



TEXTBOOK QUESTIONS SOLVED

I. Multiple Choice Questions

Tick the appropriate answer:

Question 1. DTH services are provided by

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

Question 2. The benefits of public warehousing includes

- (a) Control
- (b) Flexibility
- (c) Dealer relationship
- (d) None of the above

Question 3. Which of the following is not a function of insurance?

- (a) Risk sharing
- (b) Assist in capital formation
- (c) Lending of funds
- (d) None of the above

Question 4. Which of the following is not applicable in Life Insurance contract?

- (a) Conditional contract
- (b) Unilateral contract
- (c) Indemnity contract
- (d) None of the above

Question 5. CWC stands for

- (a) Central Water Commission
- (b) Central Warehousing Commission
- (c) Central Warehousing Corporation
- (d) Central Water Corporation

Answers:

1. (c)
2. (b)
3. (c)
4. (c)
5. (c)

II. Short Answer Type Questions

Question 1. Define services and goods.

Answer: A good is a physical product which can be delivered to a buyer and involves the ownership from seller to customer. For example; mobile phone, book, purse etc. Services are those separately identifiable, essentially intangible activities which provide satisfaction of wants, and are not necessarily linked to the sale of a product or another service. For example, communication services, teaching services, legal services etc.

Question 2. What is e-banking? What are the advantages of e-banking?

Answer: E-banking is a service provided by many banks, in which a customer is allowed to conduct banking transactions through internet. It includes ATMs, credit cards, debit cards, mobile banking and internet banking.

Advantages of e-banking

1. To Banks
 - It provides competitive advantage to a bank.
 - Load on different branches gets considerably reduced due to centralised data base.
 - Banking network is no more limited to the number of branches. It expands far and wide due to facility of internet banking.
2. To Customers
 - It provides 24 hours, 365 days a year service to the consumers.
 - It can be used at any place and at any time even while travelling.
 - It reduces risk and ensures greater security.
 - It increases financial discipline by keeping record of each and every transaction.
 - Availability of banking facility at any time and anywhere increases satisfaction of the consumers.

Question 3. Write a note on various telecom services available for enhancing business.

Answer: Various telecom services available for enhancing business are as follows:

- Cellular Mobile Services: These companies provide all types of telecom services like voice and non-voice messages, data services, PCO connectivity etc.
- Radio Paging Services: It is one way information broadcasting solution and has spread its reach to a large area. It includes services including tone only, numeric only and alpha/numeric only.
- Fixed Line Services: These services utilise any type of network equipment connected through fibre optic cable laid across the length and breadth of the country.
- Cable Services: These are linkages and switched services within a license area of operation to operate media services.
- VSAT Services: VSAT stands for Very Small Aperture Terminal. It is a satellite based communication service which is highly flexible and reliable communication solution in urban as well as rural areas. It is being used for tele-medicine, newspaper online, tele-education, online trading, e-banking etc.
- DTH Services: DTH stands for Direct to Home. It is also a satellite based service provide by cellular companies which allows one to receive media services through a satellite with the help of a small dish antenna and a set up box.

Question 4. Explain briefly the principles of insurance with suitable examples.

Answer: The principles of insurance are explained below:

1. Principle of Utmost Good Faith:
Under this insurance, contract both the parties should have faith over each other. As a client it is the duty of the insured to disclose all the facts to the insurance company. Any fraud or misrepresentation of facts can result into cancellation of the contract.
2. Principle of Insurable interest:
Under this principle of insurance, the insured must have interest in the subject matter of the insurance. Absence of insurance makes the contract null and void. If there is no insurable interest, an insurance company will not issue a policy.
An insurable interest must exist at the time of the purchase of the insurance. For example, a creditor has an insurable interest in the life of a debtor, A person is considered to have an unlimited interest in the life of their spouse etc.
3. Principle of Indemnity:

Indemnity means security or compensation against loss or damage. The principle of indemnity is such principle of insurance stating that an insured may not be compensated by the insurance company in an amount exceeding the insured's economic loss. In this type of insurance the insured would be provided compensation with the amount equivalent to the actual loss and not the amount exceeding the loss. This is a regulatory principle. This principle is observed more strictly in property insurance than in life insurance. The purpose of this principle is to set back the insured to the same financial position that existed before the loss or damage occurred.

4. Principle of Subrogation:

The principle of subrogation enables the insured to claim the amount from the third party responsible for the loss. It allows the insurer to pursue legal methods to recover the amount of loss. For example, if you get injured in a road accident, due to reckless driving of a third party, the insurance company will compensate your loss and will also sue the third party to recover the money paid as claim.

5. Principle of Contribution:

If the same subject matter, except life is insured by more than one insurers, then the actual loss will be shared by all the insurers.

6. Principle of Mitigation:

It means that the insured should try to minimise the loss of the subject matter of the insurer even if it is insured.

7. Principle of Proximate Cause:

Proximate cause literally means the 'nearest cause' or 'direct cause'. This principle is applicable when the loss is the result of two or more causes. The proximate cause means; the most dominant and most effective cause of loss is considered. This principle is applicable when there are series of causes of damage or loss.

Question 5. Explain warehousing and its functions.

Answer: Warehousing refers to holding or keeping of goods from the time of their production or purchase until they are sold or consumed. It removes time gap between production and consumption and thereby creates time utility. In addition to providing services of storage, warehouse also provides logistical service in a cost effective manner.

Functions of Warehouses

1. Consolidation: There are certain goods which are produced in small quantities but are sold to consumers in bulk quantity. Such goods need consolidation. Warehouses receive goods in small quantities from different producers and dispatch them to consumers in bulk.
2. Break the Bulk: This function is just opposite of consolidation. Under it, the warehouse receives the quantity in bulk from the producers and sells them in small quantities to consumer. These small quantities are then sold to customers according to their requirements.
3. Stock Piling: Usually there is a time gap between production and consumption of goods. Warehouse fills this gap. It stores those goods which are in surplus i.e., whose supply is more than their demand. When demand exceeds supply, it makes goods available from its own stock.
4. Value Added Services: Warehouses also provide some value added services like transit mixing, packaging and labeling.
5. Price Stabilization: Warehouses help to equalize demand and supply and thereby stabilize the prices.
6. Financing: Warehouse owners advance money to owners of goods on the security of these goods and they also provide these goods on credit to customers.

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