Class XI BUSINESS STUDIES

CHAPTER -4 BUSINESS SERVICES

IMPORTANT QUESTIONS

MULTIPLE CHOICE QUESTIONS (1 MARKS)

Question 1

State the five I's of services?

Answer

Nature of services are Intangibility, Inconsistency, Inseparability, Inventory and Involvement

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Question 2

What is meaning of Banking?

Answer

A banking company in India is the one which transacts the business of banking which means accepting, for the purpose of lending and investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheques, draft, order or otherwise. In simple terms, a bank accepts money on deposits, repayable on demand and also earns a margin of profit by lending money

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Question 3

It is the prime responsibility of the insured to take reasonable steps to minimize loss/damage to the insured property. Name the principle of insurance

Answer

Mitigation principle of Insurance says as the owner of an insurance policy, you have an obligation to take necessary steps to minimize the loss of your insured property. The law doesn't allow you to be negligent or irresponsible just because you know you're insured.

Question 4

Define Insurance

Answer

Insurance is thus a device by which the loss likely to be caused by an uncertain event is spread over a number of persons who are exposed to it and who prepare to insure themselves against such an event. It is a contract or agreement under which one party agrees in return for a consideration to pay an agreed amount of money to another party to make a loss, damage or injury to something of value in which the insured has a pecuniary interest as a result of some uncertain event.

Question 5

Rahul's father wants to save Rs. 100,000 so that he can gift the money to Rahul on his graduation day. Which type of deposit should he open with bank?

Answer

Fixed Deposit should be opened with bank. Fixed accounts are time deposits with higher rate of interest as compared to the savings accounts.

Question 6

Name two companies that offer DTH service in our country?

Answer

Airtel, Tatasky offers DTH services in our country

Question 7

A company insures its stock against fire for Rs. 15 Lakh. A fire broke down and the total stock was lost. At the time of fire there was stock worth Rs. 25 Lakh. What is the value of compensation company would be entitled to?

Answer

The contract of fire insurance is a contract of strict indemnity. The insured can, in the event of loss, recover the actual amount of loss from the insurer. This is subject to the maximum amount for which the subject matter is insured. So, maximum amount of Rs, 15 lakh is the value of compensation.

VERY SHORT AND SHORT ANSWER QUESTIONS (2 OR 3 MARKS)

Question 1

Mr. Satish gets his house insured against fire of Rs. 20 Lakh with insurer A and for Rs. 10 Lakh with insurer B. A loss of Rs. 3 Lakh occurred.

(1) How much compensation can be claimed from A and B separately and Why?

(2) Name the principle of Insurance in the above case.

Answer

1. According to this principle, the insured can claim the compensation only to the extent of actual loss either from all insurers or from any one insurer. If one insurer pays full compensation then that insurer can claim proportionate claim from the other insurers

A=20Lakh*3Lakh/30Lakh

A=2 Lakh

B=10Lakh*3Lakh/30Lakh

B=1Lakh

2. Principle of Contribution is followed. It applies to all contracts of indemnity, if the insured has taken out more than one policy on the same subject matter.

The right of contribution arises when:

(a) There are different policies which related to the same subject matters;

(b) The policies cover the same period which caused the loss;

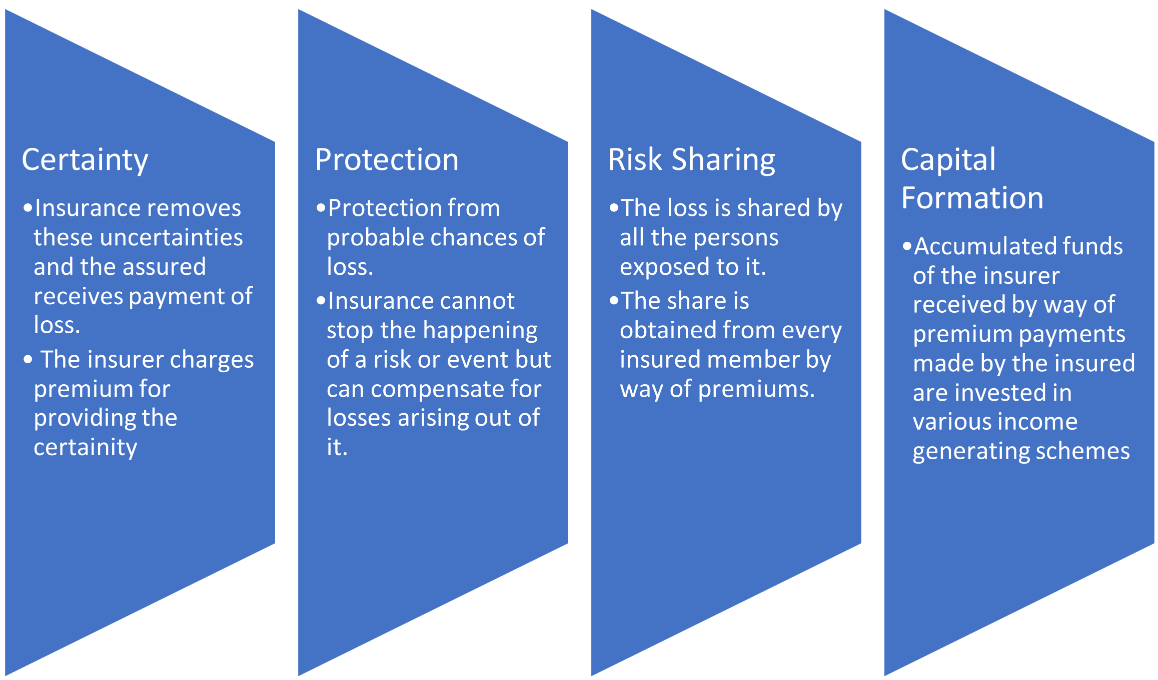
(c) All the policies are in force at the time of loss; and

(d) One of the insurer has paid to the insured more than his share of loss.

Question 2

Explain the function of Insurance

Answer



Question 3

Explain the Difference between Goods and services based on its nature

Answer

Basis	Services	Goods
Intangibility	Intangible e.g., doctor treatment	Tangible e.g., medicine
Inconsistency	Different customers having different demands e.g., mobile services	Different customers getting standardised demands fulfilled. e.g., mobile phones
Inseparability	Simultaneous production and consumption. e.g., eating ice-cream in a restaurant	Separation of production and consumption. e.g., purchasing ice cream from a store
Inventory	Cannot be kept in stock. e.g., experience of a train journey	Can be kept in stock. e.g., train journey ticket
Involvement	Participation of customers at the time of service delivery. e.g., self-service in a fast food joint	Involvement at the time of delivery not possible. e.g., manufacturing a vehicle

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Question 4

Name the principle of insurance for each of the following statements:

(a)The insured is expected to disclose all the important facts related to the property insured.

(b) Insured must have some economic interest in the subject matter of Insurance contract.

(c) To claim for insurance the insured must take reasonable steps to minimize the loss.

(d) Insured is entitled to recover the loss suffered by him, up to the limit of policy amount

Answer

(a)The insured is expected to disclose all the important facts related to the property insured- Utmost Good Faith

(b) Insured must have some economic interest in the subject matter of Insurance contract-Insurable Interest

(c) To claim for insurance the insured must take reasonable steps to minimize the loss- Mitigation

(d) Insured is entitled to recover the loss suffered by him, up to the limit of policy amount- Indemnity

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Question 5

Explain the types of Life Insurance Policies?

Answer

Types of Life Insurance Policies:

- **Whole Life Policy**: In this kind of policy, the amount payable to the insured will not be paid before the death of the assured. The sum then becomes payable only to the beneficiaries or heir of the deceased.
- **Endowment Life Assurance Policy**: The insurer undertakes to pay a specified sum when the insured attains a particular age or on his death whichever is earlier. The sum is payable to his legal heir/s or nominee named therein in case of death of the assured. Otherwise, the sum will be paid to the assured after a fixed period
- **Joint Life Policy**: This policy is taken up by two or more persons. The premium is paid jointly or by either of them in instalments or lump sum assured sum or policy money is payable upon the death of any one person to the other survivor or survivors
- **Annuity Policy**: The assured sum or policy money is payable after the assured attains a certain age in monthly, quarterly, half yearly or annual instalments
- **Children's Endowment Policy**: This policy is taken by a person for his/ her children to meet the expenses of their education or marriage. The agreement states that a certain sum will be paid by the insurer when the children attain a particular age

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Question 6

Explain electronic banking and state its three benefits?

Answer

Online banking also known as internet banking, e-banking, or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. Internet banking is a term used to describe the process whereby a client executes banking transactions via electronic means. This type of banking uses the internet as the chief medium of delivery by which banking activities are executed

Benefits are as follows:

1. E-banking facilitates digital payments and promotes transparency in financial statements
2. Banks that offer internet banking are open for business transactions anywhere a client might be as long as there is internet connection (Apart from periods of website maintenance)
3. E-banking helps in reducing the operational costs of banking services. Better quality services can be ensured at low cost.

Question 7

Explain the Functions of Warehousing?

Answer

<u>Functions of Warehousing</u>

1. Consolidation:

The warehouse receives and consolidates, materials/goods from different production plants and dispatches the same to a particular customer on a single transportation shipment.

2. Break the bulk:

The warehouse performs the function of dividing the bulk quantity of goods received from the production plants into smaller quantities. These smaller quantities are then transported according to the requirements of clients to their places of business.

3. Stock piling:

The next function of warehousing is the seasonal storage of goods to select businesses. Goods or raw materials, which are not required immediately for sale or manufacturing, are stored in warehouses. They are made available to business depending on customers' demand

4. Value added services:

Certain value added services are also provided by the warehouses, such as in transit mixing, packaging and labelling. Goods sometimes need to be opened and repackaged and labelled again at the time of inspection by prospective buyers

5. Price stablisation:

By adjusting the supply of goods with the demand situation, warehousing performs the function of stabilizing prices. Thus, prices are controlled when supply is increasing and demand is slack and vice versa

6. Financing:

Warehouse owners advance money to the owners on security of goods and further supply goods on credit terms to customers

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Question 8

Explain the three important insurance involved in Marine Insurance?

Answer

A marine insurance contract is an agreement whereby the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses. Marine insurance provides protection against loss by marine perils or perils of the sea. Three Things involved:

- **Ship or hull insurance**: Since the ship is exposed to many dangers at sea, the insurance policy is for indemnifying the insured for losses caused by damage to the ship.
- **Cargo insurance**: The cargo while being transported by ship is subject to many risks

- **Freight insurance**: If the cargo does not reach the destination due to damage or loss in transit, the shipping company is not paid freight charges

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LONG ANSWER QUESTIONS (5 OR 6 MARKS)

Question 1

Describe briefly Types of warehouses?

Answer

Private Warehouse	Public Warehouse	Bonded Warehouse	Government Warehouse	Cooperative Warehouse
•Private warehouses are operated, owned or leased by a company handling their own goods, such as retail chain stores or multi-brand multi-product companies. •The benefit of private warehousing includes control, flexibility, and other benefits like improved dealer relations.	•Public warehouses can be used for storage of goods by traders, manufacturers or any member of the public after the payment of a storage fee or charges. •The government regulates the operation of these warehouses by issuing licences •Benefits include flexibility in the number of locations, no fixed cost and capability of offering value added services, like packaging and labelling.	•Bonded warehouses are licensed by the government to accept imported goods prior to payment of tax and customs duty. •These are goods which are imported from other countries. Importers are not permitted to remove goods from the docks or the airport till custom duty is paid	•These warehouses are fully owned and managed by the government. •The government manages them through organisations set up in the public sector	•Some marketing cooperative societies or agricultural cooperative socities have set up their own warehouses for members of their cooperative society

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Question 2

A factory owner gets his stock of goods insured but he hide the fact that the electricity board has issued him statutory warning letter to get his factory. Wiring changed later on, the factory catches fire due to short-circuit which principle is violated in the case. Explain.

Answer

Fire insurance is a contract whereby the insurer, in consideration of the premium paid, undertakes to make good any loss or damage caused by fire during a specified period upto the amount specified in the policy. Normally, the fire insurance policy is for a period of one year after which it is to be renewed from time to time A claim for loss by fire must satisfy the two following conditions:

(i) There must be actual loss; and
(ii) Fire must be accidental and nonintentional

The contract of fire insurance is a contract of strict indemnity. The insured can, in the event of loss, recover the actual amount of loss from the insurer. This is subject to the maximum amount for which the subject matter is insured. The insurer is liable to compensate only when fire is the proximate cause of damage or loss

The factory catches fire due to violation of principle of utmost good faith. The factory owner hided the information that electricity board has issued statutory warning letter.

Insurance contracts also require that both parties act with the utmost good faith. This means that both parties must accurately and fully disclose all material information. This not only ensures fairness, but also helps insurance companies accurately price premiums for insurance applicants. Insurance policies can be declared null and void if an applicant made a misrepresentation of material fact that was relied on by the insurance company.

Question 3

Write notes on RTGS system and NEFT. Also state the difference between them.

Answer

NEFT refers to National Electronic Funds Transfer. It is an online system for transferring funds from one financial institution to another within India (usually banks). The system was launched in November 2005, and was set to inherit every bank that was assigned to the SEFT clearing system. It was made mandatory by the RBI for all banks on the SEFT system to migrate to NEFT by mid December 2005. As such, SEFT was discontinued as of January 2006. The RBI welcomed banks that were full members of the RTGS to join the NEFT system.

RTGS is an acronym that stands for Real Time Gross Settlement. RTGS is a funds transfer system where money is moved from one bank to another in 'real-time', and on gross basis. When using the banking method, RTGS is the fastest possible way to transfer money. 'Real-time' means that the payment transaction isn't subject to any waiting period. The transaction will be completed as soon as the processing is done, and gross settlement means that the money transfer is completed on a one to one basis without clustering with another transaction. The transaction is treated as final and irrevocable as the money transfer occurs in the books of the RBI (Reserve Bank of India). This system is maintained by the RBI, and is available during working days for a given number of hours. Banks using RTGS need to have Core banking to be able to initiate RTGS transactions.

Difference between RTGS and NEFT:

1. RTGS is Real Time Gross Settlement, while NEFT is National Electronic Funds Transfer.
2. RTGS completes transactions in real-time, and is therefore faster than NEFT, which completes transactions in cycles.
3. RTGS is gross settlement, where a transfer is completed on a one-to-one basis, while NEFT is on a Deferred Net Basis, where transfers are bundled and deferred for a specific time.
4. RTGS is a high value transfer system, handling funds worth Rs 100,000 and above, while NEFT transfers smaller amounts below Rs 100,000.

Question 4

Divya Garments Ltd. has a loan of Rs. 10,00,000 to pay. They are short of funds so they are trying to find means to arrange funds. Their manager suggested to claim from insurance company against stock lost due to fire in the ware house. He actually meant that they can put their warehouse on fire and claim from Insurance company against stock insured. They will use the claim money to pay loan.

(a) Will the company receive claim if the surveyer from company comes to know the seal cause of fire?

(b) Which values did company ignore while planning to arrange money from false claim?

(c) Explain three elements of fire insurance

Answer

a) No the company will not receive claim if surveyor come to know the real cause of fire and the contract will become null and void.

b) Principle of Utmost good faith is ignored while planning to arrange money from false claim. Insurance contracts also require that both parties act with the utmost good faith. This means that both parties must accurately and fully disclose all material information. This not only ensures fairness, but also helps insurance companies accurately price premiums for insurance applicants. Insurance policies can be declared null and void if an applicant made a misrepresentation of material fact that was relied on by the insurance company.

c) Three elements of fire insurance are :

- The insured must have insurable interest in the subject matter of the insurance. Without insurable interest the contract of insurance is void
- The insured should be truthful and honest (Utmost Good Faith) in giving information to the insurance company regarding the subject matter of the insurance
- The contract of fire insurance is a contract of strict indemnity. The insured can, in the event of loss, recover the actual amount of loss from the insurer. This is subject to the maximum amount for which the subject matter is insured

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Question 5

Write a detailed note on various facilities offered by Indian Postal Department and different types of telecom services offered?

Answer

Indian post and telegraph department provides various postal services across India. Through their regional and divisional level arrangements the various facilities provided by postal department are broadly categorised into:

- **Financial facilities**: These facilities are provided through the post office's savings schemes like Public Provident Fund (PPF), Kisan Vikas Patra, and National Saving Certificate
- **Mail facilities**: Mail services consist of parcel facilities that is transmission of articles from one place to another; registration facility to provide security f the transmitted articles and insurance facility to provide insurance cover for all risks in the course of transmission by post
- **Allied Facilities**: Greeting post, media post, International money transfer, speed post, passport facilities, e-bill

Different types of Telecom services are as follows:

- **Cellular mobile services**: These are all types of mobile telecom services including voice and non-voice messages, data services and PCO services utilising any type of network equipment within their service area.
- **Fixed line services**: These are all types of fixed services including voice and non-voice messages and data services to establish linkages for long distance traffic. These utilise any type of network equipment primarily connected through fiber optic cables
- **Cable services**: These are linkages and switched services within a licensed area of operation to operate media services, which are essentially one-way entertainment related services.
- **VSAT services**: VSAT (Very Small Aperture Terminal) is a satellite-based communications service. It offers businesses and government agencies a highly flexible and reliable communication solution in both urban and rural areas.
- **DTH services**: DTH (Direct to Home) is again a satellite-based media services provided by cellular companies. One can receive media services directly through a satellite with the help of a small dish antenna and a set top box.

Question 6

State Six Difference Between Life Insurance, Fire Insurance and Marine Insurance?

Answer

BASIS	LIFE INSURANCE	FIRE INSURANCE	MARINE INSURANCE

SUBJECT MATTER	The subject matter of insurance is human life.	The subject matter is any physical property or assets.	The subject matter is a ship, cargo or freight
ELEMENT	Life Insurance has the elements of protection and investment or both.	Fire insurance has only the element of protection and not the element of investment.	Marine insurance has only the element of protection
INSURABLE INTEREST	Insurable interest must be present at the time of effecting the policy but need not be necessary at the time when the claim falls due.	Insurable interest on the subject matter must be present both at the time of effecting policy as well as when the claim falls due.	Insurable interest must be present at the time when claim falls due or at the time of loss only
DURATION **.**	Life insurance policy usually exceeds a year and is taken for longer periods ranging from 5 to 30 years or whole life	Fire insurance policy usually does not exceed a year.	Marine insurance policy is for one or period of voyage or mixed
INDEMNITY	Life insurance is not based on the principle of indemnity. The sum assured is paid either on the happening of certain event or on maturity of the policy.	Fire insurance is a contract of indemnity. The insured can claim only the actual amount of loss from the insurer. The loss due to the fire is indemnified subject to the maximum limit of the policy amount.	Marine insurance is a contract of indemnity. The insured can claim the market value of the ship and cost of goods destroyed at sea and the loss will be indemnified
LOSS MEASUREMENT	Loss is not measurable.	Loss is measurable.	Loss is measurable

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Question 7

Explain in detail the principles of Insurance?

Answer

Utmost Good Faith

- Insurance contracts also require that both parties act with the utmost good faith. This means that both parties must accurately and fully disclose all material information. This not only ensures fairness, but also helps insurance companies accurately price premiums for insurance applicants. Insurance policies can be declared null and void if an applicant made a misrepresentation of material fact that was relied on by the insurance company.

Insurable Interest

- The insurable interest principle requires that the owner of a particular insurance policy have an ownership interest in the particular subject matter of the insurance policy. The absence of an insurable interest can make the insurance policy in question null and void.

Indemnity

- The principle of indemnity ensures that an insurance contract protects you from and compensates you for any damage, loss, or injury. The purpose of an insurance contract is to make you "whole" in the event of a loss, *not* to allow you to make a profit. Thus, the amount of your compensation for a loss is directly related to the amount of loss that you actually suffered.

Proximate Cause

- The principle of proximate cause, or nearest cause, comes into play when more than one event or bad actor causes an accident or injury. The insurance principle of proximate cause dictates that nearest or closest cause should be taken into consideration to decide the liability.

Subrogation

- Subrogation means that one party stands in for another. In the insurance context, subrogation will arise if you are injured by a negligent third party, and your insurance company reimburses you for your damages. Under the principle of subrogation, your insurance company can stand in your shoes and recover the pay-out from the negligent party. The goal of this principle is to encourage responsibility and accountability by holding negligent parties responsible for injuries they cause.

Contribution

- Principle of Contribution is a corollary of the principle of indemnity. It applies to all contracts of indemnity, if the insured has taken out more than one policy on the same subject matter. According to this principle, the insured can claim the compensation only to the extent of actual loss either from all insurers or from any one insurer. If one insurer pays full compensation then that insurer can claim proportionate claim from the other insurers.

Mitigation

- As the owner of an insurance policy, you have an obligation to take necessary steps to minimize the loss of your insured property. The law doesn't allow you to be negligent or irresponsible just because you know you're insured