

## 4. Business Services

**Q.1. (A) Select the correct option and rewrite the sentence.**

1) Door to door service is provided by ..... transport.

a) railway **b) road** c) air

2) ..... creates time utility.

**a) Warehouse** b) Transport c) Communication

3) ..... warehouses provide facilities for perishable commodities.

a) Bonded **b) Cold storage** c) Government

4) ..... policy covers all types of risks of a vessel while it is anchored at the port for a particular period of time.

**a) Port risk** b) Voyage c) Floating

5) Principle of ..... is not applicable to life insurance.

a) insurable interest b) utmost good faith **c) indemnity**

**(B) Match the pairs.**

| Group 'A'             | Group 'B'                       |
|-----------------------|---------------------------------|
| A) Air Transport      | 1) Time utility                 |
| B) Warehousing        | 2) Intangible in nature         |
| C) Money remittance   | 3) Fast mode of transport       |
| D) Pipeline Transport | 4) April, 2019                  |
| E) Business Service   | 5) Western Union Money Transfer |
|                       | 6) Fixed deposit account        |
|                       | 7) Petroleum and gas            |
|                       | 8) Tangible                     |
|                       | 9) Place utility                |
|                       | 10) Savings account             |

**Ans: A-3 B-1 C-5 D-7 E-2**

**(C) Give one word/phrase/term for the following sentence.**

1) These warehouses are owned, managed and controlled by central and state



governments or public authorities.

Ans: **Government warehouse**

2) An art of exchanging ideas, facts, information etc. from one person or entity to another.

Ans: **Communication**

3) A rail system in which the track consists of a single rail or a beam.

Ans: **Monorail**

4) A transport system used to carry petroleum and gases.

Ans: **Pipeline transport**

5) A ministry who looks after development of surface transport throughout country.

Ans: **Ministry of Road Transport and Highways**

**(D) State whether following statements are true or false.**

1) Business services are important for the growth of business.

Ans: **True**

2) Current Account is opened by salaried persons.

Ans: **False**

3) NEFT stands for National Electric Fund Transfer.

Ans: **False**

4) Air transport is cheapest mode of transport.

Ans: **False**

5) The Internet is the global system of interconnected computer networks that use the internet protocol suite to link devices worldwide.

Ans: **True**

**(E) Find the odd one.**

1) Primary credit co-operative society, state co-operative bank, district co-operative bank, ex-change bank.

Ans: **ex-change bank**

2) NABARD, RBI, SIDBI, EXIM.

Ans: **RBI**

3) Direct mail, Logistics post, Business post, Parcel

Ans: **Parcel**

4) Endowment policy, Whole life policy, Money back policy, Blanket policy.

Ans: **Blanket policy**

**(F) Complete the sentence.**

1) The term bank comes from the French word **Banco** .

2) **Cold Storage** warehouses provide facilities for perishable commodities

3) In **fleet** policy, several ships belonging to one owner are insured under the same policy.

4) **Mobile** banking refers to the use of banking services with the help of mobile phones.

**(G) Select the correct option and complete the following table.**

(RTGS, SIDBI, apex financial institution in banking industry of country, recurring deposit, long term loans)

| Group A   | Group B   |
|---|---|
| 1. <b><u>RTGS</u></b>                           | Fund transfer on real time and gross basis                              |
| 2. Loans to meet long term capital requirements | <b><u>long term loans</u></b>   |
| 3. <b><u>Recurring Deposit</u></b>              | Account operated by salaried and businessmen both                       |
| 4. Central bank                                 | <b><u>apex financial institution in banking industry of country</u></b> |
| 5. <b><u>SIDBI</u></b>                          | Principal financial institution of MSMEs                                |

**H) Answer in one sentence.**

1) What is debit card?

Ans: Most of the banks nowadays offer debit card as soon as account is opened by account holder. Through debit card payments, the amount gets deducted from account holder's account.

2) What is 'subject matter' in insurance?



**Ans:** Subject matter refers to the subject or entity i.e life, property, cargo or ship etc. which is insured against which the policy is taken.

### 3) What is government warehouse?

**Ans:** These warehouses are owned, managed and controlled by central and state governments or public authorities. It is difficult for small farmers, businessmen, traders to own a warehouse, so these government warehouses assist them in storing their goods at nominal charge.

### 4) What is air transport?

**Ans:** Air transport carries the goods and passengers through airways by using different aircrafts like passenger aircrafts, cargo aircraft, helicopters etc. This is the fastest mode of transport but it does not provide door to door service.

### 5) What is communication?

**Ans:** Communication is an art of exchanging ideas, facts, information etc. from one person or entity to another. The process of passing any information from one person to another with the help of some medium is termed as communication.

### (I) Correct the underlined word and rewrite the following sentences.

1) Overdraft facility is available for savings bank account holder.

**Ans:** Overdraft facility is available for Current bank account holder.

2) Services are tangible in nature.

**Ans:** Services are Intangible in nature.

3) Insurance helps to maximize the risks in the business.

**Ans:** Insurance helps to minimize the risks in the business.

4) The foreign bank is the apex financial institution in banking industry in the country

**Ans:** The central bank is the apex financial institution in banking industry in the country



5) RTGS stands for Reasonable Time Gross Settlement.

**Ans:** RTGS stands for real Time Gross Settlement.

(J) Arrange in proper order.

1) Claim, Accident, Taking the policy, Compensation

**Ans:** Taking the policy, Accident, Claim, Compensation

2) Email, Inland letter, Courier

**Ans:** Inland letter, Courier, E-mail

**Q.2. Explain the following terms/concepts.**

1) Transport

**Ans:** Transportation is the movement of people, animals and goods from one location to another location or it can be defined as a means of carrying goods and people from one place to another place.

2) Communication

**Ans:** Communication is an art of exchanging ideas, facts, information etc. from one person or entity to another. The process of passing any information from one person to another with the help of some medium is termed as communication. Communication is a very simple process where message is being transferred from a sender to the receiver. The receiver after receiving the message understands it in the desired form and then acts accordingly.

3) Banking

**Ans:** The term Bank comes from the French word 'Banco' which means a 'bench'. In earlier days, money-lenders used to display coins of different currencies in big heaps or benches or tables for the purpose of lending or exchanging. A bank is a financial institution which deals with deposits and advances and other related services. Bank provides various services related to money or financial requirements of consumers.

4) Insurance

**Ans:** Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. Insurance is a contract between the insurer and the insured, whereby the insurer agrees to compensate the insured against loss. The insured has to pay a certain fixed sum of money on timely basis to the insurer.

### **5) Warehousing:**

**Ans:** Warehousing refers to storage of goods and consists of all those activities which are connected with storage and preserving of goods. It is a means of storing the goods. Warehousing can be defined as a group of activities connected with the storing and preserving of stored goods from the time of production till the time of consumption.

### **Q.3. Study the following case/situation and express your opinion.**

**1) Ms. Harshali has started new business two years ago. Her customers are located in different parts of the country and hence they are directly depositing bill amount in her business account.**

**At the same time she used to pay various payments from this account only.**

**i) Identify Type of account maintained by Ms. Harshali.**

**Ans:** Type of account maintained by Ms. Harshali is current account.

**ii) Suggest any one modern way of money transfer to Ms. Harshali.**

**Ans:** NEFT stands for National Electronic Fund Transfer. Under this system, funds are transferred electronically from one branch to another branch or one bank to another bank in the country. The client has to give details of NEFT code of branch and account number of beneficiary to whom the money is to be transferred.

**iii) What kind of facility does she get on her bank account?**

**Ans:** 1. Overdraft facility is available for current account.

2. For current account, banks provide statement of account every month.

**2) Mr. Jagan is a salaried person. He wants to take policy for his two children which assures them protection as well as completes their financial needs once they become major by age.**

**i) Suggest him a policy which can satisfy requirements of his children.**

**Ans:** Mr. Jagan, a salaried person should take "Child Insurance Policy" to satisfy the financial requirements of his children.



**ii) Who are beneficiaries of policy?**

**Ans:** In child insurance policy, children of the insured person are the beneficiaries.

**iii) In above case which principle is involved?**

**Ans:** In the above case, principle of insurable interest is involved.

**3) Mr. Sharan is successful manufacturer. He is having production units at various locations.**

**He is having multiple production units, he has large stock of raw material and finished goods. He is worried about safeguarding goods from any unwanted financial loss. He also requires to transfer raw material and finished goods from one unit to other but does not have any facility for that. He also requires funds for expansion.**

**i) Name the service which will help him to safeguard goods from any damage?.**

**Ans:** Warehousing is the service that helps Mr. Sharan to safeguard his goods from any damage.

**ii) Which service will help him to remove difficulty of place?**

**Ans:** Transport service will help Mr. Sharan to remove the difficulty of place.

**iii) From which service sector will he get financial support?**

**Ans:** Mr Sharan will get financial support from Banking sector.

**4) Mr. Amit is a businessman. He has his own factories in Pune and Nashik. He lives in Pune with his wife and 2 daughters aged 5 and 8 years.**

**i) Can Mr. Amit take a life insurance policy for his wife and 2 children?**

**Ans:** Mr. Amit can take whole life policy or term insurance policy for his wife and child insurance policy or money back policy for his daughters.

**ii) Can Mr. Amit take a marine insurance policy for his factories?**

**Ans:** Mr. Amit cannot take marine insurance policy for his factories.

**iii) Which type of insurance should Mr. Amit take for protecting his factories from loss due to fire?**



**Ans:** Mr Amit can take Floating Fire Insurance Policy for protecting his factories at Pune and Nashik

**Q.4. Distinguish between.**

**1) Duty Paid Warehouse and Bonded Warehouse**

**Ans:**

| <b>Duty paid Warehouses:</b>   | <b>Bonded Warehouses:</b>  |
|--|--|
| <b>Meaning:</b><br>If an importer faces any problem in transportation of goods, after making payment of duty, then goods can be stored at a duty paid warehouse. | Bonded warehouses are licensed by the government to accept imported goods for storage until the payment of custom duty.                                      |
| <b>Control:</b><br>All duty paid warehouses are public warehouses which are available to all importers.  | These warehouses work under the control of custom authorities.   |
| <b>Classification:</b><br>Duty paid warehouses help the importer as proper care of goods is taken, processing of goods can be done like sorting, re-packing etc. | The goods are held in bond and cannot be withdrawn without paying the custom duty.   |
| <b>Location:</b><br>These are located near port & dock area.   | These are located near dock area and if an importer is unable or unwilling to pay custom duty immediately then he can store the goods in a bonded warehouse. |
| <b>Used :</b><br>Such warehouses are more useful for re-export of the goods.   | Importer can withdraw the goods in installments by paying the customs duty proportionately.  |

**2) Central Bank and Commercial Bank**

**Ans:**

| <b>Central Bank</b> | <b>Commercial Bank</b> |
|---------------------|------------------------|
|---------------------|------------------------|





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|--|---|
| <b>1. Function:</b><br>The main function is to accept deposits from public for lending to industry and others                                  | The main function of the central bank (RBI) is to regulate the money supply in the country. |
| <b>2. Printing of Currency:</b><br>The commercial banks cannot print currency  | The central bank can print currency notes.  |
| <b>3. Acceptance of Deposits:</b><br>The commercial bank accept deposits from public   | The Central Bank does not accept deposits from public.                                      |
| <b>4. Loans</b><br>The commercial banks provide loan to industry and commerce.   | The Central bank provide loans to bankers and financial institutions                        |
| <b>5. Ownership:</b><br>It can be owned by private and /or by the government agencies.   | It is owned and controlled by the government of India                                       |
| <b>6. Number of Banks:</b><br>There are many commercial banks in India.  | There is only one Central Bank (RBI) in India.  |
| <b>7. Monetary policy</b><br>The commercial banks do not frame any monetary policy The commercial bank does not keep check on the central bank | The Central Bank frames the monetary and credit policy.                                     |

### 3) Road Transport and Air Transport

| Road Transport  | Air Transport                        |
|---|--------------------------------------|
| <b>1. Speed:</b><br>Road transport has limited speed due to bad road condition, accidents, etc. | It is the fastest mode of transport. |
| <b>2. Carrying capacity:</b><br>It has limited carrying capacity                                | It has limited carrying capacity     |



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| <b>3. Cost:</b><br>It requires limited capital investment in terms of construction of roads, vehicles and there maintenance. | It uses airways which are natural and hence, there is no cost involved. However huge cost of constructions of aircrafts involved. These costs are way high compared to other modes of transport. |
| <b>4. Distance:</b><br>Recommended for short distance.   | Suitable for long distance.  |
| <b>5. Charges:</b><br>Transport charges are not fixed due to high due to increased fuel prices                               | Transport charge are very high.  |
| <b>6. Door to door service:</b><br>It provides door to door services.  | It does not provide door to door services.   |
| <b>7. Means of Transport:</b><br>It uses animals, animal carts, motor-cycles, three and four wheelers.                       | It uses aircraft, helicopters, jets, etc.  |
| <b>8. Suitability:</b><br>It is suitable for transporting the goods in relatively smaller quantities for short distance.     | It is suitable for transporting light weight perishable and valuable goods to any part of the world.   |
| <b>9. Safety:</b><br>It provides limited safety to goods from the sun, rain, wind, etc.                                      | Goods are safe as they are specially packed.   |
| <b>10. Accidents:</b><br>Chances of accidents are more due to poor road conditions and negligent drivers                     | Chances of accidents are less because of maintenance and expert pilots.  |
| <b>11. Ownership:</b><br>Ownership is in the hands of private parties as well as the government.                             | It is owned by both private sector as well as public sector.   |

#### 4) Life Insurance and Marine Insurance



| <b>Life Insurance</b>   | <b>Marine Insurance</b>  |
|---|--|
| <b>1. Meaning:</b><br>A contract where by the insurance company undertakes to pay a certain sum of money either on death or maturity (whichever is earlier) for a consideration (premium) | A contract where by the insurance company undertakes to pay compensation to insured in case of loss to him due to dangers (perils) of the sea.                         |
| <b>2. Policy taken by:</b><br>It can be taken by an individual for his own life or for his family members.  | It can be taken by exporters, importers and shipping companies etc.  |
| <b>3. Subject matter:</b><br>In life insurance, the life of the insured is a subject matter   | In Marine insurance, goods in ship, cargo and freight is the subject matter.   |
| <b>4. Insurable interest:</b><br>It must exist at the time of contract  | It must exist at the time of contract and also at the time of loss.  |
| <b>5. Tenure:</b><br>The policy can be issued for any number of years, even until the death of the assured.   | It is generally for a short period and may range from one month to a year. Normally it does not exceed one year.   |
| <b>6. Compensation:</b><br>It is paid either on death or maturity whichever is earlier.   | It is paid only if there is loss causing event during the term of the policy.  |
| <b>7. Principle of Indemnity:</b><br>It is not applicable as a human life cannot be valued in terms of money for calculating the actual loss.   | It is applicable as insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was before the event. |
| <b>8. Number of policies:</b><br>Insured can take any number of policies on the same life. Compensation is paid on all the policies.  | Generally, only one policy can be taken. However, double insurance is possible. However, compensation does not exceed the actual loss.                                 |



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| <b>9. Beneficiary:</b><br>The beneficiary can be insured (if he survives the selected term) or else the nominee or the legal heir on the death of the assured. | The beneficiary is the insured person or company. |
| <b>10. Surrender of policy:</b><br>The policy can be surrendered before the expiry of the term subject to certain conditions.                                  | It cannot be surrendered.                         |

## 5) Savings Account and Current Account

| Savings Account  | Current Account   |
|--|---|
| <b>1. Meaning:</b><br>It is that account which is opened by individuals in order to save a part of their income. | It is that account which is maintained by business man and others who have regular bank transactions.       |
| <b>2. Withdrawals:</b><br>Customers can withdraw either by cheques or by withdrawal slips.                       | Customers can withdraw money by cheques.  |
| <b>3. Documentation:</b><br>The bank gives a passbook, cheque book and pay-in-slip book to the customers.        | The bank gives a passbook, cheque book, statement of account and pay-in-slip book to the customers.         |
| <b>4. Who takes it:</b><br>It is suitable for fixed income group, wages or salary earners.                       | It is suitable for traders, businessman, firms or institutions.   |
| <b>5. Restrictions:</b><br>The customer have certain restrictions on withdrawals.                                | There are no restrictions on the operation of a current account as long as there is balance in the account. |
| <b>6. Interest rate:</b><br>Interest rate is low   | Normally interest is not given  |
| <b>7. Nature of Account:</b><br>It is of continuous Nature   | It is of continuous Nature  |



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| <b>8. Facilities:</b><br>No overdraft facility is given. | Temporary overdraw facility is given |
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## 6) Life Insurance and Fire Insurance

| Life Insurance  | Fire Insurance   |
|---|--|
| <b>1. Meaning:</b><br>A contract where by the insurance company undertakes to pay a certain sum of money either on death or maturity (whichever is earlier) for a consideration (premium) | A contract in which insurer promises to pay compensation to insured if something happens to the subject matter due to fire or related events.                          |
| <b>2. Policy taken by:</b><br>It can be taken by an individual for his own life or for his family members.  | It can be taken by individual for their properties or by businessman. For their goods, properties business liabilities.  |
| <b>3. Subject matter:</b><br>In life insurance, the life of the insured is a subject matter   | In Fire insurance, the goods and assets or property of the insured is the subject matter.  |
| <b>4. Insurable interest:</b><br>It must exists at the time of contract   | It must exist both at the time of contract and also at the time of loss.   |
| <b>5. Tenure:</b><br>The policy can be issued for any number of years, even until the death of the assured.   | It is generally for a short period like one year.  |
| <b>6. Compensation:</b><br>It is paid either on death or maturity whichever is earlier.   | It is paid only if there is loss due to fire during the term of policy   |
| <b>7. Principle of Indemnity:</b><br>It is not applicable as a human life cannot be valued in terms of money for calculating the actual loss.   | It is applicable as insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was before the event. |



|   |   |
|---|---|
| <b>8. Number of policies:</b><br>Insured can take any number of policies on the same life.\ Compensation is paid on all hte policies.                         | Generally only one policy can be taken but double insurance is possible. However, compensation does not exceed the actual loss. |
| <b>9. Beneficiary:</b><br>The beneficiary can be insured (if he survives the selected term) or else the nomine or the legal heir on the death of the assured. | The beneficiary is the insured who has insured the property or goods  |
| <b>10. Surrender of policy:</b><br>The policy can be surrendered before the expiry of the term subject to certain conditions.                                 | It cannot be surrendered.   |

## 7) Road Transport and Rail Transport

| Road Transport   | Rail Transport   |
|--|--|
| <b>1. Speed:</b><br>Road transport has limited speed due to bad road condition, accidents, etc.                              | It has considerable speed since it runs on tracks which rarely gets disturbed  |
| <b>2. Carrying capacity:</b><br>It has limited carrying capacity   | It has huge carrying capacity  |
| <b>3. Cost:</b><br>It requires limited capital investment in terms of construction of roads, vehicles and there maintenance. | The cost of construction of trains, railway tracks is high. Also the maintenance of trains, tracks and stations is high. |
| <b>4. Distance:</b><br>Recommended for short distance.   | Recommended for both short and long distance.  |
| <b>5. Charges:</b><br>Transport charges are not fixed due to high due to increased fuel prices                               | Transport charges are relatively low and are fixed according to the distance.  |
| <b>6. Door to door service:</b><br>It provides door to door services.  | It does not provide door to door services  |



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|--|--|
| <b>7. Means of Transport:</b><br>It uses animals, animal carts, motor-cycles, three and four wheelers.                   | It uses passenger trains and goods train.  |
| <b>8. Suitability:</b><br>It is suitable for transporting the goods in relatively smaller quantities for short distance. | It is suitable for transporting heavy goods in large quantity over long distance.      |
| <b>9. Safety:</b><br>It provides limited safety to goods from the sun, rain, wind, etc.                                  | Goods are kept in locked wagons which provide protection against sun, wind, rain, etc. |
| <b>10. Accidents:</b><br>Chances of accidents are more due to poor road conditions and negligent drivers                 | Chances of accidents are less because of one way track and good signal system.         |
| <b>11. Ownership:</b><br>Ownership is in the hands of private parties as well as the government.                         | Ownership is in the hands of the Government.   |

## 8) Rail Transport and Air Transport

| Rail Transport  | Air Transport  |
|---|--|
| <b>1. Speed:</b><br>It has considerable speed since it runs on tracks which rarely gets disturbed   | It is the fastest mode of transport.   |
| <b>2. Carrying capacity:</b><br>It has huge carrying capacity   | It has limited carrying capacity   |
| <b>3. Cost:</b><br>The cost of construction of trains, railway tracks is high. Also the maintenance of trains, tracks and stations is high. | It uses airways which are natural and hence, there is no cost involved. However huge cost of constructions of aircrafts involved. These costs are way high compared to other modes of transport. |
| <b>4. Distance:</b><br>Recommended for both short and long distance.  | Suitable for long distance.  |
| <b>5. Charges:</b><br>Transport charges are relatively low and are fixed according to the distance.   | Transport charge are very high.  |



|   |  |
|---|--|
| <b>6. Door to door service:</b><br>It does not provide door to door services                                | It does not provide door to door services.   |
| <b>7. Means of Transport:</b><br>It uses passenger trains and goods train.                                  | It uses aircraft, helicopters, jets, etc.  |
| <b>8. Suitability:</b><br>It is suitable for transporting heavy goods in large quantity over long distance. | It is suitable for transporting light weight perishable and valuable goods to any part of the world. |
| <b>9. Safety:</b><br>Goods are kept in locked wagons which provide protection against sun, wind, rain, etc. | Goods are safe as they are specially packed.   |
| <b>10. Accidents:</b><br>Chances of accidents are less because of one way track and good signal system.     | Chances of accidents are less because of maintenance and expert pilots.                              |
| <b>11. Ownership:</b><br>Ownership is in the hands of the Government.                                       | It is owned by both private sector as well as public sector.   |

## 9) Current Account and Fixed Deposit Account

| Current Account   | Fixed Deposit Account  |
|---|--|
| <b>1. Meaning:</b><br>It is that account which is maintained by business man and others who have regular bank transactions.     | It is that account where a fixed sum of money is deposited for a fixed period. |
| <b>2. Withdrawals:</b><br>Customers can withdraw money by cheques.  | Customers cannot withdraw during the specified period.                         |
| <b>3. Documentation:</b><br>The bank gives a passbook, cheque book, statement of account and pay-in-slip book to the customers. | The bank gives a fixed deposits receipt to the customers.                      |
| <b>4. Who takes it:</b><br>It is suitable for traders, businessman, firms or institutions.                                      | It is suitable for any person with temporary idle cash.                        |





|  |   |
|--|---|
| <b>5. Restrictions:</b><br>There are no restrictions on the operation of a current account as long as there is balance in the account. | Amount becomes due on the expiry of the fixed period. If withdrawn earlier, then the rate of interest will be less than applicable. |
| <b>6. Interest rate:</b><br>Normally interest is not given   | Interest rate is higher, longer the period, higher will be the rate of interest.  |
| <b>7. Nature of Account:</b><br>It is of continuous Nature   | It is for fixed period of time except when the fixed deposit receipt is renewed.  |
| <b>8. Facilities:</b><br>Temporary overdraft facility is given   | 90% of the amount of fixed deposit can be given as loan.  |

#### Q.5. Answer in brief.

##### 1) State four types of deposits.

##### Ans: 1) Time Deposits:

Time deposits are called as time deposits because they are repaid to the customers after the expiry of decided time.

##### 2) Fixed Deposit:

Fixed deposit account is an account where fixed amount is kept for fixed period of time bearing fixed interest rate. Rate of interest is more as compared to saving bank account and varies with the deposit period.

##### 3. Recurring Deposit:

It is operated by salaried persons and businessmen having regular income. A certain fixed sum of money is deposited into the account every month. Withdrawal of accumulated amount along with interest is paid after the maturity date.

##### 4. Demand Deposits:

Demand deposits are those which are repaid to customers whenever they demand. That means, money can be withdrawn as per the wish of the customer through withdrawal slips, Cheques, ATM cards, online transfer etc.

##### 2) State four modes of transport.

**Ans: Modes of transport:** Generally, transportation is carried through various modes such as railways, roads, waterways and airway. Modes of transport are as follows:

##### 1) Road Transport:



Roads are means that connect people and places on the surface of the land. It provides all over connectivity in any terrain as compared to other modes of transport.

Various means of transport are used under road transport such as bullock cart, cycles, rickshaws, buses, cars etc.

## **2) Rail Transport:**

Transportation of goods and passengers on rail lines through trains is called as rail transport.

It occupies an important place in land transport system of our country and is most dependable mode of transport to carry goods and passengers over long distance.

## **3. Air Transport:**

Air transport carries the goods and passengers through airways by using different aircrafts like passenger aircrafts, cargo aircraft, helicopters etc. This is the fastest mode of transport but it does not provide door to door service. Air transport is also suitable mode in case of emergency like war, medical, natural calamities, rescue operations etc. Air transport is classified into domestic transport and international transport.

## **4) Water Transport:**

Water transport refers to movement of goods and passengers on waterways by using various means like boats, steamers, launches, ships etc. With the help of these means goods and passengers are carried to different places, both within as well as outside the country. When the goods and passengers move inside the country, it is known as inland water transport. When the different means of transport are used to carry goods and passengers on the ocean or sea route, it is known as ocean or sea transport.

## **3) State four life insurance policies.**

**Ans: Types of life insurance policies:**

### **1) Whole Life Policy:**

Under this policy whole life of a person is insured. The insured cannot receive money from insurance company till he is alive. The rate of premium is normally low. The money becomes payable on the death of insured person to the nominee or the legal heir of the deceased policy holder.

### **2) Endowment Insurance Policy:**

Insurance is taken for specific period under this policy. The sum assured along with bonus is given on the death of the insured to dependents or on the expiry of the



specific period, to the insured.

### **3) Term Insurance Policy:**

Term insurance policy is taken for a specific period. Term insurance policy has lowest premium among all insurance policies. Premium is fixed and does not change during the term of the policy. In case of untimely death, the dependents will receive the benefit amount specified in the term life insurance agreement.

### **4) Annuity Policy:**

The insured has to pay the premium in lump sum or in instalments over a certain period of time.

The insured will receive back a specific sum periodically from specified date onwards, either for life or for a fixed number of years. It is like pension payment scheme.

### **4) State any four features of business services.**

**Ans: Features of services:**

#### **1) Intangibility:**

A service is not a physical product that can be touched or seen. A service can be experienced by the buyer or the receiver. Services lack material form, and therefore they are intangible.

#### **2) Inseparability:**

Unique characteristic of services is that the service and the service provider cannot be separated.

The presence of service provider is there at the time of delivering services to customers. In case of services production and consumption take place at the same time.

#### **3) Inconsistency:**

Services are heterogeneous. There can be no perfect standardization of services. Even if the service provider remains the same, the quality of the service may differ from time to time. For example, same restaurant can give different experience to two different customers.

#### **4) Perishability:**

The production and consumption of services are inseparable because storage of services is not possible. Being an intangible transaction there can never be an inventory of services. Unlike goods, they cannot be stored for future sale.



**5) State money remittance services of postal department.**

**Ans:** Q.7 (1)

**Q.6. Justify the following statements.**

**1) Air transport is fastest mode of transport.**

**Ans:** (1) The mode of transport which is operated above the surface of the earth i.e. in the sky through airways is called air transport. For carrying passengers and goods, air transport uses different aircrafts such as passengers aircrafts, cargo aircraft, helicopters, etc.

(2) Among the means of transport available at present, air transport is the fastest and the quickest means of transport. It uses natural ways and no separate construction of routes is required. It is also due to use of modern and advanced technology and highly qualified and professional technician. Thick forests, high mountains, vast deserts and oceans cannot obstruct its speed and air routes.

(3) Air transport adopt shortest route to reach destination. It has faster speed without any disturbance of observing signal system speed. Air transport is useful to provide valuable services in hilly and mountainous areas, in situations like war and areas affected by natural calamities such as floods, cyclones, earthquakes, etc.

**2) Communication is essential for growth of business.**

**Ans:** (1) Exchange of ideas, facts, information etc. from one person to another is called communication. It is a process of transfer of information from one place to another or from one person to another with the help of some medium. Means of communication comprise magazines, newspapers, post and telegraphs, radio and television, telephone, internet, e-mail, etc. Communication is essential for growth of business, which include industry, commerce, trade, etc.

(2) The difficulty of distance is effectively solved by various means of communication. Communication helps to transmit business information more quickly among the businessmen. Effective communication facilitates carrying required raw materials and other requirements from the place of their origin or market to the place of their production to facilitate large scale production. The communication also helps to carry finished products from the place of production to



the places of consumption as well as market.

(3) Communication helps to make goods and services available wherever they are demanded. It helps to widen the market. Effective communications facilitates the development and growth of domestic and international market and bring prosperity to the country.

(4) Effective communication facilitates the reduction in the cost of production and distribution of goods at low prices which increase their demand and widen market. Increase in demand in turn leads to large scale production and supply. Thus, communication is essential for growth of business.

### **3) Principle of subrogation is applicable to all contracts of indemnity.**

**Ans:** (1) The principle of subrogation is a corollary to the principle of indemnity. According to the principle of subrogation, after the insured is fully compensated for the total loss of the property or goods insured by him, all the rights in such property or goods pass on to the insurer.

(2) Insured person cannot claim any right in the property saved from the damage or loss, once he is fully compensated by the insurer. This is necessary because, if part of the goods or property saved from the fire, accident, damage, floods or cyclone, etc. could fetch any price, the same cannot be retained by the policyholder or insured. In that case he would realise more than the actual loss, which is against the principle of indemnity.

(3) As like the principle of indemnity, the principle of subrogation is applicable to all insurance policies except life insurance policies. In life insurance contracts, the question of indemnity and subrogation does not arise. The insurer cannot indemnify the insured because the loss due to death cannot be determined exactly in terms of money.

(4) In all insurance contracts, except life insurance contract, principle of indemnity and principle of subrogation is applicable. On indemnifying the insured, the insurer can sell the remains of the property damaged and reduce his loss. However, this principle is applicable only if the damaged property has any value after the happening of the event.

### **4) Warehousing is important.**

**Ans:** (1) The term 'warehousing is generally used to denote all those activities which are concerned with the storage of goods in a godown or warehouse. In

modern days, there is a time gap between production of goods and their distribution. Warehousing is essential to hold the stock of goods till they have suitable demand.

(2) Agricultural goods such as rice, wheat, sugar, spices, etc. are produced seasonally but consumed throughout the year. It is necessary to store them in large quantity. Some goods may be required to be stored for conditioning, canning or processing, e.g. oil seeds, fruits, etc. Some perishable goods such as eggs, meat, butter, fruits, vegetables, medicines, etc. are preserved in cold storage so that their quality remains as it is.

(3) Warehousing plays an important role in price stabilisation. It helps to protect the goods from theft, deterioration, i.e. future risks. Warehouses nowadays provide facilities like packing, processing, grading, etc. Warehousing is necessary to facilitate dispersion of goods from production centre to different markets.

#### **5) Cash can be withdrawn from ATM at any time.**

**Ans:** (1) ATM is the abbreviation of Automated Teller Machine. It is popularly known as All Time Money or Any Time Money. ATM is an electronic cash dispensing machine. It is free standing self service terminal. There is no specific time limit for withdrawals of cash from ATM.

(2) ATM is one of important facilities provided by the bank to its savings account holder. To avail of this facility, bank installs ATM terminals at the places of public utility such as railway stations, shopping malls, airports, post offices, busy streets, etc.

(3) For withdrawal of cash from ATM, every account holder is given specific code number. By operating this system, the account holder can withdraw the cash up to a specific limit or the quantum of amount available in the account whichever is less. ATM also provides other information like cash deposits, withdrawals, balance in the account, etc.

(4) Under this system, the account holder has cent per cent liquidity of banking funds. ATM avails twenty four hours service. Hence, the account holder can withdraw cash any time, i.e. even after banking hours, on holidays, Sundays or in the case of emergency by operating ATM. This facility is available in different parts of the country as well as outside the country.



**Q.7. Attempt the following.**

**1) Explain money remittance services of post department.**

**Ans: Money Remittance Services:**

**a. Electronic Money Transfer (eMO):**

A money order is an order issued by the Post Office for the payment of a sum of money to the person whose name is mentioned in the money order. It is sent through the agency of the Post.

Office. A 'Payee' is the person named in money order as the person to whom the money is to be paid. The advantage of sending money to someone through money order is that the money is delivered at the house or his place of stay.

**b. Instant Money Order (iMO):**

India Post presents Instant Money Order (iMO), the instant on-line money transfer service that is instant, convenient, reliable and affordable. iMO is an instant web based money transfer service through Post Offices (iMO Centre) in India between two resident individuals in Indian territory. One can transfer money from INR 1,000/- to INR 50,000/- from designated iMO Post Offices. It is simple to send and receive money.

**c. International Money Transfer:**

Money Transfer Service Scheme is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. Only inward personal remittances are permissible. Department of Posts, Government of India with the Western Union Financial Services, a state of the art International Money transfer Service is now available through the Post Offices in India, which enables instantaneous remittance of money from around 195 countries and territories to India.

**2) Explain marine insurance policies.**

**Ans:** It gives protection against the losses caused due to the dangers of the sea. It is a form of insurance contract covering loss or damage to vessels or to cargo or passengers during marine transportation.

**Types of marine insurance Policies:**

**1) Voyage Policy:**

It is a policy in which the subject matter is insured for a specific voyage irrespective of time involved in it. In this case, risk begins only when the ship starts on voyage.





## **2) Time Policy:**

In this policy the subject matter is insured for a definite period of time. A time policy cannot be for a period exceeding one year, but it may contain continuation clause. The continuation clause means that if the voyage is not completed within the specified time, the risk shall be covered until the voyage is completed.

## **3) Mixed Policy:**

This policy is the combination of voyage and time policy. It therefore, cover the risk of both, particular voyage and for specified period of time.

## **4) Valued Policy:**

Under this policy, goods are insured for an agreed value between the insurer and insured at the time of taking policy. This facilitates easy settlements of claims in case of such items where it is difficult to assess the real market value.

## **5) Blanket Policy:**

This policy is taken for maximum limit of the required amount of protection and full amount of premium is paid in the beginning of the policy. This policy describe the nature of goods insured, specific route, ports and places of voyage. It covers multiple risks on one property or it covers many properties under the policy.

## **6) Port Risk Policy:**

Port risk policy covers all types of risks of a vessel while it is anchored at the port for a particular period of time. This policy is applicable till the departure of the vessel from the port.

## **7) Composite Policy:**

This type of policy is purchased from more than one insurers. The liability of each insurer is separate and distinct. This policy is taken when the amount of insurance is very high.

## **8) Single Vessel Policy:**

This policy is suitable for small ship owner having only one ship or having one ship in different fleets. It covers the risk of one vessel of the insured.

## **9) Fleet Policy and Block Policy:**

In fleet policy, several ships belonging to one owner are insured under the same policy. In block Policy, the cargo owner is protected against damage or loss of cargo in all modes of transport through which his/her cargo is carried i.e. covering all the risks of rail, road, and sea transport etc.

## **3) Explain types of warehouses.**





**Ans: 1) Private Warehouses:**

The private warehouses are owned and operated by big manufacturers and merchants to fulfill their own storage needs. Big business firms which need large storage capacity on a regular basis and who can afford money, construct and maintain their private warehouses.

**2) Public Warehouses:**

A public warehouse is a specialized business establishment that provides storage facilities to the general public for a certain charge. It may be owned and operated by an individual or a cooperative society. It works under a license from the government in accordance with the prescribed rules and regulations. Public warehouses provide storage facilities to small manufacturers and traders at low cost. These warehouses are well constructed and guarded round the clock to ensure safe custody of goods. Public warehouses are generally located near the junctions of railways, highways and waterways.

**3) Bonded Warehouses:**

Bonded warehouses are licensed by the government to accept imported goods for storage until the payment of custom duty. These warehouses work under the control of custom authorities.

The warehouse keeper is required to give an undertaking or 'Bond' that it will not allow the goods to be removed without the consent of the custom authorities. The goods are held in bond and cannot be withdrawn without paying the custom duty.

**4) Duty paid Warehouses:**

If an importer faces any problem in transportation of goods, after making payment of duty, then goods can be stored at a duty paid warehouse. All duty paid warehouses are public warehouses which are available to all importers. Duty paid warehouses help the importer as proper care of goods is taken, processing of goods can be done like sorting, re-packing etc.

**5) Government Warehouses:**

These warehouses are owned, managed and controlled by central and state governments or public authorities. It is difficult for small farmers, businessmen, traders to own a warehouse, so these government warehouses assist them in storing their goods at nominal charge.

**6) Co-operative Warehouses:**

These warehouses are owned, managed and controlled by co-operative societies. They mainly provide warehousing facilities at most economical rates. These type of warehouses are very useful for farmers and traders and general public.

**7) Cold storage Warehouses:**



Cold storage warehouses provide facilities for perishable commodities like fruits, flowers, vegetables, dairy products etc. In cold storage warehouses, goods are stored and refrigerated at very low temperatures so as to preserve them and use them in future. International trade has become possible due to these warehouses.

#### **4) Explain utility function of banks.**

**Ans:** Utility Functions:

A commercial bank performs utility functions for the benefits of its clients. It provides certain facilities or products to its clients as follow:

##### **1) Issue of Drafts and Cheques:**

A draft /cheque is an order to pay money from one branch of bank to another branch of the same bank or other bank. A bank issues drafts to its account holders as well as non-account holders whereas cheques are issued only to the account holders. Bank charges commission for issuing a bank draft.

##### **2) Locker Facility:**

This is common utility function of any commercial bank. The bank provides locker facility for the safe custody of valuables, documents, gold ornaments etc.

##### **3) Project Reports:**

A bank may prepare project reports and feasibility studies on behalf of the clients. Project reports enable the business firm to obtain funds from the market and to obtain clearance from government authorities.

##### **4) Gift Cheques:**

Banks issue gift cheques and gold coins to account holders as well as to non-account holders.

The gift cheques/ coins can be used by the clients for the purpose of gifting on occasions like weddings, birthdays etc.

##### **5) Underwriting Services:**

A commercial bank may underwrite the issue of securities issued by companies. If the shares are not fully subscribed, the underwriting bank agrees to take up the unsubscribed portion of the securities.

##### **6) Gold related Services:**

Now a days many banks are providing gold services to its customers. Bank are commercially buying and selling gold or gold ornaments from customers on large



scale basis. Some bank also provides advisory services to its customers in terms of gold funds, gold ETF etc.

## 5) Explain modes of traditional communication.

**Ans:** The modes of traditional communications are as follows.

### 1) Postal Services:

The postal services in India come under the Department of Post and Telegraph which is the part of Ministry of Communication and Information and Technology.

#### **Types of postal services:**

##### **1. Mail Services:**

Mail services are further classified as follows:

**a. Inland Letter:** Inland letter card is used for transmission within India only. Inland letter ensures confidentiality of the message.

**b. Envelope:** It enables to send confidential messages as well as enclosures like cheques, photos, resumes etc.

**c. Parcel:** Parcels of specified size and weight can be sent across the country as well as outside the country. Anything can be sent in a parcel except those items which are prohibited. Parcels can be insured.

**d. Book-Post:** Printed books, magazines, journals etc. can be sent through book post.

##### **2. Specialised Postal Services:**

Specialized Postal Services are further classified as follows:

##### **a. Business Post:**

Business Post provides complete mailing solutions right from mail preparation to mail delivery.

##### **b. Logistics Post:**

Logistics Post provides business customers a cost-effective and efficient solution, which manages the entire value chain from collection to storage to transmission to distribution across the country.

**c. Bill Mail Service:** Communications in the nature of financial statements, bills,



monthly account bills or any such other items of similar nature may be posted by a service provider to customers at least once in 90 days under this service.

### **3. Money Remittance Services:**

Money Remittance Service are further classified as follows:

#### **a. Electronic Money Transfer (eMO):**

A money order is an order issued by the Post Office for the payment of a sum of money to the person whose name is mentioned in the money order. It is sent through the agency of the Post Office.

**b. Instant Money Order (iMO):** iMO is an instant web based money transfer service through Post Offices (iMO Centre) in India between two resident individuals in Indian territory.

#### **c. International Money Transfer:**

Money Transfer Service Scheme is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India.

### **4. Retail Services:**

The retail Services are further classified as follows:

#### **a. Retail Post:**

Under Retail Post, a range of services are offered including the collection of electricity bills, collection of taxes, collection of other bills and fee for the Government etc.

**b. e-Post:** Through ePOST, customers can send their messages to any address in India with a combination of electronic transmission and physical delivery through a network of more than 1,55,000 Post Offices.

### **6) Explain disadvantages of air transport.**

#### **Ans: Disadvantages:**

- 1) It does not provide door to door service.
- 2) It gets heavily affected by adverse weather conditions.
- 3) It is comparatively slow moving transport.



4) More investment cost is involved in terms of ports, ships, maintenance etc.

5) It is subject to perils of sea.

### 7) Describe the role of transport.

**Ans: Meaning:** Transportation is the movement of people, animals and goods from one location to another location or it can be defined as a means of carrying goods and people from one place to another place.

**Modes of transport:** Generally, transportation is carried through various modes such as railways, roads, waterways and airway. Modes of transport are as follows:

#### 1) Road Transport:

Roads are means that connect people and places on the surface of the land. It provides all over connectivity in any terrain as compared to other modes of transport. Various means of transport are used under road transport such as bullock cart, cycles, rickshaws, buses, cars etc.

#### 2) Rail Transport:

Transportation of goods and passengers on rail lines through trains is called as rail transport.

It occupies an important place in land transport system of our country and is most dependable mode of transport to carry goods and passengers over long distance.

#### 3. Air Transport:

Air transport carries the goods and passengers through airways by using different aircrafts like passenger aircrafts, cargo aircraft, helicopters etc. This is the fastest mode of transport but it does not provide door to door service. Air transport is also suitable mode in case of emergency like war, medical, natural calamities, rescue operations etc. Air transport is classified into domestic transport and international transport.

#### 4) Water Transport:

Water transport refers to movement of goods and passengers on waterways by using various means like boats, steamers, launches, ships etc. With the help of these means goods and passengers are carried to different places, both within as well as outside the country. When the goods and passengers move inside the country, it is known as inland water transport. When the different means of transport are used to carry goods and passengers on the ocean or sea route, it is known as ocean or sea



transport.

### **5) Monorail and Metro:**

These are the types of rapid transit systems found in urban areas. These types of transport are energy efficient and less polluting too. A monorail is a railway in which the track consists of a single rail or a beam. The term is also used to describe the beam of the system, or the trains traveling on such a beam or track.

### **6) Ropeway:**

Ropeway refers to mode of transport which connects two places on the hills or across a valley or river. In ropeway transport, trolleys move on wheels connected to a rope and are used for carrying passengers or goods.

### **7) Pipeline Transport:**

Pipeline transport sends goods through a pipe, most commonly liquid and gases. Short distance systems exist for sewage, slurry or water while long distance networks are used for petroleum and natural gas.

### **8) What are the functions of warehouses?**

**Ans:** For answer Refer Q. 8 (3)

### **Q.8. Answer the following.**

#### **1) What is insurance? Explain principles of insurance.**

**Ans:** Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. Insurance is a contract between the insurer and the insured, whereby the insurer agrees to compensate the insured against loss. The insured has to pay a certain fixed sum of money on timely basis to the insurer.

#### **Principles of Insurance:**

##### **1. Principle of Utmost good faith:**

In all types of insurance contracts both the parties must have utmost good faith towards each other. The insurer and insured must disclose all material facts clearly, completely and correctly. Failure to provide complete, correct and clear information may lead to non-settlement of claim.

##### **2. Principle of Insurable interest:**

Insurable interest means some financial interest in the subject matter. The insured must have insurable interest in the subject matter of insurance. Insurable interest is applicable to all insurance contracts.



### **3. Principle of Indemnity:**

Indemnity means a guarantee or assurance to put the insured in same financial position in which he was immediately prior to the happening of the uncertain event. Under this principle, the insurer agrees to compensate the insured for the actual loss suffered.

The amount of actual compensation is limited to the amount assured or the loss, whichever is less. This principle is applicable to fire, marine and general insurance. It is not applicable to life insurance as loss of life can never be measured in monetary terms.

### **4. Principle of Subrogation:**

This principle is applicable to all contracts of indemnity. As per this principle, after the insured is compensated for the loss due to damage of the property insured, then the right of ownership of such property passes on to the insurer. This principle is applicable only when the damaged property has any value after the event causing the damage.

### **5. Principle of Contribution:**

This principle is applicable to all contracts of indemnity where the insured has taken out more than one policy for the same risk or subject matter. Under this principle, the insured can claim the compensation only to the extent of actual loss either from one insurer or all the insurers.

### **6. Principle of Mitigation of loss:**

Insured must always try to minimize the loss of the property, in case of uncertain events. The insured must take all possible measures and necessary steps to control and reduce losses.

Hence, it is the responsibility of the insured to protect the property and avoid loss.

### **7. Principle of Causa-Proxima:**

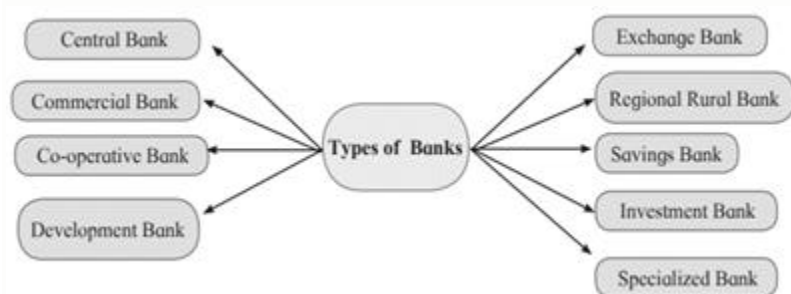
Principle of casusa proxima means, when a loss is caused by more than one causes, then proximate cause of loss should be taken into consideration to decide the liability of the insurer. The property is insured against some causes and not against all causes, in such a case, the proximate cause of loss is to be found. If the proximate cause is the one which is insured against, the insurance company is bound to pay compensation and vice versa.

### **2) Define bank. Explain. Different types of banks.**

**Ans:** A bank is a financial institution which deals with deposits and advances and other related services. Bank provides various services related to money or financial requirements of consumers.







### 1) Central Bank :

The central bank is the apex financial institution in banking industry in the country. Every country has their own central bank. In India, The Reserve Bank of India (RBI) is the central bank. The RBI was established in 1945 under the Reserve Bank of India Act, 1944. Some functions of RBI are as follows:

- i) Frames monetary policy
- ii) Issues currency notes
- iii) Acts as a banker to the Government
- iv) Acts as a banker's bank to commercial and other banks in India.

### 2) Commercial Bank:

The commercial banks play an important role in economic and social development of a country.

Commercial banks performs important functions such as:

Primary Functions i.e. accepting of deposits and lending of money and Secondary Functions

i.e. agency functions and utility functions. In India, commercial banks are divided into three groups:

- a) Public sector banks where majority of capital is held by government such as Bank of India, State Bank of India etc.
- b) Private sector banks are owned by group of individuals such as AXIS bank, HDFC bank etc.
- c) Foreign banks are those banks which are established outside India but these banks have branches in India such as Citi bank, HSBC, Standard Chartered etc.





### 3) Co-operative Bank:

In India, co-operative banks are registered under Indian Co-operatives Societies Act and regulated under Banking regulation Act. Co-operative banks are popular in semi-urban and rural areas. The main aim of co-operative bank is to provide credit to economically backward people, farmers and small scale units. Generally, the co-operative bank works at three different levels:

#### a) Primary Credit Societies:

Primary Credit Co-operative society's work at village level. They collect deposits from members and common public.

#### b) District Central Co-operative Bank:

These banks operate at district level. They obtain deposits from the public at the district level and also get funds from the State Co-operative Bank for the purpose of lending.

#### c) State Co-operative Bank:

This bank operates at state level. They provide funds to central co-operative bank and primary credit societies as required.

### 4) Industrial Development Banks:

These are financial institutions that provide medium and long term funds to the business firms. Examples of development bank are Industrial Finance Corporation of India (IFCI), State Finance Corporation (SFC), Maharashtra State Finance Corporation (MSFC) etc. Some functions of development bank are as follows:

i) Provision of medium and long term funds to business units for the purpose of expansion and modernization.

ii) Underwriting of shares issued by public limited companies.

iii) Purchase of debentures and bonds.

### 5) Exchange Banks:

The exchange banks as well as large commercial banks facilitates foreign exchange transactions. Examples of exchange banks are Barclays Bank, Bank of Tokyo etc. Some functions of exchange bank are as follows:

i) Financing foreign trade transactions.

ii) Issue of letter of credit (LC)



iii) Discounting of bills of exchange.

iv) Remittances of dividend, interests and profits etc.

#### **6) Regional Rural Bank:**

Regional Rural Banks (RRBs) were established in 1975. These banks are sponsored by large public sector banks. The capital of RRB is contributed by Central Government 50%, State

Government 15% and Sponsored Banks 35%. RRBs mobilize deposits primarily from rural and semi-urban areas and provide loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans.

#### **7) Savings Bank:**

The main objective of savings bank is to encourage savings of the people, especially in rural areas. Examples of such banks include postal saving bank, commercial banks and cooperatives banks.

#### **8) Investment Bank:**

These banks provide financial and advisory assistance to their customers. Their clients generally include business firms and government organizations. Investment banks facilitate mergers and acquisitions by undertaking research and providing advice on investment decisions. Generally, investment banks do not directly deal with general public.

#### **9) Specialized Banks:**

These banks cater to the requirements and provide overall support for setting up business in specific areas.

**i) Export and Import Bank (EXIM):** This bank provides financial assistance to exporters and importers.

**ii) Small Industries Development Bank of India (SIDBI):** This bank provides financing and development of the micro, small and medium enterprise (MSME) sector.

**iii) National Bank for Agriculture and Rural Development (NABARD):** It is an apex institution for financing agricultural and rural sector. NABARD provides both short term and long term credit through regional rural banks.

#### **3) What is warehouse? Explain its different functions.**

**Ans:** A warehouse is defined as "an establishment for the storage or accumulation of goods."



Warehousing refers to storage of goods and consists of all those activities which are connected with storage and preserving of goods. It is a means of storing the goods.

### **Functions of Warehouses:**

#### **1) Storage:**

This is the basic function of warehousing. Surplus commodities which are not needed immediately can be stored in warehouses. They can be supplied as and when needed by the customers.

#### **2) Price Stabilization:**

Warehouses play an important role in the process of price stabilization. It is achieved by the creation of time utility by warehousing. In warehouses, usually large stock of goods is kept.

#### **3) Risk bearing:**

When the goods are stored in warehouses they are exposed to many risks in the form of theft, deterioration, fire etc. Warehouses are constructed in such a way that they minimize these risks.

#### **4) Financing:**

Loans can be raised from the warehouse keeper or from financial institutions against the goods stored by the owner. Goods act as security for the warehouse keeper or for financial institutions. In this manner, warehousing acts as a source of finance for the businessmen for meeting business operations.

#### **5) Grading and Packing:**

Warehouses now-a-days provide the facilities of packing, processing and grading of goods.

Goods can be packed in convenient sizes as per the instructions of the owner.

#### **6) Transportation:**

Warehouses can provide transportation facility to bulk depositors. It collects goods from the place of production and also sends goods to the place of delivery on the request of the owner.

#### **7) Time and Place Utility:**

Warehouses create time utility by preserving the goods till they are demanded. It also creates place utility by providing the goods at the place, where they are required.

#### **8) Processing:**



Certain commodities are not consumed in the form they are produced. Processing is required to make them consumable. e.g. Paddy is polished, fruits are ripened etc. Sometimes warehouses undertake such activities on behalf of the owners.

#### 4) What is Services? Explain in detail different business services.

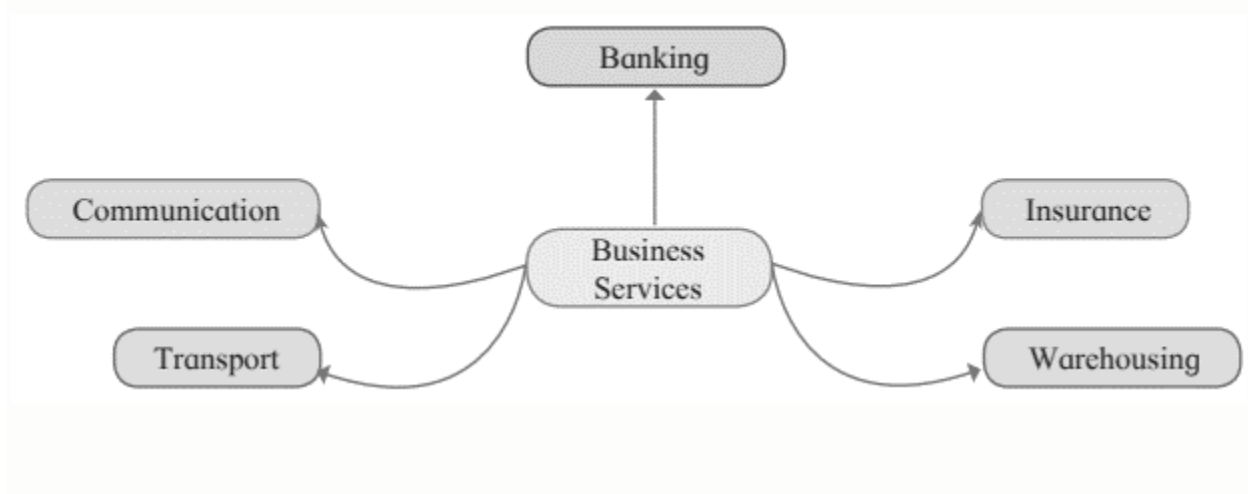
**Ans:** Services are intangible in nature; they are neither manufactured, transported nor stocked.

Services cannot be stored for a future use hence they are produced and consumed simultaneously.

They are intangible in nature, heterogeneous, inseparable, inconsistent, perishable in nature and require consumer participation.

##### Types of Business Services:

There are various types of services depending upon their nature and purpose. Some of the important services are as follows.



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##### Types of Business Services:

There are various types of services depending upon their nature and purpose. Some of the important services are as follows.

**1. BANKING :** A bank is a financial institution which deals with deposits and advances and other related services. Bank provides various services related to money or financial requirements

of consumers.

**2. Insurance :** Insurance is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. Insurance is a contract between the insurer and the insured, whereby the insurer agrees to compensate the insured against loss. The insured has to pay a certain fixed sum of money on timely basis to the insurer.

**3. Transportation :** Transportation is the movement of people, animals and goods from one location to another location or it can be defined as a means of carrying goods and people from one place to another place. Generally, transportation is carried through various modes such as railways, roads, waterways and airway.

**4. Warehousing :** Warehousing refers to storage of goods and consists of all those activities which are connected with storage and preserving of goods. It is a means of storing the goods. Warehousing can be defined as a group of activities connected with the storing and preserving of stored goods from the time of production till the time of consumption.

**5. Communication :** The process of passing any information from one person to another with the help of some medium is termed as communication .Communication is very simple process where message is being transferred from a sender to the receiver. The receiver after receiving the message understand it in the desired form and then act accordingly.

**5) What is communication? Explain in detail various types of communication.**

**Ans:** The process of passing any information from one person to another with the help of some medium is termed as communication .Communication is very simple process where message is being transferred from a sender to the receiver. The receiver after receiving the message understand it in the desired form and then act accordingly.

**The types of communication**

**Following are various types of communication:**

**I) Postal Services**

**II) Modern means of communication**



### **I) Postal Services:**

The postal services in India come under the Department of Post and Telegraph which is the part of Ministry of Communication and Information and Technology.

#### **Types of postal services:**

##### **1. Mail Services:**

Mail services are further classified as follows:

**a. Inland Letter:** Inland letter card is used for transmission within India only. Inland letter ensures confidentiality of the message.

**b. Envelope:** It enables to send confidential messages as well as enclosures like cheques, photos, resumes etc.

**c. Parcel:** Parcels of specified size and weight can be sent across the country as well as outside the country. Anything can be sent in a parcel except those items which are prohibited. Parcels can be insured.

**d. Book-Post:** Printed books, magazines, journals etc. can be sent through book post.

##### **2. Specialised Postal Services:**

Specialized Postal Services are further classified as follows:

###### **a. Business Post:**

Business Post provides complete mailing solutions right from mail preparation to mail delivery.

###### **b. Logistics Post:**

Logistics Post provides business customers a cost-effective and efficient solution, which manages the entire value chain from collection to storage to transmission to distribution across the country.

**c. Bill Mail Service:** Communications in the nature of financial statements, bills, monthly account bills or any such other items of similar nature may be posted by a service provider to customers at least once in 90 days under this service.

##### **3. Money Remittance Services:**

Money Remittance Service are further classified as follows:

###### **a. Electronic Money Transfer (eMO):**

A money order is an order issued by the Post Office for the payment of a sum of



money to the person whose name is mentioned in the money order. It is sent through the agency of the Post Office.

**b. Instant Money Order (iMO):** iMO is an instant web based money transfer service through Post Offices (iMO Centre) in India between two resident individuals in Indian territory.

**c. International Money Transfer:**

Money Transfer Service Scheme is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India.

**4. Retail Services:**

The retail Services are further classified as follows:

**a. Retail Post:**

Under Retail Post, a range of services are offered including the collection of electricity bills, collection of taxes, collection of other bills and fee for the Government etc.

**b. e-Post:** Through ePOST, customers can send their messages to any address in India with a combination of electronic transmission and physical delivery through a network of more than 1,55,000 Post Offices.

**II) Modern means of communication:**

**a. Courier Service:**

An individual or a company responsible for the exchange of items between two or more parties is known as courier service. Courier services are usually employed by a company and they charge a flat rate to the party using the courier service. Courier services are different from ordinary mail services by features such as speed, security, tracking, signature and swift delivery times.

**b. Internet:** It is a network of networks that consists of private, public, academic, business, and government networks of local to global scope, linked by a broad array of electronic, wireless, and services, such as the inter-linked hypertext documents and applications of the World Wide Web (WWW), electronic mail and file sharing.

**c. Email:**

Electronic mail (email or e-mail) is a method of exchanging mail between people using electronic devices. Today's email systems are based on a store-and-forward model.



**6) What is road transport. Explain its advantages and disadvantages.**

Ans: Roads are means that connect people and places on the surface of the land. It provides all over connectivity in any terrain as compared to other modes of transport. India has a network of village roads, district roads, state highways and national highways which form the economic backbone of the country. In India, Ministry of Road Transport and Highways (MoRTH) looks after development of surface transport throughout the country

**Advantages:**

- 1) It is cheap mode of transport as compared to other modes of transport.
- 2) Perishable goods can be transported at a faster speed by road carriers over a short distance.
- 3) It is flexible mode of transport as loading and unloading is possible at any destination.
- 4) It provides door to door service. Also it functions as feeder transport to other modes of transport.
- 5) It helps people to travel and carry goods from one place to another place where any other mode of transport is not available.

**Disadvantages:**

- 1) Due to limited carrying capacity road transport is not economical for long distance transportation.
- 2) Transportation of heavy and bulky goods through road transport involves high cost.
- 3) Road transport is affected by adverse weather conditions such as floods, rain, landslides etc.
- 4) There is a possibility of road accidents which are common.
- 5) It causes pollution due to emission of gases which affects the health of people.

