

**Multiple Choice Questions**

1. DTH services are provided by\_\_\_\_\_.

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

2. The benefits of public warehousing includes \_\_\_\_\_.

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

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 these
- ▶ (b) Assist in capital formation

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
- ▶ (c) Indemnity contract

5. CWC stands for\_\_\_\_\_.

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

## Short Answer Questions

### 1. Define services and goods.

#### Answer

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 good is a physical product capable of being delivered to a purchaser and involves the transfer of ownership from seller to customer.

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

#### Answer

e-banking refers to the use of the electronic medium for conducting various banking operations such as transferring money, checking accounts and applying for loans. The advantages of e-banking are:

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

→ Customers can make some of the permitted transactions from office or house or while travelling via mobile telephone.

→ It inculcates a sense of financial discipline by recording each and every transaction.

→ 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.

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

#### Answer

The various telecom services available for enhancing business are:

→ Cellular mobile service: 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.

→ Radio paging service: It is an affordable means of transmitting information in the form of a tone or numeric or alphanumeric message.

→ Fixed-line service: These are all types of fixed services including voice and non-voice messages and data services to establish linkages for long distance traffic.

→ Cable service: This service is used to transmit media-related information to a defined area of operation for which a licence has been acquired. In this type of telecom service, the flow of information is one way.

→ VSAT service: It is a satellite-based communications service. It offers businesses and government agencies a highly flexible and reliable communication solution in both urban and rural areas. Therefore, it provides a wider reach and high degree of flexibility to businesses.

→ DTH service: The abbreviation 'DTH' stands for direct-to-home. DTH service is a type of telecom service provided by DTH companies. The companies transmit TV channels to customers through satellites. The customers can watch multiple channels by installing a small dish antenna and a set-top box connected to their television set.

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

##### **Answer**

The principles of insurance are:

→ Utmost good faith: Both the insurer and the insured should have faith in each other and in the contract signed by them.

Example: Rahul, if he is a heart patient, should inform his insurance company about his health issues while buying a life insurance policy.

→ Insurable interest: It implies that the insured must have some interest vested in the object which is being insured by him.

Example: A businessperson has an insurable interest in his or her land, house and other properties.

→ Indemnity: According to the principle of indemnity, the purpose of an insurance contract is to bring back the insured to the same financial position as he or she was before the loss occurred to him or her.

Example: If an individual suffers a loss of Rs. 1 lakh in a fire accident, then the insurance company will accept a claim up to Rs. 1 lakh and not more.

→ Proximate cause: The proximate cause principle states that the reason for a loss or damage to the insured object should be related to the subject matter of the contract.

Example: If an individual suffers a loss in a fire accident, then this should already be a part of the contract in order for this person to claim the insurance amount.

→ Subrogation: Once the compensation is paid, the right of ownership of the damaged property passes on to the insurer, so that the insured cannot sell the damaged property to make profits.

Example: If a person receives Rs. 1 lakh for his or her damaged stock, then the ownership of the stock will be transferred to the insurance company and the person will hold no control over the stock.

→ Contribution: If an individual buys more than one insurance policy for the same object, then the insurers will contribute in order to compensate insured for the actual amount of loss.

Example: If a person A insures his or her house for Rs. 2 lakh with insurer B and for Rs. 1 lakh with another insurer, say, C, then, in case of a loss of Rs. 90,000, insurer B and insurer C will together pay A Rs. 90,000 and not more.

→ Mitigation: The insured should take care of the insured object in the same way as he or she would have in the absence of the insurance.

Example: If a person has insured his house against fire, then, in case of fire, he or she should take all possible measures to minimise the damage to the property exactly in the manner he or she would have done in absence of the insurance.

## 5. Explain warehousing and its functions.

### Answer

Warehousing involves storing goods in a scientific and organised manner to maintain their value and quality. Warehouses not only provide storage services but also logistical services by providing the right place for the right quantity at the

right time and at the right cost.

Its functions are:

→ Storage: Warehouses facilitate the storage of goods and raw materials that are not required immediately for sale or for manufacturing, and protect them from spoilage or damage.

→ Value-added services: They perform value-added services, such as grading the quality of products, packaging and labelling, for producers.

→ Financing: The owner of the goods or raw materials stored in a warehouse can use the warehouse receipt as a security for borrowing money from banks or other financial institutions.

## **Long Answer Questions**

### **1. What are services? Explain their distinct characteristics?**

#### **Answer**

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.

The distinct characteristics of services are:

→ 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.

→ Inconsistency: There is no standard tangible product, services have to 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.

→ Inseparability: Services have to be produced and used simultaneously. Unlike goods, which are produced today for sale later, services have to be used at the same time as they are made available.

→ Inventory: Services cannot be stored for sale at a future date. They need to be provided as and when the service users ask for them. This is because if services are not consumed immediately then they lose its value.

→ Involvement: The involvement of the service user and the service provider is a prerequisite at the time of delivery of the services. A customer has the opportunity to get the services modified according to specific requirements.

## 2. Explain the functions of commercial banks with an example of each.

### **Answer**

The functions of commercial banks are:

→ Acceptance of deposits: Banks accept various types of deposits from the public such as savings account deposit, current account deposit and fixed account deposit, and pay interest on them. They are indebted to repay the depositor the amount deposited by him or her.

→ Lending of funds: Banks grant loans and advances on the basis of the total deposits available with them. These advances can be in the form of overdrafts, discounted trade bills, cash or consumer credits, etc. The interest charged on these loans is a major source of profits for banks.

→ Extension of cheque facility: Cheques drawn on other banks are also collected by banks, and thus they act as a clearing house. Cheques are mainly of two types—bearer cheques (encashable immediately at bank counters) and crossed cheques (only deposited in the payees' accounts).

→ Remittance of funds: Banks help in transferring the funds of customers from one place to another. These transfers can be done in the form of bank drafts and pay orders at nominal commission charges.

→ Provision of allied services: In addition to other functions, banks also provide services such as locker facility, underwriting services and bill payments. They also perform functions such as buying and selling of shares and debentures on behalf of their customers.

## 3. Write a detailed note on various facilities offered by Indian Postal Department.

## **Answer**

The various facilities offered by Indian Postal Department are:

**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.

→ **Mail facilities:** Mail services consist of parcel facilities that is trans-mission 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 in the course of transmission by post.

→ **Allied facilities:** Post offices also provide a variety of allied services to customers.

- **Greeting post:** A range of delightful greeting cards for every occasion.
- **Media post:** An innovative and effective vehicle for Indian corporates to advertise their brand through postcards, envelopes, aerograms, telegrams, and also through letterboxes.
- **Direct post** is for direct advertising. It can be both addressed as well as unaddressed.
- **International Money Transfer** through collaboration with Western Union financial services, USA, which enables remittance of money from 185 countries to India.
- **Passport facilities:** A unique partnership with the ministry of external affairs for facilitating passport application.
- **Speed Post:** It has over 1000 destinations in India and links with 97 major countries across the globe.
- **e-bill post** is the latest offering of the department to collect bill payment across the counter for BSNL and Bharti Airtel.

**4. Describe various types of insurance and examine the nature of risks protected by each type of insurance.**

## **Answer**

The various types of insurance are:

→ Life Insurance: It is a contract between the insurer and the insured in which the insurer agrees to pay a certain pre-specified amount to the insured on the occurrence of death of the assured or on maturity of the insurance contract, whichever comes earlier. That is, in case the insured dies before the maturity of the contract, his or her family is given the assured amount. However, if the insured survives till the maturity of the contract, then he or she is given the specified sum of money. In return for this assurance, the insured pays a fixed amount as premium to the insurer. The need for a life insurance policy arises because of the uncertainties of life.

→ Fire Insurance: Insurance contracts that protect the insured against the loss or damage caused by fire during a given period are called fire insurance contracts. Under a fire insurance contract, the insurer agrees to compensate the insured for the loss or damage to the insured property caused by fire, against a payment of a fixed premium. The maximum compensation which the insurer is liable to pay is pre-specified in the contract, along with the conditions under which the contract is enforceable.

→ Marine Insurance: A marine insurance contract protects the owner of a ship or cargo against complete or partial loss or damage caused to the ship or cargo at sea. It provides protection against the perils of the sea such as collision of the ship with a rock, attack on the ship by enemies and pirates, and damage caused by fire. The insured pays a certain amount as premium to the insurer.

## 5. Explain in detail the warehousing services.

### **Answer**

The warehousing services includes:

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

→ Break the bulk: The warehouse performs the function of dividing the bulk quantity of goods received from the production plants into smaller quantities which is then transported according to the requirements of clients to their places of business.

→ Stock piling: The seasonal storage of goods to select businesses. Goods or raw



materials which are not required immediately for sale or manufacturing are stored in warehouses. They are made available to business depending on customers demand.

→ Value added services: Certain value added services are also provided by the warehouses, such as in transit mixing, packaging and labelling.

→ Price stabilisation: By adjusting the supply of goods with the demand situation, warehousing performs the function of stabilising prices.

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