

## Unit 4

### Part A

#### One Mark Questions

1. State any one feature of service.

Services are intangible, i.e., they cannot be touched. They are experiential in nature. One cannot taste a doctor's treatment, or touch entertainment.

2. Name any one category of Services.

Social services

3. State any one difference between goods and services.

Services are heterogenous while goods are homogenous

4. State any one business service.

Banking

5. Which Act regulates Banking Services in India?

Indian Banking Regulation Act 1949

6. Name any one type of Bank.

Commercial Banks

7. Which is the central bank of our country?

RBI

8. State any one type of bank account.

Savings

9. Mention any one function of commercial Bank.

Accepting deposits

10. State any one benefit of E-banking.

E-banking provides 24 hours, 365 days a year services to the customers of the bank

11. State any one fundamental principle of Insurance.

The basic principle of insurance is that an individual or a business concern chooses to spend a known sum in place of a possible huge amount involved in an indefinite future loss.

12. Mention any one function of Insurance

On the happening of a risk event, the loss is shared by all the persons exposed to it. The share is obtained from every insured member by way of premiums.

13. State any one type of Insurance.

Life insurance

14. State any one type of General Insurance.

Health insurance

15. State a type of Life Insurance Policy.

Whole life policy

16. Who is an Insured?

The person whose risk is insured is called 'insured' and the firm which insures the risk of loss is known as insurer/ assurance underwriter.

17. Who is an Insurer?

The person whose risk is insured is called 'insured' and the firm which insures the risk of loss is known as insurer/ assurance underwriter.

18. What is Insurance Policy?

The agreement/contract is put in writing and is known as 'policy'

19. What is Insurance Premium?

Insurance is the substitution of a small periodic payment (premium) for a risk of large possible loss.

20. State a type of Marine Insurance Policy.

Cargo insurance

21. Which type of marine insurance covers losses caused by damage to the ship?

Hull insurance

22. State any one Marine Risk.

Pirates / piracy

23. What is Cargo Insurance?

The cargo while being transported by ship is subject to many risks. These may be at port i.e., risk of theft, lost goods or on voyage etc. Thus, an insurance policy can be issued to cover against such risks to cargo.

24. What is Hull or Ship 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.

25. What is 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. Freight insurance is for reimbursing the loss of freight to the shipping company i.e., the insured.

26. State any one type of communication services which help business.

Telecom services

27. State any one category postal facilities provided by Indian postal department.

Mail services consist of parcel facilities that is transmission of articles from one place to another

28. State any one financial facility provided by Indian Postal department.

Public Provident Fund

29. State any one type of allied services provided by Indian Postal department.

Passport services

30. State any one type of Telecom Service.

Cellular mobile services

31. State any one type of Warehouse.

Private warehouses

32. Give an example for Government Warehouses.

Food Corporation of India

33. Mention any one function of warehousing.

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

34. Expand EFT.

Electronic Fund Transfer

35. Expand RTGS.

Real Time Gross Settlement

36. Expand ATM.

Automated Teller Machine

37. Expand KVP.

Kisan Vikas Patra

38. Expand DTH.

Direct To Home

39. Expand PPF.

Public Provident Fund

40. Expand NSC.

National Savings Certificate

**Multiple choices one-mark questions**

1. DTH services are provided by

- a) Transport companies
- b) Banks
- c) Cellular companies**
- d) None of the above

2. The contract of life insurance is

- a) A contract of utmost good faith with insurable interest**
- b) An indemnity contracts
- c) One-way contract
- d) None of the above

3. Which one of these is not the function of warehousing?

- a) Break the bulk
- b) Consolidation
- c) Price stabilization
- d) Advertising**

4. Which of the following is not a type of banks?

- a) Commercial bank
- b) Cooperative bank
- c) Central bank
- d) Savings bank**

**Two Marks Questions**

1. State any two differences between Goods & Services.

<b>Basis</b>	<b>Services</b>	<b>Goods</b>
Type	Heterogenous	Homogenous
Intangibility	Intangible, such as doctor treatment	Tangible such as medicine

2. Give the meaning of Business Services.

Business services are those services which are used by business enterprises for the conduct of their activities. For example, banking, insurance, transportation, warehousing, and communication services.

3. Give the meaning of Banking.

A banking company in India is the one which transacts the business of banking which means accepting, for lending and investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheques, draft, order or otherwise.

4. Mention any two types of Banks.

- a) Cooperative Banks are governed by the provisions of State Cooperative Societies Act and meant essentially for providing cheap credit to their members.
- b) Specialised banks are foreign exchange banks, industrial banks, development banks, export-import banks catering to specific needs of these unique activities

5. What are Commercial Banks?

Commercial banks are institutions dealing in money. These banks are governed by Indian Banking Regulation Act 1949 and according to it banking means accepting deposits of money from the public for lending or investment. There are two types of commercial banks, public sector, and private sector banks.

6. What are Co-operative Banks?

Cooperative Banks are governed by the provisions of State Cooperative Societies Act and meant essentially for providing cheap credit to their members. It is an important source of rural credit i.e., agricultural financing in India.

7. State any two examples for Specialized Banks.

Export-Import banks, foreign exchange banks

8. State any two functions of Commercial Banks.

- a) Acceptance of deposits: Deposits are the basis of the loan operations since banks are both borrowers and lenders of money. As borrowers, they pay interest and as lenders they grant loans and get interest.
- b) Lending of funds: Second major activity of commercial banks is to provide loans and advances out of the money received through deposits. These advances can be made in the form of overdrafts, cash credits, discounting trade bills, term loans, consumer credits and other miscellaneous advances.

9. What is e-banking?

E-banking or internet banking means any user with a PC and a browser can get connected to the banks website to perform any of the virtual banking functions and avail of any of the bank's services.

10. State two benefits of e-banking to customers.

- a) E-banking provides 24 hours, 365 days a year services to the customers of the bank
- b) Customers can make some of the permitted transactions from office or house or while travelling via mobile telephone;

11. State any two benefits of e-banking to banks.

- a) E-banking provides competitive advantage to the bank;
- b) E-banking provides unlimited network to the bank and is not limited to the number of branches, Any PC connected to a modem and a telephone having an internet connection can provide cash withdrawal needs of the customer;

12. Give the meaning of Insurance.

Insurance is a device by which the loss likely to be caused by an uncertain event is spread over several persons who are exposed to it and who prepare to insure themselves against such an event.

13. State the Principles of Insurance applicable to Life Insurance.

The contract of life insurance is a contract of utmost good faith. In life insurance, the insured must have insurable interest in the life assured.

14. State any two functions of Insurance.

- a) Protection: The second main function of insurance is to provide protection from probable chances of loss. Insurance cannot stop the happening of a risk or event but can compensate for losses arising out of it.
- b) Risk sharing: On the happening of a risk event, the loss is shared by all the persons exposed to it. The share is obtained from every insured member by way of premiums.

15. What do you mean by principle of 'Utmost good faith'?

A contract of insurance is a contract of *uberrimae fidei* i.e., a contract founded on utmost good faith. Both the insurer and the insured should display good faith towards each other regarding the contract.

16. What is meant by 'principle of Indemnity'?

All insurance contracts of fire or marine insurance are contracts of indemnity. According to it, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against. In other words, the insurer undertakes to compensate the insured for the loss caused to him/her due to damage or destruction of property insured.

17. What do you mean by principle of 'Insurable Interest'?

The insured must have an insurable interest in the subject matter of insurance. One fundamental fact of this principle is that 'it is not the house, ship, machinery, potential liability of life that is insured, but it is the pecuniary interest of the insured in them, which is insured.' Insurable interest means some pecuniary interest in the subject matter of the insurance contract.

18. What do you mean by 'Proximate Cause'?

An insurance policy is designed to provide compensation only for such losses as are caused by the perils which are stated in the policy. When the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is the natural consequence.

19. What is principle of 'Subrogation'?

It refers to the right of the insurer to stand in the place of the insured, after settlement of a claim, as far as the right of insured in respect of recovery from an alternative source is involved. After the insured is compensated for the loss or damage to the property insured by him/her the right of ownership of such property passes on to the insurer.

20. What is meant by principle 'Mitigation'?

This principle states that it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property. Suppose goods kept in a store house catch fire then the owner of the goods should try to recover the goods and save them from fire to minimise the loss or damage.

21. Give the meaning of Principle of 'Contribution'.

As per this principle it is the right of an insurer who has paid claim under an insurance, to call upon other liable insurers to contribute for the loss of payment. It implies, that in case of double insurance, the insurers are to share the losses in proportion to the amount assured by each of them.

22. Give the meaning of Life Insurance?

A life insurance policy was introduced as a protection against the uncertainty of life. But gradually its scope has widened and there are various types of insurance policies available to suit the requirements of an individual. For example, disability insurance, health/medical insurance, annuity insurance and life insurance proper.

23. Name any two types of Life Insurance Policies.

Whole life policy and annuity policy

24. Give the meaning of '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.

25. Give the meaning of 'Endowment Life Insurance Policy'?

The insurer (Insurance Company) undertakes to pay a specified sum when the insured attains a specific 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.

26. State the meaning of '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. The assured sum or policy money is payable upon the death of any one person to the other survivor or survivors.

27. What do you mean by 'Annuity Policy'?

Under this policy, the assured sum or policy money is payable after the assured attains a certain age in monthly, quarterly, half yearly or annual instalments. The premium is paid in instalments over a certain period or single premium may be paid by the assured.

28. What is 'Fire Insurance'?

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.

29. What is 'Marine Insurance'?

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.

30. State the importance of communication services to business.

Communication services are helpful to the business for establishing links with the outside world viz., suppliers, customers, competitors etc. Business does not exist in isolation, it must communicate with others for transmission of ideas and information.

31. Name the two facilities available under Postal Services.

Financial facilities and mail facilities

32. State any two financial Facilities Provided by Postal Services?

Public provident Fund (PPF) and Kisan Vikas Patra (KVP)

33. What do you mean by Telecom Services?

World class telecommunications infrastructure is the key to rapid economic and social development of the country. It is in fact the backbone of every business activity. In today's world the dream of doing business across continents will remain a dream in the absence of telecom infrastructure.

34. Mention any two types of Telecom Services.

- a) 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.
- b) Radio paging services: Radio Paging Service is an affordable means of transmitting information to persons even when they are mobile. It is a one-way information broadcasting solution and has spread its reach everywhere.

35. What are Transport Services?

Transportation comprises freight services together with supporting and auxiliary services by all modes of transportation i.e., rail, road, air, and sea for the movement of goods and international carriage of passengers. Their services are important for business since speed is of essence in any business transaction.

36. State any two types of Warehouses.

Private warehouses and public warehouses

37. What are Private Warehouses?

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. As a rule an efficient warehouse is planned around a material handling system in order to encourage maximum efficiency of product movement.

38. What are Public Warehouses?

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 for them to private parties.

39. What are Bonded Warehouses?

The government licenses Bonded warehouses 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 customs duty is paid.

40. What are Government Warehouses?

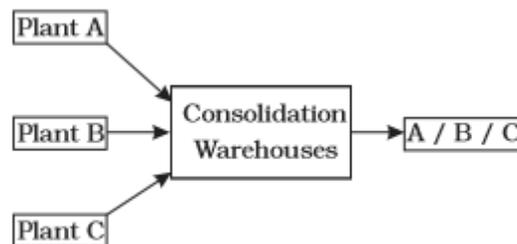
These warehouses are fully owned and managed by the government. The government manages them through organisations set up in the public sector.

41. State any two functions of Warehousing.

- a) Consolidation: In this function the warehouse receives and consolidates, materials/goods from different production plants and dispatches the same to a customer on a single transportation shipment.
- b) Break the bulk: The warehouse performs the function of dividing the bulk quantity of goods received from the production plants into smaller quantities.

42. What do you mean by Consolidation function in warehousing?

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



**Four Marks Questions**

1. Briefly explain any four features of Services.
  - a) **Inconsistency:** The second important characteristic of services is inconsistency. Since there is no standard tangible product, services must be performed exclusively each time. Different customers have different demands and expectations. Service providers need to have an opportunity to alter their offer to closely meet the requirements of the customers
  - b) **Inseparability:** Another important characteristic of services is the simultaneous activity of production and consumption being performed. This makes the production and consumption of services seem to be inseparable.
  - c) **Inventory (Less):** Services have little or no tangible components and, therefore, cannot be stored for a future use. That is, services are perishable and providers can, at best, store some associated goods but not the service itself.
  - d) **Involvement:** One of the most important characteristics of services is the participation of the customer in the service delivery process. A customer can get the services modified according to specific requirements.
  
2. Briefly explain any four differences between Goods & Services.

<b>Basis</b>	<b>Services</b>	<b>Goods</b>
Nature	An activity or process such as watching a movie in a theatre	A physical object, such as a DVD
Type	Heterogenous	Homogenous
Intangibility	Intangible, such as doctor treatment	Tangible such as medicine
Inseparability	Simultaneous production and consumption such as eating at a restaurant	Separation of production and consumption such as purchasing ice cream from a store

3. Give the meaning of Services and briefly explain the broad categories of services.

Services are those separately identifiable, essentially intangible activities that provides satisfaction of wants, and are not necessarily linked to the sale of a product or another service.

- (i) **Business Services:** Business services are those services which are used by business enterprises for the conduct of their activities. For example, banking, insurance, transportation, warehousing, and communication services.
- (ii) **Social Services:** Social services are those services that are generally provided voluntarily in pursuit of certain social goals. These social goals may be to improve the standard of living for weaker sections of society, to provide educational services to their children, or to provide health care and hygienic conditions in slum areas.
- (iii) **Personal Services:** Personal services are those services which are experienced differently by different customers. These services cannot be consistent in nature. They will differ depending upon the service provider. They will also depend upon customer's preferences and demands. For example, tourism, recreational services, restaurants.

4. Briefly explain the different types of Banks.

- a) **Commercial Banks:** Commercial banks are institutions dealing in money. These banks are governed by Indian Banking Regulation Act 1949 and according to it banking means accepting deposits of money from the public for lending or investment. There are two types of commercial banks, public sector, and private sector banks.
- b) **Cooperative Banks:** Cooperative Banks are governed by the provisions of State Cooperative Societies Act and meant essentially for providing cheap credit to their members. It is an important source of rural credit i.e., agricultural financing in India.
- c) **Specialised Banks:** Specialised banks are foreign exchange banks, industrial banks, development banks, export-import banks catering to specific needs of these unique activities
- d) **Central Bank:** The Central bank of any country supervises, controls, and regulates the activities of all the commercial banks of that country. It also acts as a government banker. It controls and coordinates currency and credit policies of any country. The Reserve Bank of India is the central bank of our country.

5. Explain briefly the functions of Commercial Banks.
- a) Acceptance of deposits: Deposits are the basis of the loan operations since banks are both borrowers and lenders of money. As borrowers, they pay interest and as lenders they grant loans and get interest.
  - b) Lending of funds: Second major activity of commercial banks is to provide loans and advances out of the money received through deposits. These advances can be made in the form of overdrafts, cash credits, discounting trade bills, term loans, consumer credits and other miscellaneous advances.
  - c) Cheque facility: Banks render a very important service to their customers by collecting their cheques drawn on other banks. The cheque is the most developed credit instrument, a unique feature and function of banks for the withdrawal of deposits.
  - d) Remittance of funds: Another salient function of commercial banks is of providing the facility of fund transfer from one place to another, because the interconnectivity of branches. The transfer of funds is administered by using bank drafts, pay orders or mail transfers, on nominal commission charges
  - e) Allied services: In addition to above functions, banks also provide allied services such as bill payments, locker facilities, underwriting services. They also perform other services like buying and selling of shares and debentures on instructions and other personal services like payment of insurance premium, collection of dividend etc.

6. What is e-banking? What are its benefits to banks?

E-banking or internet banking means any user with a PC and a browser can get connected to the banks website to perform any of the virtual banking functions and avail of any of the bank's services.

There are various benefits of e-banking provided to customers which are:

- a) E-banking provides 24 hours, 365 days a year services to the customers of the bank
- b) Customers can make some of the permitted transactions from office or house or while travelling via mobile telephone;
- c) It inculcates a sense of financial discipline by recording every transaction;
- d) Greater customer satisfaction by offering unlimited access to the bank, not limited by the walls of the branch and less risk and greater security to the customer as they can avoid travelling with cash.

7. What are the benefits of e-banking to customers?

The banks also stand to gain by e-banking. The benefits are:

- a) e-banking provides competitive advantage to the bank;
- b) e-banking provides unlimited network to the bank and is not limited to the number of branches, Any PC connected to a modem and a telephone having an internet connection can provide cash withdrawal needs of the customer;
- c) Load on branches can be considerably reduced by establishing centralised data base and by taking over some of the accounting functions

8. Briefly explain the fundamental principles of insurance applicable to Life Insurance.

- a) The contract of life insurance is a contract of utmost good faith. The assured should be honest and truthful in giving information to the insurance company.
- b) In life insurance, the insured must have insurable interest in the life assured. Without insurable interest the contract of insurance is void. In case of life insurance, insurable interest must be present at the time when the insurance is affected.
- c) Life insurance contract is not a contract of indemnity. The life of a human being cannot be compensated and only a specified sum of money is paid. That is why the amount payable in life insurance on the happening of the event is fixed in advance.

9. Briefly explain the main elements of a life insurance contract.

- a) The life insurance contract must have all the essentials of a valid contract. Certain elements like offer and acceptance, free consent, capacity to enter into a contract, lawful consideration and lawful object must be present for the contract to be valid;
- b) The contract of life insurance is a contract of utmost good faith. The assured should be honest and truthful in giving information to the insurance company. He must disclose all material facts about his health to the insurer. It is his duty to disclose accurately all material facts known to him even if the insurer does not ask him;
- c) In life insurance, the insured must have insurable interest in the life assured. Without insurable interest the contract of insurance is void. In case of life insurance, insurable interest must be present at the time when the insurance is affected.
- d) Life insurance contract is not a contract of indemnity. The life of a human being cannot be compensated and only a specified sum of money is paid. That is why the amount payable in life insurance on the happening of the event is fixed in advance.

10. Briefly explain (a) Fire Insurance (b) Marine Insurance.

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 up to 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. The premium may be paid either in lump sum or instalments.

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.

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.

Marine perils are collision of ship with the rock, or ship attacked by the enemies, fire and captured by pirates and actions of the captains and crew of the ship. These perils cause damage, destruction or disappearance of the ship and cargo and non-payment of freight.

11. Briefly explain any four types of Life Insurance Policies.

- a) **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.
- b) **Endowment Life Assurance Policy:** The insurer (Insurance Company) undertakes to pay a specified sum when the insured attains a specific 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.
- c) **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. The assured sum or policy money is payable upon the death of any one person to the other survivor or survivors.
- d) **Annuity Policy:** Under this policy, the assured sum or policy money is payable after the assured attains a certain age in monthly, quarterly, half yearly or annual instalments. The premium is paid in instalments over a certain period or single premium may be paid by the assured.

12. What is Marine Insurance? Briefly explain the three subject matters of Marine Insurance.

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.

- a) **Indemnity:** All insurance contracts of fire or marine insurance are contracts of indemnity. According to it, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against. In other words, the insurer

undertakes to compensate the insured for the loss caused to him/her due to damage or destruction of property insured

- b) Proximate cause: an insurance policy is designed to provide compensation only for such losses as are caused by the perils which are stated in the policy. When the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is the natural consequence.
- c) Mitigation: This principle states that it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property. Suppose goods kept in a store house catch fire then the owner of the goods should try to recover the goods and save them from fire to minimise the loss or damage.

13. Explain briefly different Postal Services.

- I. Financial facilities: These facilities are provided through the post office's savings schemes like Public Provident Fund (PPF), Kisan Vikas Patra, and National Saving Certificates in addition to normal retail banking functions of monthly income schemes, recurring deposits, savings account, time deposits and money order facility.
- II. Mail facilities: Mail services consist of parcel facilities that is transmission of articles from one place to another; registration facility to provide security of the transmitted articles and insurance facility to provide insurance cover for all risks during transmission by post. Postal department also offers allied facilities of the following types:
  - a) Greeting post — A range of delightful greeting cards for every occasion.
  - b) Media post — An innovative and effective vehicle for Indian corporates to advertise their brand through postcards, envelopes, aerograms, telegrams, and through letterboxes.
  - c) Direct post is for direct advertising. It can be both addressed as well as unaddressed.
  - d) International Money Transfer through collaboration with Western Union financial services, USA, which enables remittance of money from 185 countries to India.
  - e) Passport facilities — A unique partnership with the ministry of external affairs for facilitating passport application.
  - f) Speed Post: It has over 1000 destinations in India and links with 97 major countries across the globe.
  - g) e-bill post is the latest offering of the department to collect bill payment across the counter for BSNL and Bharti Airtel.

### **Eight Marks Questions**

1. Give the meaning of Services and explain the nature of services.

Services are those separately identifiable, essentially intangible activities that provides satisfaction of wants, and are not necessarily linked to the sale of a product or another service.

- a) **Intangibility:** Services are intangible, i.e., they cannot be touched. They are experiential in nature. One cannot taste a doctor's treatment, or touch entertainment. One can only experience it. An important implication of this is that quality of the offer can often not be determined before consumption and, therefore, purchase.
- b) **Inconsistency:** The second important characteristic of services is inconsistency. Since there is no standard tangible product, services must be performed exclusively each time. Different customers have different demands and expectations. Service providers need to have an opportunity to alter their offer to closely meet the requirements of the customers
- c) **Inseparability:** Another important characteristic of services is the simultaneous activity of production and consumption being performed. This makes the production and consumption of services seem to be inseparable.
- d) **Inventory (Less):** Services have little or no tangible components and, therefore, cannot be stored for a future use. That is, services are perishable and providers can, at best, store some associated goods but not the service itself.
- e) **Involvement:** One of the most important characteristics of services is the participation of the customer in the service delivery process. A customer can get the services modified according to specific requirements.

2. What are Commercial Banks? Explain their different functions.

Commercial banks are institutions dealing in money. These banks are governed by Indian Banking Regulation Act 1949 and according to it banking means accepting deposits of money from the public for lending or investment. There are two types of commercial banks, public sector, and private sector banks.

- (i) **Acceptance of deposits:** Deposits are the basis of the loan operations since banks are both borrowers and lenders of money. As borrowers, they pay interest and as lenders they grant loans and get interest.
- (ii) **Lending of funds:** Second major activity of commercial banks is to provide loans and advances out of the money received through deposits. These advances can be made in the form of overdrafts, cash credits, discounting trade bills, term loans, consumer credits and other miscellaneous advances.
- (iii) **Cheque facility:** Banks render a very important service to their customers by collecting their cheques drawn on other banks. The cheque is the most developed credit instrument, a unique feature and function of banks for the withdrawal of deposits.

- (iv) Remittance of funds: Another salient function of commercial banks is of providing the facility of fund transfer from one place to another, because the interconnectivity of branches. The transfer of funds is administered by using bank drafts, pay orders or mail transfers, on nominal commission charges
- (v) Allied services: In addition to above functions, banks also provide allied services such as bill payments, locker facilities, underwriting services. They also perform other services like buying and selling of shares and debentures on instructions and other personal services like payment of insurance premium, collection of dividend etc.

3. Explain the principles of Insurance.

- a) Utmost good faith: A contract of insurance is a contract of uberrimae fidei i.e., a contract found on utmost good faith. Both the insurer and the insured should display good faith towards each other regarding the contract. It is the duty of the insured to voluntarily make full, accurate disclosure of all facts, material to the risk being proposed and the insurer to make clear all the terms and conditions in the insurance contract
- b) Insurable Interest: The insured must have an insurable interest in the subject matter of insurance. One fundamental fact of this principle is that 'it is not the house, ship, machinery, potential liability of life that is insured, but it is the pecuniary interest of the insured in them, which is insured.' Insurable interest means some pecuniary interest in the subject matter of the insurance contract.
- c) Indemnity: All insurance contracts of fire or marine insurance are contracts of indemnity. According to it, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against. In other words, the insurer undertakes to compensate the insured for the loss caused to him/her due to damage or destruction of property insured
- d) Proximate cause: an insurance policy is designed to provide compensation only for such losses as are caused by the perils which are stated in the policy. When the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is the natural consequence.
- e) Subrogation: It refers to the right of the insurer to stand in the place of the insured, after settlement of a claim, as far as the right of insured in respect of recovery from an alternative source is involved. After the insured is compensated for the loss or damage to the property insured by him/her the right of ownership of such property passes on to the insurer
- f) Contribution: As per this principle it is the right of an insurer who has paid claim under an insurance, to call upon other liable insurers to contribute for the loss of payment. It implies, that in case of double insurance, the insurers are to share the losses in proportion to the amount assured by each of them.
- g) Mitigation: This principle states that it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property. Suppose goods kept in a store house catch fire then the owner of the goods

should try to recover the goods and save them from fire to minimise the loss or damage.

4. Describe various types of Insurance.

Life is full of uncertainties. The chances of occurrence of an event causing losses are quite uncertain. There are risks of death and disability for human life; fire and burglary risk for property; perils of the sea for shipment of goods and, so on. If any of these takes place, the individuals and/or, organisations may suffer a great loss, sometimes beyond their capacities to bear the same. It is to minimise the impact of such uncertainties that there is a need for insurance

- a) A life insurance policy was introduced as a protection against the uncertainty of life. But gradually its scope has widened and there are various types of insurance policies available to suit the requirements of an individual. For example, disability insurance, health/medical insurance, annuity insurance and life insurance proper.
- b) 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.
- c) 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.

5. Write a detailed note on Communication Services.

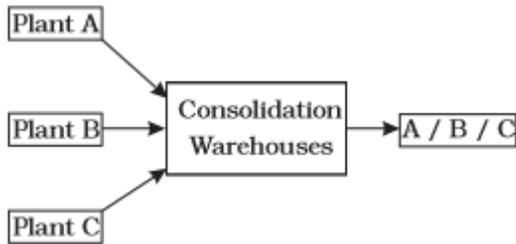
Communication services are helpful to the business for establishing links with the outside world viz., suppliers, customers, competitors etc. Business does not exist in isolation, it must communicate with others for transmission of ideas and information.

Communication services need to be very efficient, accurate and fast for them to be effective. In this fast moving and competitive world, it is essential to have advanced technology for quick exchange of information. The electronic media is mainly responsible for this transformation. The main services which help business can be classified into postal and telecom.

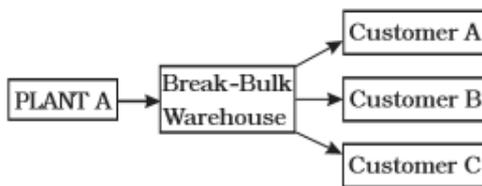
- a) Indian post and telegraph department provides various postal services across India. For providing these services the whole country has been divided into 22 postal circles. These circles manage the day-to-day functioning of the various head post offices, sub-post offices and branch post offices.
- b) World class telecommunications infrastructure is the key to rapid economic and social development of the country. It is in fact the backbone of every business activity. In today's world the dream of doing business across continents will remain a dream in the absence of telecom infrastructure.

6. What is warehousing? Explain the functions of warehousing.

Storage has always been an important aspect of economic development. The warehouse was initially viewed as a static unit for keeping and storing goods in a scientific and systematic manner to maintain their original quality, value and usefulness.

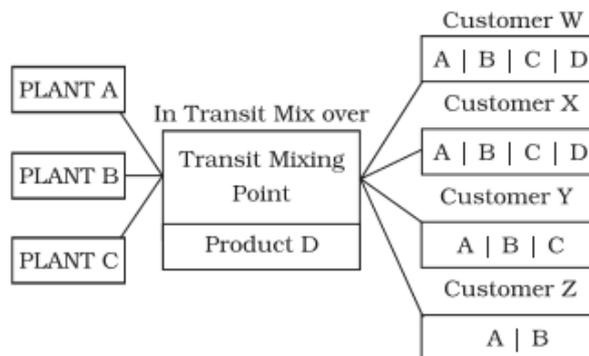


a) Consolidation: In this function the warehouse receives and consolidates, materials/goods from different production plants and dispatches the same to a customer on a single transportation shipment.



b) 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.

- c) 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.
- d) Value added services: the warehouses also provide certain value-added services, such as in transit mixing, packaging and labelling.
- e) Price stabilisation: By adjusting the supply of goods with the demand situation, warehousing performs the function of stabilising prices. Thus, prices are controlled when supply is increasing, and demand is slack and vice versa.
- f) Financing: Warehouse owners advance money to the owners on security of goods and further supply goods on credit terms to customers.



7. Give the meaning of warehousing and explain the different types of warehouses.

Storage has always been an important aspect of economic development. The warehouse was initially viewed as a static unit for keeping and storing goods in a scientific and systematic manner to maintain their original quality, value and usefulness.

- (i) **Private warehouses:** 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. As a rule an efficient warehouse is planned around a material handling system in order to encourage maximum efficiency of product movement. The benefit of private warehousing includes control, flexibility, and other benefits like improved dealer relations.
- (ii) **Public warehouses:** 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 for them to private parties.
- (iii) **Bonded warehouses:** the government licenses Bonded warehouses 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 customs duty is paid.
- (iv) **Government warehouses:** These warehouses are fully owned and managed by the government. The government manages them through organisations set up in the public sector.
- (v) **Cooperative warehouses:** Some marketing cooperative societies or agricultural cooperative societies have set up their own warehouses for members of their cooperative society.