

Chapter 4: Business Services

EXERCISE 1 [PAGES 89 - 91]

Exercise 1 | Q 1.1 | Page 89

Select the correct option and rewrite the sentence.

Door to door service is provided by _____ transport.

1. railway
2. **road**
3. air

SOLUTION

Door to door service is provided by road transport.

Exercise 1 | Q 1.2 | Page 89

Select the correct option and rewrite the sentence.

_____ creates time utility.

1. **Warehouse**
2. Transport
3. Government

SOLUTION

Warehouse creates time utility.

Exercise 1 | Q 1.3 | Page 89

Select the correct option and rewrite the sentence.

_____ warehouses provide facilities for perishable commodities.

1. Bonded
2. **Cold storage**
3. Government

SOLUTION

Cold storage warehouses provide facilities for perishable commodities.

Exercise 1 | Q 1.4 | Page 90

Select the correct option and rewrite the sentence.

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

1. **Port risk**
2. Voyage
3. Floating

SOLUTION

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

Exercise 1 | Q 1.5 | Page 90

Select the correct option and rewrite the sentence.

Principle of _____ is not applicable to life insurance.

1. insurable interest
2. utmost good faith
3. **indemnity**

SOLUTION

Principle of **indemnity** is not applicable to life insurance.

Exercise 1 | Q 2 | Page 90

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

SOLUTION

Group 'A'	Group 'B'
A) Air Transport	Fast mode of transport
B) Warehousing	Time utility
C) Money remittance	Western Union Money Transfer
D) Pipeline Transport	Petroleum and gas

E) Business Service	Intangible in nature
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Exercise Q.1 | Q 3.1 | Page 90

Give one word/phrase/term for the following sentence.

These warehouses are owned, managed and controlled by central and state governments or public authorities.

SOLUTION

These warehouses are owned, managed, and controlled by central and state governments or public authorities. - **Government warehouse**

Exercise Q.1 | Q 3.2 | Page 90

Give one word/phrase/term for the following sentence.

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

SOLUTION

An art of exchanging ideas, facts, information, etc. from one person or entity to another.
- **Communication**

Exercise Q.1 | Q 3.3 | Page 90

Give one word/phrase/term for the following sentence.

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

SOLUTION

A rail system in which the track consists of a single rail or a beam. - **Monorail**

Exercise Q.1 | Q 3.4 | Page 90

Give one word/phrase/term for the following sentence.

A transport system used to carry petroleum and gases.

SOLUTION

A transport system used to carry petroleum and gases. - **Pipeline transport**

Exercise Q.1 | Q 3.5 | Page 90

Give one word/phrase/term for the following sentence.

A ministry that looks after the development of surface transport throughout the country.

SOLUTION

A ministry that looks after the development of surface transport throughout the country.
- **Ministry of Road Transport and Highways**

Exercise Q.1 | Q 4.1 | Page 90

State whether the following statement are true or false.

Business services are important for the growth of business.

1. True
2. False

SOLUTION

Business services are important for the growth of business. - **True**

Exercise Q.1 | Q 4.2 | Page 90

State whether the following statements are true or false.

Current Account is opened by salaried persons.

1. True
2. False

SOLUTION

Current Account is opened by salaried persons. - **False**

Exercise Q.1 | Q 4.3 | Page 90

State whether the following statement is true or false.

NEFT stands for National Electric Fund Transfer.

1. True
2. False

SOLUTION

NEFT stands for National Electric Fund Transfer. - **False**

Exercise Q.1 | Q 4.4 | Page 90

State whether the following statement is true or false.

Air transport is the cheapest mode of transport.

1. True
2. False

SOLUTION

Air transport is cheapest mode of transport. - **False**

Exercise Q.1 | Q 4.5 | Page 90

State whether the following statement is true or false.

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

1. True
2. False

SOLUTION

The Internet is the global system of interconnected computer networks that use the Internet protocol suite to link devices worldwide. - **True**

Exercise Q.1 | Q 5.1 | Page 90

Find the odd one.

1. Primary credit co-operative society
2. state co-operative bank
3. district co-operative bank
4. **ex-change bank**

SOLUTION

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

Exercise Q.1 | Q 5.2 | Page 90

Find the odd one.

1. NABARD
2. **RBI**
3. SIDBI
4. EXIM

SOLUTION

NABARD, RBI, SIDBI, EXIM. - **RBI**

Exercise Q.1 | Q 5.3 | Page 90

Find the odd one.

1. Endowment policy
2. Whole life policy
3. Money back policy
4. **Blanket policy**

SOLUTION

Endowment policy, Whole life policy, Money back policy, Blanket policy. - **Blanket policy**

Exercise Q.1 | Q 6.1 | Page 90

Complete the sentence.

The term bank comes from the French word_____.

SOLUTION

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

Exercise Q.1 | Q 6.2 | Page 90

Complete the sentence.

warehouses provide facilities for perishable commodities

SOLUTION

Cold Storage warehouses provide facilities for perishable commodities

Exercise 1 | Q 6.3 | Page 90

Complete the sentence.

In _____ policy, several ships belonging to one owner are insured under the same policy.

SOLUTION

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

Exercise 1 | Q 6.4 | Page 90

Complete the sentence.

_____ banking refers to the use of banking services with the help of mobile phones.

SOLUTION

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

Exercise 1 | Q 7 | Page 90

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 _____	fund transfer on real time and gross basis
2. loans to meet long term capital requirements	_____
3 _____	Account operated by salaried and businessmen both.
4. Central bank	_____
5 _____	Principal financial institution for MSMEs

Exercise 1 | Q 8.1 | Page 91

Answer in one sentence.

What is debit card?

SOLUTION

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

Exercise 1 | Q 8.2 | Page 91

Answer in one sentence.

What is 'subject matter' in insurance?

SOLUTION

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.

Exercise 1 | Q 8.3 | Page 91

Answer in one sentence.

What is a government warehouse?

SOLUTION

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 a nominal charge.

Exercise 1 | Q 8.4 | Page 91

Answer in one sentence.

What is air transport?

SOLUTION

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.

Exercise 1 | Q 8.5 | Page 91

Answer in one sentence.

What is communication?

SOLUTION 1

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.

SOLUTION 2

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 a 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.

Exercise 1 | Q 9.1 | Page 91

Correct the underlined word and rewrite the following sentence.

Overdraft facility is available for savings bank account holders.

SOLUTION

Overdraft facility is available for Current bank account holder.

Exercise 1 | Q 9.2 | Page 91

Correct the underlined word and rewrite the following sentence.

Services are tangible in nature.

SOLUTION

Services are Intangible in nature.

Exercise 1 | Q 9.3 | Page 91

Correct the underlined word and rewrite the following sentence.

Insurance helps to maximize the risks in the business.

SOLUTION

Insurance helps to minimize the risks in the business.

Exercise 1 | Q 9.4 | Page 91

Correct the underlined word and rewrite the following sentence.

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

SOLUTION

The central bank is the apex financial institution in the banking industry in the country.

Exercise 1 | Q 9.5 | Page 91

Correct the underlined word and rewrite the following sentence.

RTGS stands for Reasonable Time Gross Settlement.

SOLUTION

RTGS stands for real Time Gross Settlement.

Exercise 1 | Q 10.1 | Page 91

Arrange in proper order.

Claim, Accident, Taking the policy, Compensation

SOLUTION

Taking the policy, Accident, Claim, Compensation

Exercise 1 | Q 10.2 | Page 91

Arrange in proper order.

Email, Inland letter, Courier

SOLUTION

Inland letter, Courier, E-mail

EXERCISE 2 [PAGE 91]

Exercise 2 | Q 1 | Page 91

Explain the following term/concept.

Transport

SOLUTION

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.

Exercise 2 | Q 2 | Page 91

Explain the following term/concept.

Communication

SOLUTION

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 the 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.

Exercise 2 | Q 3 | Page 91

Explain the following term/concept.

Banking

SOLUTION

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.

Exercise 2 | Q 4 | Page 91

Explain the following term/concept.

Insurance

SOLUTION

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 a timely basis to the insurer.

Exercise 2 | Q 5 | Page 91

Explain the following term/concept.

Warehousing

SOLUTION

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

EXERCISE 3 [PAGE 92]

Exercise 3 | Q 1 | Page 92

Study the following case/situation and express your opinion.

Ms. Harshali has started a new business two years ago. Her customers are located in different parts of the country and hence they are directly depositing bill amounts in her business account. At the same time, she used to pay various payments from this account only.

- i) Identify the Type of account maintained by Ms. Harshali.
- ii) Suggest any one modern way of money transfer to Ms. Harshali.
- iii) What kind of facility does she get on her bank account?

SOLUTION

- i. The type of account maintained by Ms. Harshali is the **current account**.
- ii. 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 the NEFT code of branch and account number of a beneficiary to whom the money is to be transferred.
- iii.
 - 1. An overdraft facility is available for the current account.
 - 2. For the current account, banks provide a statement of account every month.

Exercise 3 | Q 2 | Page 92

Study the following case/situation and express your opinion.

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 the requirements of his children.
- ii) Who are beneficiaries of policy?
- iii) In the above case which principle is involved?

SOLUTION

- i. Mr. Jagan, a salaried person should take "Child Insurance Policy" to satisfy the financial requirements of his children.
- ii. In a child insurance policy, children of the insured person are the beneficiaries.
- iii. In the above case, the principle of insurable interest is involved.

Exercise 3 | Q 3 | Page 92

Study the following case/situation and express your opinion.

Mr. Sharan is a successful manufacturer. He is having production units at various locations. He is having multiple production units, he has a large stock of raw material and finished goods. He is worried about safeguarding goods from any unwanted financial loss. He also requires transferring raw material and finished goods from one unit to another 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?
- ii) Which service will help him to remove the difficulty of the place?
- iii) From which service sector will he get financial support?

SOLUTION

- i. Warehousing is the service that helps Mr. Sharan to safeguard his goods from any damage.
- ii. Transport service will help Mr. Sharan to remove the difficulty of the place.
- iii. Mr. Sharan will get financial support from the Banking sector.

Exercise 3 | Q 4 | Page 92

Study the following case/situation and express your opinion.

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?

- ii) Can Mr. Amit take a marine insurance policy for his factories?
- iii) Which type of insurance should Mr. Amit take for protecting his factories from loss due to fire?

SOLUTION

- i. 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. Mr. Amit cannot take marine. insurance policy for his factories.
- iii. Mr. Amit can take Floating Fire Insurance Policy for protecting his factories at Pune and Nashik.

EXERCISE 4 [PAGE 92]

Exercise 4 | Q 1 | Page 92

Distinguish between.

Duty Paid Warehouse and Bonded Warehouse

SOLUTION

Duty paid Warehouses	Bonded Warehouses
Meaning: If an importer faces any problem in the 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 customs duty.
Control: All duty paid warehouses are public warehouses that are available to all importers.	These warehouses work under the control of customs authorities.
Classification: 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 customs duty.

Location: These are located near the port & dock area.	These are located near the dock area and if an importer is unable or unwilling to pay customs duty immediately then he can store the goods in a bonded warehouse.
Used : Such warehouses are more useful for the re-export of the goods.	The importer can withdraw the goods in installments by paying the customs duty proportionately.

Exercise 4 | Q 2 | Page 92

Distinguish between.

Central Bank and Commercial Bank

SOLUTION

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

Exercise 4 | Q 3 | Page 92**Distinguish between.**

Road Transport and Air Transport

SOLUTION

Road Transport	Air Transport
1. Speed: Road transport has limited speed due to bad road conditions, accidents, etc.	It is the fastest mode of transport.
2. Carrying capacity: It has limited carrying capacity	It has limited carrying capacity
3. Cost: It requires limited capital investment in terms of construction of roads, vehicles, and their maintenance.	It uses airways which are natural and hence, there is no cost involved. However the huge cost of construction of aircraft involved. These costs are way high compared to other modes of transport.
4. Distance: Recommended for a short distance.	Suitable for long-distance.
5. Charges: Transport charges are not fixed due to high due to increased fuel prices	The transport charges is very high.
6. Door to door service: It provides door to door services.	It does not provide door to door services.
7. Means of Transport: It uses animals, animal carts, motor-cycles, three, and four-wheelers.	It uses aircraft, helicopters, jets, etc.
8. Suitability: It is suitable for transporting goods in relatively smaller quantities for a short distance.	It is suitable for transporting lightweight perishable and valuable goods to any part of the world.
9. Safety: It provides limited safety to goods from the sun, rain, wind, etc.	Goods are safe as they are specially packed.

10. Accidents: Chances of accidents are more due to poor road conditions and negligent drivers	Chances of accidents are less because of maintenance and expert pilots.
11. Ownership: Ownership is in the hands of private parties as well as the government.	It is owned by both the private sector as well as the public sector.

Exercise 4 | Q 4 | Page 92

Distinguish between.

Life Insurance and Marine Insurance

SOLUTION

Life Insurance	Marine Insurance
1. Meaning: 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 whereby the insurance company undertakes to pay compensation to insured in case of loss to him due to dangers (perils) of the sea.
2. Policy taken by: 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.
3. Subject matter: In life insurance, the life of the insured is a subject matter	In Marine insurance, goods in the ship, cargo, and freight is the subject matter.
4. Insurable interest: It must exist at the time of contract	It must exist at the time of contract and also at the time of loss.
5. Tenure: 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.

6. Compensation: It is paid either on death or maturity whichever is earlier.	It is paid only if there is a loss causing event during the term of the policy.
7. Principle of Indemnity: It is not applicable as human life cannot be valued in terms of money for calculating the actual loss.	It is applicable as the insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was before the event.
8. Number of policies: 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.
9. Beneficiary: 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.
10. Surrender of policy: The policy can be surrendered before the expiry of the term subject to certain conditions.	It cannot be surrendered.

Exercise 4 | Q 5 | Page 92

Distinguish between.

Savings Account and Current Account

SOLUTION

Savings Account	Current Account
1. Meaning: 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 businessman and others who have regular bank transactions.
2. Withdrawals: Customers can withdraw either by cheques or by withdrawal slips.	Customers can withdraw money by cheques.

3. Documentation: 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.
4. Who takes it: It is suitable for fixed income groups, wages, or salary earners.	It is suitable for traders, businessmen, firms, or institutions.
5. Restrictions: The customer has certain restrictions on withdrawals.	There are no restrictions on the operation of a current account as long as there is balance in the account.
6. Interest rate: The interest rate is low	Normally interest is not given
7. Nature of Account: It is of continuous Nature	It is of continuous Nature
8. Facilities: No overdraft facility is given.	Temporary overdraft facility is given

Exercise 4 | Q 6 | Page 92

Distinguish between.

Life Insurance and Fire Insurance

SOLUTION

Life Insurance	Fire Insurance
1. Meaning: A contract whereby 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 the insurer promises to pay compensation to the insured if something happens to the subject matter due to fire or related events.
2. Policy took by: It can be taken by an individual for his own life or for his family members.	It can be taken by an individual for their properties or by the businessman. For their goods, properties business liabilities.

3. Subject matter: 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.
4. Insurable interest: It must exist at the time of contract	It must exist both at the time of contract and also at the time of loss.
5. Tenure: 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.
6. Compensation: It is paid either on death or maturity whichever is earlier.	It is paid only if there is a loss due to fire during the term of the policy
7. Principle of Indemnity: It is not applicable as human life cannot be valued in terms of money for calculating the actual loss.	It is applicable as the insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was before the event.
8. Number of policies: 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 but double insurance is possible. However, compensation does not exceed the actual loss.
9. Beneficiary: 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 who has insured the property or goods
10. Surrender of policy: The policy can be surrendered before the expiry of the term subject to certain conditions.	It cannot be surrendered.

Exercise 4 | Q 7 | Page 92

Distinguish between.

Road Transport and Rail Transport

SOLUTION

Road Transport	Rail Transport
1. Speed: Road transport has limited speed due to bad road conditions, accidents, etc.	It has considerable speed since it runs on tracks which rarely gets disturbed
2. Carrying capacity: It has limited carrying capacity	It has a huge carrying capacity
3. Cost: It requires limited capital investment in terms of construction of roads, vehicles, and maintenance.	The cost of construction of trains, railway tracks is high. Also, the maintenance of trains, tracks, and stations is high.
4. Distance: Recommended for a short distance.	Recommended for both short and long-distance.
5. Charges: 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.
6. Door to door service: It provides door to door services.	It does not provide door to door services
7. Means of Transport: It uses animals, animal carts, motor-cycles, three, and four wheelers.	It uses passenger trains and goods trains.
8. Suitability: It is suitable for transporting goods in relatively smaller quantities for a short distance.	It is suitable for transporting heavy goods in large quantities over long distances.
9. Safety: 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.
10. Accidents: 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.

11. Ownership: Ownership is in the hands of private parties as well as the government.	Ownership is in the hands of the Government.
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Exercise 4 | Q 8 | Page 92

Distinguish between.

Rail Transport and Air Transport

SOLUTION

Rail Transport	Air Transport
1. Speed: It has considerable speed since it runs on tracks which rarely gets disturbed	It is the fastest mode of transport.
2. Carrying capacity: It has a huge carrying capacity	It has limited carrying capacity
3. Cost: 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 the huge cost of construction of aircraft involved. These costs are way high compared to other modes of transport.
4. Distance: Recommended for both short and long-distance.	Suitable for long-distance.
5. Charges: Transport charges are relatively low and are fixed according to the distance.	The transport charges is very high.
6. Door to door service: It does not provide door to door services	It does not provide door to door services.
7. Means of Transport: It uses passenger trains and goods trains.	It uses aircraft, helicopters, jets, etc.
8. Suitability: It is suitable for transporting heavy goods in large quantities over long distances.	It is suitable for transporting lightweight perishable and valuable goods to any part of the world.

9. Safety: Goods are kept in locked wagons which provide protection against sun, wind, rain, etc.	Goods are safe as they are specially packed.
10. Accidents: 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.
11. Ownership: Ownership is in the hands of the Government.	It is owned by both the private sectors as well as public sector.

Exercise 4 | Q 9 | Page 92

Distinguish between.

Current Account and Fixed Deposit Account.

SOLUTION

Current Account	Fixed Deposit Account
1. Meaning: It is that account which is maintained by businessman and others who have regular bank transactions.	It is that account where a fixed sum of money is deposited for a fixed period.
2. Withdrawals: Customers can withdraw money by cheques.	Customers cannot withdraw during the specified period.
3. Documentation: The bank gives a passbook, cheque book, statement of account, and pay-in-slip book to the customers.	The bank gives a fixed deposit receipt to the customers.
4. Who takes it: It is suitable for traders, businessmen, firms, or institutions.	It is suitable for any person with temporarily idle cash.
5. Restrictions: There are no restrictions on the operation of a current account as	

long as there is balance in the account.	The amount becomes due on the expiry of the fixed period. If withdrawn earlier, then the rate of interest will be less than applicable.
6. Interest rate: Normally interest is not given	The interest rate is higher, longer the period, the higher will be the rate of interest.
7. Nature of Account: It is of continuous Nature	It is for a fixed period of time except when the fixed deposit receipt is renewed.
8. Facilities: A temporary overdraft facility is given	90% of the amount of fixed deposit can be given as loan.

EXERCISE 5 [PAGES 92 - 93]

Exercise 5 | Q 1 | Page 92

Answer in brief.

State four types of deposits.

SOLUTION

1. Time Deposits:

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

2. Fixed Deposit:

A fixed deposit account is an account where a fixed amount is kept for a fixed period of time bearing a fixed interest rate. The 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 a 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.

Exercise 5 | Q 2 | Page 93

Answer in brief.

State four modes of transport.

SOLUTION

Modes of transport:

Generally, transportation is carried through various modes such as railways, roads, waterways, and the 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 carts, 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 inland transport system of our country and is the most dependable mode of transport to carry goods and passengers over a long distances.

3. Air Transport:

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

4. Water Transport:

Water transport refers to the 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.

Exercise 5 | Q 3 | Page 93

Answer in brief

State four life insurance policies?

SOLUTION

Types of life insurance policies:

1. **Whole Life Policy:**

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

2. **Endowment Insurance Policy:**

Insurance is taken for a 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:**

The term insurance policy is taken for a specific period. Term insurance policy has the 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 a lump sum or in installments over a certain period of time. The insured will receive back a specific sum periodically from a specified date onwards, either for life or for a fixed number of years. It is like a pension payment scheme.

Exercise 5 | Q 4 | Page 93

Answer in brief.

State any four features of business services?

SOLUTION

Features of services:

1. **Intangibility:**

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:**

The unique characteristic of services is that the service and the service provider cannot be separated. The presence of service providers is there at the time of delivering services to customers. In the case of service 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, the same restaurant can give a different experience to two different customers.

4. Perishability:

The production and consumption of services are inseparable because the 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.

Exercise 5 | Q 5 | Page 93

Answer in brief.

State money remittance services of the postal department?

SOLUTION

Money Remittance Services:

1. 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 the 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.

2. 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.

3. 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.

EXERCISE 6 [PAGE 93]

Exercise 6 | Q 1 | Page 93

Justify the following statement.

Air transport is the fastest mode of transport?

SOLUTION

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 passenger aircraft, 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 the 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 adopts the shortest route to reach the destination. It has a 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.

Exercise 6 | Q 2 | Page 93**Justify the following statement.**

Communication is essential for the growth of the business.

SOLUTION

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 the growth of a business, which includes 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 the market.

3. Communication helps to make goods and services available wherever they are demanded. It helps to widen the market. Effective communications facilitate the development and growth of the domestic and international markets 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 increases their demand and widens the market. An increase in demand in turn leads to large-scale production and supply. Thus, communication is essential for the growth of the business.

Exercise 6 | Q 3 | Page 93

Justify the following statement.

Principle of subrogation is applicable to all contracts of indemnity.

SOLUTION

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 realize 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 contracts, the principle of indemnity and the 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.

Exercise 6 | Q 4 | Page 93

Justify the following statement.

Warehousing is important.

SOLUTION

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 the 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 quantities. Some goods may be required to be stored for conditioning, canning, or processing, e.g, oilseeds, first, 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 the dispersion of goods from the production center to different markets.

Exercise 6 | Q 5 | Page 93

Justify the following statement.

Cash can be withdrawn from ATM at any time.

SOLUTION

1. ATM is the abbreviation of the Automated Teller Machine. It is popularly known as All-Time Money or Any Time Money. ATM is an electronic cash dispensing machine. It is a free-standing self-service terminal. There is no specific time limit for withdrawals of cash from ATM.
2. ATM is one of the important facilities provided by the bank to its savings account holder. To avail of this facility, bank installs ATM terminals at the places of a public utility such as railway stations, shopping malls, airports, post offices, busy streets, etc.
3. For the withdrawal of cash from ATM, every account holder is given a specific code number. By operating this system, the account holder can withdraw the cash up to a specific limit or the quantum of the 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 a cent percent liquidity of banking funds. ATM avails twenty-four hours of 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.

EXERCISE 7 [PAGE 93]

Exercise 7 | Q 1 | Page 93

Answer in brief.

State money remittance services of the postal department?

SOLUTION

Money Remittance Services:

1. 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 the 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.

2. 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.

3. 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.

Exercise 7 | Q 2 | Page 93

Attempt the following.

Explain marine insurance policies?

SOLUTION

It gives protection against the losses caused due to the dangers of the sea. It is a form of an 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 a 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 a 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 a combination of voyage and time policy. It, therefore, covers the risk of both, a particular voyage and for a 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 the 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 a maximum limit of the required amount of protection and the full amount of premium is paid at the beginning of the policy. This policy describes the nature of goods insured, specific route, ports, and places of the 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 to the departure of the vessel from the port.

7. Composite Policy:

This type of policy is purchased from more than one insurer. 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 shipowners 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.

Exercise 7 | Q 3 | Page 93

Attempt the following.

Explain types of warehouses?

SOLUTION

1. **Private Warehouses:**

The private warehouses are owned and operated by big manufacturers and merchants to fulfill their own storage needs. Big business firms that need large storage capacity on a regular basis and who can afford the 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 a 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 customs duty. These warehouses work under the control of customs 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 customs authorities.

The goods are held in bond and cannot be withdrawn without paying the customs duty.

4. **Duty paid Warehouses:**

If an importer faces any problem in the 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 that 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 a nominal charge.

6. Co-operative Warehouses:

These warehouses are owned, managed, and controlled by co-operative societies. They mainly provide warehousing facilities at the most economical rates. These types of warehouses are very useful for farmers and traders and the 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 the future. International trade has become possible due to these warehouses.

Exercise 7 | Q 4 | Page 93

Attempt the following.

Explain the utility function of banks?

SOLUTION

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 another bank. A bank issue 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 a common utility function of any commercial bank. The bank provides locker facilities 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:**

Nowadays many banks are providing gold services to their customers. Banks are commercially buying and selling gold or gold ornaments from customers on a large scale basis. Some bank also provides advisory services to its customers in terms of gold funds, gold ETF, etc.

Exercise 7 | Q 5 | Page 93

Attempt the following.

Explain the modes of traditional communication?

SOLUTION

The modes of traditional communications are as follows.

Postal Services:

The postal services in India come under the Department of Post and Telegraph which is part of the 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 the confidentiality of the message.

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

c. Parcel: Parcels of a 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 a book post.

2. Specialized 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 is 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:

Retail Services are further classified as follows:

a. Retail Post:

Under Retail Post, a range of services is offered including the collection of electricity bills, collection of taxes, collection of other bills and fees 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.

Exercise 7 | Q 6 | Page 93**Attempt the following.**

Explain the disadvantages of air transport?

SOLUTION**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 the perils of the sea.

Exercise 7 | Q 7 | Page 93**Attempt the following.**

Describe the role of transport?

SOLUTION**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 the 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 carts, 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 the most dependable mode of transport to carry goods and passengers over long distances.

3. Air Transport:

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

4. Water Transport:

Water transport refers to the 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 a mode of transport that 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.

Exercise 7 | Q 8 | Page 93

Attempt the following.

What are the functions of warehouses?

SOLUTION

A warehouse is defined as "an establishment for the storage or accumulation of goods." Warehousing refers to the storage of goods and consists of all those activities which are connected with the storage and preservation of goods. It is a means of storing goods.

Functions of Warehouses:

1. **Storage:**

This is the basic function of warehousing. Surplus commodities that 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, a 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 nowadays 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 at the request of the owner.

7. **Time and Place Utility:**

Warehouses create time utility by preserving the goods until 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.

EXERCISE 8 [PAGE 93]

Exercise 8 | Q 1.1 | Page 93

Answer the following.

What is insurance?

SOLUTION

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 a timely basis to the insurer.

Exercise 8 | Q 1.2 | Page 93

Answer the following.

Explain the principles of insurance?

SOLUTION

Principles of Insurance:

1. Principle of Utmost good faith:

In all types of insurance contracts, both parties must have the 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 a non-settlement of the claim.

2. Principle of Insurable interest:

Insurable interest means some financial interest in the subject matter. The insured must have an 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 the 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:**

The principle of causa Proxima means, when a loss is caused by more than one cause, then the proximate cause of a 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.

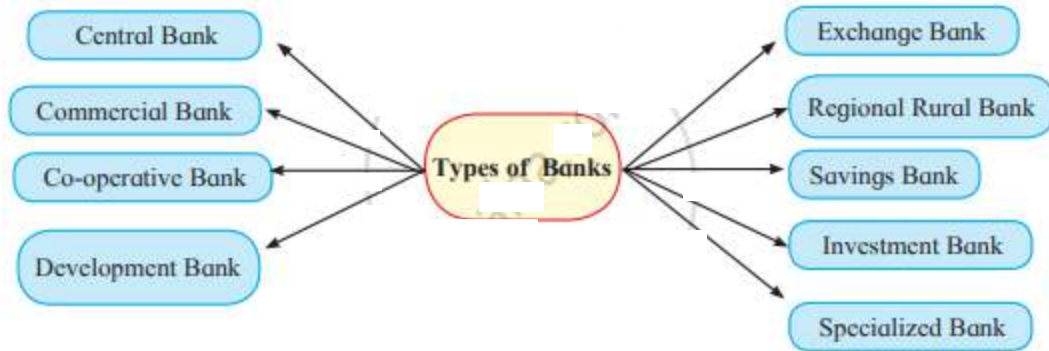
Exercise 8 | Q 2.1 | Page 93

Answer the following.

Define bank.

SOLUTION

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.



Exercise 8 | Q 2.2 | Page 93

Answer the following:

Explain different types of banks.

SOLUTION

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:

Commercial banks play an important role in the economic and social development of a country. Commercial banks perform 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 the majority of the capital is held by the 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 facilitate 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 the 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.

Exercise 8 | Q 3.1 | Page 93

Answer the following.

What is a warehouse?

SOLUTION

A warehouse is defined as "an establishment for the storage or accumulation of goods." Warehousing refers to the storage of goods and consists of all those activities which are connected with the storage and preservation of goods. It is a means of storing goods.

Exercise 8 | Q 3.2 | Page 93

Write short notes on the following.

Functions of a Warehouse.

SOLUTION

A warehouse is defined as "an establishment for the storage or accumulation of goods." Warehousing refers to the storage of goods and consists of all those activities which are connected with the storage and preservation of goods. It is a means of storing goods.

Functions of Warehouses:

1. Storage:

This is the basic function of warehousing. Surplus commodities that 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 nowadays 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 at the request of the owner.

7. Time and Place Utility:

Warehouses create time utility by preserving the goods until 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.

Exercise 8 | Q 4.1 | Page 93

Answer the following.

What is Services?

SOLUTION

Services are intangible in nature; they are neither manufactured, transported nor stocked. Services cannot be stored for future use hence they are produced and consumed simultaneously. They are intangible in nature, heterogeneous, inseparable, inconsistent, perishable in nature, and require consumer participation.

Exercise 8 | Q 4.2 | Page 93

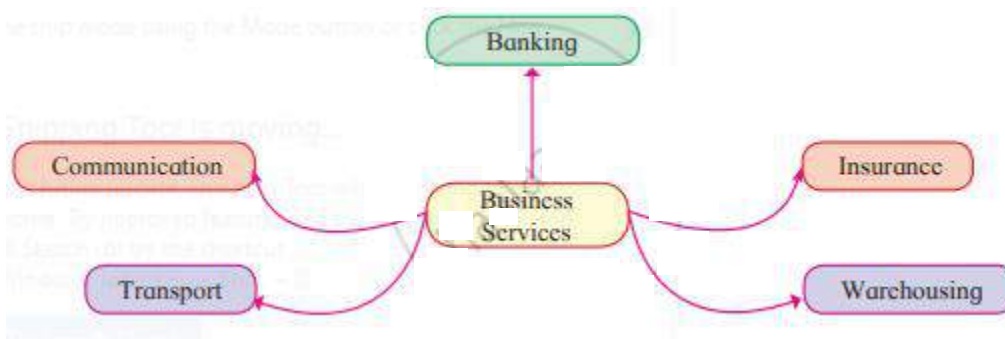
Answer the following.

Explain in detail different business services.

SOLUTION

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 a *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 the airway.

4. Warehousing: Warehousing refers to the storage of goods and consists of all those activities which are connected with the storage and preservation of goods. It is a means of storing goods. Warehousing can be defined as a group of activities connected with the storing and preserving of stored goods from the time of production until 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 a very simple process where the 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.

Exercise 8 | Q 5.1 | Page 93

Answer in one sentence.

What is communication?

SOLUTION 1

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.

SOLUTION 2

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 a 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.

Exercise 8 | Q 5.2 | Page 93

Answer the following.

Explain in detail various types of communication.

SOLUTION

The types of communication

Following are various types of communication:

I) Postal Services

II) Modern means of communication

Postal Services:

The postal services in India come under the Department of Post and Telegraph which is part of the 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 the confidentiality of the message.

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

c. Parcel: Parcels of a 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 posts.

2. **Specialized 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 is 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:

Retail Services are further classified as follows:

a. Retail Post:

Under Retail Post, a range of services is offered including the collection of electricity bills, collection of taxes, collection of other bills and fees 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.

Modern means of communication:

1. 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.

2. 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.

3. 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.

Exercise 8 | Q 6.1 | Page 93

Answer the following.

What is road transport?

SOLUTION

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, the Ministry of Road Transport and

Highways (MoRTH) looks after the development of surface transport throughout the country.

Exercise 8 | Q 6.2 | Page 93

Answer the following.

Explain the advantages of road transport?

SOLUTION

Advantages:

1. It is a cheap mode of transport 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 a flexible mode of transport as loading and unloading are possible at any destination.
4. It provides door to door service. Also, it functions as a 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.

Exercise 8 | Q 6.3 | Page 93

Answer the following.

Explain the disadvantages of road transport?

SOLUTION

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 costs.
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 the emission of gases which affect the health of people.