of a week or a fortnight. The following is the form of deposit receipt which the banker usually gives :

THE INDUSTRIAL BANK, LIMITED

Subscribed Capital..	Paid-up Capital.	Reserve Fund
Rs. 500,000,000.	Rs. 200,000,000.	Rs. 100,000,000.

Head Office: *Mathews Road, Bombay*

Dadar Branch,

.....19

No.....

Rs.....

Received from.....
the sum of.....
.....on deposit account.

For The Industrial Bank, Ltd.

.....Manager.

Entered.

This receipt is not transferable and is subject to seven days' notice of withdrawal.

No interest will be allowed if the money is deposited for less than fourteen days, and interest will cease at expiration of notice of withdrawal.

This deposit receipt must be given up on repayment of the amount.

17. Bank Charges

Bankers usually make certain charges for various services rendered, besides the interest which they charge on money loaned or overdrafts. These charges are by way of commission on collection of cheques, bills of exchange, dividends, etc. Where a banker in India keeps securities, or jewellery and plate or other valuables, for safe custody he makes some small charge for his services. It may be added that in all these cases the banker becomes a bailee, and as such he has to take as much care of such property as a man of ordinary prudence would do under similar circumstances, of his own goods. If he fails to take that amount of care and the articles are destroyed or lost, he is liable to make good the loss to the depositor.

QUESTIONS

1. What is meant by 'crossing' a cheque and in how many ways may a cheque be 'crossed?' (Madras, E., 1915.)

2. Cheques may be crossed in several ways. Give examples of the several crossings and explain how they differ from one another. (Madras, E., 1917.)

3. If, on a cheque, the amount in words differs from the amount in figures, what happens when the cheque is presented for payment? (Madras E., 1917.)

4. You have to send a cheque by unregistered post to Mr. T. Jones, who banks with the Bank of Madras. What would you do to ensure its being of no use to anyone but Mr. T. Jones? (Madras, E., 1918.)

5. Your firm has borrowed from the bank, on the security of a stock of 10 bales of piece-goods, marked T.I.S. i, 10, the sum of Rs. 4,500. Write a letter hypothecating these to the bank. (Madras, E., 1917.)

6. In examining a crossed cheque tendered to you in payment of an account, to what points would you give attention and why? (Madras, E., 1918.)

7. (1) When is a cheque deemed to be specially crossed? Can a cheque be specially crossed a second time? If so, under what circumstances?

(2) What protection is afforded by marking the cheque 'not negotiable'? Illustrate your answer by an example. (Madras I.G., 1919.)

8. State with reasons whether you, as a banker, would honour or dishonour the following when presented for payment:

(1) A cheque containing a forged endorsement.

(2) An acceptance of your customer with a per pro endorsement.

(3) An order cheque, dated 1st May, 1920.

(4) A cheque crossed specially to two bankers. (Madras, I.G., 1920.)

9. A, by fraud, obtains a cheque from B and endorses it to C for value. Can C successfully sue B on the cheque, and would it make any difference to your answer if the cheque were marked 'not negotiable'? (Madras, I.G., 1921.)

10. You are drawing a large cheque on your bankers, with funds in your account to meet the cheque, in payment of a property purchased. It is desired to impress the seller that there shall be no question of the cheque being paid. Write a letter to your bankers explaining the situation and asking them to 'certify' the cheque. Write a letter also to the seller of the property, enclosing the cheque in payment, stating what you have done. (Madras, I.G., 1921.)

11. What are the advantages of having a banking account? How will you withdraw your moneys from a bank? (Madras, I.G., 1929.)

12. What are the principle points to be borne in mind when drawing a cheque? What alterations or additions may be made to a cheque, after it has been drawn, without invalidating it? (Madras, I.G., 1926.)

13. Explain the following terms: Deposit; Withdrawal; E. & O E.; Payee; Crossed Cheque; Bearer Cheque; Voucher; Counterfoil; Bank Balance. (U.P., 1922.)

14. Write a letter to a customer explaining that he has over-drawn his bank account and asking him to make it right. (U.P., 1922.)

15. State, with reasons, whether or not a banker is liable if, after the payment of cheque, it turns out that:

(1) The cheque bore a forged endorsement.

(2) The signature of the drawer was forged. (U.P., 1927.)

16. Make out a paying-in slip with the following entries:

Cheque A 26421, Imperial Bank of India, Lucknow, for Rs. 346-12-2.

Cheque 582, Allahabad Bank, Meerut, for Rs. 98-2-6, signed by Hari Prasad and endorsed by William Smith.

Government Grant to the Hari Prasad School, Mirzapur, for Rs. 500; Cash, Rs. 96; Notes, Rs. 420.

The deposit is to be made by Hari Prasad School in the Allahabad Bank, Mirzapur. (Benares, 1925.)

VIII

BILLS OF EXCHANGE AND HUNDIS

(A) BILLS OF EXCHANGE

1. Definition

‘A BILL OF EXCHANGE’ is an instrument in *writing* containing an *unconditional* order, signed by the maker, directing a *certain* person to pay a certain sum of *money* only to, or to the order of, a *certain* person or to the bearer of the instrument.

The parties to a bill are (1) The *Drawer*, the person who draws the bill. He is known as the maker in the case of a promissory note; (2) the *Drawee*, the person on whom the bill is drawn. He becomes the acceptor after he has signified his assent to the order of the drawer by writing the word ‘Accepted’ right across the face of the bill with his signature and date; (3) the *Payee*, is the person to whom the bill is payable. The drawer may make the bill payable to himself or may name another person in the bill to whom it has to be paid; (4) the *Holder* of the bill may be the original payee named in the bill, or one to whom the bill is endorsed over this original payee. In case of a bill or a promissory note payable to bearer, the bearer is the holder.

When the payee endorses the bill, he is also known as the *Endorser*, and the person to whom it is endorsed is the *Endorsee*.

2. Acceptance

We shall now proceed to discuss the various peculiarities as to acceptance. The acceptance may be *General* or *Qualified*. A *general acceptance* is where the drawee signs his name across the face of the bill with or without the word ‘accepted’, thereby signifying his assent to the bill. As a

general rule the bill must always be accepted generally, and if the acceptor adds any qualification to it, it becomes conditional acceptance, in which case the drawee may either agree to such an acceptance, or treat the bill as dishonoured for non-acceptance, and move on it.

3. Qualified Acceptance

An acceptance may be *qualified* in various ways.

(1) It may be qualified *as to the amount*, e.g. a bill may have been drawn for Rs. 500, whereas the acceptor, perhaps arguing that he owes only Rs. 300 may accept for Rs. 300, as, 'Accepted for Rs. 300 (Three Hundred only)'.

(2) It may be qualified *as to time*, e.g. where a bill is drawn payable one month after date, the drawee accepts it as 'Accepted payable three months after date'.

(3) It may, on the other hand, be qualified *as to place* and made payable at a particular place, and there only, as, 'Accepted payable at Lloyd's Bank, and there only'.

(4) It may be accepted ~~as~~ payable in instalments, as 'Accepted payable in monthly instalments of Rs. 50'. The drawer or holder of a bill is not bound to agree to an acceptance which is qualified. He can treat the bill as dishonoured, and move for remedies open to him on that ground.

(5) In case of foreign bills, a *Case in Need* is generally stated on the bill. This 'case in need' is the agent of the drawer in the foreign country where the bill is made payable. When, therefore, the bill is dishonoured, either by non-acceptance, qualified acceptance, or by non-payment, the holder refers to this 'case in need'. The 'case in need' either gets the proper acceptance, or failing that, gets the bill protested for non-acceptance and accepts it himself for the 'honour of the drawer'. This is known as an 'acceptance for honour *supra protest*'. The holder then holds it till the due date, when he presents it again to the drawee for payment. If payment of the bill be also refused, he should ~~first~~ get it protested for non-payment, and then present it to the 'acceptor for honour' who pays same for the honour of the drawer.

The object served by this acceptance and payment for

honour by the 'case in need' is to save expense by way of the interest and loss on exchange which would necessarily follow, as these foreign bills are generally drawn and discounted in the country of their origin. In the absence of such an arrangement, on the drawee's refusals to accept or pay the bill, the banker's foreign agent or branch office would refer the bill back to the office through which it was sent to him for collection. This would mean waste of time, during the whole of which the banker's interest keeps mounting, not to speak of the great inconvenience caused to the drawer and loss on exchange; whereas it may be that the refusal to honour was based on grounds that could easily have been settled by an agent on the spot.

It may be noted, however, that protest is only necessary in the case of foreign bills, especially when they appear to be such; if there is nothing on the face of the bill to indicate its foreign origin, it need not be protested. In English law protest is not necessary for foreign promissory notes.

4. Protest for Better Security

It may happen that the acceptor of a bill suspends payment or becomes insolvent before maturity of the bill, and in that case the holder for value may, for his protection, get the bill protested for better security against the drawer and previous endorsers. This gives the drawer, or the endorsers, an opportunity to accept for honour. The only disadvantage is that the expenditure on this protest for better security is not recoverable from the other side.

5. Acceptance for Honour

With regard to the acceptance for honour, it may be noted that the acceptance for honour may be for honour of the drawer, or endorser, or one or more of them. If the acceptance does not state for whose honour it is made, it is presumed to be for the honour of the drawer. The acceptor for honour must be a person who is not in any way liable on the bill, but who simply intervenes on behalf of a friend with the consent of the holder of the bill. When he pays the bill, which he has accepted for honour, he succeeds to the rights

and duties of the holder, as against the party for whose honour he pays and against all parties liable to that party.

When a bill is accepted for honour, it is understood that the same will be presented for payment on the due date by the holder, and that in case of non-payment, it will be noted and protested, and that due notice will be given to the drawer.

6. Negotiability

Bills of exchange and promissory notes are known as negotiable instruments. An instrument is negotiable either by law, or by custom of trade. Bills of exchange and promissory notes have long been held to be negotiable instruments all over the commercial world. By 'negotiability' is meant that not only is the instrument transferable by endorsement or delivery, but that apart from its transferability, the 'holder in due course' of a bill who has received it complete and regular on the face of it, for value, and without any notice as to the defect in title of a previous holder, acquires a good title, notwithstanding any defect in a previous holder's title. For example, A gave a bearer cheque to B, which B dropped on the road. C picked it up and gave it to D in settlement of money due by C to D. C then disappeared. D cashed the cheque. In this case neither A nor B can ask D to refund the money, because D can plead that he was a 'holder in due course' of a negotiable instrument.

7. Compensation

The amount payable in case of dishonour of a bill, or a cheque, by any party liable to the holder, includes the amount due upon the instrument, with interest, plus the expenses properly incurred in noting and protesting it. When the person charged resides at a place different from that at which the instrument is payable, the holder is entitled to receive such sum at the current rate of exchange between the two places. If an endorser of a bill has paid the amount due on it, he is entitled to the amount so paid, plus expenses, with interest at the rate of six per cent per annum from the date of his paying to the date of his receiving back the amount; and where the endorser and the person charged

reside at different places, the endorser would be entitled to receive such sums at the current rate of exchange between the two places. It is also open to the party entitled to compensation on dishonour of such a bill, note or cheque, to draw a bill on the party liable to compensate him, making it payable at sight or on demand for the amount due to him, together with all expenses properly incurred by him. Such a bill must be accompanied by the instrument dishonoured and the protest thereof, if any. If such a bill is dishonoured, the party dishonouring the same is liable to make compensation thereof in the same manner as in the case of the original bill.

8. Presumptions in the Case of a Negotiable Instrument

The following presumptions shall be made in the case of negotiable instruments until the contrary is proved:

- (1) That every negotiable instrument was drawn accepted and endorsed, made or transferred for consideration.
- (2) That the date it bears is the date on which it was made or drawn.
- (3) That it was accepted within a reasonable time after its date and before its maturity.
- (4) That every transfer was made before maturity.
- (5) That the endorsements appearing upon it were made in the same order in which they appear.
- (6) In case of a lost instrument that it was duly stamped.
- (7) That the holder of it was a holder in due course.

In case of negotiable instruments, contrary to the ordinary law of agreements, consideration is *presumed*, and the party who denies same must prove his case. This applies to drawing, accepting as well as endorsing. The next presumption is the correct date. Also, it is presumed that both its acceptance and transfer were made before maturity; that the endorsements were placed in the order in which they appear on the bill; and that, in the case of lost instruments, they were properly stamped. All these presumptions can be rebutted by evidence, but the party challenging them must *prove* his case.

9. Dishonour

A bill is said to be dishonoured when the drawee refuses to accept it when duly presented, or when it has been accepted and the acceptor fails to meet it on the due date. A bill must be presented for payment to the acceptor on the due date, at his business place and at a reasonable hour. If he has no place of business, it may be presented at his residence. The presentment must be made to the acceptor, or his agent duly appointed.

As soon as a bill is dishonoured, the holder must give notice of dishonour to the drawer and all previous endorsers. The notice, though, not required to be in writing at law, should for safety be a written notice. The notice must be given within a reasonable time, i.e. if both the giver and the receiver of the notice reside in the same place, it should be given the day after dishonour. If, on the other hand, they live in different countries the notice must be posted the day after dishonour. Of course, if for any reason the notice could not be given, or did not reach any of the parties, *through no fault of the giver of the notice*, he would be excused. Otherwise, failure to give notice within a reasonable time would release all endorsers previous to the party failing to give notice, as well as the drawer.

10. Discounting a Bill

We have seen that a merchant is given a bill of exchange in payment of amounts due to him by his debtor to whom he may have sold goods or furnished money, which bill is to fall due at some future date. If, before such due date has arrived, the merchant happens to be in want of money, he can discount the bill with his banker, and the banker will furnish him with the money less a certain discount, determined according to the current rate of discounting bills. Supposing the bill was for Rs. 5,000 and the banker charges Rs. 50 as discount, the banker would credit the merchant for Rs. 5,000 in his current account for the amount of the bill, and debit the same account for Rs. 50 for the discount charged. When the bill falls due, the banker will cash it for the full amount of Rs. 5,000, thus securing a profit of Rs. 50.

11. Alteration of a Bill or Cheque

It should be noted that a cheque or a bill cannot be altered by any holder, unless the drawer and all parties to the bill join in the alteration. Otherwise the bills or cheques become void and inoperative. In the case of cheques, an alteration can only be made by the drawer, who has to put his initials to the alteration, but in the case of a bill of exchange all parties to the bill must initial the alteration.

12. Stamp Duty on a Cheque, Bill, etc.

For the purpose of this study it should be noted that stamps which are required for revenue purposes are divided into two classes, namely, (1) Adhesive Stamps and (2) Impressed Stamps. In British India, adhesive stamps are only allowed for instruments chargeable with a duty of one anna or half an anna. In the case of bills of exchange and promissory notes drawn or made out of British India, i.e. foreign bills, adhesive stamps up to any amount are allowed, which are to be affixed by the person who first receives these documents in British India. But these stamps must be cancelled immediately on their being affixed. Cancellation is effected either by signature, or initials written across the stamps, or in any other effectual manner. If the stamps are not cancelled, the documents will be treated as unstamped. If the adhesive stamp affixed by a prior holder was not effectively cancelled by him, any person into whose hands the document concerned comes *bona fide* may cancel the stamp as if he had affixed the stamp himself. In all other cases the stamps on bills of exchange and promissory notes must be impressed stamps and should be stamped before they are executed. The Indian scale of stamp duties is as follows:

*For a Bill of Exchange, Not being a Bond, Bank Note
or Currency Note*

(a) Where payable on demand.....Nil.

	IF DRAWN SINGLY	IF DRAWN IN A SET OF TWO, FOR EACH PART OF THE SET ¹	IF DRAWN IN A SET OF THREE, FOR EACH PART OF THE SET
	Rs. A. P.	Rs. A. P.	Rs. A. P.
(b) Where payable otherwise than on demand, but not more than one year after date or sight, if the amount of the bill or note does not exceed Rs. 200	0 3 0	0 2 0	0 1 0
Rs. Rs.	0 6 0	0 3 0	0 2 0
Exceeding 200 but not exceeding 400	0 9 0	0 5 0	0 3 0
„ 400 „ „ 600	0 12 0	0 6 0	0 4 0
„ 600 „ „ 800	0 15 0	0 8 0	0 5 0
„ 800 „ „ 1,000	1 2 0	0 9 0	0 6 0
„ 1,000 „ „ 1,200	1 8 0	0 12 0	0 8 0
„ 1,200 „ „ 1,600	2 4 0	1 2 0	0 12 0
„ 1,600 „ „ 2,000	4 8 0	2 4 0	1 8 0
„ 2,500 „ „ 5,000	6 12 0	3 6 0	2 4 0
„ 5,000 „ „ 7,500	9 0 0	4 8 0	3 0 0
„ 7,500 „ „ 10,000	13 8 0	6 12 0	4 8 0
„ 10,000 „ „ 15,000	18 0 0	9 0 0	6 0 0
„ 15,000 „ „ 20,000	22 8 0	11 4 0	7 8 0
„ 20,000 „ „ 25,000	27 0 0	13 8 0	9 0 0
„ 25,000 „ „ 30,000			
and for every additional Rs. 10,000 or part thereof in excess of Rs. 30,000	9 0 0	4 8 0	3 0 0

(c) Where payable at more than one year after date of sight: { The same duty as a bond for the same amount.

13. The Lost Bill

When a bill is lost, the holder can, on giving proper security to indemnify the drawer and acceptor against all persons who may claim from him in case the bill be found, force the drawer to give him another bill of the same tenor.

¹ See § 16.

14. The Accommodation Bill

Often bills are drawn, accepted and endorsed, for the accommodation of one or more of the parties concerned, though no value has passed on them. These are known as Accommodation Bills or Kites. For example, A, B and C are each in want of Rs. 1,000, and they arrange that A should draw a bill for Rs. 3,000 which B should accept, that A should then endorse this bill to C, who in his turn should discount it with his bank. They then divide the proceeds among themselves. This bill is an accommodation bill, because here A, B and C the parties to the bill, are accommodated, whereas the banker is a holder for value. The holder for value can, therefore, recover the amount of the bill on due date from the acceptor B and, failing him, he can sue C and A in turn. Here the fact that the bill was an accommodation bill, and that full consideration for it was not received by B, the acceptor, would not affect the banker as a holder for value.

With regard to the accommodated parties, the party who accepted or endorsed a bill without receiving value, may raise that question successfully, and plead it against any of the parties to the accommodation.

15. Forms of a Bill

The following are some of the principal forms of bills:

(i) *A Bill of Exchange*

BOMBAY,
29th July, 1931.

One month after date pay to me or my order the sum of Rupees One Thousand Five hundred for value received.



Rs. 1,500-0-0

To Mr. A.

(Sd.) B.

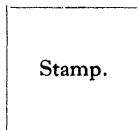
The above draft when accepted by A, would bear the following writing across the face:

Accepted.

(Sd.) A.

(ii) *A Promissory Note*BOMBAY,
25th July, 1932.

On demand (or at three months after date) I promise to pay Mr. B the sum of Rupees Five Hundred only for value received.



(Sd.) A.

Rs. 500-0-0.

(iii) *A Bank Draft*BOMBAY,
11th September, 1931.

Pay A. B. Carter, Esq., or order, the sum of Rupees Five Hundred only.

Rs. 500.

FOR THE NATIONAL BANK LIMITED.
J. JONES.

TO THE CHARTERED BANK, MADRAS.

(iv) *A Cheque*BOMBAY,
15th October, 1931.

THE CENTRAL BANK, LTD.

Pay H. Hunter, Esq., or order, Rupees One Thousand only.

Rs. 1,000.

L. Macky.

16. The Foreign Bill

Foreign bills (i.e. bills drawn on firms and individuals outside the country) are generally drawn in sets of three, each of which is called a 'via' and as soon as any one of them is paid, the others become inoperative. They are drawn in a set so that they may be sent by different mails, or through different routes to ensure at least one reaching its destination. We shall take the following as an example.

The first bill of exchange will read:

LONDON,
21st July, 1912.

Sixty days after sight of this first of exchange (second and third of the same tenor and date unpaid) pay to the order of Messrs. Lyon, Sons & Co., Bombay, the sum of Rupees Two Hundred, value received.

(Sd.) LYON, SONS & Co.

Rs. 200-0-0.

To

MESSRS. JAMASPJI AND FRAMJI,
BOMBAY.

The second will read:

LONDON,
21st July, 1912.

Sixty days after sight of this second of exchange (first and third of the same tenor and date unpaid) pay to the order of Messrs. Lyon, Sons & Co., Bombay, the sum of Rupees Two Hundred, value received.

(Sd.) LYON, SONS & Co.

Rs. 200-0-0.

To

MESSRS. JAMASPJI AND FRAMJI,
BOMBAY.

17. The Inchoate Instrument

When a person signs and delivers to another a stamped paper, in accordance with the law relating to negotiable instruments, in blank or partially written, he is thereby taken to give *prima facie* authority to the holder to make or complete upon it a negotiable instrument for any amount specified therein, but not exceeding the amount covered by the stamp. Thus the person so signing is liable upon the instrument, in the capacity in which he has signed, to a holder in due course. The person by signing the document and delivering same to others in blank or in incomplete form, lays himself open to this risk, through his own act. The necessary condition present here is that the document must be stamped according to the rules applying to negotiable instruments, and should have been given to a holder, apparently with a view to be converted into a negotiable instrument. Not only the original holder, but also subsequent holders may complete the instrument, but a mere agent for safe custody cannot. The document must be filled in before it can be enforced.

18. Usance

In some European countries bills are drawn as 'usances', i.e. payable after a period fixed by custom for payment of a draft drawn in one country on another and made payable there. The usances have to be proved in each particular case by the person who pleads usance.

19. The Lost Bill

If a bill of exchange is lost before it is overdue, the holder may apply to the drawer to give him another bill of the same tenor, giving security to the drawer, if required, to indemnify him against all persons in case the lost bill should again be found, and if the drawer refuses he may be compelled to do so. This rule only applies to bills, and not to promissory notes, and the right to claim a new bill prevails only against the drawer. The law is silent as to whether the acceptor and endorsers can be compelled to accept it and endorse respectively.

20. The Letter of Credit

According to Storey, 'a letter of credit is an open letter of request by one person, usually a merchant or a banker, requesting some other person or persons to advance money or give credit to a third person named therein, for a certain amount, and promises that he will repay the same to the person advancing the same, or accept bills drawn upon himself, for the like amount. It is called a General Letter of Credit when it is addressed to all merchants, or other persons, in general, requesting such advance to a third person; and it is called a Special Letter of Credit when it is addressed to a particular person by name, requesting him to make such advance to a third person.'

21. Varying Forms of the Letter of Credit

A letter of credit may be given in various forms, the most simple of which requests the banker on whom it is given to permit the holder to draw a specified sum of money, either

by way of cheques on the bank giving the letter, or on the bank to whom the letter is addressed. In short, the banker giving it asks the banker to whom it is addressed to keep a specific sum of money at the disposal of the holder. When this letter is addressed to more than one banker, it is known as a 'circular letter of credit', in which case the bankers to whom it is addressed have to endorse on the letter the amount paid. Sometimes these letters of credit are accompanied by circular notes in the form of cheques, of the value or denomination of such sums as may be convenient to the holder, in which case the letter of credit becomes virtually a letter of indication, stating the amount up to which the circular notes are due, their numbers, and containing a specimen signature of the holder. Here, the holder has to keep the letters of credit or indication, as well as the circular notes, securely while travelling, cashing the notes by producing the letter of credit, as well as the signed circular notes, at the various banks to which the letter of credit or indication is addressed.

In business, the most important letters of credit are those used for the financing of produce and shipments of goods, where the banker takes a very prominent part.

It may be added that the customer who arranges to get a letter of credit from his banker for business purposes generally gives a letter of guarantee to his banker, with or without security, as may be necessary. In the case of letters of credit granted to travellers, cash is usually provided, or the customer's current account debited. Otherwise, the customer guarantees to provide funds to the banker in time to enable him to pay the bills on maturity.

(B) HUNDIS

There are several different types of *hundis* used in India at present. We shall deal with some of them.

22. The Shah Joghi Hundi

This is a *hundi* drawn by one merchant on another, asking the latter to pay the said *hundi* to a *shah* (i.e. a respectable holder) after making proper inquiry and taking the precautions usually taken by merchants in that line of business. It

usually states the name of the person on whose account the *hundi* is drawn or who has (as is usually the case) deposited money with the drawer against the *hundi* in question. The documents are generally used for the purpose of remittance. The drawee never accepts this *hundi*, but generally they are presented to the drawee at the time of payment by the holder. They are not instruments which come under the designation of those payable to bearer, but are payable to a respectable holder or *shah*, and usage throws the duty of ascertaining that the payee is a *shah* on the drawee. If the *hundi* is endorsed as payable to a particular person named in the endorsement, the drawee must see that he pays to that person and no other. As long as the drawee pays the said *hundi bona fide* to a *shah* he is entitled to recover the amount from the drawer. If the *shah* makes a mistake in collecting the *hundi* for a wrong party, he has to make good the amount, with interest at the rate of 6 per cent from the date of payment to the date of refund.

23. The Jokhmi Hundi

In the words of J. Bayley, 'a *Jokhmi Hundi* is in the nature of a policy of insurance, with this difference, that the money is paid beforehand, to be recovered if the ship is not lost'. It is, in fact, a mode of insuring goods shipped peculiar to the Indian merchants. There are here three parties: the drawer or shipper of the goods, the *hundiwala* (i.e. the underwriter), and the *malwala*, (i.e. the consignee). The consignor consigns the goods, say from a port in Cutch or elsewhere, to his agent or vendor in Bombay. He then draws a *hundi* on the consignee or *malwala* for the value of the goods, and sells same to the insurer for cash, which is the value less the insurance premium charged. The *hundiwala* either sends the *hundi* to his branch office or agent in Bombay. The *hundi* is then presented, after the goods arrive safely in Bombay, to the consignee, or *malwala*, who pays same and takes delivery of the goods, or in case he does not wish to take up the goods, he may hand over the goods to the *hundiwala* and leave him to fight the matter out with the consignor. The *hundiwala*, by this peculiar custom, has no right to sue the *malwala* or consignee in case of non-payment or non-acceptance. His

remedy is to recover the amount from the consignor. If the goods are lost totally, the *hundi* cannot be presented and the loss has to be borne by the *hundiwala* or underwriter. In case of partial loss or damage, the *hundiwala* is entitled to be paid in full. In case of general-average loss the *hundiwala*, or underwriter, receives payment for so much loss as may be computed towards the general average loss on these goods by the average adjusters.

24. Dhanijogh Hundi

This is a *hundi* which is payable only to a *shah*, but it may be cashed by the *dhani* or holder of same.

25. Darsani and Nadappu Vaddi Hundis

These are sight *hundis*, payable at sight, but the second has this peculiarity, that it carries interest at the *nadappu vaddi* rate from the date of presentation.

26. Hatchita

This is a sheet bound in the account book of a creditor and entered in the form of a ledger, bearing a one-anna stamp and the signature of the borrower.

27. Muddati Hundi

This is a *hundi* which is not payable on demand like the *darsani hundi*, but is payable according to usage or custom.

Hundis payable to order are called *firmanjog hundis*.

QUESTIONS

1. Give definitions of the following:
(1) Cheque, (2) Promissory-note, (3) Bill of exchange. (Madras, E., 1915.)
2. What is meant by 'endorsement' of a cheque? In how many different ways may a cheque be endorsed? (Madras, E., 1915.)
3. Draft a bill of exchange drawn on Smith & Co., by Brown & Co. for Rs. 4,000 at three months' sight. (Madras, E., 1915.)
4. What is meant by 'accepting' a bill of exchange? Why are bills sometimes drawn in duplicate and triplicate? (Madras, E., 1916.)
5. What procedure is adopted when a bill matures? (Madras, E., 1916.)

6. Explain why a merchant is not bound to accept a cheque in payment of a debt? (Madras, E., 1916.)

7. Make out a promissory-note for Rs. 100. (Madras, E., 1916.)

8. What stamps would be necessary on bills of exchange for the following amounts :

Rs. 120, Rs. 605, Rs. 4,500, Rs. 18,600, and Rs. 52,000? (Madras, E., 1917.)

9. Explain the following: R/D; Payee; Post dated; 'Present again'; D/A; B/I; Scrip. (Madras, E., 1918.)

10. What stamps would be required for the following: (1) A receipt for Rs. 45, (2) A cheque for Rs. 7/8, (3) I.O.U. for Rs. 100, (4) A receipt for Rs. 15, (5) A 30 D/S draft for Rs. 1,000, (6) A cheque for Rs. 5,000. (Madras, E., 1918.)

11. Define: (1) A cheque, (2) A bill of exchange, (3) A promissory note, and give a specimen of the usual form of each. What are the effects of crossing a cheque (1) generally and (2) specially? (Madras, E., 1919.)

12. What is meant by 'days of grace' and are they allowed on all bills? If not, to what class of bills are they not applicable? (Madras, E., 1919.)

13. A banker omits to present a bill of exchange on the due date, but presents it on the following morning. How does his action affect (1) the drawer, (2) the acceptor, (3) the endorser, (4) an endorsee? (Madras, E., 1919.)

14. Give examples of (1) a general acceptance, (2) a special acceptance, (3) a qualified acceptance, of a bill of exchange. (Madras, E., 1920.)

15. State the general procedure to be adopted by the holder of a bill of exchange which has been dishonoured. Who is a notary public, and what is his function in this case? (Madras, E., 1920.)

16. Is the following an 'on demand note'? If not, state what it is, and give reasons for your answer:

THE BANK OF SHARPNESS

No. M. 5858.

Rs. 431-12-0 without acceptance.

Seven days after date pay this sola Bill of Exchange to John Dull, or order, Rupees Four Hundred and Thirty-one and Annas Twelve, for value received.

Madras Branch

I. GIVALL, *Agent*.

To the Cashier of the Bank of Sharpness.

(Madras E., 1922.)

17. In dealing with negotiable instruments state the reasonable presumptions that may be taken for granted as to date, acceptance, endorsements, consideration, and stamp. (Madras, I.G., 1917.)

18. What is the position of the holder, and the procedure to be adopted, when a bill of exchange has been lost before maturity? (Madras, I.G., 1918.)

19. (1) How may the endorser of a negotiable instrument exclude his own liability?

(2) Supposing an instrument bears a note to the effect that the original amount has been partly paid, does this limit its further negotiation and to what extent? Give an illustration in each case. (Madras, I.G., 1918.)

20. A bill of exchange is accepted in the following form: 'Accepted, Payable at the National Bank of India (Limited) Madras.' Is this a general or qualified acceptance? When the holder of a bill is offered a qualified acceptance, what is his duty? (Madras, I.G., 1920.)

21. By whom, and in what circumstances, may a bill of exchange be accepted for honour? What steps must be taken by the holder on the due date before demanding payment from the acceptor for honour? How are the other parties to the bill benefited by such an acceptance? (Madras, I.G., 1920.)

22. Discuss the rights and liabilities of the parties to an 'inchoate stamped instrument'. (Madras, I.G., 1920.)

23. In the matter of cheques and bills of exchange, who is the proper person to deal with the following:

- (1) Altering an order cheque to bearer.
- (2) Filling in the date of a cheque, inadvertently omitted by the drawer.
- (3) Crossing generally or specially an open cheque.
- (4) A cheque that is dated more than six months before presentation and returned by the banker unpaid.
- (5) An alteration in the 'currency' of a bill of exchange.

(Madras, I.G., 1923.)

24. Describe in what way a banker assumes greater responsibility in regard to bills of exchange than cheques, especially in the matter of endorsements. (Madras, I.G., 1923.)

25. Write a letter, advising your customer of non-receipt of his first bill of exchange, and ask for the second, offering the usual guarantee. (Madras, I.G., 1923.)

26. A signed a blank stamped paper and delivered it to B to convert it into a bill for Rs. 1,650. B completed it as a bill for Rs. 2,500, treating A's signature as an acceptance and inserting his own as drawer. B negotiated the bill to C, who took it for value. Can C recover anything from A? Will there be any change in C's position if B had stolen the paper from A's desk? (Madras, I.G., 1929.)

27 A. B. & Co. Ltd., pay the following amounts in their current account at the Imperial Bank of India, Bombay:

Rs. 200 in silver coins.

Rs. 500 G. C. Notes.

Rs. 1,000 cheques on various local banks.

Make out a paying-in slip (with counterfoil) and enter the above amounts therein. (U.P., 1925.)

IX

CALCULATION OF DUE DATES ON BILLS

1. The Method of Calculation

WHILE calculating the date on which a bill or promissory note which is made payable so many months after date or sight falls due, the period stated shall be held to terminate on the day of the month which corresponds with the day on which the instrument is dated, or sighted, or accepted, or noted, or protested for non-acceptance. If the month in which the period would terminate has no corresponding day, the period shall be held to terminate on the last day of such month.

This last sentence practically means that where months are stated, calendar months are to be reckoned. Thus if an instrument dated 29 January, 1878 is payable one month after date, it falls due on the 3rd day after 28 February 1878; and an instrument dated 30 August, 1878, made payable 3 months after date is due on 3 December, 1878. There is in law no limit as to period for which a bill may be drawn.

2. Indian and English Law Calculations Distinguished

When an after-sight bill is accepted for honour in India, the period is to be calculated from the day on which it was so accepted, and not (as in England) from the date of noting for non-acceptance. If the date on which an instrument falls due is a public holiday, the instrument shall be deemed to be due on the next preceding business day. Here our Indian Act makes no distinction between a Bank holiday and other holidays, as is done by the English Act, where it is laid down

that when the last day of grace is a Sunday, Christmas Day, Good Friday, or a day appointed by Royal Proclamation as a Public Feast or Thanksgiving Day, the bill is payable on the preceding business day, but when the last day of grace is a Bank holiday or a Sunday, and the second day of grace a Bank holiday, the bill is payable on the succeeding business day.

3. Table showing Varying Calculations of Due Dates

	DUE DATE
A Bill drawn on 29 December, 1927, at 2 months after date	3 March, 1928.
A Bill drawn on 29 December, 1928, at 2 months after date	3 March, 1929.
A Bill drawn on 29 February, 1928, at 2 months after date	2 May, 1928.
A Bill drawn on 28 February, 1929, at 2 months after date	1 May, 1929.
When the last day of grace falls on Christmas Day	In England it would be payable on 24 December. In India it would be payable on 23, as 24 is generally a Bank holiday.
When the last day of grace is Sunday, 2 January, and 1 January is a Bank holiday	In England it would be payable on 3 January. In India it would be payable on 30 December, as 31 is also a holiday.
A Bill, payable 30 days after sight, is dishonoured by non-acceptance on 3 March, noted on 4 March, and accepted, supra protest, 5 March ...	The period of 30 days will be calculated from the date of noting, namely, 4 March, which with three days of grace would come to 6 April.

QUESTIONS

1. If the date on which a pro-note or bill of exchange arrives at maturity is a public holiday, when is the instrument actually payable? What does the expression, 'Public Holiday' include? (Madras, I.G., 1918.)

2. To what extent does the fact that a bill of exchange has been dishonoured, or is overdue, affect its negotiability? When a bill is payable on demand, and not dishonoured, does its negotiability continue until demand for payment be made? (Madras, I.G., 1921.)

3. Explain 'days of grace.' Is a custom of allowing days of grace universal? Suppose an inland bill is drawn on 30 June payable 2 months after date, when is it due? If it were drawn on 18 June and payable at 10 D/D when would it be due? If it were drawn 'on demand' when would it be due? (Madras, I.G., 1924.)

X

BUSINESS TRANSACTIONS

1. Home and Foreign Trade ^{Imp?}

'TRADE' is a term usually employed in referring to inland selling and buying, that is, selling and buying of goods within the country itself, whereas 'commerce' is used in a more general sense to mean exchange of goods between one country and another. Of course, very often these two words are interchangeably used. Frequently the term 'trade' is made to include not only the business of a merchant or a business man, but also that of the manufacturer.

Thus we have two main divisions of trade, namely Home trade and Foreign trade. Home trade is again sub-divided into the Wholesale and the Retail trade and Foreign trade is divided into the Import trade and the Export trade. The commodity dealt with is called 'the article of trade'. These commodities are, in ordinary language, known as 'goods', but frequently a difference is observed between commodities and goods, the word 'commodities' being used for raw articles such as wool, cotton, tea, coffee, etc., whereas the word 'goods' is applied to manufactured articles. 'Wares' is usually used in connexion with metallic goods.

2. The Sale of Goods

Under this heading will come the normal process of exchanging goods for money, documents of credit, or credit alone. Merchants generally enter into agreements for sale. In India, agreements for the sale of merchandise need not be in writing, and if they are in writing, they are not required to be signed. In practice, however, such agreements are usually reduced to writing. In all the well-organized markets in India, there are associations, or *mahajans*, of merchants

dealing in particular commodities, such as silver, cotton, opium, shares, stock exchange securities, etc. Such associations issue their standard printed forms in blank, containing the terms and conditions which are usual in trade, and which experience has taught them to insert as necessary ingredients for the protection of the buyer and the seller. These forms are thus used by the members of these associations in their transactions, and the agreements of sales are properly regularized. These mercantile agreements of sale and purchase generally lay down the price, the quality, the quantity, and the dates on which deliveries are to be given and taken. It has been held by our courts of law that in the case of mercantile agreements when time is mentioned, it is the essence of the contract. The dates on which the deliveries are to be given, or payments are to be made, have to be strictly observed. Any non-performance on the dates would amount to a breach of the agreement, and if the agreement is thus broken the party who is thereby injured has a right to be compensated for his loss, which is usually arrived at by calculating the difference between the price agreed to in the agreement and the price which was ruling on the market on that day for the commodity. If there was no sale of that commodity on that day, any nearest substitute would be taken, and the damages assessed in the courts on that basis.

3. The Broker's 'Bought' Note and 'Sold' Note

In the mercantile world, large sales are usually conducted through the help of agents or middlemen, commonly known as brokers. When a person asks a broker to go and buy a particular article for him, the broker is said to be the agent of the buyer; and when he arranges the purchase with a seller he also becomes the agent of the seller to sell. Thus, being the agent of both the buyer and the seller, he makes out what is known as a 'Bought Note' and a 'Sold Note', which must be written out in the identical terms. He signs both the bought and the sold notes and sends the bought note to the buyer, informing him that he has bought these goods on his account from So-and-so at a particular price and giving details as to delivery, etc. At the same time he presents the

sold note to the seller, informing him that these particular goods have been sold on his account, and giving the name of the buyer and particulars as to price, etc. He is said to sign the sold note as the agent of the buyer, and thus his signature has a binding force in law on the same footing as the signature of the buyer, and *vice versa* in the case of the seller.

Form of the Bought Note

DALAL STREET, FORT,
BOMBAY,
10 November, 1932.

MESSRS. JAMSETJI, FRAMJI & Co.,
CHURCHGATE STREET,
FORT, BOMBAY.

We have this day bought on your account from our principals, Messrs. *Pragji, Govindji & Co.*, the following :

Two Hundred Bales of Broach Cotton at Rs. 400 per Candi.

Delivery, January and February, 1933, 100 bales each month.

Brokerage at the usual market rate of 1 per cent.

(Sd.) *Mulji Pratap & Co.*
Brokers

Note: The sold note will be in the same form, with the exception that instead of 'bought' the word 'sold' will be used.

✓ 4. The Factor

A factor is an agent employed to sell goods or merchandise for his principal for a certain compensation. The factor differs from the broker, inasmuch as he is an agent for sale only, and is given possession of the goods which he has to sell, whereas the broker has no such possession. The broker sells the goods in the name of his principal who employs him, whereas the factor sells in his own name, and receives payment, and gives receipt for the payment also in his own name. A broker is not entitled to receive money for the goods he sells unless specially authorized to do so. The broker charges his commission, which is known as 'brokerage', whereas a factor's charge is called 'commission'. A factor is not bound to make good the loss if he sells the goods to a person of good credit in the market, who afterwards fails. If the owner of the goods wants the factor to be responsible for this loss by way of bad debts, he has to give the factor an additional commission which is called *del*

credere commission, and in that case the factor is responsible for these losses in consideration of the payment of this special additional commission.

5. The Quality of Goods

The method of determining the quality or type of goods is through the use of 'samples'. A sample is a small portion drawn from the bulk of merchandise, on the basis of which the merchant fixes the price and buys and sells goods. The sample differs from the 'type' inasmuch as the sample is drawn from the actual merchandise offered for sale, whereas the type is a standard sample presented to the buyer by the seller, on the footing of which a price is fixed and goods sent from time to time. Frequently, this type is taken from the crop in the early part of the season, and on it the whole year's growth is contracted for in advance.

6. The Price

The following diagram is the simplest method of arriving at the price of goods:

	Loco	Free on Waggon	F.A.S.	F.O.B.	C/F.	C.I.F.	Franco
1. Manufacturer's Price							
2. Carriage to Station							
3. Dock Charges							
4. Loading Charges							
5. Export Duty							
6. Freight							
7. Insurance							
8. Landing Charges in Foreign Country							
9. Transport Charges to and from Station							
10. Local Delivery Charges							
11. Commissions							

7. The Description

Goods are frequently sold by a description which represents them by words, trade marks, brands, etc., sufficiently clearly to make the merchants distinguish their actual quality.

8. The Delivery

The word 'delivery' is used in several special senses in mercantile language, with each of which we will now deal.

(i) *Prompt Delivery*

This means that delivery is to be given immediately. Whenever the sale is called 'Prompt Sale', and what is called the 'Prompt Date' is fixed, it means that the goods sold are to be delivered and paid for on a specified day called the 'prompt day' and 'prompt date'.

A 'spot sale' means that the goods are ready for delivery at the moment and the buyer is expected to take immediate delivery.

(ii) *Forward Delivery*

'Forward delivery' means that the delivery of the goods is to be given at some future time such as March or February. When these goods are sent by steamer the delivery is known as 'February Shipment,' 'March Shipment,' etc.

(iii) *To Arrive*

This means that delivery will be given on the arrival of a particular ship on which the goods are expected.

On the same footing, deliveries are given as *Free Over Side*, which means that the seller's responsibility ends as soon as the goods are placed on the docks from the ship. *Free Alongside the Ship* means that the seller brings goods alongside the steamer, and all expenditure thereafter has to be borne by the buyer.

(iv) *Ex Quay Delivery*

This means that delivery is to be given immediately from the ship and the purchaser has to go and remove the goods at his own expense. The seller's responsibility ends as soon as the goods reach the ship.

(v) *Delivery ex Warehouse*

This means that the goods are lying at the warehouse of the seller and the purchaser has to go and take them away at his own expense. On the same footing, 'Delivery F.O.R.' (Free on Rail) means that the price includes the cost of taking them to the railway station, and freight if it is F.O.R. to the other end. If it is F.O.R. at the seller's place, freight has to be paid by the buyer.

9. Payment

The usual terms as to payment are:

(i) *C.O.D.*

This means 'Cash on Delivery', that is, the buyer must pay cash against delivery of the goods.

(ii) *Prompt Cash*

This means that cash is to be paid within two or three days after delivery, without discount, whereas 'Ready Cash' or 'Cash' may mean payment without discount within ten days. 'Cash against Documents' means that the price is to be paid against delivery of shipping documents. The usual shipping documents are the bill of lading, the insurance policy, the invoice, and specifications of goods.

(iii) *D.A. and D.P.*

D.A. means 'Documents against Acceptance', i.e. documents are to be handed over as soon as the buyer accepts the bill of exchange, which is drawn by the seller against him for the value of the goods sold. D.P. means 'Documents against Payment', i.e. documents are not to be released on acceptance, as in the above case, but have to be kept over until the actual payment is made, either on the due date or earlier.

(iv) *2½ per cent for Cash*

This means that if the payment is made within about a week from date of delivery, a discount of 2½ per cent will be allowed on the cost of the goods. Five per cent within a month would mean that a discount of 5 per cent on the cost

of the goods will be allowed if the payment is made within one month of the delivery.

(v) *Net, or Nett*

This means that the price of the goods will have to be paid in cash and no discount will be allowed.

10. Condition and Warrantee

In this connexion the law, as embraced by our old Contract Act, has been materially altered by the Indian Sale of Goods Act, 1930, and brought into line with the English law. Thus, under Section 12, a stipulation in contract of sale may be either a 'condition' or a 'warranty'. A condition is defined as 'a stipulation essential to the main purpose of the contract, the breach of which gives rise to a right to treat the contract as repudiated'. Thus a condition is so essential that if it is broken it gives rise to the right of the opposite party to treat the contract as broken and to move for its remedy. To take an apt illustration, a condition is like one of the main pillars supporting a building. The breaking of any of these pillars results in the whole structure coming down.

A warranty, on the other hand, is defined by this section as 'a stipulation collateral to the main purpose of the contract the breach of which gives rise to action for damages but not to a right to reject the goods and treat the contract as repudiated'. Here, though the contract cannot be repudiated, the injured party may move for damages as compensation for the breach of warranty.

11. Implied Conditions on Sale by Description

Where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description; and, if the sale is by sample as well as by description, it is not sufficient that the bulk of the goods corresponds with the sample, if the goods do not also correspond with the description. The fact that the buyer has seen or examined the goods does not prevent the sale being one by description, if there is a latent defect in the goods. The place of origin of the goods may constitute a part of their description.

12. Implied Condition as to Quality or Fitness

Where the buyer, expressly or by implication, makes known to the seller a particular purpose for which the goods are required, and how that the buyer relies on the seller's skill or judgment, and the goods are of a description which it is in the course of the seller's business to supply, whether he is the manufacturer, or producer, or not, there is an implied condition that the goods shall be reasonably fit for such purpose. Of course, in the case of a sale of an article under its patent or trade name, it does not import this implied condition as to fitness. Supposing that A, who has a boat of 100 tons calibre, goes to B who is a dealer in canvas, and asks for canvas in order to make a sail for this boat. If B supplies the canvas, being clearly told the specific purpose for which the same is required, the sale carries an implied warranty that the canvas shall be fit for the purpose of being used in making a sail for a boat of 100 tons. Here the buyer has relied on the seller's skill. If, on the other hand, he selects the canvas without disclosing the purpose for which it is required, he does so on his own responsibility.

13. Sale by Sample

In the case of a sale by sample, i.e. where there is an agreement, express or implied, that the goods are to be according to sample there are the following implied conditions:

- (1) The bulk shall correspond with the sample in quality.
- (2) The buyer shall have a reasonable opportunity of comparing the bulk with the sample.
- (3) The goods shall be free from any defects rendering them unmarketable, which would not be apparent on reasonable examination of the sample.

Here, if the defect be so hidden that it cannot be found out on a reasonable examination, and the defect is of a nature that renders the goods unmarketable, the third warranty on a sale by sample would be broken. For example, a manufacturer offered to sell a certain kind of shirting according to sample, and this shirting was sized with china clay to a very large extent, which was not apparent on a reasonable examination of the sample. The buyer ordered the goods on the footing of the

sample and afterwards discovered a defect which rendered them unmerchantable; it was held that this constituted a breach of warranty on the part of the seller.

14. Tenders

Frequently, sales are made by way of tenders. People are invited to quote the prices at which they are prepared to supply particular types of goods for a particular length of time. Out of those tenders given, the one which is considered most favourable, when looked at from all stand-points (the reliability of the party, the price offered, etc.) is accepted. The party whose tender is accepted is supposed to be keeping his offer open to supply the goods at the prices he has mentioned in the tender, and if an order is placed with him by the buyer, it is an acceptance of this tender, and constitutes a binding agreement. If the quantity tendered for is not finally ordered, the seller can withdraw the offer, if he so desires, by giving notice.

15. The Auctioneer

An auctioneer is defined by Storey as a 'person authorized to sell goods or merchandise at a public auction or sale for a recompense'. He may be an agent for both seller and buyer, and may or may not be entrusted with the possession of the goods or property to be sold, or of documents, or title deeds. Generally speaking, he is the agent for the seller and therefore can do all such acts as may be necessary in order to auction the goods; and when the goods have been knocked down to the highest bidder, he becomes an agent for the buyer also. Thus, when the auctioneer makes an entry in his book relating to a sale and signs same, it binds both the buyer and the seller. It must be noted, however, that an auctioneer's clerk has not that authority. Besides this, an auctioneer is expected to sell for cash, otherwise he would have to make good the losses suffered through his having delivered goods on credit. He has an implied authority to receive money against the sale of goods, but when selling land he can only receive a deposit, unless expressly authorized to receive the full amount.

Discounts

Two kinds of discounts are allowed. One, called *cash discount*, is allowed where money is paid earlier than the due date, within a stipulated time fixed by the seller. The other kind of discount by payment in advance is called *trade discount*, which is allowed on the selling price of the article. This forms the gross profit of the wholesaler or retailer, when he sells the goods at the price fixed for it by the manufacturer. To take an example, if a motor garage purchases a dozen motor cars at Rs. 5,000 each, and is allowed 30 per cent as trade discount, it means that though the garage sells the cars at Rs. 5,000 the manufacturer sells at Rs. 5,000 less 30 per cent, i.e. at Rs. 3,500, and the garage makes a gross profit of Rs. 1,500 on each of these dozen cars.

17. The Course of Trade

In the regular course of business the first thing is to inquire from the merchant as to the goods he happens to want, and other details as to price, quality, etc. The seller thereafter gives a quotation, which, if satisfactory, is followed by what is called an 'order'. This is one method by which goods are sold. But if the purchaser has a price list or catalogue of the seller, he may send an order direct on the footing of that price list or catalogue. The modern practice is to sell by advertisements which attract inquiries and orders: this is often called 'mail order business'. Manufacturers and wholesale dealers often work through travelling salesmen, who are generally paid a salary and a commission on the sales they effect. Their business is to travel from place to place, securing orders on the samples, specimens, price lists, etc., with which they are provided.

18. The Price List

The price list is a document which lists the various goods which are offered for sale with their prices. It is usually stated in the price list that the prices are subject to alteration without notice. Whether this is done or not the price list is never considered as authoritative for the prospective buyer. All that the dealer who issues the price list is

assumed to state is that he is prepared to offer to purchase goods from him. In other circumstances permit him to

Price lists issued by brokers and traders or customers which indicate the price on the market on the day on which they are issued are called 'Price current lists'. There is, of course, no obligation on a trader taking to sell at such prices, but orders may be sent and will be accepted as far as possible at the price current, if circumstances permit.

19. The Quotation

A quotation, on the other hand, is an offer to sell according to the conditions on which it is given. The usual conditions are that they should be accepted within a stipulated time, or if the goods are still unsold at the time of the order.

20. The Estimate

An estimate is only a calculation in the form of a written offer to do a particular piece of work according to the terms specified therein.

21. The Firm Offer

A firm offer is a specific offer in which the offerer undertakes to hold the goods offered at the disposal of the purchaser to whom the offer is made for a particular time, subject to his reply. In strict law unless he is given a valuable consideration for this promise the offerer is not bound to wait for the reply and may sell these goods meanwhile.

22. The Contract Note

A contract note is a document which states the terms on which a deal or transaction is entered into. Bought notes or sold notes (see ch. x, § 3) are also known as contract notes.

23. The Dock, or Warehouse, Warrant

Receipts given by the dock company which maintains warehouses, and is prepared to store imported goods in them, for the owner until wanted are called 'Dock (or Warehouse) warrants'. A small charge is made for this service, by way of rent, and the goods are held at the disposal of the depositor to

BUSINESS TRANSACTIONS

be handed over at any time to any person
owner. Dock warrants are generally made in the following form:

Dock Warrant

Stamp

No.....

Warrant for.....imported in the ship ...
.....Master.....from.....
entered by.....on the
deliverable to.....or assigns by endorsement
hereon..... Rent commences on the
and all other charges from the date hereof.

RATE CHARGED

Marks	Numbers	Weight	
		Gross	Tare

Ledger No.....

Folio.....

.....Clerk.

.....Warrant Clerk.

24. The Warehouse Company's Certificate

This is merely a receipt certifying that the goods are held by the warehouse-keeper. It is usually non-transferable, though in some cases it is transferable by an endorsement. The mere statement as to the holding of the goods on behalf of the owner in no sense makes it a document of title. It is for this reason that this certificate is not considered to be a proper security for a loan by the bank. The form of warehouse-keeper's certificate is as follows:

ND PRACTICE OF COMMERCE
house-keeper's Certificate

Stamp

.....
our disposal in our warehouse as per conditions on
..., ... ex. s.s.

.....
Warehouse-keeper

25. The Delivery Order

A delivery order, as its name implies, is an order on the warehouseman from the owner to deliver the goods mentioned therein to a particular person.

26. The Invoice

When the goods ordered are dispatched either locally, by rail, or other media of transportation in local trade, invoices are made out. These are statements giving full particulars as to the quantity and quality of goods, the price charged, the trade and other discounts allowed, and the marks, if any, on the parcel or package forwarded. In inland trade the form of the invoice is very simple and is usually as follows:

Invoice

65, APOLLO STREET, FORT,
BOMBAY,

10 October, 1932.

MESSRS. THE TRINITY ELECTRIC SYNDICATE,
PRINCESS STREET, BOMBAY.

Dr. To THE PRECIOUS ELECTRIC CO.,
Electrical Merchants.

				Rs.	A.	P.
2 Doz.	230 Volts, 60 Watt, Lamps St. B.C.	@	Rs. 10	20	0	0
3 „	Auto Car Lamps, No. 857	@	Rs. 8	24	0	0
2 Nos.	Cinema Lamps, 230 V. 500 W.S.C.	@	Rs. 100	200	0	0
			Rs.	244	0	0
	E. and O. E.					
	Terms as usual					

Where the goods are sent overseas to some foreign or British port, the invoice would be called an 'Export invoice' and would assume the following form:

Merchant's Foreign Invoice

J. ROBERTS & Co.
Kingsway, London.

Invoice of 25 Cases of Philips' Electric Lamps
shipped per S.S. *Rajputana* for order risk and
account of MESSRS. R. ALAM AHMED & Co.,
Bombay

R.A.A. & Co., RAJPUTANA	25 Cases containing 25 gross Philips Electric Lamps, 230 Volts 60 Watts St. B.C. at per doz. f.o.b. £ 10. ...	£ 3,000 0 0
EXPENSES		
Bs/Lading, Postages, and Petties	£ 5 0 0	
Insurance	£ 25 0 0	
Freight as above	£ 300 0 0	£ 330 0 0
Commission 5 per cent		£ 3,330 0 0
London, 2nd February 1933.		£ 166 10 0
<i>Indent Agents:</i>		£ 3,163 10 0
MESSRS. DORABJI DADABHOY & Co., ESPLANADE ROAD, BOMBAY.		
		E. & O.E.

27. The Railway Receipt

When goods are dispatched by railway the person who dispatches gets a railway receipt (R/R). This has to be presented at the other end, by the person to whom the goods are dispatched before the goods will be handed to him. These railway receipts contain particulars as to the goods dispatched, the names and addresses of the sender and the consignee, and the place of destination. On the back of railway receipts are printed the terms and conditions on which the railway company is prepared to carry the goods. The consignor forwards the railway receipt by post to the consignee, and when the railway receipt is made out in the name of the consignor he endorses it to the consignee; if

the railway receipt is in the name of the consignee this is of course unnecessary. If the railway receipt is lost, the goods will be delivered to the consignee if he agrees, by an indemnity bond, to make good any loss the company may have to pay, due to this delivery without production of the railway receipt. The goods are only delivered to the consignee by the company after obtaining the consent of the consignor.

28. The Pro Forma Invoice

As the name implies, these are formal invoices made out where a prospective buyer wants to ascertain what the exact cost of goods will amount to at the station where he happens to be, including the price, freight, carriage, packing charges, insurance, etc. They are also made out when the seller insists on being paid prior to the delivery of the goods. These *pro forma* invoices are also useful to the customs authorities in assessing the duty to be charged on goods consigned from one place to another. A regular invoice charging for these goods is not made out, because the consignee is not responsible for the price, but is only responsible for the proceeds of the goods which he has to sell at the best price obtainable, less his expenses and commission.

29. The Debit Note (D/N)

These notes show particulars of the amount with which the customer is debited. They are used to correct an error, or omission, in an invoice, or may be sent by the buyer to the seller when he finds that in the invoice sent by the seller he has been overcharged. The seller may, on the same principle, send a debit note to the buyer in case the buyer has been undercharged in the invoice.

30. The Credit Note (C/N.)

Here, instead of a debit, a credit is indicated, showing the particulars of the amount for which credit is given by the seller to the person to whom it is sent. Credit notes are sent by the buyer to the seller when the seller has, in error, charged him less than the actual amount; and by the seller to the buyer when he has overcharged the buyer, or when a

claim is made by the buyer for inferiority of quality, leakage, etc., and the claim is accepted by the seller. It is frequently the practice to print credit notes in red ink to distinguish them from invoices and debit notes. The following are the usual forms of debit and credit notes:

Debit Note

27 Medows Street,
Bombay.
16 October 1932.

MESSRS. RAMACHANDRA & SONS,
BOMBAY.

Dr. to EBRAHIM SULEMAN & Co.

	Rs. A. P.
To undercasting of Invoice No. 320 dated 20 September 1932	12 0 0
Rs.	12 0 0

Credit Note

27 Medows Street,
Bombay.
1 November 1932.

MESSRS. RAMACHANDRA & SONS,
BOMBAY.

Cr. In Account with E. SULEMAN & Co.

	Rs. A. P.
By return of goods invoiced 15 October 1932	15 0 0
Rs.	15 0 0

31. The Statement of Account

In all well-organized businesses it is the regular practice to forward to all customers statements of account which are, virtually speaking, copies of the ledger accounts of the customers, showing the amount to their debit and credit and the final balance due from them. These statements of account are very convenient for the purpose of comparing at the end

of each month the actual position of accounts between the two parties and in rectifying any errors that may creep in. They also serve as a reminder of the balance due, and frequently slips are attached to the statement of account requesting payment at the earliest possible convenience of the customer. The following is a specimen of a statement of account:

FRAMJI, DINSHAW & Co.,
Princes Street,
Bombay.

30th October 1932.

T. R. SHAH, Esq.,
11 Lamington Road, Bombay.

DR. TO FRAMJI, DINSHAW & Co.

			Rs.	A.	P.	Rs.	A.	P.
Oct. 1	To Account rendered	..	...	...	...	250	7	9
" 10	" Goods supplied	...	100	2	0	...	...	...
" 21	" " "	...	57	14	0	...	...	...
						158	0	0
						408	7	9
" 5	By Cash	...	200	0	0	...	...	...
" 20	" Returns	...	28	3	9	...	...	...
						228	3	9
						180	4	0

The usual practice is to send monthly statements of accounts and in certain rare cases these accounts are submitted quarterly. When an account becomes overdue, the usual practice is to place a remark on this account (by a rubber stamp, or otherwise) to the effect that 'This account is overdue, to which your immediate attention is requested'.

32. Copyright

An author's exclusive right to print or publish anything composed or written by him is called his copyright. This right is assignable.

33. The Royalty

A royalty is a payment by way of rent made by one person to another in return for some privilege or concession, e.g. the

payment made by a manufacturer to the inventor for the use or sale of a patent, or payment to a mine proprietor for every ton of coal or other mineral extracted.

QUESTIONS

1. Explain (1) a consignment note, (2) an advice note, (3) a credit note, (4) a debit note. Draw up a specimen of (2) with reference to customer's order for Rs. 5 worth of toilet soap and Rs. 10 worth of washing soap. (Madras, E., 1920.)

2. Give examples of an invoice, order form and an advice note. (Madras, E., 1921.)

3. The Union Manufacturing Company, Limited, Bombay, find that they have undercharged in their invoice of goods to Messrs. Bell & Sons, Karachi. The items of charges omitted in the invoice amounted to Rs. 114 and were on account of packing cases, freight, insurance and brokerage. Prepare a D/N and write a letter enclosing it to Bell & Sons, for the signature of the Manager of the Manufacturing Company, Limited. (Madras, I.G., 1916.)

4. In an invoice received by you from Messrs. Tatham & Co., there is an overcharge of Rs. 25-8-0. Write a letter to the firm, pointing out the error, and say how you propose to rectify it. Assume that the firm has drawn on you for the total amount of the invoice. (Madras, I.G., 1923.)

5. Prepare an account sales from a bookseller to an author for quarter ending 31 December 1922, charging commission 25 per cent and advertisement and reviewing charges. (Madras, I.G., 1923.)

6. (a) Write a letter from a solicitor representing a tradesman in embarrassed circumstances, inviting A.B., one of his creditors, to attend a first meeting of creditors.

(b) Write a second letter from the same solicitor to A.B., who was absent from the meeting, that a composition of 8s. 9d. has been agreed to by consent of the chief creditors. (Madras I.G., 1923.)

7. Make out an invoice for the following and deduct 5 per cent discount: $\frac{1}{4}$ doz. shirts at Rs. 24; 5 doz. half-hose at Rs. 12; 50 yards lining at 8 as.; $\frac{1}{12}$ doz. blouses at Rs. 30. (Madras I.G., 1924.)

8. Before opening an account with a customer, what inquiries would a careful business man make? The prospective customer having supplied the name of referee, draft a suitable letter to referee. (Madras, I.G., 1925.)

9. Enumerate the different kinds of brokers and explain the functions of each. (Madras, I.G., 1927.)

10. (1) Give an example of a debit note and a credit note and state for what purpose they are used.

(2) Explain the difference between a statement and an invoice, giving a specimen of each. (Madras, I.G., 1928.)

11. Describe the procedure which an importing merchant should adopt in clearing his goods through the Customs House. (Madras, I.G., 1929.)

12. What is meant by sale? How is it effected? State the rights of an unpaid vendor. (Madras, I. G., 1924.)

13. Define 'stoppage *in transitu*'. In what circumstances may the seller exercise this right in a contract with his buyer? (Madras, I.G., 1925.)

14. Under what conditions has the seller of goods a lien thereon? (Madras, I.G., 1926.)

15. What are the chief duties of a seller of goods? Is a seller bound to send the goods to the purchaser? (Madras, I.G., 1927.)

16. *A* sends to *B* goods not ordered, with goods ordered. Can *B* reject the whole? Give reasons. (Madras, I.G., 1928.)

17. In connexion with a sale of goods point out the difference between possession and ownership. When does ownership pass to the buyer? (Madras, I.G., 1929.)

18. Bal Krishna & Sons, Agra, are acting as the *del credere* agents of the Popular Woollen Mills Co., Ltd., Ahmedabad, on the following terms:

Commission 5% and 12%, Monthly A/S together with a cheque for the amount due. In January 1926 they sold the following goods on behalf of their principals:

147 Superior Blankets @ Rs. 11-4-0 each.

95 White Sweaters @ Rs. 7-8-0 each.

115 Coloured Jerseys @ Rs. 3-2-0 each.

456 lb. Fine Knitting Wool @ Re. 1-12-0 per lb.

Their disbursements in respect of these goods were :—

Freight and cartage, Rs. 45/-; Shop rent, Rs. 23/-; Sundry expenses, Rs. 25/-. You are required to :—

(1) Prepare the A/S in proper form.

(2) Draw the cheque, in the safest possible manner, for the amount due, the agents having their current account with the Allahabad Bank, Ltd.

(3) Draft the necessary accompanying letter from the agents.

(4) State the course the payee of the above cheque should adopt, if it is lost immediately after its receipt.

(U.P., 1926.)

XI

HOME AND FOREIGN TRADE: SPECIMEN TRANSACTIONS

I. HOME TRADE

1. Specimen of Correspondence Effecting a Sale

WE will now take an illustration of a transaction effected in connexion with a local firm dealing mostly in retail transactions. Supposing that a retail business man dealing in sugar and grocery is asked to supply twenty 2-cwt. bags of Java sugar at Rs. 15 per cwt.; twenty boxes of black currants, containing 10 lb. per box at Rs. 25 per box; ten boxes of coffee of 10 lb. each at 10 annas per lb., the merchant would acknowledge the order as follows:

(i)

SHIVJI & COMPANY,
Grocers,
MASJID BUNDER, BOMBAY.

8 October 1932.

RAGHUNATH KHOTE, ESQ.,
275 GIRGAUM BACK ROAD,
BOMBAY.

DEAR SIR,

We thank you for your letter dated 7th instant ordering goods as follows:

20 2-cwt. bags of Java Sugar	@ Rs. 15-0-0 per cwt.
20 boxes of Black Currants containing 10 lb. per box	@ Rs. 25-0-0 per box.
10 boxes of coffee of 10 lbs. each 	@ Re. 0-10-0 per lb.

The goods will be dispatched to your address tomorrow, together with our invoice for the same. We understand that you wish us to debit your current account for this.

Yours faithfully,
SHIVJI & Co.

(ii)

SHIVJI & COMPANY,
Grocers,
MASJID BUNDER, BOMBAY.

9 October 1932.

RAGHUNATH KHOTE, ESQ.,
275 GIRGAUM BACK ROAD,
BOMBAY

DEAR SIR,

In continuation of our letter of the 8th instant we send you herewith our invoice for goods ordered by you in your letter dated the 7th instant, which amounts to Rs. 1,175, including cartage and packing.

Please note that this amount has been debited to your current account as desired by you.

Yours faithfully,
SHIVJI & Co.

Encl. Invoice.

(iii) *Invoice*

9 October 1932.

RAGHUNATH KHOTE, ESQ.,
275 GIRGAUM BACK ROAD,
BOMBAY.

DR. TO SHIVJI & COMPANY,
Grocers.

		Rs.	A.	P.
20	2-cwt. bags of Java Sugar ... @ Rs. 15 per cwt.	600	0	0
20	Boxes of Black Currants containing 10 lb. per box ... @ Rs. 25 per box	500	0	0
10	Boxes of Coffee of 10 lb. each @ As. 10 per lb.	62	8	0
		1,162	8	0
	Packing ...	10	0	0
	Carriage ...	2	8	0
	Rs.	1,175	0	0
	E. & O.E.			

The first letter will be called the acknowledgement of the order; and the second, the advice of the dispatch of goods and invoice.

We will now assume that Mr. Raghunath Khote, on opening the boxes, discovers that there is 16 lb. shortage in one bag of sugar and that one of the boxes of coffee is 3 lb. short.

Messrs. Shivji & Co. accept this claim and forward a credit note to Mr. Khote, which will be made out in the following manner:

(iv)

SHIVJI & COMPANY,
Grocers,
MASJID BUNDER, BOMBAY.

15 October 1932.

RAGHUNATH KHOTE, ESQ.,
275 GIRGAUM BACK ROAD,
BOMBAY.

CR. IN ACCOUNT WITH SHIVJI & Co.

	Rs.	A.	P.
By allowance made for leakage of sugar in transit ...	3	12	0
By allowance made for shortage of coffee	1	14	0
Total, Rs.	5	10	0

The letter which will accompany this credit note will be couched, more or less, in the following terms:

(v)

DEAR SIR,

We regret to note from your letter dated the 10th instant that you find a shortage of 16 lb. in one of the bags of sugar and that one of the coffee boxes was broken on the way and weighed 3 lb. less when received by you. We cannot understand how this box came to be broken, because you will note that the packing was of the usual standard, and when the goods left our warehouse there was nothing wrong with these boxes.

We agree, however, to an allowance of Rs. 3-12-0 in the case of the sugar and Re. 1-14-0 in that of the coffee. A credit note for the total amount of Rs. 5-10-0 is enclosed herewith.

Yours faithfully,
SHIVJI & Co.

We will further assume that Mr. Khote desires to pay in cash in order to take advantage of the cash discount of 5 per cent and sends a cheque for Rs. 1,110-14-6 being the total amount of the invoice (Rs. 1,175-0-0) less the credit note amount (Rs. 5-10-0) less the cash discount calculated at five per cent on this nett balance. This cheque will be sent along with a letter, more or less in the following form:

(vi)

275 GIRGAUM BACK ROAD,
BOMBAY.

16th October 1932.

MESSRS. SHIVJI & COMPANY,
MASJID BUNDER,
BOMBAY.

DEAR SIRs,

Enclosed herewith please find a cheque for Rs. 1,110-14-6, being the nett amount due by me to you in connexion with the last supply of sugar and coffee, according to your invoice dated the 9th instant. I note that you have debited my account current in connexion with this amount, but I prefer to make payment in cash in this instance, and am sending the above cheque accordingly.

Kindly let me have your formal receipt at your early convenience.

Yours faithfully,

RAGHUNATH KHOTE.

Encl. Cheque.

Messrs. Shivji & Company will now forward a receipt, together with a letter acknowledging payment, which will be in the following form:

(vii)

SHIVJI & COMPANY,
Grocers,
MASJID BUNDER, BOMBAY.

17 October 1932.

RAGHUNATH KHOTE, ESQ.,
275 GIRGAUM BACK ROAD,
BOMBAY.

DEAR SIR,

We are in receipt of your letter dated the 15th instant enclosing a cheque for Rs. 1,110-14-6, in full payment of the amount due in connexion with our invoice of the 9th instant, for which we are obliged.

We enclose herewith our stamped receipt.

Awaiting your further commands,

We remain, Dear Sir,

Yours faithfully,

SHIVJI & Co.

Encl. Receipt.

(viii) *Receipt*

SHIVJI & COMPANY
MASJID BUNDER, BOMBAY.

No. 601

17 October 1932.

Received from Raghunath Khote, Esq., Girgaum Back Road, Bombay, the sum of Rupees One Thousand One Hundred and Ten,

Annas Fourteen and Pies Six only in full settlement of the account due in connexion with invoice dated 9 October 1932.

Rs. 1110-14-6.

	<i>Stamp</i>	
(Sd)	SHIVJI	& Co.

II. IMPORT TRADE

2. Import Trade

Various manufactured articles and raw materials which are wanted for consumption or manufacture in this country have to be imported. India being largely an agricultural country, mostly imports manufactured articles from different parts of the world, and exports its agricultural products and other raw materials. It has an export of manufactured articles as well, such as Hessian cloth, gunny bags made of jute, iron railings, curios, fancy furniture, etc. Goods may be imported in response to actual orders from this country, or sent in consignments from abroad, to be sold by the factor who receives them on account of the consignor.

3. Indent

In India, in connexion with the ordering of manufactured articles from abroad for import, a large amount of business is done on what is known as the Indent System. A number of Indian and foreign firms are constantly collecting orders from local dealers in order to forward them to their agent in the foreign country concerned, who will send out the goods. The orders are taken on printed forms, commonly known as indent forms, prepared by the indenting firms who collect these orders from the dealers. These printed forms are filled in with particulars as to the goods required, the price, the type of packing asked for, shipping instructions, the time and the date of shipments that may have been fixed, and the method of payment. The forms also contain the terms and conditions under which the local dealer agrees to bind himself as to the goods he is ordering out, and which are more or less uniform in the market owing to

stress of competition, though of course they may differ here and there in connexion with the varying types of articles which are being ordered. Thus, we have separate types of indent forms for crockery, hardware, wines and spirits, toys, jewellery, woollen materials, piece-goods, etc. The usual form is the one in which the local dealer enters into an agreement with the indent firm to buy, or instruct their agents to buy, for their account and risk the whole or part of the goods mentioned in the indent on the terms and conditions which the indent embraces. The undertaking is thereafter given to take delivery of the goods on arrival, and to pay all duties and charges as may be agreed upon in the indent. The details of the goods are stated in a special space reserved in the indent form and the merchant then signs the form, which has all the terms and conditions printed either on the face or on the reverse.

4. Form of Indent

Indent

ABDUL REHMAN STREET,
BOMBAY.

5 January 1932.

INDENT No. 1705

TO MESSRS. DORABJI DADABHOY & Co.,
BOMBAY.

I/We hereby authorize you to buy or instruct your agents to buy for my/our account and risk the whole or any part of the following goods on the terms and conditions as named below and I/we agree to pay you a buying commission of three per cent for your service.

Please ship the undermentioned goods to me/us in Bombay by an early P. & O. steamer and I/we hereby agree to take delivery of the said goods on arrival direct from the steamer and to pay all duties and charges incidental thereon and authorize you or your agents to draw in sterling upon me/us for the total amount of the invoice in a Bill or Bills of Exchange at London.

The said draft should be drawn through your Bankers, the National Bank of India, Ltd., of London and Bombay, and I/we agree to pay interest on the amount thereof at six per cent from the date of the relative invoice to the estimated date of arrival of remittance in London and further bind myself/ourselves to accept such Bill or Bills of Exchange on presentation and pay for same on maturity. It is mutually agreed that these bills are to be drawn D/A (Documents against Acceptance) in the usual course and at 30 days after date.

(Sd.) J. PESTONJI & Co.

MARKS, ETC.	DESCRIPTION OF GOODS	REMARKS
P J & Co. Strochenfels	25 Cases Philips' Electric Lamps No. 5, in all 75 gross at 3 gross per case, at the current price for wholesale trade.	

5. Middlemen Employed

It is a peculiarity of modern business, both import and export, that a large number of middlemen have a part to play between the moment the goods leave the manufacturer's warehouse (or the farmer in the case of agricultural produce), and the time when they come into the hands of the merchant in Bombay. We have seen that the indent or order itself is placed with the local agent of the importer, who then forwards it to his agent in the foreign country who makes a speciality of purchasing and selecting these types of goods. The agent in the foreign country, in the course of his selection and purchase, may in his turn employ brokers to procure him these goods. Having secured these goods, they often go to packers who make a speciality of packing the particular type of goods. The next agent is the carrier (that is, the shipping company) who brings the goods to Bombay: perhaps before these goods were shipped, if they were bought from the interior, they would come by railway or canal. As soon as the goods are shipped, the export agent insures them with insurance companies or underwriters, and draws a bill for the invoice which he discounts with his bankers. When the goods arrive and the buyer takes possession of the shipping documents from the bank on payment of the bill, or on account of same (which entirely depends on the nature of the agreement made between the importing dealer and the local indent firm), he employs what are known as 'clearing agents', who clear the goods from the customs and deliver them to the buyer's warehouse. All these agents at various stages have to be paid for their services.

6. Documentary Bill

The bill which the exporting agent draws has attached to it the documents in connexion with the shipment of the goods ordered, and thus it is called a Documentary Bill. These documents usually are (1) the Export Invoice, (2) the Bill of Lading, (3) the Consular Invoice or Certificate of Origin, and (4) the Policy of Insurance. The National Bank of India's London office takes possession of these shipping documents together with the Bill of Exchange while discounting them, and thereby gives the full cash as represented by the bill to the shipping agent. We have already given a specimen form of this invoice in Chapter X, page 113, to which the student should refer.

The Bill of Exchange which the banker draws will be more or less in the following form:

BOMBAY.

9 November 1932.

FROM

S. R. RAWAL & SONS,
BOMBAY.

TO

MESSRS. ALAM AHMED & Co.

DEAR SIRs,

We have pleasure in informing you that our Agents in London have reported by ^{Mail} Telegram of the 16th instant concerning your esteemed order as follows, which we communicate to you without engagement of any kind:

No	DESCRIPTION OF GOODS	REMARKS
	12 Cases, Electric Fittings	Shipped per S.S. <i>Lahore</i>

telegraphic reports are subject to further confirmation by receipt of mail letter.

Yours faithfully,
S. R. RAWAL & SONS.

✓ 7. Bill of Lading

Bill of Lading is a contract for the carriage of goods by one port to another in what is called a 'general

ship', signed by either the captain of the ship or its owner (whether an individual or a joint stock company), whereby they engage that the goods which the merchant concerned has entrusted to them shall be conveyed to their destination on the terms and conditions printed on these documents. The document also states the name of the ship, that of its captain, the port of destination, the number and weight of packages with marks on them, and the name of the person to whom the goods are to be delivered. When the name of the consignee is not mentioned in the bill of lading, the shipper's name is mentioned with the remark that the goods are to be delivered to the order and assigns of the shipper. In this case, the shipper has to endorse the bill of lading in favour of the party to whom he desires the goods to be delivered at the other end. The peculiarity of a bill of lading is that it is a 'document of title' to the goods concerned, and whoever possesses the bill of lading is, as the holder thereof, entitled to receive delivery of the goods or to transfer this right by endorsement to anyone he names. The bill of lading is said to be a clean bill of lading when there are no remarks on it detrimental to the shipper which qualify the class of packing as 'bad', 'indifferent', etc. Frequently, the goods have to be carried partly over the sea and partly over land. Here the shipping company generally arranges with the railway company to carry the goods overland and quotes inclusive freight, holding itself responsible for the carriage of the goods from the place at which they are handed to the company right up to their destination. Such bills of lading are known as 'Through Bills of Lading'. Bills of lading are generally made out in 'duplicates' and 'triplicates', so that they may be sent by different routes, or by different mails for safety. In these days the practice has grown up to send all the bills of lading together. However, as far as the mate or captain of the ship is concerned, any one of the bills of lading presented in due order is sufficient, and delivery is made to the party who is the first to demand the delivery.

8. Mate's Receipt

It may be mentioned that when the goods are handed over on a general ship a 'kutcha' receipt is given which is known

as the Mate's Receipt. This mate's receipt has later to be exchanged for the regular bill of lading. The remarks placed on the mate's receipt, if any, would naturally be placed on the bill of lading.

9. Certificate of Origin and Consular Invoice

The Certificate of Origin is frequently required by certain countries such as Spain, Australia, South Africa and Canada, declaring the actual country of origin of the goods. This information is frequently printed on the back of the invoice; or can be obtained from the local British Chamber of Commerce, or from the customs office at the time the goods are entered. The certificates have to be signed either by the exporter or by the secretary of the local Chamber of Commerce. Consular Invoices, on the other hand, are required to be signed by the consul of the country to which the goods are being shipped. The consul certifies these invoices in three copies, one of which has to be given to the shipper, another to the customs authority at the port of entry, while the third is retained by the consul himself. A small fee is charged for this work by the consul concerned.

10. Freight

Freight is the charge made by the shipowner for carrying goods in the case of a general ship, or for hire of the ship where the ship is hired or chartered by entering into a contract called the 'Charter Party'. Freight on a general ship is usually paid in advance, whereas in the case of a chartered ship it all depends on the agreement, or charter, as to whether it is payable in advance, or at the destination against goods arriving in safety. Under the usual law, unless there is an agreement with the shipowner to pay freight in advance, the freight is only payable when 'earned', i.e. when the goods safely reach the port of destination.

11. Insurance Policy

The policy of insurance in the case of goods sent by

ship is called the Marine Insurance Policy. This policy may be obtained from marine underwriters at Lloyd's or an insurance company. In India we have no organization similar to Lloyd's, which is a voluntary association or corporation of those doing business in insuring ships and goods going across the sea. Frequently a number of these insurance men, who are known as underwriters, combine together in taking a risk on the policy. They are called 'underwriters' because they sign their name under the policy stating the amount of risk which they undertake. A marine insurance policy is transferable from one person to another by endorsement and it forms one of the most important of shipping documents.

12. Clearing from Customs

When goods are imported they have to pass through what is called the 'Customs Department', where the officers appointed by the Government collect import or export duty. The word 'Customs' is a term applied to a tax imposed on commodities imported or exported, as distinguished from Excise duties which are levied on certain commodities produced or manufactured and consumed within the country (such as duty on country liquor, tobacco, etc.). These import duties are charged generally for revenue purposes, but also frequently with a view to protecting any particular Indian industry which is in a state of infancy, or which is being subjected to unfair competition from foreign countries. In India this tax is regulated by a special Act known as the 'Sea Customs Act 1878', which has been amended from time to time during the last century.

13. Landing of Goods

All well-regulated ports have their docks run by either the State, dock companies or trusts, and when the cargo arrives in port with the steamer it is usually landed by dockers in the employ of these organizations, who weigh and examine same. For this service the dock authorities naturally make a charge. The customs departments supervise these landings and keep a watch upon the goods until they are surveyed by them and the duty is paid.

The usual practice on the part of importers actually is to entrust the matter of clearing these goods from the customs to what are known as *mukhadams* or clearing agents, who sometimes have facilities for warehousing these goods on behalf of the importer at a small charge.

14. Bill of Entry

The importer's agent has to prepare a statement on forms supplied by the customs authorities, commonly known as 'Bills of Entry', on which he is expected to state the real value, quantity and description of the goods, to the best of his knowledge. The goods may be dutiable goods, or those which are allowed to be imported without any customs duty. In the case of 'free goods', a special entry form known as 'Entry for Free Goods' is used; whereas if the goods are dutiable, the entry form to be used depends on whether the importer wants the goods for home use, or whether he wants to re-export them and meanwhile wants to keep them within the customs bounds in warehouses belonging to the dock authorities, or even in those of some clearing agents specially hired from the dock authorities. In the case of 'Home Use' goods, an entry form called 'Entry for Home Use Ex-ship' is used. It is called 'Entry for Consumption' in this country. In the case of goods which are to be re-exported, or which the importer wishes to store in the bonded warehouse, pending payment of duty, a special entry form known as 'Entry for Bond' is used. There are occasions when the importer, not having received proper and detailed information from the exporter, is not in a position to give the exact details and description of his goods. In such a case, he must prepare a statement called a 'Bill of Sight' in which he gives all the information he possesses, and makes a declaration to the effect that he is not able fully to describe the goods from such information as he possesses. When this bill of sight is forwarded to the officer concerned, the goods are specially examined and the bill of sight is perfected by making proper entries, and the duty is then paid.

BILL OF ENTRY FOR CONSUMPTION

Dock, ~~Alexandra~~

Name and Address of Merchant paying the duty. } *J. Pirojshah & Company.*
 } *65 Apollo Street, Fort, Bombay.*

Ship's Name	Date of Report	Master's Name	Port of Shipment of Goods
<i>Werdenfels</i>	<i>22 April 1932</i>	<i>R. S. Woundt</i>	<i>Hamburg</i>

Marks and Nos.	Number of packages and quantity in words, and description of goods in accordance with official import list	Name of place whence consigned	Nett quantity in figures	Value			Duty		
				£	s.	d.	Rs.	A.	P.
J P 065 & Co.	<i>Eighteen Cases Enamelled Ware</i>	<i>Ham- burg</i>	<i>1957 kegs</i>	228	8	1	49	2	6

Total amount of duty payable in this country Rs.

49	2	6
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J. Pirojshah & Co.
Importer or his Agent

Collector's No.
and Date

The above Bill of Entry for Consumption or for Home Use is made out from the particulars in the invoice and other documents by the clearing agents. After payment of the duty, these goods may be cleared, or taken away, for sale by the importer. If, however, it is desired that the goods should be deposited in bonded warehouses, a special entry form has to be used, known as 'The Bill of Entry for Bonds'.

This form is printed on yellow paper to distinguish it from other forms, and it is also called the 'Yellow Bill of Entry'. It contains more or less the same arrangement as far as the details of the goods, etc., are concerned, and this system of bonded warehouses is very convenient for goods which are highly dutiable (like wines, spirits, tobacco, etc.), because even if they are entered for home consumption, the importer need not pay a large amount by way of duty but may keep them for months in bonded warehouses during the time that they are being gradually sold. As and when he requires the goods, either for himself for retail selling, or for dispatch to wholesalers in other countries, all that he has to do is to issue a 'Delivery Order' on the bonded warehouse concerned and get the goods delivered to the buyer on payment of the relevant duty, and of course also the warehousing charges. If, on the other hand, the importer wishes to re-export the goods, he prepares what is called a 'Shipping Bill for Foreign Produce', on a form furnished by the customs authorities, and fills in the required details. When this form is passed by the customs a delivery note will be forwarded to the officer concerned, when the goods will be allowed to be re-shipped for export. During all this time, of course, these goods will be under the close observation and control of the customs department.

III. EXPORT TRADE

15. Export Trade

The export trade of India is carried on both by Indian and foreign merchants. Produce as well as manufactured articles are brought from the respective stations in the interior to the port by railway or other means of transport and are then exported. A number of export houses are engaged in exporting goods on their own account, or on account of merchants who engage them as their export agents. Here, also, forwarding agents are employed on the same footing as clearing agents in the case of import trade. The process of exporting is, virtually speaking, the reverse of that of importing, which we have already dealt with in great detail. The documents used in connexion with exports are

practically the same as for imports, viz. (1) Export Invoice, (2) Bill of Lading, (3) Insurance Policy, and (4) Consular Invoice, and the Bill of Exchange. Where the goods are liable to export duty, the same must be paid while passing through the customs office. The export duty is charged in India generally on the nett weight, and the goods are allowed to be shipped immediately after examination. The exporter has to prepare a 'Shipping Bill' here also in the same form as when re-exporting foreign produce. The only difference is that on the 'Shipping Bill', instead of saying 'Shipping Bill for Foreign Produce to be Re-exported', the exporter has to say 'Shipping Bill for Indian Produce'.

16. Account Current

When mutual mercantile transactions of buying, remitting, etc., are being conducted between two parties, the usual practice is to exchange between the parties concerned at fixed intervals (say, monthly or quarterly) statements of account, which are called 'Accounts Current'. An account current is virtually speaking the ledger account of the opposite party in the books of the party sending goods. We have already dealt with this under the heading of 'Statement of Account', in Chapter X, page 115.

17. Letter of Hypothecation

When documents are deposited with a banker against advances made by him to the shipper, together with the documentary bill, a written bond called a 'Letter of Hypothecation' is taken. These letters of hypothecation authorize the banker to sell the goods, and from the proceeds recover his advance in the event of the bill of exchange being dishonoured by the importer to whom the goods are sent. These letters may be taken separately for each shipment; or when the merchant is frequently and continually obtaining advances on shipments, a general letter of hypothecation is taken which covers all his future transactions and lays down the terms and conditions on which they are to be covered.

18. Consignment by Railway

In connexion with inland transport, railways have a very important position, in spite of competition with motor transport—which is gradually gathering strength. Motor transport has in recent years become a strong competitor of the railway in the carrying of passenger traffic, but it is not so well organized for carrying parcels and merchandise. The railway carries goods both by passenger train and by goods train. Freight is heavier in the former case, but the goods are taken more speedily than by goods train. Thus, naturally, most of the heavy traffic on the railway is carried on goods trains. The railway companies will carry goods which are well packed and which are not considered to be of an easily breakable nature at their own risk (R.R.), otherwise they have to be sent at owners' risk (O.R.). Thus articles such as fruits, vegetables, etc., are carried at owners' risk only. The freight depends on the class of article carried, and for this purpose the railway companies group articles into classes. The usual method of charging freight is by weight. The rates are fixed by the railway companies in consideration of costs as well as commercial policy. The distance between the two given points and the regularity of traffic between them are generally the deciding factors. Competition with other railways, or other means of transport, would also influence these rates. Railways also give lower rates where they are anxious to cultivate a particular place as a centre of railway traffic, with a view to making up for this at a future date when that object is realized.

19. Railway Risk Note

Railway companies are prepared to carry goods at a specially reduced rate provided the owner relieves them of the ordinary responsibility of risk by signing a special Risk Note Form, which the companies provide, and which is approved by the Governor-General-in-Council. Under this risk note the owner of the goods exonerates the company from all risks in transit or for any loss, destruction or deterioration or damage from any cause except for the loss of a complete consignment or one or more complete packages forming part of the consignment 'due to the wilful

neglect of the railway company or of their agents or servants'. From a business man's standpoint these risk notes are most objectionable documents, because in case of loss the burden of proving that the loss was due to the wilful neglect of the railway servants falls on the merchant who claims damages, with the result that it is practically impossible for him to succeed if the company disputes the claim.

20. Railway Receipt (R/R)

Railway companies issue receipts against delivery of goods for transit, which embrace the quantity, quality, and type of the goods, the name of the consignor and that of the consignee. The receipt is transferable by endorsement and delivery under the regulations of the company. The goods are only deliverable against the production of this receipt. If the goods are allowed to lie at the station, 'demurrage' is charged for the trouble taken by the company in warehousing them. If the railway receipt is lost, the goods can be obtained by the consignee, with the consent of the consignor, on the former executing an indemnity bond.

21. Railway Clearing House

When goods or passengers are carried on more than one railway, as is often the case, though through tickets or through freight are charged, the railways have to adjust accounts among themselves. This adjustment is affected through an organization known as the Railway Clearing House.

QUESTIONS

1. Mention seven points to be attended to in filling up a Bill of Lading. What part does the bill of lading play in a letter of hypothecation? (Madras, E., 1920.)
2. Explain the method of negotiating Documentary Bills. (Madras, E., 1921.)
3. Are the following documents the same? Give reasons for your answers. (a) Bill of Exchange, (b) Bill of Lading. (Madras, E., 1921.)
4. What is meant by a Documentary Draft? (Madras, E., 1922.)
5. What is a Documentary Bill and what are the documents attached thereto? Describe the functions of each and explain why these should be attached to the bill. (Madras, I.G., 1919.)

6. What is the difference between the commercial abbreviations, 'C. and F.' and 'C.I.F.'? Give a list of the principal items included in a C.I.F. quotation. (Madras, I.G., 1922.)

7. What is a Bill of Lading? Is it a negotiable instrument? (Madras, I.G., 1923.)

8. A merchant in Manchester ships against order 50 cases of piece-goods to Madras. Explain clearly the complete documents that are drawn up to enable the shipper to reimburse himself and the subsequent procedure adopted before the consignee can take delivery of the goods. (Madras, I.G., 1923.)

9. Explain briefly the meaning of the following abbreviations :

F.O.B.	F.P.A.	F.A.S.	B/L.
C.I.F.	F.C. & S.	F.A.Q.	D/A.

(Madras, I.G., 1923.)

10. In preparing an invoice referring to a shipment of goods, say piece-goods, what particulars should be embodied? What purpose does it serve so far as the customs authorities are concerned? Describe a 'Consular Invoice' and state by which countries this particular form of invoice is required. (Madras, I.G., 1923.)

11. Write a letter to a railway company claiming compensation for goods supposed to have been damaged in transit, giving details of claim and damage. (Madras, I.G., 1920.)

12. Draft the railway company's reply repudiating responsibility, stating that the goods referred to left their hands in apparently good condition, and referring you to certain by-laws regarding the discharge of their receipts, etc. (Madras, I.G., 1920.)

13. Write to your bankers stating that you have arranged a shipment to Cocanada of 1,000 tons Paddy with Messrs. Warren Brothers of Rangoon and asking them to open a credit up to Rs. 95,000 with their branch there against production of the usual documents. In your letter describe the usual documents in full. (Madras, I.G., 1921.)

14. Write Messrs. Warren Brothers' reply to you stating that the documents have been negotiated through the Bank and giving full particulars of the shipment per S.S. *Belinda*. (Madras, I.G., 1921.)

15. Write a letter from Messrs. Sterling & Co. to their bankers, the Chartered Bank of India, etc., Madras, asking them to arrange with their branch in Singapore to negotiate bills, with the usual documents attached, drawn by Messrs. Graham & Co., Singapore, on Messrs. Sterling & Co.'s house up to Rs. 20,000 each month until cancelled; the bills to be purchased at the current ruling rate. (Madras, I.G., 1922.)

16. Narrate the formalities to be undergone in exporting bonded goods. (Madras, L.G., 1924.)

17. What are Bonded Goods? Explain the customs formalities to be observed before such goods may be exported. (Madras, I.G., 1927.)

18. U. Sam, of New York, sends wheat on consignment of J. Bull of London. Explain clearly the procedure that will be adopted by U. Sam from the time he exports the goods up to the time of realization of the proceeds, stating the documents used at every stage and

HOME AND FOREIGN TRADE

the purposes served by every one of those documents. (Madras, L.G., 1928.)

19. (a) Explain what you understand by Letters of Hypothecation. For what purpose are they used?

(b) What are Bonded Warehouses and for what purpose are they used? (Madras, L.G., 1928.)

20. A merchant receives a consignment of dutiable goods which are not required for immediate use. Explain the customs formalities to be observed by him. If the goods are required for use later on, what steps should he take to obtain delivery of those goods? (Madras, L.G., 1928.)

21. Goods despatched by a trader to his customer by rail (a) arrived damaged, (b) were lost in transit.

In what circumstances does the loss fall upon (1) the railway company, (2) the consignor, (3) the consignee? (Madras, L.G., 1926.)

22. What is a Railway Receipt? How can a consignee take delivery of the goods from the railway authorities if the R/R. is lost?

XII

FIRMS AND PARTNERSHIPS

1. Firms

A BUSINESS man trades either as a 'Sole Trader' or in Partnership. The disadvantage of the system under which traders act solely is that the scope for capital as well as the organization provided for by one man is very limited. Thus sole trader's business is generally done by very small retailers, whereas business on a larger scale is usually on the footing of a combination of two or more persons in partnership. Such a business is known in business language as a 'Partnership Firm'.

2. Partnerships

The Indian Partnership Act, 1932, defines Partnership as 'The relationship between persons who have agreed to share profits of a business carried on by all or any of them acting for all'. The other advantage of partnership is that not only do the partners get assistance from each other according to their ability and experience, but also a contribution towards the capital of the partnership, etc. A financial partner pure and simple—i.e. one who invests his capital but does not take a working part in the business—may come in and help the firm financially, in a large way. Often a person who is possessed of sufficient capital is not always experienced or trained in business and *vice versa*. Thus a combination of a man of experience and knowledge with one possessed of a capacity to afford financial help is workable to the best advantage. The partnership combination commands one great advantage over joint stock companies, viz. that here, each partner being personally interested in the fortunes of the

firm (because the profits of the firm mean the profits of the partner and *vice versa*), the incentive to work for the common benefit of all is the most active factor, one which is absent in the case of joint stock companies. The company combination has, on the other hand, a number of advantages of its own, viz. (1) a large amount by way of capital can be raised through the issue of shares, (2) the privilege of limited liability is open to the proprietors or shareholders and (3) the company enjoys a perpetual succession, which means that the death or retirement of a shareholder does not bring about the dissolution of the company. A partnership on the other hand has one great disadvantage, viz. that every partner is liable to his last penny to the creditors of the firm and that the death or retirement of a partner amounts in law to a dissolution of the partnership, because even where the surviving partners decide to carry on the business, that will constitute in law a new partnership.

✓ 3. Partnership Agreement

A partnership may be entered into without reducing the agreement into writing, but such a course is hardly satisfactory and the usual practice is to get a partnership agreement drawn up in writing, in which all details as to the amount of capital to be contributed by each, the proportion in which they should share profits, the limit of the amount of their monthly drawings for home expenses, the rate of interest, if any, to be charged or allowed on drawings and capital as agreed upon between partners, the periodical closing of accounts and adjustments of capital of partners, the basis of calculation of goodwill in case of retirement or death of the partner, etc., are all provided for so that disputes arising from misunderstandings or other causes may be avoided as far as possible.

✓ 4. Types of Partners

A partner who takes an active part in the business is called an 'Active Partner'. One who is by mutual agreement authorized to act as a manager and is paid an extra salary is called the 'Managing Partner'. One who, though he does not take an active part, has invested his money in the firm,

called the 'Dormant' or 'Sleeping' or the 'Financial Partner'. One who has only lent his name and credit to the firm, but has neither contributed capital nor takes any active part in the business of the firm is called a 'Nominal Partner'.

It may be further added that if a person who is not a partner behaves in such a way as to mislead outsiders into the belief that he is a partner, and on that assumption outsiders give credit to the firm which the firm is unable to meet, the Court would compel the person so 'holding himself out' as a partner to make good this loss.



5. Partners as Agents

Generally speaking, the partners of a firm have a right to enter into contracts in the name of the firm, to engage and dismiss servants and to take a managing part in the business of the firm. In so doing they are entitled to sign the relative contracts, and the firm is bound by their signatures as if all the partners had signed, provided that the said contract is made in the regular course of the business of the firm. Partnership agreements, however, frequently limit the rights of various partners by mutual arrangement, which agreement would be binding on partners—although outsiders who are not aware of these mutual arrangements and in ignorance deal with a partner assuming that he has the usual powers are protected. In short, outsiders are not bound by clauses in the agreement between partners of which they are not aware, because they are supposed to assume that the usual powers of partners are still vested in the party with whom they deal.

6. Sharing of Profits

According to the Indian Partnership Act, 1932, sharing of profits is only the *prima facie* evidence of partnership, and not conclusive evidence, because there are occasions where a person though he shares profits may not be a partner. However, there cannot be a partner in a partnership who does not share the profits, but shares losses. The cases in which though a person shares profits he or she may not be a partner or liable as a partner are: (1) when he or she shares profits or gross returns arising from property by holding a joint or common interest in that property with others, (2) where a

share of profits is received by a person lending money to the partners in a business and in lieu of interest receives a share of profits, (3) where servants or agents of a business are remunerated by a share of profits in lieu of or in addition to their salary, (4) when a widow or child of a deceased partner is paid an annuity by the surviving partners, (5) where a previous owner or partner of a business is paid a share of profits for a certain number of years or for life, in consideration of the sale by him of the goodwill of a business.

In all the above cases if the person does not take any part in the business of the firm, such as would indicate partnership, he is not considered a partner or liable as a partner for the payment of the debts of the firm. It will thus be seen that whether a person is a partner or not is a question which has to be determined in every case by first ascertaining whether he shares profits, and then inquiring into surrounding circumstances to see whether he is acting as a partner.

✓ 7. Powers of Partners

The Partnership Act gives certain implied powers to persons who are partners, which powers, as we have seen above, are liable to be altered or varied by agreement between the partners. These powers are:

- (1) Every partner has a right to take part in the conduct of the business.
- (2) Every partner is bound to attend diligently to his duties in the conduct of the business.
- (3) Any difference arising as to ordinary matters connected with the business may be decided by a majority of the partners, and every partner shall have the right to express his opinion before the matter is decided, but no change may be made in the nature of the business without the consent of all the partners.
- (4) Every partner has a right to have access to and to inspect and copy out of the books of the firm.
- (5) A partner is not entitled to receive remuneration for taking part in the conduct of the business.
- (6) The partners are entitled to share equally in the profits earned and shall contribute equally to the losses sustained by the firm.

- (7) Where a partner is entitled to interest on the capital subscribed by him, such interest shall be payable only out of profits.
- (8) A partner making for the purpose of the business any payment or advance beyond the amount of capital he has agreed to subscribe, is entitled to interest thereon at the rate of six per cent per annum.
- (9) The firm shall indemnify a partner in respect of payments made and liabilities incurred by him—
 - (a) in the ordinary course and proper conduct of business and (b) in doing such act, in an emergency for the purpose of protecting the firm from loss, as would be done by a person of ordinary prudence, in his own case, in similar circumstances.
- (10) A partner shall indemnify the firm for any loss caused to it by his wilful neglect in the conduct of the business of the firm.

8. What a Partner Cannot Do under Implied Powers

In the absence of usage or express authority from all other partners the implied authority of a partner does not empower him to:

- (1) Submit a dispute relating to the business of the firm to arbitrators.
- (2) Open a banking account on behalf of the firm in his own name.
- (3) Compromise or relinquish any claim or portion of a claim by the firm.
- (4) Withdraw a suit or proceeding filed on behalf of the firm.
- (5) Admit any liability in a suit or proceedings against the firm.
- (6) Acquire immoveable property on behalf of the firm.
- (7) Transfer immoveable property belonging to the firm.
- (8) Enter into partnership on behalf of the firm.

4. Dissolution of Partnership

Partnership may be dissolved, as we have seen, by agreement or consent; or on the expiration of the term fixed for in the agreement; or on the death of a partner; or on the retirement of a partner from the partnership. An application will have to be made to the Court for dissolution of the partnership in the case where the partnership is for a term and the said term has not expired. The cases in which an application may be made by the partners against the partner who opposes the dissolution are:

- Where a partner has become of unsound mind.
- Where a partner has become in any way permanently incapable of performing his duties as a partner.
- Where a partner is guilty of conduct which is likely to affect the business of the firm.
- (4) Where a partner wilfully and persistently commits breach of agreement relative to the management of the affairs of the firm or conduct of the business, or otherwise so behaves that it is not reasonably practicable for the other partners to carry on the business in partnership with him.
- (5) When a partner has in any way transferred the whole or his interest in the firm to a third party, or assigns or mortgages his share.
- (6) Where the business of the firm cannot be carried on except at a loss and there is no chance of making profits in the future.
- (7) 'On any other ground' which renders dissolution just and equitable.

✓ 10. Registration of Firms

There is a new clause in our New Partnership Act of 1932. This Act now provides that a firm of partners can be 'registered' with the Registrar of Firms appointed by the Government in the area concerned, by delivery to him personally or through the post of a statement on a prescribed form with a prescribed fee for registration, containing: (1) the name of the firm, (2) the principal place of its business,

(3) names of any other place or places where the firm is doing business, (4) the date on which each partner joined the firm and (5) names in full and permanent addresses of all partners, and the duration of the firm.

This statement must be signed by all the partners or duly authorized agents.

Though registration is said to be optional, it is in fact compulsory, the sections are so framed that sufficient pressure is brought to bear on the partners with a view to forcing the firm to be registered. This is because if a firm is not registered, a partner of such a firm cannot file a suit to enforce a right arising from a contract or conferred by the Partnership Act against the firm or against any person alleged to be a partner in the firm. On the same footing an unregistered firm or partnership cannot sue in any Court as an outsider, i.e. a third party, for any rights arising from a contract. It will thus be seen that the effect of this regulation is bound to be that partners of every important firm are compelled to get themselves registered, as otherwise they can file a suit against their own firm or against any of the partners.

11. Restriction as to Name

The usual restrictions imposed on joint stock companies as to the use of words in connexion with their name such as 'Crown', 'Emperor', 'Empress', 'Empire', 'Imperial', 'King', 'Queen', 'Royal', or words expressing or implying the sanction, approval or patronage of the Crown or of the Government of India or the Local Government are also made applicable to registered firms.

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12. Accounts on Winding Up

The Indian Partnership Act of 1932 lays down in the following connexion as follows:

In settling the accounts of a firm after dissolution the following rules shall, subject to agreement by the partners, be observed:

- (1) Losses including deficiencies of capital shall be first out of profits, next out of capital, and last

necessary by the partners individually in the proportions in which they were entitled to share profits.

- (2) The assets of the firm including any sums contributed by the partners to make up deficiencies of capital shall be applied in the following manner and order:
- (i) in paying the debts of the firm to third parties;
 - (ii) in paying to each partner rateably what is due to him from the firm for advances as distinguished from capital;
 - (iii) in paying to each partner rateably what is due to him on account of capital; and
 - (iv) the residue if any shall be divided among the partners in the proportions in which they were entitled to share profits.

QUESTIONS

1. What do you understand by Partnership organization? State its characteristics and show its disadvantages as compared with joint stock company organization. (Madras, L.G., 1924.)

2. A sole trader finding a near prospect to extend his business wishes to increase his capital. How can he attain his object? (Madras, L.G., 1929.)

3. If a partnership is arranged in any other way than by a deed of partnership, and disagreement arises, how are the differences usually adjusted? (Madras, L.G., 1924.)

4. (a) What is a partnership?

(b) *A*, *B* and *C* are partners. In what circumstances is it necessary that their decision should be unanimous, and when may the decision of a majority prevail? (Madras, L.G., 1926.)

5. (a) Describe the document in which the contract of partnership is usually embodied.

(b) What authority has each partner to bind the firm and the rest of his partners? (Madras, L.G., 1927.)

6. What is the liability of the firm with reference to money received by a partner who misapplies it? (Madras, L.G., 1928.)

XIII

JOINT STOCK COMPANIES

✓ 1. Origin

JOINT Stock Companies originated in England with the idea of raising loans for financing Government and securing in return some monopolies or special privileges for themselves. Thus the East India Company was established in 1600, the Hudson Bay Company in 1620, the Bank of England in 1694. All these companies were established by the grant of a royal charter from the sovereign for the time being. It was, however, soon discovered that the growing wants of commerce and business could not be thus answered by special grants from the sovereign by way of privileges, and in the year 1844 the first English Act of Parliament was passed under which companies could be incorporated without the grant from the sovereign, and on the simple basis known to us at present. This Act was consolidated in 1862. In India our present Act under which companies are worked is the Indian Companies Act of 1913.

✓ 2. Types of Companies

Companies are divided into two main types or classes, viz. (1) Private Companies and (2) Public Companies.

✓ 3. Private Companies

For Private Companies the law requires that there shall be not less than two members and not more than fifty, exclusive of persons who are in the employment of the company. The last remark means that if you have fifty outsiders holding shares in your company besides ten others who are employed in the company and are also shareholders, that would not be objectionable at law, even though they left

the employment of the company. Private companies enjoy the following exemptions:

- (1) They need not file a statement in ^{place} lieu of a prospectus.
- (2) They can commence business and exercise borrowing powers as soon as they are incorporated, and need not comply with the other requirements which are enforced from public companies before commencing business.
- (3) They need not forward a statement in the form of a balance sheet to the registrar.
- (4) No reports are required to be filed by them as in the case of public companies.
- (5) Their balance sheets need not be audited by auditors of requisite qualifications.
- (6) The requirements as to 'minimum subscription' do not apply to them.
- (7) They are free from the requirements in regard to appointment of directors by the articles, as well as their consent to act as such, and to take up and pay for the qualification shares, if any, as applying to public companies.
- (8) Though they need not disclose their financial position to their rivals, as they are not compelled by law to file their annual balance sheets with the registrar, they are required to disclose the amount of the paid-up capital and their indebtedness secured by mortgage and charges.
- (9) Though they must hold the statutory meeting, they need not file their statutory report with the registrar.

A private company in other respects has to comply with requirements of the Companies Act which are in general

compulsory. The prospectus must contain the following information.

- (1) The contents of the Memorandum of Association together with the names and addresses of the signatories.
- (2) The number of shares, if any, which under the articles are to be the qualification shares of a director.
- (3) Names, addresses and description of directors or proposed directors and managers.
- (4) The minimum subscription which is necessary before the shares can be allotted on application.
- (5) Particulars of shares and debentures issued within the last two preceding years.
- (6) Names and addresses and particulars about vendors of property which is purchased or to be acquired by the company.
- (7) The amount which was to be paid as purchase money in cash, shares, or debentures for any such property.
- (8) An estimate of preliminary expenditure.
- (9) Particulars as to all material contracts which the company is entering into and the place and time at which they could be inspected.
- (10) Names and addresses of auditors, if any.
- (11) Particulars as to the nature and extent of the directors' interest in the promotion of, or in, the property which is to be acquired by the company.
- (12) The commission, if any, allowed during the two preceding years for securing subscription for shares or debentures in the company.
- (13) The rights of voting conferred on each class of share

der. does not issue its own prospectus, i

- (1) A partnership may not comprise more than ten members in a banking firm, or more than twenty members in a trading firm, whereas in the case of a company, any number of members not less than seven can get themselves incorporated into a company under the Act.
- (2) The law does not recognize the firm as a person distinct from persons who compose it, e.g. if A, B and C carry on business as Robins & Co., this firm's name will not be recognized as a distinct entity, but each member will have to be named. The full designation in law in case of such a firm will be 'A, B and C carrying on business under the name and style of Robins & Co.'. Each partner thus lays himself open to be sued by the creditors of the firm and his private property is open to attachment for the debts of the firm. In the case of a company, however, [the company on incorporation attains the status of an artificial person created by law with a perpetual succession and a common seal], which is the official signature of the company. The private property of members is not liable to be attached by a creditor of the company, nor are they liable to be sued personally for the payment of the debts of the firm.
- (3) The other peculiarity in the case of a company is the facility it offers with regard to the transference of its shares. [Thus a shareholder in a company can transfer his share or shares without consulting and obtaining the consent of the other shareholders], whereas in the case of a partnership no partner can bring in a new partner in his place or otherwise without the unanimous consent of all the other partners.
- (4) As a partnership has no legal existence apart from the members who compose it, every partner (subject to an agreement to the contrary) is an agent of the firm and his other partners for the purpose of entering into contracts in the regular course of business of the firm.
- (5) Every partner is liable to his last penny for the pay-

ment of the debts of the firm of which he is a partner, in other words, the liability of partners is unlimited. In the case of a company, however, registered as a limited company, the liability of shareholders is limited to the nominal amount of the shares they have taken up.

✓ 6. Further Division among Types of Companies

All companies, whether private or public, are either (1) Limited Companies or (2) Unlimited Companies. The limited companies are again sub-divided into companies 'Limited by Shares' and companies 'Limited by Guarantee'.

✓ 7. Limited Companies

In the case of companies limited by shares, the arrangement is that the shareholders' liability is limited to the face value of the shares they hold and that they are not bound to pay in excess of that face value. In the case of the liquidation of the company in an insolvent condition, e.g. if a company is formed with shares of Rs. 1,000 each and if X has purchased five shares he is bound to pay Rs. 5,000 in all at the rate of Rs. 1,000 per share. If all this Rs. 5,000 has been called up by the directors of the company and if the company is wound up thereafter, he has not to pay anything. If, however, the directors have only called up Rs. 700 per share, and then the company goes into liquidation, the liquidator can call up not more than Rs. 300 per share from him, but only if the assets of the company in the hands of the liquidator are not sufficient to pay off the debts of the firm and its creditors. Most joint stock companies are formed under this arrangement.

✓ 8. Limited by Guarantee

Here the arrangement is that each member of the company guarantees to pay a certain amount, and not more than that, in the case of the liquidation of the company. This guaranteed amount may be an abstract amount fixed to be paid only in the case of liquidation. This type of company is generally an association formed for the furtherance of some

professional cause, or the cause of education or of clubs, libraries, etc., and the income or profits are utilized for these purposes only. Here the member pays a certain fee or subscription and undertakes to pay a nominal amount of Rs. 10 if the club or association is wound up and its assets are not sufficient to pay its debts.

✓ 9. Unlimited Companies

In old days when the limited liability system was not in force every joint stock company was formed under what is called the unlimited liability system, which meant that if the company went into liquidation in an insolvent condition, each shareholder or member had to contribute such money as was necessary to pay all liabilities. This was on the footing of private partnership, where every partner is liable to pay to his last penny towards the debts of the partnership. Though it is still open to form unlimited companies under the present law, it is seldom done.

✓ 10. The Promoters

A company is generally brought into existence by a person, or a number of persons, who are commonly known as 'Promoters'.

The term 'promoter' has been defined by various learned judges, but the gist of all the definitions is that any individual, syndicate, association or partnership, etc., which puts into motion machinery by which a company is brought into existence may be described by that designation. These promoters generally get the original documents like the memorandum and the articles, as well as the prospectus, prepared; take an active part in the selection of directors, and in the purchase of property by the company for the purpose of carrying on its proposed business; and generally speaking float or assist in floating a company, or do any one or more of these operations. Sir Francis B. Palmer divides promoters into three classes, viz. (1) professional promoters, (2) occasional promoters and (3) promoters *pro hac vice*. The first are those who make a business or profession of promoting a company, whereas the second do this occasionally as a part of their business. The third, however, are those who take

part in the promotion of one particular enterprise in which they are directly or indirectly interested, e.g. the inventors of a certain thing forming a company to work that invention. All these promoters, no doubt, expect some benefit or profit through this promotion, and as long as the remuneration is obtained in good faith, and with due disclosure, it could not be objected to at law. The remuneration may take the form either of the grant of fully or partly-paid shares, or of a lump sum, or the promoter may be the original purchaser of some property which he now arranges to sell to the company at a profit. As the promoter takes a prominent part in bringing the company into existence, he stands in a fiduciary position towards the company, and is thus expected to make a full and fair disclosure of the benefits accruing to him through the promotion. This disclosure is generally made in the prospectus of the company or in its Memorandum or Articles.

11. Registration.

The registration of a joint stock company is effected by lodging with the registrar of joint stock companies a copy of the Memorandum of Association of the company, and if the company has its own Articles of Association they have to be filed with the registrar also. If the company does not want to register its own articles it should declare that it has adopted the Table A of the Companies Act as its own articles of association. This Table A is made up of a set of articles of association drafted and annexed to the Indian Companies Act, 1913, which the Act allows any company to adopt as its own articles, where it has not got its own articles formulated. The articles of association have to be printed whereas the memorandum need not be printed. After answering these and some other requirements as to forms and payment of registration and stamp fees, the registrar issues a certificate called the Certificate of Incorporation. From the moment this certificate is issued the company comes into regular existence as an artificial person created by law with a perpetual succession and the common seal.

✓ 12. Memorandum of Association

The Memorandum of Association is the charter of the company, without which no company can be incorporated. The main points or paragraphs deal with the following points:

- (1) The name of the company with the word 'Limited', as the last word in such name.
- (2) The place of its registered office, that is, the 'province'.
- (3) The objects for which the company is established.
- (4) If a limited company, it states that the liability of members is limited.
- (5) The amount of share capital, and how the said share capital is divided.

The memorandum is then signed by at least seven members in the case of public companies, and at least two in the case of private companies. Each member states against his name the number of shares he undertakes to take and pay for, the minimum being one. The signatories need not be the promoters of the company, but any person agreeing to be a member can sign.

✓ 13. Articles of Association

The Articles of Association are the rules and regulations of the company or its by-laws which govern the internal management of the company, and lay down the rules as to the powers of directors, etc. They state how the general meetings are to be held, how the voting is to be done, what is to form a quorum, how the shares are to be transferred, how they are to be forfeited, how the accounts are to be kept and regulated, etc. The Articles are said to be subordinate to the Memorandum, that is to say, they cannot exceed the scope of the business of the company as fixed by the Memorandum of Association, which is the charter of the company. As we have already seen, a company need not have its own articles of association but may instead adopt Table A of the Indian Companies Act, 1913, as its articles.

✓ 14. Capital

The Capital of a joint stock company is raised by the subscription of its members, and is usually divided into

shares of various denominations. The holders of these shares who are known as shareholders get the right of voting under specific conditions provided for under the Indian Companies Act, 1913, as well as in the articles of association of the company concerned. They also get a share in the division of the profits of the company as declared by the directors to be divisible among the shareholders. The capital is called:

Authorized Capital, which means the amount of capital which is to be the maximum which the company is authorized to raise.

Issued or Subscribed Capital, which is the capital offered to the public and subscribed for or taken up by allotment to the public.

Unissued Capital, that which is not offered to the public, but may be dealt with at a later date.

Called-up Capital, the actual amount on each share which has been called up by the directors through the medium of calls or instalments according to the terms of issue.

Paid-up Capital, that amount which has actually been paid by the shareholders and received by the company from the called-up capital.

Working Capital, the capital which is used for the actual carrying out of the company's business after all the fixed capital purchases are made.

Block Capital, the fixed capital assets of the company which are sunk in fixed assets such as mills, factories, etc.

✓ 15. Shares

We have seen that the capital of the company is divided into shares. These shares are themselves divided into 'Ordinary Shares' and 'Preference Shares'. 'Preference Shares' are shares which have preferential rights either (1) for the payment of a fixed rate of dividend from the profits of the company before the ordinary shares can be given any portion of the profits; or (2) a preferential right as to the return of capital from surplus assets left after all the debts of the company are paid. Thus six per cent preference shares mean that out of the available profit for dividend the first six per cent must be paid to the holders of these shares and if there

is any surplus left the same will be divided among the ordinary shareholders. Ordinary Shares are generally called deferred shares because the distribution of profits as far as these shares are concerned is deferred until the preference shareholders have been paid their dividends. Preference Shares are sometimes made cumulative, i.e. where there is no profit, say, in the year 1932, and no dividend can be paid, whereas in the subsequent year 1933 there is a large profit, then not only will the dividend for 1933 be paid, but the dividend unpaid in 1932, due to insufficiency of profits, will also have to be paid: the surplus is only available for payment of dividends to the ordinary shareholders after payment of these arrears of dividends on cumulative preference shares. These shares are called 'cumulative' because during the years that the dividend cannot be paid owing to want of profits, the claim of such shareholders accumulates until such time as the company is able to pay the entire dividend. Besides being privileged as to the payment of dividends these shareholders also, in case of liquidation, get the right of getting their capital paid in full from the surplus assets of the company, before any division can be made among any other class of shareholders.

There are sometimes Founder's or Management Shares, which are the most deferred, i.e. the dividend on them is payable only after holders of ordinary shares are paid their quota.

The title to the shares in a joint stock company is usually proved by a share certificate, which is issued to every shareholder. Sometimes shares are payable to bearer, in which case they are called 'Share Warrants'. Share Warrants pass from hand to hand by delivery, whereas 'Registered Shares' pass, or are transferred, only after the transferrer has filled in a form signed by the transferee and after the said transfer form is given effect to by the board of directors.

✓ 16. Stock

In the case of 'Stock', the whole capital of the company is considered to be one stock and each member holds as much stock of it as he desires and transfers it in such fractional parts as the regulation of the company permits. The difference between stock and shares is as follows:

- (1) The shares may not necessarily be fully paid, but are generally payable in instalments known as application money, allotment money, first call money, etc. whereas the stock is always fully paid up.
- (2) The shares are transferable in full, whereas the stock may be divided into fractional parts and transferred in multiples as may be laid down by the regulations of the company.
- (3) All the shares are known by their distinctive numbers, but that regulation does not apply to stock.

It may be mentioned here that any company with its capital divided into shares may convert any portion of its fully paid-up share capital into stock and give notice of such conversion to the Registrar. The Register of Members would in such a case show the amount of stock held by each member instead of the amount of shares, with all the particulars relating to the holders of such stock as in the case of the Share Register.

✓ 17. Debentures

Debentures are documents stating particulars of the amount borrowed by the company from its holders and stating the terms and conditions on which the same are issued, together with particulars as to the rate of interest payable and the repayment of such a loan. How far a company can borrow money depends upon its powers to borrow, which can be ascertained from its memorandum and articles of association. Companies like trading companies have implied powers to borrow, which are considered as incidental to the carrying on of their business. Non-trading companies however cannot borrow, unless their memorandum and articles of association give them the power, unless they apply to the Court under Section 12, with a view to obtaining such a power. Where a company has the power to borrow it can do so either by mortgaging a part or a whole of its property, or by simple loans, i.e. without security.

Debentures may be divided into Redeemable and Irredeemable, Simple or Naked Debentures, and Mortgage Debentures.

Redeemable Debentures are debentures the amount of which is redeemable, i.e. repayable at the end of a specified

period. Generally at the time of issue of such debentures, the company agrees that the said debentures will be redeemed at the end of a specified period, say ten years: in some cases the condition is that so many of the debentures be repaid at fixed intervals, say yearly.

Irredeemable Debentures are debentures the interest on which is to be paid regularly, but no condition as to the date on which they are redeemable or to be repaid is laid down.

Simple or Naked Debentures are debentures which do not carry a mortgage or charge on any of the property of the company issuing them.

Mortgage Debentures are debentures which carry with them a charge, either fixed or floating, on the assets of the company. In the case of a fixed charge some specified property of the company is actually mortgaged by a regular mortgage deed, which has to be made out between the company on the one hand, and the trustees, on behalf of the debenture holders, on the other.

In the case of *Floating Debentures*, however, the debenture holders have a prior claim to the assets of the company over the ordinary creditors of the company in liquidation.

It will thus be noticed that there is a marked distinction between a debenture holder and a shareholder, which may be summarized as follows:

- (1) A shareholder, as his name implies, is a holder of shares in the company's capital and therefore is a part owner of the company, whereas a debenture holder is a creditor of the company who has advanced money on loan to the company.
- (2) A shareholder is therefore entitled to his dividend only where the profits are sufficient for division among the shareholders, whereas a debenture holder being a creditor of the company is entitled to his interest at the rate fixed, irrespective of the company's making a profit or a loss. In case of failure to pay the interest, the debenture holders have the same right as the creditors of the company to move against the company to recover their interest, and if they hold mortgage debentures, they can ask their

trustees to move for the sale of the property mortgaged to them under their debenture mortgage. 'I

- (3) In case of liquidation the debenture holder as the creditor naturally gets the prior right to that of the shareholder to the assets of the company, and if his debenture is a mortgage debenture, he gets a right to be paid first out of the specific property which is mortgaged with him.



18. Directors

Under the Indian Companies Act, a public company must have at least two directors, though it is not compulsory to have directors in the case of private companies. It is, however, usual to have directors in both these classes of companies. The directors work in a board under the powers given to them in the articles and have generally the management and supervision of the business, which is carried on by managers or managing directors or managing agents. A managing director is an officer who combines the offices of the manager and director in himself. The first directors are generally appointed nowadays by the articles, in which they are named, and they are mentioned also in the prospectus. The articles generally provide for the regulation of a director as far as his powers and term of office are concerned, such as that his office shall be vacated if he loses his requisite share qualification or holds offices of profit in another company, or if he is adjudged insolvent, or if he becomes a lunatic, or if he absents himself from meetings for a continuous period of three months or more, etc. If these provisions are not in the articles, the director will be considered as appointed for life and cannot be removed. When directors retire and a vacancy occurs it is generally filled up by vote at a general meeting, but the person so appointed shall be subject to retirement at the same time as if he had become a director on the day on which the director in whose place he is appointed was last appointed director.

The directors' position resembles partly that of managers, partly that of trustees and partly that of agents.

19. Liability of Directors

The Liability of Directors arises when they exceed the limit of the powers given to them, and the company suffers losses, or where they neglect their duties, or act fraudulently or dishonestly. They are not liable for mere errors of judgment, and though they are not bound to attend board meetings continuously, they must attend whenever they are reasonably able to do so. It is their duty to see that the company's money is used for the proper use of the company according to the memorandum and articles; and if they fail to do so and losses arise, they must make good such loss to the company. They must also see that dividends are paid out of the profits and not out of capital; otherwise they may have to make good these amounts. They are expected to exercise that degree of skill and intelligence in the discharge of the company's affairs as would be exercised by a man of ordinary prudence on his own behalf, but they need not show a greater degree of care than may reasonably be expected from a man of his skill and experience.

✓ 20. Managing Agents

In India instead of appointing regular managers or managing directors, the old practice is to appoint a firm of business men to manage the company as its agents, secretaries and treasurers. These firms are generally known by the denomination of Managing Agents. As such managing agents they have agreements with the company as to their remuneration, and as to the expenditure they may incur for office establishments, etc., on behalf of the company. No doubt the work of the managing agents is supervised by the board of directors, but the extent of that supervision entirely depends upon the wording and nature of the articles of association of each company. Frequently, large powers are given to managing agents who have agreements with the company for a large number of years, and thereby little power is left to the board of directors except that which they can exercise under the statute.

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21. The Seal of the Company

A company being an artificial person created by law, has to get its signature affixed to documents executed by it. This signature is the official seal of the company. An impression or copy of this seal has to be filed with the registrar of joint stock companies, as the official signature of the company. However, this seal has not necessarily to be affixed to documents which arise in the usual course of business of the company, as that would hinder work. In such cases the signature of authorized agents, managers, directors, etc., on behalf of the company, if properly placed, is sufficient.

22. Statutory Books

The Indian Companies Act of 1913 makes it compulsory for all joint stock companies to keep the following books, which are known as the 'Statutory Books':

- (1) *Register of Members* giving names, addresses and occupations of the members of the company, together with the shares held by each member, distinguishing each share by its number, together with the amount paid or agreed to be paid or considered as paid on these shares. Also the terms on which each member was admitted as a member, as well as the date on which he ceased to be a member.
- (2) *Register of Directors and Managers* stating the names, addresses and description of directors and changes taking place from time to time. A copy of this register is to be filed with the registrar and the changes should be notified.
- (3) *Register of Mortgages and Charges*. Here all mortgages and charges affecting the property of the company must be entered. In this case a description of the property, the amount for which it is mortgaged and charged, and the names of the mortgagees, or the persons entitled thereto have to be given.
- (4) *The Minute Book*. Here all proceedings of general and directors' meetings must be entered. Though the law contemplates only one book in which to enter the proceedings of all meetings, for the sake of convenience, it is the usual practice of companies

to keep one book for the meetings of shareholders and another for the board meetings.

- (5) *Annual List and Summary*. Here the annual list and summary of capital and shares has to be written up out of the summary of capital and register of members. It is from this book that the annual summary of capital and members has to be prepared and filed with the registrar of joint stock companies on the forms supplied by the registrar's office.

✓ 23. Preliminary Expenditure

In the formation and floating of the company large expenses are incurred by way of (1) preparing and printing the memorandum and articles of association; (2) issue of advertisements and printing of the prospectus; (3) registration fees and stamp duty on nominal capital; (4) law charges in connexion with the formation, preliminary agreements, etc.; (5) fees of experts for valuation and their reports; (6) printing of share certificates, debenture certificates, etc.

These expenses run up to a large figure and are always allowed to stand in the account books under the heading of 'Preliminary Expenses Account' and shown on the balance sheet on the asset side. The expenditure incurred is sometimes partly paid by the vendors or founders and the other portion is borne by the company. In such a case only that portion of the expenditure which falls on the company has to be taken into account. This expenditure, though of a capital nature, is not represented by any tangible asset, and therefore has to be written off from the profits of subsequent years.

✓ 24. Resolutions

In the case of joint stock companies, the decisions of shareholders and directors are arrived at at meetings by passing resolutions. These resolutions may be (1) Ordinary Resolutions, (2) Extraordinary Resolutions and (3) Special Resolutions.

An Ordinary Resolution is a resolution passed by the majority of such members as are entitled to vote who are present in person or by proxy. An Extraordinary Resolution

is a resolution which has been passed by a majority of not less than three-fourths of such members as are entitled to vote and who are present either personally or by proxy, (where proxies are allowed) at a general meeting of which due notice specifying the intention to propose the said resolution as an extraordinary resolution has been duly given. A Special Resolution is a resolution which has been passed in the manner required in the passing of an extraordinary resolution, and which has been confirmed by a majority of such members entitled to vote as are present in person or by proxy (where proxies are allowed) at a subsequent general meeting of which notice has been given and which is held after an interval of not less than fourteen days, and not more than one month, from the date of the first meeting.

J 25. Audits

The Companies Act has provided that the books of the company must be audited at least once in every year and the auditor shall report on the balance sheet prepared by the company. In the case of public companies, only auditors of the requisite qualifications can be appointed, but for private companies, though accounts must be audited, they need not necessarily be audited by a qualified auditor. These auditors must not be shareholders or directors of the company, and must be appointed at the annual meeting of the company. If auditors are not appointed by the company, the Court may appoint one on application being filed by one of the shareholders or members of the company.

26. Winding Up of Companies

The Winding Up is a process by which a joint stock company is closed and all its assets realized with a view to paying out its creditors, the surplus being distributed among the shareholders and members according to their rights. The liquidation may be either Voluntary, that is, liquidation brought about voluntarily by the shareholders by a resolution passed in the general meeting of the company; or Compulsory Liquidation ordered by the Court on the petition of creditors of the company or of a member. There is also a

third type of liquidation known as Winding Up Under the Supervision of the Court. In this case a resolution to wind up the company under the supervision of the Court is passed by the members in the general meeting of the company. It may be mentioned that in the case of voluntary liquidation the matter is entirely at the will of members or shareholders and the liquidator is a mere agent, whereas in the case of liquidation under supervision or compulsory liquidation, the liquidation is under the control of the Court, and the liquidator is an officer of the Court.

27. The List of Contributories

The usual course followed in winding up is that the liquidator is given full powers to settle the List of Contributories and to make calls. In preparing the list of contributories, he has to make out two lists, viz. 'A' and 'B' lists of contributories. In the 'A' list he includes all those members who were members of the company at the time of the commencement of the liquidation and who have not paid up the face value of their shares in full. On the 'B' list he places all those who have transferred their shares within one year of the date of liquidation. The liquidator will try to recover what he can first from the 'A' list of contributories, but if this is not sufficient to pay the debts of the company, calls are made on persons placed on the 'B' list.

28. Duties of the Liquidator

The duty of the Liquidator is to pay all the creditors first, and in so paying, he has to proceed in the following order:

- (1) The secured creditors out of the proceeds of securities.
- (2) Costs of liquidation, including his own remuneration.
- (3) All preferential debts.
- (4) Ordinary unsecured creditors.
- (5) Adjust the claims of contributories among themselves from surplus and pay them out.

29. Dividends in Liquidation

The usual practice is to make this payment from the surplus left with the liquidator after paying all creditors or

expenses. This is made in so many instalments and is called Dividends'.

QUESTIONS

1. What is the chief difference between a company limited by shares and a company limited by guarantee? What are the liabilities of shareholders in each case in the event of winding up? (Madras, I.G., 1916.)

2. If a limited company desires to alter its name, what is the procedure to be adopted? Would the change of name affect any rights or obligations of the company? (Madras, I.G., 1918.)

3. What various particulars must the prospectus of a company contain with respect to its directors, their interest and obligations? (Madras, I.G., 1919.)

4. Define the three classes of resolutions of shareholders which are respectively provided for by the Indian Companies Act, and give an illustration of an appropriate case for each kind of resolution. (Madras, I.G., 1919.)

5. 'Dividends must not be paid out of capital.' Comment upon this rule and state if there are any exceptions to it. Do the directors incur any responsibility if dividends are paid out of capital? (Madras, I.G., 1919.)

6. Describe the circumstances in which a registered company alters the provisions of its memorandum with respect to its objects. (Madras, I.G., 1920.)

7. Give the provisions of the Indian Companies Act as to the adoption and publication of its name by a limited company. (Madras, I.G., 1920.)

8. What books and documents of a registered company are open to the inspection of the general public and of the shareholders? (Madras, I.G., 1920.)

9. (a) How would you distinguish a share certificate from a share warrant?

(b) What representations to the holder and to the world are implied on the part of a company by the issue of a share certificate?

(c) What particulars of the issue of share warrants must be entered in the register of members, and what is the proper mode of transferring the shares specified in it? (Madras, I.G., 1921.)

10. (a) In what circumstances and by what resolutions can a company effect a reduction of its capital?

(b) In what circumstances are the creditors of a company entitled to object to the capital of the company being reduced? Assuming the circumstances do exist, is the consent of the creditors an indispensable condition to effecting the reduction? (Madras, I.G., 1921.)

11. In what different ways can a limited company modify the conditions of its memorandum of association without the necessity for an application to the Court? (Madras, I.G., 1921.)

12. What constitutes a private company under the Indian Com-

panies Act? Enumerate the points which must be included in the memorandum of association:

(a) in the case of a company limited by shares; (b) in the case of a company limited by guarantee. (Madras, I.G., 1922.)

13. Differentiate between a special resolution and an extraordinary resolution and say what registration is necessary in both cases. (Madras, I.G., 1922.)

14. Within the provisions of the Indian Companies Act, what circumstances must arise before a company can be compulsorily wound up? Describe the procedure to attain this end and the powers of the Court to accede to or to refuse the application. (Madras, I.G., 1923.)

15. Write a circular letter from the secretary of a limited company incorporated under the Indian Companies Act, 1913, to the shareholders, convening an extraordinary general meeting for the purpose of considering a resolution to increase the capital of the company in view of the extended nature of its operations. (Madras, I.G., 1917.)

16. A limited company is desirous of increasing its capital by Rs. 10 lakhs. Write a circular letter to all shareholders explaining in detail the reason for the suggested increase and calling an extraordinary general meeting for the purpose of considering the resolution under the Indian Companies Act, 1913, giving the date of the meeting. (Madras, I.G., 1921.)

17. (a) Write a letter, applying for 100 five-pound shares in a glue manufacturing company which is being floated in England, and agreeing to pay five shillings per share on allotment. (b) Draft the bill of exchange with which you are paying Messrs. Francis and Warne, Solicitors, for the promoters of the Company. (c) Draft letter of allotment in respect of the 100 shares. (Madras, I.G., 1923.)

18. How does the organization of a business owned by a limited company differ from that of a business owned by an individual? (Madras, I.G., 1925.)

19. Explain clearly how a partnership business differs from a joint-stock company as regards organization and management. (Madras, L.G., 1928.)

20. (a) What are the principal differences between private limited companies and public companies? (Madras, L.G., 1926.)

(b) What purpose do the articles of association serve and is it absolutely necessary that special articles of association should be prepared for each company? (Madras, L.G., 1927.)

21. Summarize briefly the duties and responsibilities of directors of a limited company. (Madras, L.G., 1927.)

22. Explain the following: Registration fees; Certificate of Incorporation; Prospectus; Limited Liability. (Madras L.G., 1928.)

23. (a) Explain: Stock, Share Warrants to Bearer, Forfeiture of Shares, Naked Debentures, Minimum Subscription.

(b) A shareholder asks for a duplicate share certificate. Is the company bound to give him one? What precautions should be taken if it is to be given? (Madras, L.G., 1929.)

XIV

INSURANCE



1. Life, Fire and Marine

A CONTRACT of insurance is a contract between the assured (or the insured) on the one side and the underwriter (or the insurance company) on the other, by which the latter, in consideration of a payment (the premium) paid by the former, undertakes to indemnify the insured against any loss arising from a contingency up to the sum agreed upon.

Insurance contracts are effected to provide against a number of contingencies; but three of the most important types of insurance contracts which one comes across in business are (1) Life Assurance, (2) Fire Insurance and (3) Marine Insurance.

The essence of a contract of insurance is that it is a contract of indemnity, i.e. it ought not be entered into for a mere wager, or speculation, but only with a view to provide against the actual monetary loss which the insured is likely to suffer through the happening of the contingency under contemplation. If, for example, a person insures his building against loss by fire for an amount higher than the actual value of the building, he cannot, in case of destruction of the building, recover more than the actual value of the building. On the same principle, in the case of a person insuring property which does not belong to him, or in which he has no pecuniary interest either as a creditor or in any other capacity, the insurance contract cannot be enforced for want of insurable interest. The other peculiarity of a contract of insurance is that it is said to be a contract *uberrimae fidei*, i.e. a contract of absolute good faith, and the duty is thrown by law upon the insured to make a full and fair disclosure of every material fact that is likely to affect the judgment of the underwriter or

insurance company in deciding what premium to charge or whether to enter into the contract at all. Thus any wrong disclosure or any statement made fraudulently, negligently, or even innocently through want of knowledge may vitiate the contract.

✓ 2. Life Assurance

Life Assurance is defined in Smith's *Mercantile Law* as 'a contract by which the insurer, in consideration of a certain premium, either in gross sum or by annual payment undertakes to pay to the person for whose benefit the insurance is made, a sum of money or annuity, on the death of the person whose life is insured'.

It therefore follows that a life assurance contract is not a contract of indemnity, but is a contract for the payment of specific money, as the loss of human life cannot be measured in money. The amount assured by a policy of life assurance is payable according to agreement, either on the death of the life assured, or on the expiry of a certain number of years.

✓ 3. Insurable Interest

With regard to life assurance it must also be noted that a person may assure his own life up to any extent as he is supposed to have an unlimited interest in his own life, or he may assure the lives of those dependent upon him, or through whose death he is likely to suffer a pecuniary loss. Where life assurance is effected for the benefit of a person other than the one whose life is assured, the person for whose benefit the policy is taken out should be mentioned in such a policy and the amount of assurance should not exceed the pecuniary interest of such a person in the life of the assured at the time of effecting the policy.

It has been further held that a wife has an insurable interest in her husband's life and *vice versa*, but a parent has no insurable interest in the life of his child *qua* child; nor has a child an insurable interest in the life of his parent *qua* parent. A creditor has an insurable interest in the life of a debtor to the extent of his claim, and on the same principle a surety can claim to have an insurable interest in the life of his principal debtor, etc.

It is the practice of life assurance companies to get a declaration signed by persons who wish to insure their lives. A form known as the Proposal Form is given to the applicant containing a number of questions which he has to answer accurately. Life policies also contain a clause expressly stipulating that any mis-statement in the declaration, whether intentional or innocent, will vitiate the policy. In case of such declaration, it has now been held that if an innocent statement is made at the time of assurance, say with regard to a person's health after consultation with a particular medical adviser, and if the applicant thereafter during the continuance of the policy consults another medical adviser and gets to know facts to the contrary, on which he immediately reports these facts to the company, that act would not vitiate the policy. If, on the other hand, he conceals the information which is subsequently obtained, it may have the effect of invalidating the insurance.

✓ 4. Assignability

A life assurance policy is assignable as 'a Chose in Action', and it can be assigned in any form of assignment as long as it is clear. It is, however, necessary to give written notice to the assurance company of such an assignment to make the assignee's title effective against the company, otherwise if the company makes any payment to the assignor after the assignment, without the knowledge of the assignee, the company would be protected. The assignment of the policy carries with it the right to all bonuses and profits.

✓ 5. Proof of Death

In the case of policies payable at death, the death of the insured has to be proved. Death is presumed where it is shown that a person who went abroad or disappeared, has not been heard of for seven years, nor has he communicated with those he would have communicated with, if alive. If a person was on board a steamer which is proved to have met with a storm and was heard of no more, that fact may be construed to have brought about the death of the person on board.

✓ 6. Premiums

The premiums, as we have noticed above, are payments made by the assured in consideration of the risk covered by the policy. These payments may be payable either quarterly or half-yearly, according to arrangement. They are payable within the days of grace generally allowed by every life assurance policy, or the assured may be required to undergo a second medical examination. On the payment of the first of these premiums, the risk on the policy begins and it is covered generally by what is known as the 'Covering Note', which is a sort of a provisional agreement to run during the period which has necessarily to elapse before a regular policy can be drawn out. The rates of premium payable on lives under various denominations are generally laid down in the company's prospectus. For what are known as 'hazardous occupations', such as the Army, Navy, mining, etc., an extra premium is payable. Extra premium may also be charged for what is known as 'Climatic Risk', i.e. where a person lives in a climate which is considered unhealthy, extra premiums have to be paid. ✓

7. Policies

Policies of life assurance are, as we have seen above, agreements entered into between the insurance company and the assured. The policy may be a 'Whole Life Policy', under which the policy matures at the end of that life. It may be, on the other hand, what is known as an 'Endowment Policy', under which the agreement is that in consideration of certain premiums paid for a fixed term of years at fixed intervals, the company undertakes to pay the amount covered by the policy at the end of a specified period in case the person survives that period. If, on the other hand, the person dies before the expiration of that period, the policy falls due and is payable immediately.

The premiums on the policies may be spread over the whole life of the assured in whole life policies or they may be payable for a fixed term, after which payment of premiums ceases but the policy runs on till death. This latter is known as a 'Limited Payments Policy'.

There are also 'Ascending Scale Policies' under which premiums of smaller amounts payable at the start are

gradually raised at agreed intervals. Where policies are effected by creditors for a short term of years in order to cover some advance made, they are known as 'Short Term Policies'. Thus a creditor who effects a short term policy on the life of his debtor has not only to pay a premium for a short term, but the premium itself is proportionately lower than that usually charged on a whole life policy.

✓ 8. Surrender Value

This is the value which an insurance company assesses and which it is prepared to pay to the assured who desires to surrender his policy and extinguish his claim. Assurance companies generally pay surrender values only on those policies on which at least three full premiums have been paid. It may, however, be added that generally speaking the market surrender value of life policies is higher by 15 to 20 per cent than those offered by the companies. The surrender values are based on the actual premiums paid. As the duration of the policy increases, the assurance company allows a larger surrender value.

✓ 9. Fire Insurance

A contract of Fire Insurance is a contract by which the insurance company or the underwriter or the insurer undertakes for a consideration in the form of a payment of money, either in a lump sum or in instalments, to indemnify the insured against the consequences of a fire, or the loss or injury arising therefrom during an agreed period and up to a certain amount. The contract is to be found embodied in a document known as the 'Policy of Fire Insurance'.

It has been held in various English cases that it is not necessary to have an actual formal policy in order to constitute a valid contract of fire insurance. A slip initialled by a broker with a view to the preparation of a policy may be taken as a contract of insurance, and it has also been held that a mere proposal to insure followed by an acceptance of the proposal in itself constitutes a valid contract of fire insurance even though no payment by way of fire insurance premium has been made. The general practice is that after the proposal by the owner of the property for insurance and

after its acceptance a document called the 'Cover Note' is handed to the insured. This cover note is given as a protection during the interval of time between the proposal and the consideration of that proposal by the company or the underwriter. It has been held that such a cover note is sufficient to enable the holder to claim damages in case fire occurred during the interval. In short, the cover note or an interim protection note constitutes a binding contract for the time mentioned therein.

✓ 10. The Risk

The risk on fire policy commences from the moment of time the cover note or the deposit receipt or the interim protection note is given, and continues for the term covered by the contract of insurance. It is the practice to allow a certain number of days as days of grace within which a fire policy may be renewed after the expiration of the term. In such a case, if a fire occurs within such a time the insured would be entitled to recover the damages. If, on the other hand, it is expressly stipulated in the policy that unless the renewal premium is paid and the renewal risk is accepted the insurance expires, the insured would not be able to recover damages in a case where fire occurred after the expiration of the term and before the acceptance by the fire insurance company of a proposal for further insurance.

✓ 11. Loss by Fire

The question as to what is the meaning of the expression 'Loss by Fire' has frequently arisen. Of course, the literal meaning, viz. damage, loss or deterioration through ignition is included, but much more than that is covered. In India the special Municipal Acts of the different provinces lay down that damage by fire within the meaning of policies in India would include any damage done in the exercise of powers, in case of an outbreak of fire, by a magistrate or members or secretaries of committees, or members of fire brigades, by way of breakage, pulling down of premises, and through any measures that may have to be taken in case of fire to preserve lives or property. The exact wording of the Bombay Municipal Act of 1888 is as follows:

‘Any damage occasioned by the fire brigade in the due execution of their duties, or by any police or municipal officer or servant who aids the fire brigade, shall be deemed to be damage by fire within the meaning of any policy of insurance against fire.’

It would also include the damage to a property caused through heating, which heat has been engendered by some property near it which has caught fire. Of course, pure and simple heating without any ignition of the property itself or anything near it, would not be covered by the expression ‘Loss or Damage by Fire’. In the case of lightning, if an actual fire has been caused by it, it would of course be covered by the ordinary risk of damage by fire; but not otherwise, unless specifically provided for in the policy. In short, losses directly caused through fire, i.e. those that are direct consequences of fire—are covered. The others are not covered unless specifically provided for. If the loss is caused through the malicious act of the insured himself, he would not be able to recover damages. But it would be no excuse for the underwriter to say that the fire was caused through the negligence of the insured.



12. Tariff Offices

The principal fire insurance offices have now combined for the sake of uniformity and have framed their own policy form known as the ‘Standard Policy Form’ and their premiums are also fixed in mutual consultation. Thus the whole business is standardized and uniformity obtained. There are offices outside this ‘Tariff Group’ which are known as Non-tariff Offices and which are entirely independent.



13. Assignment of a Policy

A fire policy can, according to the English Common Law, be assigned only with the consent of the insurer or the insurance company. It is said to be a contract of a personal nature, and therefore a policy of insurance does not pass with the sale or assignment of the property on which it is effected. A transfer or assignment with the consent of the insurance office, as stated above, would only give an effective right to

the assignee. In connexion with our Indian law, Sections 135 and 49 of the Transfer of Property Act, 1882, are important inasmuch as they show that these policies of fire insurance are assignable in India.

Section 135.—‘Every assignee, by endorsement or other writing of policy of marine insurance or of a policy of insurance against fire, in whom the property in the subject insured shall be absolutely vested at the date of the assignment shall have transferred and vested in him all rights of suit as if the contract contained in the policy had been made with himself.’

Section 49.—‘Where immovable property is transferred for consideration, and such property or any part thereof is at the date of transfer insured against loss or damage by fire, the transferee in case of such loss or damage, may, in the absence of a contract to the contrary, require any money which the transferor actually receives under the policy or so much thereof as may be necessary to be applied in reinstating the property.’

✓ 14. Marine Insurance

‘Marine Insurance is a contract whereby the insurer or underwriter undertakes to indemnify the assured in the manner and to the extent thereby agreed, against marine losses, that is to say, losses incidental to marine adventure.’ The instrument in which the contract of marine insurance is recorded is called a policy. The insurer in marine insurance is known as the underwriter and the person who is thereby indemnified is called the insured.

✓ 15. How Marine Insurance is Effected

Before considering the form of the policy of marine insurance generally accepted all over the maritime world, we might consider the manner in which insurance is generally effected in England and in India. In England, besides the large marine insurance companies with which we are quite familiar in India, there are private underwriters who are members of insurance associations like the corporation of Lloyd’s who do a great proportion of the business of marine insurance. Where the insurance is to be effected on Lloyd’s

it is usually done through an insurance broker. It is a contract mainly between the insured and the underwriter. When the broker effects insurance with the private underwriter on Lloyd's he gets a temporary document made out, known as the 'Slip', which consists of a simple statement as to the name of the ship, date, description of the risk, the sum or sums insured and the rate of premiums. The underwriters who undertake the risk as mentioned in the slip initial it each for the sum he thinks proper to underwrite, until the whole amount is subscribed. The legal effect of the slip as described by Justice Blackburn in *Ionides versus Pacific Fire and Marine Insurance Co.* (1871) is as follows: 'The slip is in practice and according to the understanding of those engaged in marine insurance, complete and final contract between the parties, fixing the terms of insurance and the premium and neither party can, without the assent of the other, deviate from the terms thus agreed without a breach of faith for which he would suffer in his credit and future business'. However, subsequent acts introduced in England have clearly laid down that valid contracts of marine insurance can only be entered into by means of instruments known as 'Policies' which should be duly stamped. It would therefore follow that a 'slip', as it is not stamped, would not be a valid contract in English Law. On Lloyd's, however, a slip initialled by a member of Lloyd's would be binding on the member as per the rules of Lloyd's. It has been further held that where a stamped policy has been made out and executed after a slip, the slip may be consulted for the purpose of ascertaining the intention of the parties to the policy. It has, however, been held that if the contract of insurance is made in a country where no stamp laws are enforced, an action may be maintained upon an agreement to issue a policy and a specific performance of it may be ordered.

✓ 16. Marine Policies

A policy of insurance may be either (1) a Valued Policy, i.e. a policy which specifies the agreed value of the subject matter insured, or (2) an Open Policy which does not specify the value of the subject matter insured, which has, therefore, to be ascertained subsequently at the time the claim arises.

or (3) a Time Policy which covers the risk up to a stated amount for a fixed time or (4) a Floating Policy which describes the insurance in general terms and leaves the name of the ship or ships or other particulars to be defined by subsequent disclosures.

17. Salvage

Salvage is a charge made by the owner of a ship or its captain and crew by way of reward or compensation for saving the cargo contained in a ship at sea in accidents.

18. The Principal Clauses of Marine Insurance Policy

The policy of marine insurance is made up of various clauses dealing with the following particulars, which may be dealt with in detail separately. The main headings are as follows:

- (1) Name or names of parties for whom insurance is effected.
- (2) Lost or not-lost clause.
- (3) Description of the voyage or duration of the risk.
- (4) Name of the ship and master.
- (5) Liberty to touch and stay.
- (6) Valuation clause.
- (7) Clause enumerating the perils insured against.
- (8) Sue and labour clause.
- (9) Waiver clause.
- (10) Acknowledgment of receipt of premium and rate charged.
- (11) Memorandum.
- (12) Signatures of the underwriters and risk undertaken by each.

(1) *The Parties*

With regard to this, it may be noted that all persons competent to contract may be parties to a policy of insurance. A policy may be underwritten or undertaken either by an insurance company or an individual underwriter as is the case with Lloyd's in England.

The expression 'for and in the name of all and every other person or persons, etc.', protects all persons who had insurable interest at the time of effecting the policy or who acquired insurable interest during the continuation of the risk.

(2) *Lost or Not Lost*

This clause protects the insured, who in good faith insures goods which are on a ship which has left a foreign port, in case the same were destroyed unknown to him, before he effected the policy. In this case both the insured as well as the insurer ought not to have been aware of the loss of the goods or the steamer at the time of the insurance. If the insured knew of the loss and did not inform the insurer at the time of effecting insurance the policy would be void.

(3) *Description of the Voyage or Duration of the Risk*

This clause begins with the words 'at and from' and in the blank left in the policy is inserted the description of the voyage intended to be insured. The risk begins from the place at which the steamer is at the time of insurance and ends when she arrives at the port of destination.

(4) *Name of the Ship and Master*

Here is given the name of the ship and the master for the voyage which is insured by it.

(5) *Liberty to Touch and Stay and 'Deviation'*

This clause runs: 'And it shall be lawful for the said ship, etc., in this voyage to proceed sail and to touch and stay at any ports or places whatsoever, without prejudice to this insurance.' A gap left in this clause has to be filled in with the names of the particular ports the steamer is at liberty to touch. This is done because according to law, it is the duty of the insured not to deviate, i.e. go out of the proper course which steamers generally take while proceeding on a voyage between any two given seaports, unless deviation is caused through one of the causes which are excused, or unless the policy expressly provides for such a deviation. In the following circumstances deviation would be excused:

- (i) If specifically provided for by the policy.
- (ii) If necessitated either by moral or physical force.
- (iii) Through unavoidable necessity.

- (iv) To save human life.
- (v) To obtain medical assistance for any person on board.
- (vi) To avoid capture and seizure by the king's enemies, pirates, etc.
- (vii) By stress of weather.

It may happen that the captain may be compelled by mutiny of sailors or by stress of weather to deviate from his course, in which case the deviation would undoubtedly be excused.

(6) *Valuation Clause*

This clause states the actual value of the goods as agreed upon between the underwriter and the insured in the case of a valued policy, and in the case of an open policy a blank is left after the words, 'and shall be valued at'

(7) *Sea Perils Insured Against, or the Perils of the Sea*

These perils include in detail all the perils against which the insured is protected. This clause in Lloyd's embraces almost all the sea perils including 'perils of the seas, men-of-war, fire, pirates, rovers, thieves, jettisons, arrests, restraints and detention of all kings, princes and people, barratry of masters and mariners and of all other perils, losses, and misfortunes that have or shall come to the hurt, detriment or damage of the said goods or merchandise and the ship'.

(8) *Sue and Labour Clause*

Under this clause it is specifically provided that it shall be lawful to the assured, his factors, agents and assigns to do all in their power to defend the property insured in case of damage or loss; and in return the underwriter agrees that the insured's rights to his insurance claim are not in any way prejudiced; and that all the expenses thought lawful in such attempt shall, save costs against the damage insured, be made good by the underwriter.

(9) *Waiver Clause*

The waiver clause is in fact a continuation of the 'sue and labour' clause because it lays down in fact that 'no acts of the assurer or assured in recovering, saving or preserving the

property insured, shall be considered as a waiver or acceptance of abandonment'. This clause is nowadays found in almost all public policies of Lloyd's.

(10) *Receipt of Premium and the Rate Charged*

The receipt of premium and the rate charged are stated in this clause. Premium is the consideration paid by the insured to the underwriter for undertaking to indemnify him against the loss as per the terms of the policy. The form of Lloyd's policy clearly uses the words, 'confessing ourselves paid the consideration due . . .', as if the premium had already been paid to the underwriter at the time the policy was effected. In practice, however, the premium in London on Lloyd's is not paid by the broker at the time of effecting the policy. The practice there is to pass the amount in account between the insurance broker and the underwriter.

(11) *Memorandum*

The commodities which are the subject-matter of marine insurance comprise various articles which are liable to undergo deterioration or damage to a greater or lesser extent according to their peculiar nature. Some of these commodities may even perish or be damaged through detention or delay. To avoid, therefore, claims arising through the inherent vice in the nature of such commodities, almost every policy of insurance includes a clause or memorandum: in the case of the Lloyd's policy it is called the F.P.A. clause. Under the F.P.A. clause the underwriter is liable for total loss but is not liable for particular average or partial loss. Partial loss is agreed to be paid if it exceeds three per cent in certain cases, and five per cent in others.

✓ 19. Reinsurance

An underwriter or an insurance company may, when the risk is considered too great, get a part reinsured with another underwriter or insurance company. This reinsurance does not affect the position of the original insured, for the original insurance remains a distinct contract by itself and the reinsurance in its turn forms an equally distinct contract, between the second set of parties. The original insured therefore has no claim on the reinsurance contract, but can

only claim from his own underwriter. To take an illustration: supposing A gets his ship insured with B for Rs. 10,000 for a certain premium. Now, if B the underwriter wishes to reinsure half the risk, he may reinsure with C for say Rs. 5,000. In case of loss A can only put in a claim against B, but he has no right against C. B has to pay his claim and in his turn claim half the loss from C. If, therefore, B were to fail and A's claim is not paid, A cannot claim the reinsured amount from the underwriter C with whom the reinsurance was effected. C is liable to pay in such an event only to B's trustee in bankruptcy.

20. Double Insurance

Double insurance is quite distinct from reinsurance. Here, the assured effects more than one insurance. If he does so without any fraudulent intent, he can recover on all the policies. If the total amount of all the policies taken together comes to more than the actual value of the subject-matter insured, the insured can only recover the actual value. He can recover the full value on the original policies till his total loss is made up. If, for example, a merchant not knowing the actual value of his goods, insures them for an approximate amount, and then thinking that amount is not sufficient to cover the risk effects a second insurance, he can do so. Now, when the loss occurs, he may recover as much of it as he can, from the first policy, and if that does not satisfy his claim, he may proceed to recover the balance on the other policy. The underwriters may, thereafter, adjust their contributions among themselves.

21. Losses

The losses of insurance may be either (1) Partial or (2) Total. Total losses are again sub-divided into (a) Actual Total Loss and (b) Constructive Total Loss. The various causes of partial losses were considered while dealing with the expression, 'perils of the sea'. A partial loss arises where the subject-matter insured is damaged only partially, or where it is not damaged at all, but a contribution by way of general average is exacted (see § 25).

22. Actual Total Loss

An actual total loss arises when the thing is (1) wholly destroyed or annihilated by any of the risks against which it was insured, as when a thing is broken to pieces and no longer answers the original description, or is burnt to ashes, or goes down to the bottom of the sea; or (2) is through the same risk lost to the assured absolutely or irrecoverably so that it is beyond the powers of the insured party to recover it, as where in one case a ship ran on an island and was wrecked and the goods thereon were plundered by savages who lived there.

23. Constructive Total Loss

This loss arises when the thing insured, though not wholly destroyed, is reduced to such a state or is placed in such a position that to get it repaired would be most expensive and no prudent man would care to do so, or its ultimate safety would be most doubtful. This may arise when a ship has run on a rock and is stranded there badly damaged and to send out steamers to save and bring back and repair it would involve an expense greater than the actual value of the steamer, or when the risk involved is so great that no prudent business man would care to undertake the adventure.

24. Particular Average

The losses in marine insurance are also divided into two special divisions known as (1) Particular Average Loss and (2) General Average Loss. Arnold defines particular average loss as follows:

‘A particular average loss is a loss arising from damage accidentally and proximately caused by the perils insured against, to some particular interest, as the ship alone or the cargo alone.’

It is thus seen that the particular average loss is a loss sustained through the perils insured against, not for the general safety of the ship, but through a mere accident. It would have to be borne by the owner of the goods if they were not insured against the particular accident.

✓ 25. General Average

The General Average Loss stands on quite a different footing from the particular average. In the case of general average the loss arises from a voluntary sacrifice by the captain of a part of the cargo, or some part of the furniture of the ship itself, or some extraordinary expenditure incurred by way of repairs, etc., to enable the ship to proceed safely with her journey. If, for example, the ship on its voyage meets with a heavy storm and is drifting towards rocks, or is leaking and the captain thinks, after due deliberation in the circumstances, that a part of the cargo must be sacrificed by being thrown overboard; if the mast and the ship's cable have to be detached to effect urgent repairs, consequent to the damages suffered by his ship; or if the assistance of some other ship is taken to tow it to a port of safety, to the owner of which salvage has to be paid, all these losses and the extraordinary expenses voluntarily incurred would make up the total of the general average loss. Now as this general average loss is voluntarily incurred in order to save the ship and the balance of the cargo, all the persons interested in the voyage must each contribute towards this loss rateably. If, for example, a ship has on board the goods of A, B, C and D and the captain has to sacrifice all the goods of A and half of those of B and has also to break and throw overboard the mast, it would be inequitable to allow C and D to receive their goods without contribution. The loss incurred in this case by A and B as well as by the ship-owner was for the general safety, and therefore, all the parties interested, viz. A, B, C, D, and the ship-owner, should bear their relative proportion of the loss.

✓ 26. Average

In connexion with Averages, various abbreviations are used, which are as follows:

F.P.A. (Free of Particular Average). Here the underwriter will only pay for general average loss.

F.C.S. (Free of Capture and Seizure). Here the underwriter does not take the war risk, which is capture and seizure of the ship by the enemy.

W.P.A. (With Particular Average). Here the underwriter agrees to pay for all partial losses caused by the perils at sea.

A.A.R. (Against All Risks). Here the policy covers all risks.

F.G.A. (Foreign General Average). This means that the general average would be prepared according to the law of the port of destination or in the nearest port after the loss is suffered. If it happens to be a foreign port, the statement will naturally be prepared according to its law.

27. Causa Proxima

The literal meaning of this Latin expression is 'Proximate Cause'. This arises when a property is insured at sea and more than one cause operates to bring about loss, in which case the proximate cause ought to be considered. Thus, in a case where the cargo was damaged by sea-water which trickled from a pipe gnawed by rats, it was held that the proximate cause was the sea-water, and the insured was entitled to damages, the rats being a remote cause.

28. Bottomry Bond

When the master of a ship is in urgent need of money which he cannot raise on the owner's credit, or is unable to communicate with the owner, he has the power to give a bond known as the 'bottomry bond', by which he pledges the ship as a security to the person advancing money. The peculiarity of this bond is that the capital and interest on the loan is payable only if the ship reaches its destination. If, therefore, after this bond is given, the master proceeds with the voyage and has, at some other port, to raise further money for urgent repairs, for which he gives a second bottomry bond to some other person, this second part acquires a prior right over that of the lender on the first bond. If, however, after setting out on a voyage, it cannot be completed, or has to be abandoned, either owing to any act of the master, or through some impossibility which the bond-holder cannot control, the bond becomes due and payable. Where the ship is totally lost, the bond becomes void; but if a part of it is saved the amount of the bond can be recovered therefrom.

29. Respondentia

When money is borrowed on the security of the cargo the bond is known as 'respondentia'. In this case also, the captain must in the first instance try to communicate with the cargo-owner, and this money should have been borrowed exclusively for the benefit of the cargo.

QUESTIONS

1. Explain the nature of a bottomry bond, and state why there is considerable risk in advancing money on bottomry. (Madras, I.G., 1915.)

2. Explain the meaning of the terms: General Average, Particular Average, Valued Policy, Insurable Interest, Salvage and Seaworthiness.

What is a Slip (in marine insurance)? has it any legal effect? (Madras, I.G., 1916.)

3. In a case of jettison, is the freight to be paid by the consignee on the total quantity as per bill of lading, or on the nett quantity landed? (Madras, I.G., 1916.)

4. 'Ship warranted free from average under 3 per cent unless general or the ship be stranded.' Explain the effect of the insertion of this clause in a marine policy. (Madras, I.G., 1916.)

5. What are the essentials necessary to bring into operation the general average clause in a policy of marine insurance? How is G.A. loss apportioned and by whom? What means are taken to ensure that contributions will be paid? (Madras, I.G., 1919.)

6. A ship is chartered to carry a cargo of cotton from Bombay to Liverpool, freight being payable on delivery. On the voyage, the cargo is damaged by sea-water getting into the hold by reason of something which is not an expected peril. The charterer tenders the freight less the amount of the damage at destination. Is the ship-owner bound to deliver? Can he sell the cargo and retain the amount of the freight out of the proceeds? (Madras, I.G., 1919.)

7. (1) Distinguish clearly between charter parties and bills of lading.

(2) The mate's receipts granted to a shipper of goods contained the following remarks: 'Two cases broken.' Can he obtain a clean bill of lading? If so, how? (Madras, I.G., 1920.)

8. Explain the effect of the insertion of the following in a policy of marine insurance:

(1) F.G.A., (2) F.P.A., (3) At and from Bombay, and (4) Average on every 50 bags running landing numbers. (Madras, I.G., 1920.)

9. (a) What perils are usually excepted in a bill of lading? Describe at least five of them.

(b) How does a ship-owner protect himself from liability for deterioration to the cargo due to the nature of goods? (Madras, I.G., 1921.)

10. Explain the terms (1) Free from Average, (2) General Average, (3) Bottomry Bond, (4) Demurrage, (5) Hat-money, (6) Royalty, (7) Underwriting, (8) Allonge. (Madras, I.G., 1921.)

11. What is Primage? Give the original and the present methods for its calculation. (Madras, I.G., 1922.)

12. In preparing a claim for Particular Average loss, what documents would you, as the assured, produce? (Madras, I.G., 1922.)

13. Define 'Bottomry' and say what steps would be taken by the captain of a ship should he desire to avail himself of the facilities offered under this term. (Madras, I.G., 1922.)

14. Explain briefly the general provisions embodied in drawing up a charter party.

What is the meaning of 'Constructive Loss', 'General Average', 'Jettisoned' and 'Stevedore'? (Madras, I.G., 1923.)

15. Notice of a claim has been given to an insurance company of the total loss of a coasting vessel. The insurance company notified have satisfied themselves that the vessel was insured in two different companies—in their company for £10,000 and in the other for £30,000. The loss has been admitted at £30,000. Write a letter from the insurance company to the owners regarding the claim stating the amount the company is prepared to pay. (Madras, I.G., 1921.)

16. Mention two methods by which insurance may be effected and explain either one of them in detail. (Madras, I.G., 1924.)

17. Give a list of documents to be produced when preparing a claim for a particular average loss on cargo. (Madras, L.G., 1924.)

18. State the difference between general average and particular average. (Madras, L.G., 1926.)

19. What abbreviations are used for the following phrases? Free on board; Errors and omissions excepted; Free alongside ship; Cost, Freight and Insurance; Bill of Exchange; Last month; Next month. (U.P., 1921.)

20. Draft a letter to an insurance company asking for details with regard to premium, conditions, etc., for the insurance of a building against fire. (Punjab, 1925.)

21. Draft a letter to an insurance company claiming for goods damaged in transit. Add necessary details. (Punjab, 1925.)

A FEW IMPORTANT DEFINITIONS

Advice Note.—A written communication that a particular transaction has taken place or is about to take place.

Allonge.—This is a slip of paper affixed to a bill of exchange or cheque (of the same width as the bill or cheque) in order to accommodate further endorsements. The first endorser on the allonge signs in such a way that part of his endorsement appears on the bill itself and part on the allonge slip.

Bailment.—This is a general term to indicate the entrusting of any goods or valuables, either for storage or for carriage, or for any other purpose, on the condition that they should be returned after the purpose for which they have been given is accomplished. Thus the handing over of goods to a warehouseman or to a railway company or to a pledgee would be a 'bailment'.

Bear Transaction.—A bear transaction is a transaction, either on the stock exchange or share market, when a dealer or speculator sells for account or future delivery a certain quantity of stock, shares, or goods at the current market price to be delivered at a future date. Here the speculator, technically called the 'bear', expects that the market will fall, and that by buying at a lower price at the date of delivery and delivering at the current price on the date of sale he will make a profit. A 'bull' is one who endeavours by speculative purchases to raise the price of stocks.

Bonded Goods.—Merchandise liable to duty, deposited in a government warehouse until the duty is paid.

Clearance.—Clearance certificates have to be given when a ship arrives in or leaves a port. In the former case the certificate given is called the 'ship's clearance inward'. This is given after the arrival of the ship and report by the master as to its cargo and crew to the customs authorities, plus payment of tonnage dues and unloading.

Ships going out of port must obtain permission from the customs authorities. This permission is called the 'ship's clearance outwards' and is given after a full account of the ship's cargo has been made and duly paid.

Crate.—This is a package or case made of light wood for the purpose of packing various articles, such as bicycles, etc., for shipment.

Drawback.—The excise duty returnable by the authorities on exportation of excisable goods.

Garnishee Order.—This is an order issued by the court after a decree has been passed in favour of a judgment creditor, asking the third party who owes a sum of money to the judgment debtor not to part with it without further orders of the court.

Hat-money (or *primage*).—A customary allowance formerly made by a shipper to the master of a vessel for his trouble in the loading and care of the cargo. It is so called because the money was dropped into a hat. Nowadays a percentage addition to the freight is paid to the master.

Hide.—A reference to this is included in the F.P.A. clause or the memorandum in a marine insurance policy, which *inter alia* states that 'hides and skins, etc., are warranted from average under £5 per cent'.

Inset.—Something set in, or inserted in a page. For example, in newspapers and magazines, etc., a picture or illustration may be inserted either in the middle, or on one of the corners of the page on which the subject-matter is dealt with. This is called an inset.

Jettison.—The act of throwing cargo overboard to lighten a ship and save her in a storm, or when in danger of being sunk.

Jobber's Turn.—A jobber is a dealer on the London Stock Exchange, of which he is a member, who buys and sells stocks and shares on his own account. When he is asked to quote, he quotes two prices: one at which he is prepared to buy, and the other at which he is prepared to sell the same stock. The price of sale is generally a little higher than the price of purchase, and the difference between these two is called the 'Jobber's turn'.

Khoka.—This name is given to a *hundi* in indigenous banking. When it is lost, and a duplicate copy is given, the duplicate is called a *paith*.

Lay Days.—A term used to signify the number of days allowed for the unloading of ships as agreed upon by the owner of the ship.

Lien.—The right of a person, who is in possession of another person's goods or property, to retain them if the owner of such goods or property is indebted to him.

Novatio or Novation.—This is a new contract entered into in substitution of an old one, which is thereby rescinded by mutual agreement of the parties concerned.

Scrip.—This is a provisional certificate, issued by companies or corporations or governments as evidence that the holder is entitled to bonds, stocks or shares when issued, and when all the instalments due in respect of them have been paid.

Ship's Manifest.—This is a document which embraces a formal statement as to the ship or cargo and the names of ports to which she is going, for the use of the custom authorities.

Stranding.—A term used in marine insurance for running aground a ship, either on a rock or on a sandbank, and allowing it to remain in that position for any length of time.

Ullage.—This term denotes the difference between the quantity actually contained in a cask and the full capacity of the cask. Ullage is also sometimes used to denote waste in casks or bottles of liquid due to leakage, evaporation, etc.

ABBREVIATIONS

Phrases sometimes used in Business

<i>ab initio</i>	...	...	from the beginning
<i>ad interim</i>	...	...	meanwhile
<i>ad valorem</i>	...	...	according to the value
<i>bona fide</i>	...	...	in good faith
<i>causa proxima</i>	...	...	proximate cause
<i>caveat emptor</i>	...	...	let the purchaser beware!
<i>de facto</i>	...	...	in point of fact; actually
<i>del credere</i>	...	...	see X, § 4
<i>ex gratia</i>	...	...	as an act of grace; as a favour
<i>ex officio</i>	...	...	officially
<i>ex parte</i>	...	...	from one point of view; one side
<i>ex tempore</i>	...	...	at the time; offhand
<i>facsimile</i>	...	...	an engraved resemblance of a man's hand-writing
<i>gratis</i> ...	...	...	free; for nothing
<i>in camera</i>	...	...	in the judge's chamber; in private
<i>in extenso</i>	...	...	at full length
<i>in re</i> ...	...	...	in the matter of
<i>inter alia</i>	...	...	among other things
<i>in transitu</i>	...	...	in passing; on the way
<i>intra vires</i>	...	...	within the powers (of)
<i>ipso facto</i>	...	...	by the fact itself
<i>locus standi</i>	...	...	recognized place or position; standing place
<i>nemine contradicente</i>	...	...	without opposition (nem. con.)
<i>nota bene (N.B.)</i>	...	...	mark or note well
<i>par</i> ...	...	...	equal to face value
<i>pari passu</i>	...	...	at an equal rate; on the same footing
<i>per</i> ...	...	...	by; by means of
<i>per annum</i>	...	...	by the year
<i>per centum</i>	...	...	by the hundred
<i>per diem</i>	...	...	by the day
<i>per mensem</i>	...	...	monthly; by the month
<i>per se</i> ...	...	...	by itself
<i>prima facie</i>	...	...	at first sight or appearance
<i>pro forma</i>	...	...	as a matter of form
<i>pro rata</i>	...	...	at the same rate; in proportion
<i>sic</i> ...	...	...	thus in the original
<i>sine die</i> ...	...	...	without fixing a day
<i>sine qua non</i>	...	...	an indispensable condition

<i>status quo ante</i> ...	...	the same state as before; as things were before
<i>stet</i> ...	...	let it stand or remain
<i>sub judice</i> ...	...	under judicial consideration
<i>sub poena</i> ...	...	under penalty (of)
<i>uberrimae fidei</i> ...	...	in the utmost good faith
<i>ultra vires</i> ...	...	beyond (legal) powers
<i>vade mecum</i> ...	...	go with me; a pocket companion
<i>verbatim</i> ...	...	word for word
<i>via media</i> ...	...	a middle course
<i>via</i> ...	...	by way of
<i>vice versa</i> ...	...	the other way round; the reverse
<i>vide</i> ...	...	see

Commercial Abbreviations

A.A.R. }	...	Against all risks
A.a.r. }	...	
A.r. }	...	
Ad lib. ...	...	<i>Ad libitum</i> (at pleasure)
A. 1 ...	...	First class
A/C ...	...	Account current
Ackgt. ...	...	Acknowledgment
A.D. ...	...	<i>Anno Domini</i> (in the year of the Lord)
A/d, or a.d. ...	...	After date
Ad val. ...	...	<i>Ad valorem</i> (on the basis of value)
a.m. ...	...	<i>Ante meridiem</i> (before noon)
Amt. ...	...	Amount
Ans. ...	...	Answer
A.P. ...	...	(1) A protester, i.e. to be protested (bills) (2) Additional premium (insurance)
A/S ...	...	Account sales
a. s. ...	...	At sight
Av. or avoir. ...	...	Avoirdupois
Bal. ...	...	Balance
B.B. ...	...	Bill book
B/d ...	...	Brought down
B/E ...	...	Bill of exchange
Bxs. ...	...	Boxes
Bl. ...	...	Bale; barrel
B/L ...	...	Bill of lading
B.P.B. ...	...	Bank post bill
B/R ...	...	Bill receivable
B. S. ...	...	Balance sheet
B/S ...	...	Bill of sale
C.B. ...	...	Cash book
C/d ...	...	Carried down
Cent. ...	...	<i>Centum</i> (100); centime; centigrade
C. and F. ...	...	Cost and freight
C/f ...	...	Carried forward
Cf ...	..	<i>Conferatur</i> (compare)

c.f.i. ...	... / Cost, freight and insurance
c.i.f. ...	... / Cost, insurance and freight
c.i.f. & c. ...	... / Cost, insurance, freight and commission
c.i.f. & i. ...	... / Cost, insurance, freight and interest
c.i.f.c. & i. ...	... / Cost, insurance, freight, commission and interest
C/N ...	... Credit note; consignment note; circular note
c/o ...	... Care of; carried over
C.O.D. ...	... / Cash on delivery
Con. Inv. ...	... Consular invoice
C/P ...	... Charter party; custom of ports
Cr. ...	... / Creditor
Cum. div. { c.d. }	... Cum dividend (with dividend)
Cum. pref. ...	... Cumulative preference (shares)
C.W.O. ...	... / Cash with order
D/A ...	... Days after acceptance; documents against acceptance; discharge afloat; deposit account
d.b. ...	... Day book
D/D ...	... Demand draft
d.d. ...	... Days after date; days' date
Dept. ...	... / Department
Dis. ...	... / Discount
Dist. ...	... District
Div. ...	... Dividend; division
D.L.O. ...	... Dead letter office
D/N ...	... Debit note
D/O ...	... Delivery order
D.O. letter ...	... Demi-official letter
do. ...	... Ditto (the same)
D/P ...	... Documents against payment
Dr. ...	... / Debtor
d.s. ...	... Days' sight
D/W ...	... Dock warrant
E. & O.E. { E.E. }	... / Errors and omissions excepted
e.g. ...	... <i>Exempli gratia</i> (for example)
E/I ...	... Endorsement irregular
Enclo. ...	... Enclosure
etc. ...	... <i>Et cetera</i> (and other things)
et seq. ...	... <i>Et sequens</i> (and the following)
Ex. div. { x.d. }	... Without next dividend
Ex. int. ...	... Without next interest
f.a.a. ...	... Free of all average (marine)
F.a.q. ...	... Fair average quality
F.c.s. ...	... Free of capture and seizure
F.a.s. ...	... Free alongside ship
F.f.a. ...	... Free from alongside; free foreign agency
F.g.a. ...	... Foreign general average (marine)
F.o.b. ...	... Free on board

F.o.c. ...	... Free of charge
F.o.r. ...	... Free on rail
F.o.s. ...	... Free on steamer
F.o.t. ...	... Free on trucks
F.p.a. ...	... Free of particular average
G/A ...	... / General average (marine insurance)
G.P.O. ...	... General post office
Hhd. ...	... Hogshead
H.M.C. ...	... His Majesty's Customs
H.M.S. ...	... His Majesty's Service
H. O. ...	... / Head office
h.p. ...	... / Horse power
I. C. & C. ...	... Invoice, cost and charges
Ibid. ...	... <i>Ibidem</i> (in the same place)
id. ...	... <i>Idem</i> (the same)
i.e. ...	... <i>Id est</i> (that is)
I/I ...	Indorsement irregular
I.O.U. ...	... I owe you
L/A ...	... Letter of authority
L/C ...	... Letter of credit
Ltd. ...	... / Limited
m.d. ...	... Months' date (i.e. months after date)
M. O. ...	... / Money order
Mr. ...	... Mister
Mrs. ...	... Mistress
MS. ...	... Manuscript
m/s ...	... Months' sight (i.e. months after sight)
MSS. ...	... Manuscripts
N/A ...	... No advice (banking); no account; non-acceptance
N.B. ...	... Take note; mark well
n/e ...	... No effects
Net, nett ...	... <i>Netto</i> (lowest)
N/f ...	... No funds
N/O ...	... No orders
No. ...	... / Number
n/s ...	... Not sufficient (banking)
O/A ...	... / On account of
O.H.M.S. ...	... On His Majesty's Service
Oz. ...	... Ounce
% ...	... / Per cent
‰ ...	... / Per mille—per thousand
P/A ...	... Power of attorney
P. and L. ...	... / Profit and loss
P.A. ...	... / Particular average
P.C.B. ...	... / Petty cash book
Per ann. ...	... / <i>Per annum</i> (by the year)
Per cent....	... / <i>Per centum</i> (by the hundred)
Per pro....	... <i>Per procurationem</i> (on behalf of)
p.pro. ... }	
p.p. ... }	

P.L.	...	...	Partial loss (insurance)
p.n.	...	...	Promissory note
P. O.	...	...	Post office ; postal order
P.O.B.	...	...	Post office box
pp.	...	...	Pages
P. p. i.	...	..	Policy proof of interest (marine insurance)
PPS.	...	...	A further postscript
Pref.	...	...	Preference ; preferred
Pro	...	...	For
Pro and con	...	...	For and against
Pro forma	...	...	As a matter of form
Pro tem.	...	...	<i>Pro tempore</i> (for the time being)
prox.	...	..	<i>Proximo</i> (next month)
PS.	...	...	<i>Post scriptum</i> ; postscript
P.T.O.	...	...	Please turn over
Qty.	...	...	Quality
Qr.	...	...	Quarter
Qt.	...	...	Quart
R/D	...	...	Refer to drawer (banking)
R. D. C.	...	...	Running down clause (insurance)
re	...	...	With reference to, in the matter of
recd.	..	...	Received
reg., regd.	...	...	Registered
R.R.	..	...	Rail road
R/R	...	...	Railway receipt
R.S.V.P.	..	...	<i>Répondez, s'il vous plaît</i> (French). Please reply
S/N	...	...	Shipping note
S.S.	...	...	Steamship
St.	..	...	Saint, street
T.L.O.	...	...	Total loss only (marine insurance)
T.M.O.	...	..	Telegraph money order
T.O.	...	..	Turn over
T/q	...	...	<i>Tale quale</i> (Latin—average quality ; subsequent damage at buyer's risk)
T.T.	...	...	Telegraphic transfer
Ult.	...	..	<i>Ultimo</i> (last month)
U.S.A.	...	...	United States of America
U.S.S.R.	...	...	Union of Socialist Soviet Republics
Viz.	...	...	<i>Videlicet</i> (namely)
V.P.P.	...	...	Value Payable Post
&	...	...	And
&c.	...	..	And the rest, and so on

MISCELLANEOUS QUESTIONS

1. Explain the following abbreviations: B.P.B.; per pro; A/C, I.O.U.; C. & F.; V.P.P. (Madras, E. 1915.)
2. Explain the following abbreviations: B/L; C.F.I.; F.O.B.; D/A. (Madras, E. 1916.)
3. Explain the following: d.b.; T.T.; C.I.F.; F.O.R.; E. and O.E. (Madras, E. 1917.)
4. What do you understand by the following: Demurrage; c.i.f.; par; x.d.; F.O.B.; B/E; usance? (Madras, E. 1919.)
5. Explain the following terms and abbreviations: R/D; x.d.; per pro; o/a; ibid.; i.e.; demurrage; salvage. (Madras, E. 1920.)
6. Explain the following terms and abbreviations: N.B.; x.d.; per pro; inter alia; ultra vires; E. & O.E.; C.O.D.; ex officio. (Madras, E. 1921.)
7. Explain the following terms and abbreviations: Ad lib.; ad valorem; B/O; B/L; bona fide; C.I.F.; C.I.F. & I.; de facto; F.A.A.; F.P.A.; nem. con.; prima facie; sine die; E. and O.E. (Madras, E. 1922.)
8. Give the meaning of the following, explaining the abbreviations: (1) R.D.C.; (2) Hide clause; (3) f.a.a.; (4) F.C.S.; (5) Dispatch money; (6) Stranding; (7) F.a.s.; and (8) F.a.q. (Madras, I.G., 1919.)
9. Comment briefly upon: (a) Lay days; (b) Demurrage; (c) 'Not negotiable'; (d) Acceptance for honour. (Madras, I.G. 1922.)
10. Explain: Freight note; market report; f.g.a.; c.f.i.; price current; carrying trade. (Madras, I.G. 1924.)
11. Explain: F.C.S.; p.p.i; A/S; Home trade. (Madras, L.G. 1925.)
12. Explain the following: c.i.f.; D/P; A.1; 2 m/s; D/D. (Madras, L.G. 1926.)
13. Explain clearly what you understand by: Balance of trade; carrying trade; indents; certificate of origin; pro forma invoice; medium of exchange; currency. (Madras, L. G. 1926.)
14. Explain the following: Credit note; consular invoice; account current, and mate's receipt. (Madras, L.G. 1927.)
15. Explain fully any five of the following: Primage; delivery order; perils of the seas; clearance outwards; balance of trade; freight note; money market. (Madras, L.G. 1928.)
16. Explain fully any six of the following: Money market; special crossing; carrying trade; bottomry bond; accommodation bill; dead freight; general average. (Madras, L.G. 1929.)
17. Explain the following commercial terms: (a) Post-date; (b)

Dividend; (c) Maturity; (d) Bills payable; (e) Order cheque; (f) Invoice. (U.P., 1924.)

18. Explain briefly the following terms: Account Sales; debit notes; bill of lading; statement of account. (U.P., 1925.)

19. Explain any five of the following terms and abbreviations: Qualified acceptance; consignment note; D.L.O.; cypher telegram; franking; special crossing; certificate of posting. (U.P., 1926.)

20. Explain briefly the meaning of any six of the following terms and abbreviations: B/L; No effects; P/A; crate; outlook envelope; trade mark; not negotiable crossing; demurrage; ‰. (U.P., 1927.)

21. Explain any six of the following terms and abbreviations: Secret codes; I.O.U.; E. & O.E.; allonge; carat; deposit receipt; and pass book. (U.P., 1928.)

22. Explain the following business terms and abbreviations: Bill of exchange; current account; F.o.b.; docketing; I.O.U.; ult.; D.O. letter; Dr.; B/L; acceptance. (Benares, 1925.)

23. Explain the following terms and abbreviations carefully: Postal order; V.P.P; P/N; debit note; and F.a.s. (Benares, 1926.)

24. Explain the following terms and abbreviations clearly: Letter of credit; account sales; endorsement; A/C; franco; C.I.F.; F.O.R.; crossed cheque; allonge; and idem. (Benares, 1927.)

25. For what do the following abbreviations stand? L/C; p.n.; M.S.; C.f.i.; O.H.M.S., p.p.; carr. pd. (Punjab, 1925.)

26. Explain the following terms: Circular notes; day-book; discount; premium; liquidation; assets; and charter. (Punjab, 1925.)

27. Explain what the following abbreviations signify, and use them in sentences: Ad val.; a.m.; C.W.O.; f.o.b.; and inset. (Punjab, 1926.)

28. Explain the following terms: Advice; articles of association; balance sheet; charter; duties; policy and tariff. (Punjab, 1926.)

29. Explain any five of the following terms: Bullion; balance sheet; insolvent; goodwill; power of attorney; indent; mortgage; liquidation; rate of foreign exchange; demurrage. (Delhi Board, 1927.)

EXAMINATION PAPERS

MADRAS GOVERNMENT TECHNICAL EXAMINATIONS

April, 1931

THEORY AND PRACTICE OF COMMERCE

LOWER GRADE—FIRST PAPER

Time: Three Hours

1. Supposing you are in charge of the forwarding department of a wholesale firm and you receive a message from the general office to say that Mr. Boys, one of your retail customers, has returned his September account with a letter to the effect that the goods invoiced on the 18th September value Rs. 17-12-0 have not been delivered. How would you deal with the situation?

2. (a) Orders received from foreign countries are usually called indents. What particulars would you find on such an indent?

(b) What is the procedure followed by a merchant when importing goods?

3. (a) Rule a form of Inward Correspondence Book and enter six communications.

(b) Describe cross-referencing as applied to the letter book and illustrate your description by an example.

(c) Briefly explain what a card index is and name some purposes for which a card index is suitable.

4. (a) What is the object of registering letters? What is the fee for registration and what is the procedure when making up and posting a registered letter?

(b) Condense the following into telegrams not to exceed twelve words each:

(1) 'I was not able to keep the appointment today, but will meet you to-morrow, same time and place and will bring samples with me.'

(2) 'The goods which you ordered are not now in stock but we hope to be able to supply them in a day or two.'

5. (a) In what way is a current account different from a deposit account? Which do you consider more useful to a business man, and why?

(b) Wilson and Walker Limited owe Johnson Bros. Rs. 750 whilst Johnson Bros. owe the Road Transport Company a like amount. Draw up the Bill of Exchange to meet the situation. Indicate the value of stamp required. Accept the bill in the necessary fashion.

6. A box of goods is received from the Railway Company in a palpably damaged condition and compensation is claimed. Trace the steps to be taken until the matter is settled.

7. (a) Draft two letters in acknowledgment of orders received from different firms that have never done business with you before. One of them offers you an order which would entail plenty of work and does not appear very profitable to you whereas the business proposed by the second firm is particularly desirable.

(b) A coal merchant has quoted you Rs. 45 per ton for coal which you can buy elsewhere at Rs. 42-8-0. Write a letter in answer to his reminder that he has received no order from you.

8. Mr. B. Browne of Bombay has written to you to say that he is commencing business as a newsagent and stationer and asking your advice as to the best method of preserving incoming correspondence. Write a suitable reply.

MADRAS GOVERNMENT TECHNICAL EXAMINATIONS

April, 1931

THEORY AND PRACTICE OF COMMERCE

LOWER GRADE—SECOND PAPER

Time: Three Hours

1. (a) What is a lien? What lien has the seller over the goods sold?

(b) When and in what circumstances can the seller of goods exercise his right of resale of the goods?

(c) What are implied warranties? Explain the warranties implied in a contract for sale of goods.

2. (a) Explain the scope of authority of a partner to bind the other partners.

(b) *A* and *B* agree to divide the profits of a business in equal shares, but the loss, if any, is to be borne by *A* alone. Explain clearly if it is a case of partnership.

3. (a) Explain the principal differences between the memorandum of association of a company and the articles of association. How and to what extent can each of them be altered?

(b) Show how a private limited company differs from a public limited company.

(c) What is the effect of the word 'limited' in the name of a company and when may it be dispensed with?

4. What is a bill of lading and what purpose does it serve? Explain how far it is a negotiable instrument.

5. Explain clearly how general average loss differs from particular average loss. Illustrate your answer by giving examples.

6. State what is meant by acceptance for honour and explain the rights and liabilities of an acceptor for honour.

7. What is meant by crossing? State the various methods of crossing a cheque, explaining the effect in each case.

8. Reply to an advertisement of a manufacturer of dyes for an agent at Madras. Offer your services, stating the present business in which you are engaged and explaining how you would be best fitted to undertake the agency. Give references and quote your terms.

Draft a suitable reply as from the manufacturer accepting your offer. Supply whatever details you think necessary.

MADRAS GOVERNMENT TECHNICAL EXAMINATIONS

April, 1931

THEORY AND PRACTICE OF COMMERCE

HIGHER GRADE—FIRST PAPER

Time: Three Hours

1. (a) What are the main functions of a chamber of commerce? Name two chambers of commerce that you have heard of in Madras and the privileges enjoyed by them with regard to their representation in other bodies.

(b) How are consuls useful to the countries which appoint them?

2. (a) What are 'received for shipment' bills of lading? Why are such bills issued? Is a 'received for shipment' bill a good tender where delivery of a bill of lading is demanded? Assign reasons for saying 'yes' or 'no'.

(b) How does a bill of lading differ from a mate's receipt? Distinguish between a clean and a foul bill of lading. Is it possible to obtain a clean bill of lading after the issue of a qualified mate's receipt?

3. (a) What is the position of a master who, *bona fide* and without notice of any conflicting claims, delivers goods to a holder of a duplicate bill of lading, when the holder of the original bill subsequently claims the goods as the first transferee?

(b) How has the master of a ship a dual personality?

4. Explain the following:

(a) 'A contract of marine insurance is a contract founded upon the utmost good faith.'

(b) 'A merchant who effects an insurance must have an insurable interest in the goods insured.'

5. Is particular average recoverable from anybody and if so, to what extent? Will it make any difference in the amount to be recovered if the subject-matter of insurance is insured for more or less than its insurable value?

6. Point out clearly the scope of (a) the sue and labour clause, and (b) the waiver clause in a policy of marine insurance.

7. Write a *précis* of the following extract:

COAL INDUSTRY IN ENGLAND

Our coal industry, of all the industries we possess, might be expected to flourish, for Providence has been kind to these islands in giving us some of the finest coal treasures in the world, easy to work and well-placed within the vicinity of harbours and of markets. Yet with all these advantages, our coal industry languishes. Mines are closed down and employment dwindles. Germany has taken a large slice of our export to Europe, and coal from the United States is competing successfully against us in South Africa. In these circumstances the National Executive of the Miners' Federation met yesterday in order, as we are told, to discuss methods of saving the industry. But they met with two little reservations which were firmly stated beforehand by Mr. A. J. Cook, their Secretary: one, to accept no reduction in wages, and the other, to agree to no lengthening of hours. It is as if a doctor called in to attend to a patient with a broken leg were to promise to do all in his power to effect a cure, short of setting the bone or using splints. The figures show that wages are now about double what they were before the war; and our miners work a seven-hour day, whereas in Germany even the eight-hour day has gone by the board. The British miner's output, it is estimated, is less by 2 cwts. per shift than in pre-war days. We are quite willing to allow that there are other causes—the decay in our iron and steel industry, due to free trade; the rise in the cost of transport, due to the enormous rise in the wages of the railwaymen; the increase in all overhead charges; and the heavy burden of taxation—all these and some other causes contribute. But the main and primary cause of the high price of British coal today is, undoubtedly, due to the demand of the Miners' Federation, both in wages and in hours.

We have sufficient acquaintance with the views of Mr. Cook and his colleagues to entertain but small hopes of their 'co-operation' with the mine-owners; they have contrived to exact from their employers almost the entire profits of the mining industry, and so to raise the level of the cost of production that it has become unprofitable to work many of the poorer mines. And the demands of the miners, or rather of the agitators who lead them, are quite unabated by the appalling effects of their extortions. Nor are they moderated by any advice from the Government. Only the other day the Minister of Mines, speaking at Durham, told the miners that their wages were not sufficiently high, and the Minister of Health, speaking at Newcastle-on-Tyne, remarked that 'unemployment is not a bad thing'. The truth is that our socialists are working to force up

costs, not to improve the lot of the workers but to make private enterprise impossible so as to force on nationalization. The bosses of the Miners' Federation and the leaders of the Socialist party are working together to this end. We do not expect grapes from thorns or figs from thistles.

Yet what is this country or the workers going to gain by nationalization? The experiment has been tried in Germany, it has been tried in Australia and it has failed. All experience proves that coal mines can be more economically run by private enterprise than by the State. If the State were to take over our mining industry we shall still have to compete with private enterprise combined with longer hours and lower wages in other coal-producing countries. If we are falling behind in the race now, we should lag still further with our coal mines under the bureaucracy of State control. There would, we are certain, be no difference in the attitude of the trade unions, save that their demands would increase when they found that they could use the ballot-box as well as the strike to enforce them. A million miners organized in all the mining constituencies to coerce a political Mines Department, would have Parliament at their mercy.

MADRAS GOVERNMENT TECHNICAL EXAMINATIONS

April, 1931

THEORY AND PRACTICE OF COMMERCE

HIGHER GRADE—SECOND PAPER

Time: Three Hours

Candidates are requested to note that well-modelled, concise and neatly written answers are required

1. In what cases can the majority of partners bind a minority? *A, B and C* resolve to expel *D*. Can they do this? In what circumstances may a partnership be dissolved by an order of Court?
2. The partners of Messrs. Pichu & Bros., General Merchants, Madura, resolve to convert their partnership into a limited company, with a view to extend the scope of their business, and propose to issue ordinary and preference shares and debentures. Draft the circular to be issued by them (the firm).
3. What formalities should be observed in the matter of the appointment of the first directors of a limited company? When may a place on the directorate fall vacant and how is the vacancy to be filled up?
4. *A* and *B* are shareholders of the Empire Automobiles Limited. *A* transferred his shares to *C*, and *B*'s shares were forfeited for non-payment of calls. Discuss the liability, if any, of *A* and *B* in respect of the shares.

5. What restrictions are imposed on the power of the principal to terminate the agency at any time?

A, the agent of *B* buys 100 bags of rice from *C*, in his own name and without disclosing that he is acting for *B*. *B* demands delivery of the rice from *C*, on tendering him the price agreed upon by *A* and *C*. *C* refuses to deliver. What are the rights of the parties?

6. (a) When and how does ownership pass to the vendee in the case of a contract of sale of goods not in existence at the time of the contract of sale?

(b) State whether the vendor or vendee is to bear the loss in the following cases:

(1) *X* offers to *Y* for his horse Rs. 370; the horse to be delivered to *X* on a stated day and the price to be paid on a later day. *Y* accepted the offer. The horse died before the date fixed for delivery.

(2) *P* contracts with *Q* to sell all the firewood in his possession at Rs. 20 per ton. After the contract, the vendor weighed in the presence of the vendee 25 tons and postponed the weighing of the remainder (expected to weigh about 4 tons) to the next week. Before the day fixed for the weighing, the whole firewood was destroyed accidentally by fire.

7. *J. Mackay* of *Cochin* received as remittance from his correspondent in *Bombay* a cheque crossed to the *Punjab Bank, Bombay*, and drawn on the *Cochin branch of the National Bank of India, Limited*. He being a customer of *Messrs. P. & Co., Bankers, Cochin*, sent it to them and requested to be credited at once. The bank replied in the negative giving reasons. Write the bankers' reply.

8. Draw up a report to the paying bankers from their legal adviser as to how far they will be responsible for (1) a cheque containing a forged endorsement, (2) B/E accepted payable at the bank paid after the death of the acceptor, (3) demand B/E drawn on a banker containing an unauthorized endorsement, (4) a cheque whose amount has been altered from 300 to 390.

9. How and to what extent can the ship-owner or cargo-owner recover his loss in the following cases? Give reasons for your answer:

Subject-matter of Insurance	Actual Value Rs.	Insured Value Rs.
(1) Cargo jettisoned	10,000	8,000
(2) Cargo insured F.P.A. under 5 per cent, damaged value Rs. 45,000	60,000	40,000
(3) Ship F.P.A. 3 per cent. P.A. damage (estimated repairs Rs. 6,000)	1,50,000	1,20,000
(4) Deck cargo, jettisoned ...	50,000	60,000
(5) Masts and spars carried away by bad weather and sails split by the wind ...		

**MADRAS GOVERNMENT TECHNICAL
EXAMINATIONS****April, 1932****THEORY AND PRACTICE OF COMMERCE****LOWER GRADE—FIRST PAPER***Time: Three Hours*

1. Since the Index of a letter book records the numbers of all the pages containing copies of letters addressed to a particular individual, how is cross reference necessary or useful?
2. Condense the following in telegraphic form:
 - (1) Not exceeding 15 words—

‘Please let me know by wire when the goods ordered by me will be dispatched. I propose to cancel the order in case the goods are not dispatched by the 15th of the current month.’
 - (2) Not exceeding 25 words—

‘I am unable to accept the goods sent as they are not up to sample and are badly damaged. If you are prepared to accept 75 per cent of the quoted price and communicate the same to me by wire, the goods will be taken over.’
3. In what essential details does an account sale differ from an account current?
4. (a) A merchant in Madras is a subscriber to *The Trade Journal* published monthly at Delhi. The half-yearly subscription is Rs. 3 payable in advance. Is it advantageous to remit the subscription by money order as it falls due or await the V.P.P. from Delhi? If so, to what extent?
 - (b) What are the postage charges in the following cases?
 - (1) A letter addressed from Bombay to Allahabad weighing 7 tolas.
 - (2) A packet addressed from Madras to Delhi weighing 8 tolas.
5. What are the advantages that a merchant derives by keeping a banking account?
6. ‘When the value of money increases the prices of commodities fall.’ Explain this statement by an illustration.
7. What is the difference between a valued and open policy of insurance?
8. (a) Messrs. Fromes and Swinton, London, sent you an inquiry regarding the financial stability and business reputation of Messrs. Grey & Co., Madras. Write a reply in terms favourable to Grey & Co. from personal knowledge during the last five years.
 - (b) A complaint was received from Messrs. D. Kamath and Sons, Palghat, Malabar, that wrong goods were sent—the hats sent differed in many respects from the specification in the invoice, viz., quantities, sizes, etc.—and asking when the correct goods will be sent.

Write a reply to say:

- (1) that we deeply regret the mistake made by the packing department and that special attention will be paid to future dispatches of goods, so as to avoid such cases occurring again;
- (2) that goods with correct description and quantity are being dispatched immediately;
- (3) that any expense incurred on this account may be debited to us; and
- (4) that the wrong goods may be handed over to Messrs. Norton & Sons, Madras, who have been specially addressed in the matter.

9. (a) Messrs. Raja & Co., Madras, sell to Messrs. Ward & Co., Rangoon, rice for Rs. 2,000 and purchase cotton from Messrs. Wilcox & Co., Rangoon, for a like amount. Draw the necessary bill of exchange.

(b) It is specially endorsed by the drawer in favour of his creditor. Show the necessary endorsement and acceptance in proper form.

10. What is an 'open' cheque and what is a 'crossed' cheque? In what cases would you recommend each?

MADRAS GOVERNMENT TECHNICAL EXAMINATIONS

April, 1932

THEORY AND PRACTICE OF COMMERCE

LOWER GRADE—SECOND PAPER

Time: Three Hours

1. (a) What are negotiable instruments? Give examples.

(b) Discuss the effect upon the negotiability of a cheque if the drawer (1) crosses the cheque and (2) adds to the crossing the words, 'account payee only'.

2. (a) Explain what is meant by acceptance of a bill of exchange. Can an instrument be a bill of exchange before acceptance?

(b) Discuss the effect of the following acceptances:

(1) A bill drawn on the Blank Company, Limited, is accepted by AB as 'AB, Secretary of the Blank Company'.

(2) A bill drawn on the partnership firm of X and Y is accepted by Y, one of the partners.

3. (a) What is Table A? To what companies does this table apply?

(b) A and B are shareholders in the Minerva Company, Limited. A transfers his shares to P and B's shares are forfeited by the directors. Discuss the liability of (1) A for future calls and (2) B for past calls.

4. (a) There are ordinary, extraordinary and special resolutions

submitted to a company in general meeting. State what they are and explain the procedure relating to each.

(b) What is a statutory meeting? Describe the business which may be transacted at that meeting.

5. Explain what is meant by right of stoppage in transit. When and by whom can this right be exercised? Explain clearly when the transit is considered to be at an end.

6. (a) Explain the rules regulating the mutual relations of partners, in the absence of any express contract between the parties.

(b) State if a minor may be admitted to the benefits of a partnership and, if so, what his rights and liabilities are as a partner.

7. (a) What is a charter party? Explain the important clauses mentioned therein.

(b) State, with reasons, if a charter party can exist along with a bill of lading.

8. Draft a suitable reply to an inquiry regarding the means, business capacity and integrity and general reputation of a merchant who has business relations with you and whose circumstances are well known to you.

MADRAS GOVERNMENT TECHNICAL EXAMINATIONS

April, 1932

THEORY AND PRACTICE OF COMMERCE

HIGHER GRADE—FIRST PAPER

Time: Three Hours

N.B.—Answers should be brief and to the point. Mere verbiage will be discounted

1. Mention the names of some of the associations representing *special trades*, in India, and briefly explain the functions they perform and any special privileges which they may enjoy.

2. What are the Governmental Regulations in force for keeping evidence concerning British ships and of safety of shipping in general?

3. Give the substance of the main clauses in a C/P, with brief explanations of any technical terms which you may use in that connexion.

4. Explain the phrase, '*other conditions as per charter*,' occurring in a B/L. What is the need for the insertion of this phrase?

5. In what circumstances is a ship-owner liable to the cargo-owner, in respect of damage caused in course of transit, to cargo tendered for transport?

6. Explain the term, '*implied warranties*,' used with reference to marine insurance.

7. Write short notes on the following: Register tonnage; manifest;

barratry; double insurance; salvage; 'declaring goods'; favourable exchange.

8. Abdul Azeez & Co., wholesale piece-goods dealers in Madras, have imported from abroad a large quantity of piece-goods, but finding them unsaleable, forward a portion to their Rangoon branch; another they consign to an agent in Colombo to be sold on their account and risk, and the balance they sell to a dealer in Singapore.

State the circumstances in which the firm can claim *drawback* and explain the procedure to be adopted.

9. Write a *précis* of the following passage, not exceeding a third of its length:

In the latter part of September, a deputation from the Institution of Electrical Engineers paid a visit to Holland to see what that country was doing to develop the use of electricity. The Dutch Association of Directors of Electric Power Stations, through the President and the members, acted as the hosts of the British party. A representative of the Department of Overseas Trade was invited to accompany the electrical engineers, who, on arrival at Rotterdam, were met by their Dutch hosts and by His Majesty's Commercial Secretary at the Hague. A technical report upon the results of the visit will be prepared in due course by the members of the deputation. Our purpose here is to indicate briefly what Holland is seeking to do and how British manufacturers of electrical apparatus may co-operate to their advantage.

Holland, alive to her weakness in being largely dependent upon imported coal and oil, is seeking to lessen that dependance by the wholesale electrification of her industries, and of her lighting, heating and transport services. For example, in Amsterdam, the use of electricity for lighting has increased more than tenfold during the period 1920-30, and for traction and for industrial purposes, more than thirtyfold. Out of 140,000 buildings in the city, 110,000 have already been fitted for electric light. The installation of electricity in the remainder is being pushed forward and people of all classes are being encouraged to use electric power for domestic purposes—ironing, toasting and so on—as well as for light. To meet the expanding requirements of the city, a new additional power house has been built, and alongside a huge refuse destructor, so that steam generated by the combustion of refuse may be used to drive the turbines of the power house. This development in Amsterdam, which is typical of what is taking place in other Dutch cities, suggests that the country will be a large market for domestic electrical appliances of all kinds, as well as for electric light bulbs and cables. British bulbs will have to meet the stiff competition of the home industry, but for domestic appliances the market is more open and British cables are already highly esteemed and widely used.

It was observed in most of the power houses, which were inspected in Holland, that the machinery was almost exclusively of German make. Where not German, the plant was Swiss. The absence of British machinery in the newly-equipped power houses is to be attributed partly to the inability of British makers to guarantee

delivery, and partly, it would seem, to the fact that recent British progress in the sphere of the electrical industry is not as yet sufficiently appreciated in Holland. Dutch electrical expansion cannot, in any case, wait upon the delays caused by British labour disputes and uncertainties in regard to prices. It is obvious that the countries which now succeed in meeting Dutch requirements will have secured a strong hold upon future contracts. The equipment of an electrical generating station must be uniform, and British and German systems of generation, transforming and transmission cannot economically exist side by side. So that if German or Swiss or possibly American makers are first in the field, they will remain in possession when later developments take place. An interlocking system of power centres is contemplated in Holland, under which the plant will tend to become standardized. It is therefore essential that if British manufacturers wish to share in the large Dutch market for electrical plant and appliances they must secure their footing now, and not leave the field to be permanently occupied by German, Swiss or American competitors.

MADRAS GOVERNMENT TECHNICAL EXAMINATIONS

April, 1932

THEORY AND PRACTICE OF COMMERCE

HIGHER GRADE—SECOND PAPER

Time: Three Hours

1. (a) State the usual rules determining the relations of partners with each other.

(b) What is the position of an infant member of a firm (1) during his minority, (2) after attaining his majority?

(c) *A* and *B* are partners. *A* with the intention of cheating *B* purchases goods on credit in the name of the firm and secretly sells the goods and misappropriates the money. Will *B* be liable to pay for the purchase price of the goods? Would it affect your answer if under the partnership deed *B* alone was authorized to buy goods on behalf of the firm?

2. (a) What is a statutory report? To whom is the report sent and what statements should it contain?

(b) State the statutory duties of a company in case of the following, the time within which they have to be done and penalty if any for neglect—

(1) Return of allotment of shares.

(2) Change of address.

(3) Resolutions to wind up voluntarily.

3. (a) Draw up a report for the annual general meeting of a joint stock company. The company has made a profit and the directors

recommend a dividend after carrying a certain portion to the reserve fund. The report should be in the usual form, embracing all points you would expect in a similar document.

(b) Draw up a dividend notice in proper form, notifying a shareholder of the declaration of a dividend of $7\frac{1}{2}$ per cent (less income-tax at 2 annas 8 pies per rupee) on 60 preference shares of Rs. 100 each and 8 per cent free of tax on 50 ordinary shares of Rs. 100 each.

Attach a warrant for the payment of the amount due.

4. (a) Can an agent delegate his authority to another? Is a sub-agent responsible for his acts to the principal?

(b) How far is the principal bound when an agent exceeds his authority in making a contract?

(c) *A* directs *B*, his agent, to buy a certain house for him. *B* tells *A* it cannot be bought, but buys the house for himself. What are *A*'s rights in the matter?

(d) *A* employs *B* to beat *C* and agrees to indemnify him against consequences. *B* thereupon beats *C* and has to pay damages to *C* and claims from *A*. What is *A*'s position?

5. (a) Define sale of goods. How is it effected?

(b) When are goods deemed to be in transit? In what manner can a seller effect stoppage in transit?

(c) *A*, living in Tanjore, orders of *B*, a coach builder of Madras, a carriage of a particular description. Nothing is said by either as to the price. The order was executed and the price is in dispute between the buyer and the seller. How is this matter to be settled?

(d) *A* sells a horse to *B*. It turns out that the horse had at the time of sale a defect of which *A* was unaware. Is *A* responsible for this?

6. (a) When is a bill of exchange said to be dishonoured? By and to whom should notice of dishonour be given? Are there any cases in which notice of dishonour is not necessary?

(b) What is an acceptance for honour and what is the position of an acceptor for honour as regards prior and subsequent parties to the bill?

(c) A bill is drawn payable to *A* or order. *A* endorses it to *B*, the endorsement not containing the words 'or order' or any equivalent words. Can *B* negotiate the bill?

(d) *A* draws a cheque for Rs. 1,000 and when the cheque ought to be presented has funds at the bank to meet it. The bank fails before the cheque is presented. What are the rights of the drawer and the holder?

7. Write a brief essay on a bill of lading, explaining what it is, how it differs from a bill of exchange, and the important clauses appearing therein.

8. You are in business and are acquainted with the details of the working of the business machinery. A lay-friend of yours wants you to describe to him step by step the process by which cotton piece-goods manufactured in Manchester find their market in the towns and villages of India. Write your reply.

MYSORE GOVERNMENT TECHNICAL
EXAMINATIONS, 1932

COMMERCIAL BRANCH

Monday, 11th April

LAW AND PRACTICE OF COMMERCE

JUNIOR GRADE—FIRST PAPER

Time : 10 A.M. to 1 P.M.

MAXIMUM MARKS: 100

*N.B.—Special attention should be paid to spelling
and handwriting*

1. (a) Write, in your best style, a letter in answer to the following advertisement:

'Representative wanted in a developing and remunerative business. A person that knows how to approach prospective customers; how to get their interest; and how to secure their orders instead of promises. Apply with full particulars to the Manager, The National Industries Ltd., Bangalore.'

(b) Show how you would address an envelope to a firm of ladies. 18

2. (a) Enumerate the different methods of obtaining multiple copies of correspondence.

(b) What is a postage book? Rule a specimen page and make four entries in it. 18

3. State what is done in the following circumstances:

(a) A letter is to be posted urgently, but the post office clearance time is just over. (b) At one copy per head, a number of identical telegrams are to be sent to different persons residing in the same town. (c) A postal acknowledgement is to be obtained that the servant with whom letters are sent has actually posted them. (d) A letter already posted is to be recalled before it reaches the addressee.

Or

(a) What is postal insurance? How does it differ from other insurances?

(b) What is the object and manner of registration of articles in the post office? 12

4. What is the difference between:

(a) A money order and a postal order?

(b) A book packet and a pattern packet?

(c) A cross reference and a trade reference? 18

5. (a) When writing letters on March 15th how are the following dates of the same year referred to?—January 5th, February, 20th, March 15th, April 10th, March 30th, April 25th.

(b) Mention the special merits of the card index system.

(c) Post Box No. 25. Telegraphic address: 'Cycle' Madras.

The above are found printed on a letter heading. State their meaning and advantages. 18

6. (a) How does an account sales differ from a statement of account?

(b) Prepare an account sales from the following particulars: 200 bags of chillies received per goods train S.I.R. and sold by V. K. Sami & Co., Calicut, on account of the consignors, D. Rajagopal & Co., Coimbatore.—

1930.

March 5. Paid railway freight Rs. 115; cartage Rs. 15.

„ 7. Sold to S. Velan & Sons, 70 bags @ Rs. 10 each.

„ 10. Sold to P. Hassan & Co., 50 bags @ Rs. 10 each.

„ 20. Sold for cash, 20 bags @ Rs. 9 each.

„ 25. Sold to M. Kumaran, 60 bags @ Rs. 10 each.

Commission @ $2\frac{1}{2}\%$. *del credere* @ $2\frac{1}{2}\%$. 16

MYSORE GOVERNMENT TECHNICAL EXAMINATIONS, 1932

COMMERCIAL BRANCH

Monday, 11th April

LAW AND PRACTICE OF COMMERCE

JUNIOR GRADE—SECOND PAPER

Time: 2 to 5 P.M.

MAXIMUM MARKS: 100

*N.B.—Special attention should be paid to spelling
and handwriting*

1. (a) What are chambers of commerce? What functions are generally expected to be done by them?

(b) In what circumstances are cheques dishonoured?

(c) State briefly the advantages of a bill of exchange. 10

2. What is meant by a 'pro forma' invoice?

On 30th March, 1932, Mr. Sabhapathy of Mysore asks Messrs. Mahomed Ali & Co., of Chickpet, Bangalore, to send a pro forma invoice for the following:—

12 Standard Typewriters.

1 set of Typewriter Instruments.

3 bags of Cement.

5 Glass Roofing Tiles.

Draft a pro forma invoice.

10

- (2) What are the due dates for the following?:
- | | | |
|-----|--|--------------|
| (a) | A bill drawn payable after one month dated 1-1-31. | |
| (b) | do. | do. 31-1-31. |
| (c) | do. | do. 28-2-31. |
| (d) | do. | do. 31-3-31. |
- (e) One month's sight bill drawn on 5-3-31 and accepted on 15-3-31. 5
3. (a) Distinguish between a P/N and an I.O.U.
- (b) Explain clearly the meaning of the phrase, 'holder in due course.'
- (c) What are the effects of crossing? State, with explanations, the different kinds of crossing used in business. 15
4. Explain briefly: Sans recourse; usance; del credere; rendering accounts; postal order; C.O.D.; imprest; goodwill; indents; tare; ad valorem; limited liability; B.P.O.; C/N; renewal of a bill. 15
5. Write a letter from Messrs. Albion & Sons, Chickpet, Bangalore, to Messrs. Lyons & Co., Paris, under No. 3455, acknowledging the goods sent but regretting the high rates that have worked up now, due to sudden changes in exchange, and requesting a modified bill as the rates charged are F.O.R., Paris, which should be F.O.R., Bangalore, according to quotation. 15
6. What are shares? What are the different classes of shares that are issued by a company? State the advantages of each of them. 4
7. (a) Mention the clauses which are generally to be found in a partnership agreement.
- (b) How do banks help merchants transmitting goods from one place to another? 11
8. (a) 'Newman & Co.' have changed their sign board to 'Newman & Co., Ltd.' What changes does it make in the constitution?
- (b) What is the relation that legally exists between the consignor and consignee?
- (c) What considerations go to induce partners to convert their business into a limited joint stock company? 15

MYSORE GOVERNMENT TECHNICAL EXAMINATIONS, 1932

COMMERCIAL BRANCH

Monday, 11th April

LAW AND PRACTICE OF COMMERCE

SENIOR GRADE—FIRST PAPER

Time: 10 A.M. to 1 P.M.

MAXIMUM MARKS : 100

*Note.—Special attention should be paid to spelling
and handwriting*

1. (a) What are debentures? For what purposes can debentures be raised by companies?

(b) What is meant by 'company's seal'? Name some of the documents to which it should be attached.

(c) Why should minutes of a meeting be taken and signed by the chairman? 9

2. (a) State briefly the formalities to be observed before a company can be incorporated.

(b) What is meant by 'undue influence'? Give three examples to illustrate your answer. 10

3. (a) Clearly state the nature and effect of the power of 'stoppage in transitu'. Who can exercise such power?

(b) Why is a 'minimum subscription' clause insisted on in company law; what efforts do you make as secretary to get the said minimum subscription? 10

4. (a) What legal significance, according to the Contract Act, attaches to the posting of letters of allotment by a company?

(b) Draft the agenda for an ordinary meeting of the board of directors.

(c) A shareholder writes to you as secretary of a company that he is desirous of transferring his shares. Write a suitable reply informing him of the procedure to be adopted. 9

5. (a) What are the advantages and disadvantages of the managing agency system?

(b) Explain, by means of illustration, the meaning implied in the phrase, 'implied warranty'.

(c) What are the advantages of converting shares into stocks? 9

6. (a) Distinguish between a factor and an agent.

(b) What are the liabilities of a successor to an office for contracts entered into by a predecessor?

Discuss the liability of *P* in a case where *P* was sued by *M*, a merchant, for the supply of soda water to *N* on behalf of the

members of the Forward Club. *N* was the previous secretary; *P* was his successor; *M* brought a personal suit against *N*.

- (c) Distinguish between co-ownership and partnership. 10
7. Explain: Novatio; scrip, indemnity; proxy; share-warrant; stock; incorporation; revocation; extraordinary resolution; adjournment. 10
8. (a) What are the rights and duties of 'an unpaid seller'?
 (b) When are the goods said to be 'delivered'?
 (c) What is meant by 'consideration'? 10
- A* lent money to *B*, and in consideration of that *B* hypothecated the property belonging to him, and in the indenture named *C* as surety for any deficiency that might remain due after the realization of the property without *C* being a party. After a week *C* executed the surety bond. Is there consideration? 13
9. (a) State the general principles of 'bailment'.
 (b) What is meant by a 'prospectus'? What material facts are to be disclosed in a prospectus?
 (c) What is meant by a 'floating charge'? 10
10. (a) In what respects do private companies differ from public companies?
 (b) Discuss the effects of a 'garnishee order'.
 (c) In what manner should payments received from debtors be appropriated? 10

MYSORE GOVERNMENT TECHNICAL EXAMINATIONS, 1932

COMMERCIAL BRANCH

Monday, 11th April

LAW AND PRACTICE OF COMMERCE

SENIOR GRADE—SECOND PAPER

Time: 2 to 5 P.M.

MAXIMUM MARKS: 100

*Note.—Special attention should be paid to spelling
and handwriting*

1. (1) Define a promissory note. Are the following notes good? Give reasons:
- (a) I promise to pay *B*, Rs. 500 seven days after my marriage with *C*.
 (b) I promise to pay *B*, Rs. 500 and to deliver to him my black horse on first January next.

If no rate of interest is mentioned in a note, what rate will be allowed by a court of law?

(2) Bring out the distinction between a promissory note and a bill of exchange. 12

2. (a) What will be the consequence, if (a) a banker pays a cheque in which the drawer's name is forged, (b) a bill of exchange is not presented for payment on the due date, (c) there is unreasonable delay in presenting a cheque for payment, (d) the holder of a cheque strikes out an endorsement?

(b) For what and how is a bill of exchange protected for better security? 12

3. Write a letter to a customer referring to a forthcoming trade exhibition; mention some of your exhibits; and state the position occupied by your stall. Enclose a sale ticket and invite his attendance. 10

4. Describe the procedure to be followed in the purchase of, say, 100 shares in the Indian Cotton Mills, Ltd., from the placing of an order with a broker to the receipt of the share certificate by the broker's client. 10

5. What formalities have to be gone through and what forms have to be filled in for clearing a consignment of goods through the Custom House? 10

6. Distinguish between speculation and investment. Explain as to whether speculation is of benefit to the community or the reverse. 10

7. (1) Define a charter party, and state some of the particulars you expect to find in it.

(2) Distinguish between a time policy and a voyage policy stating their respective advantages.

(3) What is meant by, (a) Jobber's turn, (b) 'Bear' transaction, (c) Bonded warehouse, (d) Insurable interest. 20

8. Make a *précis* of the following:

No. 348.

Encl. 1.

15, MILL STREET,

MADRAS.

1st September, 1931.

MESSRS. A. HARI SINGH & Co.,
BANGALORE.

DEAR SIRs,

Referring to the enclosed statement of account, you will see that several of the items are considerably overdue. No doubt this has escaped your notice, and we hope that you will be so good as to settle the account early.

Yours faithfully,

F. MEGHANANDAM & SONS.

No. 734.

Encl. 1.

16, HIGH STREET,
BANGALORE.*3rd September, 1931.*MESSRS. F. MEGHANANDAM & SONS,
MADRAS.

DEAR SIRs,

We have received your letter of the first inst., and must apologize for not having remitted for the June items before this.

We enclose a cheque for Rs. 500 in full settlement of account, and shall be glad of a receipt in acknowledgment of the amount in due course.

Yours faithfully,

A. HARI SINGH & Co.

No. 357.

15, MILL STREET,
MADRAS.*4th September, 1931.*MESSRS. A. HARI SINGH & Co.,
BANGALORE.

DEAR SIRs,

We beg to acknowledge the receipt of your cheque value Rs. 500 in settlement of account to date, for which please accept our thanks.

Trusting to be favoured with your further esteemed orders.

We are, Yours faithfully,

F. MEGHANANDAM & SONS.

No. 622.

Encl. 1.

MADRAS.

*5th September, 1931.*MESSRS. F. MEGHANANDAM & SONS,
MADRAS.

DEAR SIRs,

The enclosed cheque drawn by A. Hari Singh & Co., on the Hindu Bank Ltd., is returned today marked 'Effects not cleared'.

We propose to present it again on receiving your instructions.

Yours faithfully,

per pro. THE JUBILEE BANK LTD.
J. SMITH.

No. 361.

15, MILL STREET,
MADRAS.*5th September, 1931.*MESSRS. A. HARI SINGH & Co.,
BANGALORE.

DEAR SIRs,

We are surprised to find that your cheque for Rs. 500 on the Hindu Bank Ltd., has been returned marked 'Effects not cleared'.

We are naturally annoyed at this, and shall be glad to hear from you in the matter.

We are presenting the cheque again, and trust you will ensure its being met at presentment.

Yours faithfully,
F. MEGHANANDAM & SONS.

No. 745.

16, HIGH STREET,
BANGALORE.

7th September, 1931.

MESSRS. F. MEGHANANDAM & SONS,
MADRAS.

DEAR SIRs,

We are in receipt of your favour of the 5th inst., and are extremely sorry that you should have had our cheque returned.

Our account with the bank had got rather low owing to our having large contracts running, the instalments for which have not been paid quite so promptly as is customary. Several instalments have now been received, but we had overlooked the fact that without these remittances your cheque would place our banking account temporarily in debit, though the proceeds of these instalments should have been credited to our account before your cheque was presented.

We have made very strong representations to our bank on the matter of returning the cheque in such circumstances, which they say was done under a misapprehension, and we shall be glad if you will kindly re-present the cheque.

Again expressing our regret at this unfortunate occurrence.

We are, Yours faithfully,
A. HARI SINGH & Co.

16

MYSORE GOVERNMENT TECHNICAL EXAMINATIONS, 1931

COMMERCIAL BRANCH

Thursday, 9th April

LAW AND PRACTICE OF COMMERCE

JUNIOR GRADE—FIRST PAPER

Time : 10 A.M. to 1 P.M.

MAXIMUM MARKS: 100

1. (1) Make out an invoice from the following particulars:
The Zenith Products, Ltd., Bombay, sell the undermentioned goods to Messrs. Tamney Bros., Mysore, on 1st December, 1930:

(a) 50 pieces of Army Watches @ Rs. 36, subject to $33\frac{1}{3}\%$ trade discount; 20 pieces of Railway Regulator @ Rs. 20, subject to a trade discount of 30%; 10 Wrist Watches @ Rs 3 net. Expenses: Insurance Re. 0-6-0; Packing Re. 1; and Freight Re. 0-12-0. 10

(2) Prepare specimen page of a receipt book to be given to be printed for the use of the Indian Publishing Co., of Mysore. 7

2. (a) Draft a circular informing customers about change of address of the Corn Mills, Ltd., Mysore, from Bamboo Bazaar Street to 320 Avenue Road, Mysore; the new buildings are commodious and occupy a central position. All business will be done as before. 8

(b) The office of the Deputy Collector, Tanjore, finds that long delays occur owing to administration reports being received long after the due date. Draft a reminder form to be printed on a card so that it might be sent periodically to all those tahsildars (amildars) from whose office such reports have not been received. 8

3. (a) Explain the different methods of preserving copies and explain the merits and demerits of each. 6

(b) Distinguish between an account sales and an invoice. 4

(c) What is meant by a consignment sale? 6

4. Write short notes upon: Duty paid; c.i.f.; imprest; B.P.O. 8

5. (a) Rule the form of a 'from' register and make three entries therein. 7

(b) Mention in detail the different modes of indexing. 8

(c) Distinguish between a debit note and a credit note. 6

6. (1) Explain the advantage of a bank draft over money orders. 4

(2) What are the advantages of the V.P.P. system in business? 5

(3) Mention the minimum postage for covers addressed to:

(a) A city in Great Britain.

(b) A city in North America.

(c) A city in Japan.

(d) A city in Australia. 13

MYSORE GOVERNMENT TECHNICAL EXAMINATIONS, 1931

COMMERCIAL BRANCH

Thursday, 9th April

LAW AND PRACTICE OF COMMERCE

JUNIOR GRADE—SECOND PAPER

Time: 2 to 5 P.M.

MAXIMUM MARKS: 100

1. In what ways may business be opened? What are inquiry associations and when are they resorted to and by whom? 15

2. A shipment of goods to the value of £5,000 is being made by a firm in London to a firm in Bombay. The terms are cash against documents. (a) Describe what documents are referred to above; (b) Explain in detail how they would reach the Bombay firm. 10

3. Draw up a well-worded letter from these notes, inserting names and addresses:

Letter acknowledged; samples and prices forwarded; many others in stock; prices for small quantities; reduction for larger; every effort to please. 10

4. Explain: C.O.D.; F.A.S.; Franco invoice; Prompt cash; Letters of hypothecation; Ullage; Allonge; Demurrage; Accounts stated; Bills in set and Sola. 12

5. What is a cheque? Give the form of a cheque and mark it with a 'not negotiable' crossing. Explain the effect of the above crossing. 12

6. What are days of grace? If a bill of exchange reaches maturity on a holiday, when is it payable?

D is a payee and holder of a B/E. He endorses it 'sans recourse' to *E* who endorses it to *F*, and in turn endorses it to *G*, and *G* endorses it to *D*. Has *D* any right against *G* and *F* when the bill is dishonoured at maturity? 12

7. An instrument as follows is in the hands of *C*:

BANGALORE.
1-4-1930.
To <i>J. Vaz, Esq.,</i> <i>I.O.U. Rs. Five Hundred only.</i> R. KRISHNAN.

It is endorsed 'J. Vaz'. 'F. D. Souza' and 'K. Raghavan.' In January, 1931, all the endorsers become insolvent. What is the position of *C*? 7

8. Can a minor be admitted as a partner in a firm? Discuss the position of a minor (a) during his minority; (b) after he attains majority. 10

9. (a) What are the advantages and disadvantages of an unlimited company as against a partnership?

(b) In 1925, 25 persons commence and carry on business in partnership together for gain in Mysore under the style of 'The Rice Co.'. To what penalties (if any) are they liable and under what disadvantages would they operate on account of the Mysore Companies Regulation? 12

MYSORE GOVERNMENT TECHNICAL
EXAMINATIONS, 1931

COMMERCIAL BRANCH

Thursday, 9th April

LAW AND PRACTICE OF COMMERCE

SENIOR GRADE—FIRST PAPER

Time: 10 A.M. to 1 P.M.

Note.—Not more than Three questions should be attempted in each part and questions I, V and XII are obligatory. All questions carry equal marks.

A

1. When is a meeting said to be properly constituted? What are the primary duties and functions of a chairman? And what are the different methods of obtaining the sense of a meeting?

2. State as briefly as possible the various ways in which the capital of a company is most frequently altered and distinguish between reduction and diminution of capital.

3. The New Behar Pottery Works Ltd., has been recently started in Mihizan with a capital of Rs. 10 lakhs; 5 lakhs in Ordinary Shares of Rs. 100 each and the balance in 5 per cent Preference Shares of Rs. 100 each. Both classes of shares are offered to the public in full. The company has acquired the services of an expert of 15 years' experience. Draw up an advertisement detailing these and other relevant facts inviting the public to take shares in the company.

4. What is the object of preparing an agenda? Prepare a specimen agenda for a meeting of the directors of a limited company.

B

5. What is the statutory report? Draft a typical one remembering the legal requirements.

6. A number of persons wish to register a company under the name, 'The Royal Bank Ltd., Bangalore'. Is there any objection to this? If so how is the objection overcome?

7. Who can be the directors of a limited company? The directors of X Company Ltd., by a resolution at a board meeting authorized A. Scott, the general manager, to represent the bank at the general meeting of the Jute Mills Co., Ltd., of which the bank was a shareholder. The chairman of the Jute Mills Ltd., wishes to exclude A. Scott from the meeting on the ground that he is personally not a shareholder, and the articles of association provide that no person shall act as proxy unless he is a member of the company. Is the chairman correct?

8. Jnanobarao and Dutt are directors of a Colliery Company Ltd., From their position as directors they learn that the company has made large profits during the year and buy a large number of shares in the company which they sell at a profit of Rs. 30,000 as soon as the market rises on the publication of the balance sheet. Have Jnanobarao and Dutt committed any offence and has the Colliery Company Ltd., any claim against them in respect of Rs. 30,000?

C

9. (a) State briefly the rights and liabilities of partners.

(b) In what cases can an agent be sued personally upon a contract?

Mann & Bros. sue Gopal upon a contract by which Gopal is personally bound, and obtain a decree against him (Gopal). Thereafter Mann & Bros. come to learn that Gopal was only the agent of Mr. Rice in the contract and institute a suit against Rice. The decree obtained by Mann & Bros. against Gopal remains unsatisfactory at the time of the suit. Are Mann & Bros. entitled to a decree against Rice?

10. *A* agreed to let his hall to *B* for a public entertainment. Before the date of entertainment, the hall was destroyed by an accidental fire. What are the mutual rights of the parties?

11. What are the requisites of a contract?

Akbar, a gramophone manufacturer, agreed with Bashid that the latter should sell his gramophones, on condition they were not sold below certain list prices. Bashid sold some gramophones to Collins. The agreement between Bashid and Collins contained a clause that Collins should not sell the gramophones below certain list prices and that if he did so, he should pay a penalty to Akbar. Collins sold the same below the list prices to which he had agreed. Can Akbar successfully sue Collins for the penalty?

12. Distinguish between a contract of indemnity and a contract of guarantee.

MYSORE GOVERNMENT TECHNICAL EXAMINATIONS, 1931

COMMERCIAL BRANCH

Thursday, 9th April

LAW AND PRACTICE OF COMMERCE

SENIOR GRADE—SECOND PAPER

Time : 2 to 5 P.M.

MAXIMUM MARKS : 100

1. (a) Bhaskar gives you a cheque endorsed in your favour and crosses it 'Not negotiable' and hands it over to you in payment of

your bill. What are the points that you would consider before accepting the same? 10

(b) Discuss clearly the rights of a 'holder in due course'. 10
2. Bring out the distinction between general average and particular average. Illustrate your answer. 13

3. Make out a *précis* of the following:

No. 135. INDIAN PRODUCTS, LTD.,
MADRAS.

Dated 1st January, 1930.

To
MESSRS. BHUDHUBHOY NOORBHOY & Co.,
Diamond Buildings, Lohar Chawl,
BOMBAY.

DEAR SIRs,

Learning from our friends that you are one of the leading wholesale importers of hardware, we have pleasure in opening correspondence with you in the hope that it might result in business to our mutual advantage.

We might mention that we are one of the largest dealers in hardware and allied products and we will be indenting large quantities every now and then.

For ready reference, we would be much obliged if you could send your trade catalogue (detailed) as well as price lists so that we might compare them when placing orders.

Thanking you.

Yours faithfully,
For THE INDIAN PRODUCTS LTD.,
C. K. MUDALIAR.

No. A/1329. BHUDHUBHOY NOORBHOY & Co.,
BOMBAY.

Dated 4th January, 1930.

To
THE INDIAN PRODUCTS, LTD.,
MADRAS.

DEAR SIRs,

We are much obliged by your favour No. 135 of the 1st instant and note the contents.

We assure you that we would be very glad to supply any quantity of goods mentioned in the enclosed catalogue, as we hold large stocks of these for immediate delivery.

We desire to point out your special attention to page 12 of the enclosed catalogue in which we have detailed the new duplicating machinery which we have imported from Sweden. These goods have caught on with customers in these parts and therefore we would request you to try this line.

We enclose also the Price List that is sent to retail customers

and should your orders be for more than Rs. 5,000 at a time, we will be pleased to allow a discount of 5 per cent.

Assuring you of our best services and awaiting your orders,

We beg to remain, Dear Sirs,

Yours faithfully,

For BHUDHUBHOY NOORBHOY & Co.,

J. J. PALLONJEE.

No. 168.

INDIAN PRODUCTS, LTD.,
MADRAS.

Dated 12th January, 1930.

To

MESSRS. BHUDHUBHOY NOORBHOY & Co.,
BOMBAY.

DEAR SIRs,

We are in receipt of your favour of the 4th instant.

We would be much obliged if you could send the enclosed design of printing borders and other materials mentioned therein and allow the usual discount though the order is below Rs. 5,000. These goods have been ordered as samples and should this meet with the approval of our customers, we will place our wholesale orders.

The R/R and relative invoice might be sent through the National Bank of India, Madras.

Thanking you.

Yours faithfully,

For THE INDIAN PRODUCTS LTD.,
C. K. MUDALIAR.

No. 236.

BHUDHUBHOY NOORBHOY & Co.,
BOMBAY.

Dated 28th January, 1930.

To

THE INDIAN PRODUCTS, LTD.,
MADRAS.

DEAR SIRs,

We beg to advise having dispatched the goods ordered by you by passenger train. The relative R/R and invoice have been sent through your Bankers as desired.

Trusting that the goods will prove to be to your entire satisfaction and awaiting further commands, we are, Dear Sirs,

Yours faithfully,

For BHUDHUBHOY NOORBHOY & Co.,
J. J. PALLONJEE.

No. 1305.

INDIAN PRODUCTS, LTD.,
MADRAS.

Dated 30th January, 1930.

To,
MESSRS. BHUDHUBHOY NOORBHOY & Co.,
MADRAS.

DEAR SIRs,

We acknowledge with thanks your letter No. 236, dated the 28th instant.

We have today retired the Bank's demand but on examining the goods we find that they are in a damaged condition due to faulty packing and we are herewith returning the damaged goods for which enclosed please find R/R and we request you to kindly send a credit note for the amount.

Thanking you.

Yours faithfully,
For THE INDIAN PRODUCTS, LTD.,
C. K. MUDALIAR.

No. 378.

BHUDHUBHOY NOORBHOY & Co.,
BOMBAY.

Dated 3rd February, 1930.

To
THE INDIAN PRODUCTS, LTD.,
MADRAS.

DEAR SIRs,

We are in receipt of your favour of the 30th January and on enquiry into our Packing Department we are told that the packing was done most carefully under one of our Proprietors' personal supervision.

In these circumstances, we request you to make a claim from the Railway for the damaged goods.

Yours faithfully,
For BHUDHUBHOY NOORBHOY & Co.,
J. J. PALLONJEE. 20

4. Write short notes upon: (a) Allonge; (b) Usance; (c) Khoka; 8
(d) Subtle weight; (e) Delivery order; (f) Limited liability.
5. Give the principal clauses in a marine insurance policy, 10
fully explaining each of them.
6. (a) Are circular notes and letters of credit negotiable 9
instruments?
(b) What is meant by 'sets of bills' and what are the rights 10
of holders of separate bills in one set?
7. Draft a letter from a business firm's address to its bankers 10
requesting an overdraft of a sum of Rs. 5,000 offering immoveable
and collateral securities.

THE BOARD OF HIGH SCHOOL & INTERMEDIATE EDUCATION, UNITED PROVINCES

INTERMEDIATE EXAMINATION IN COMMERCE, 1930

BUSINESS METHODS

MAXIMUM MARKS: 50

Time: Three Hours

1. Clearly distinguish between 'general average' and 'particular average'. Illustrate your answer with examples. What do you understand by the 'memorandum clause' in a marine policy? 8
2. Ram Mohan of Amraoti exports cotton to Brown & Co. of Manchester. Give, in brief, the procedure he will follow in exporting the goods, and enumerate the principal documents that will be used in the course of the transaction. 12
3. What is a 'firm offer'? *A* offers certain books to *B* to be purchased within a week. After 3 days he sells them to *C* for a better price, without waiting for *B*'s acceptance. Meanwhile *B* accepts the offer which *A* receives on the 4th day. Can *B* sue *A* for damages? Discuss it critically. 8
4. *A* draws a cheque in favour of *B* who endorses it in blank and sends his agent *C* to pay it into his (*B*'s) account at the bank. *C* writes above *B*'s endorsement 'Pay to *C* or order' and himself endorses it to *D*, who pays *C* the face value of the cheque, endorses it, and sends it to his bank where it is collected and credited to his account. *C* absconds with the money. Can *B* recover the amount of the cheque from *D*? Would it make any difference if the cheque has been crossed and marked 'not negotiable'? 8
5. Messrs. A. Dalal & Sons of Madras send 24 chests of indigo marked $\frac{\text{A.D.S.}}{24}$ per S.S. *Asia* to Mr. Richard Jones of London to be sold on behalf, account, and risk of the consignors who pay the freight in advance. Prepare an account sales with the details given below: 9
 Date, November 20, 1929; net weight, 5,682 lbs.; sold for 8s. 3d. per lb.; dock charges, £6. 10s.; marine insurance, £2. 1s.; and other expenses, £3. 5s.
6. Ram Prasad of Delhi has purchased books worth Rs. 500-10-6 from Macmillan & Co., Calcutta. He is allowed a month's credit. Draw up a bill of exchange to settle the payment, supplying the necessary details of date, etc., from your own side. 5

THE BOARD OF HIGH SCHOOL & INTERMEDIATE
EDUCATION, UNITED PROVINCES

INTERMEDIATE EXAMINATION IN
COMMERCE, 1931

BUSINESS METHODS AND CORRESPONDENCE

Time: Three Hours

*Note.—Attempt any Three questions from Section A. Questions
in Section B are all compulsory*

MAXIMUM MARKS: 100

SECTION A

1. Can a minor be admitted as a partner in a firm? Discuss the position of a minor partner (1) during his minority, and (2) after he attains his majority. 20
2. Define a bill of lading. What functions does it fulfil? Describe the characteristics of a negotiable instrument in such a way as to make it clear how—if at all—a bill of lading falls short of being one. 20
3. Write short notes on any five of the following: Insurable interest; average policy; f.g.a.; causa proxima; subrogation; f.o.b.; c.i.f.; 'lost or not lost' clause in a marine insurance policy. 20
4. What do you mean by a qualified acceptance? Give illustrations. How does such an acceptance affect the rights of the holder as against (a) the acceptor, and (b) the drawer and endorsers of the bill? 20

SECTION B

1. Reply to the following advertisement appearing in the *Leader*:

'Wanted an Accounts Clerk, under 30, for a Glass Manufacturing Company in the United Provinces, competent to take charge of accounts and assist in correspondence work, if need be. State experience, age, and salary required. Apply to Box No. 2459C, *Leader* Office, Allahabad.'

15

2. Explain the words and phrases underlined in the following passage:

'Markets were all very *quiet* on Saturday and *the tone was irregular*. In the absence of fresh business, dealers directed their attention to the preliminaries of *the carry-over*, which begins to-day in all sections, other than Mines. *Consols succeeded in recovering part of the previous day's fall*, while in the Home Railway Market prices had a *sagging tendency*. *Continental Bourses* were reported to be dull. American shares opened *a shade below parity* and the market soon subsided into extreme inactivity.'

10

3. Give a suitable heading to and write out a *précis* of the following passage:

The problem of co-operative marketing is one of vast proportions and also one of pressing importance. It is now a well-established fact that in many areas greater profits lie in the distributive rather than in the growing end of the farmer's business and under the primitive system of marketing, the Indian agriculturist loses a considerable slice of his legitimate gain with very serious consequences to himself and to the country in general. The experience of officers of the Agricultural Department seems to be that their attempts to encourage larger production of new crops, or new varieties of familiar crops have not met with much success until a profitable market has been somehow found for these crops. The result is that the present marketing system is one of the real obstacles to agricultural progress and rural banking.

The co-operative movement has on the whole succeeded in attracting into it a large volume of capital, an appreciable part of which, at present lying idle, is invested outside the movement on account of co-operative outlets being insufficient for its productive employment. Many provincial and central banks are in a state of chronic surplusing. They naturally resort to contrivances which restrict the inflow of further deposits, or in some cases actually close the receiving counter, till the surpluses are absorbed. The inevitable consequence of such a policy is to dry up the springs of the desire to save, and uproot the incentive to invest small savings in our banks and societies by those who are accustomed to deal with them. So it is up to us to make an effective endeavour to employ resources which are not absorbed at the growing end, in a well-organized distributive enterprise. The credit societies and sale societies can indeed supplement each other's business.

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