NCERT SOLUTIONS CLASS-11 BUSINESS STUDIES CHAPTER- 4

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:**
   If 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.

III. Long Answer Type Questions

Question 1. What are services? Explain their distinct characteristics.

Answer: A service is an act or performance offered by one party to another. They are economic
activities that create value and provide benefits for customers at specific times and places as a result of bringing desired change. According to Sir William B, "Service refers to social efforts which includes the Govt.to fight five giant evils – wants, disease, ignorance, squalor and illness in the society".

Characteristics of Services

Service is an act or performance offered by one party to another. They are economic activities that create value and provide benefits for customers at specific times and places as a result of bringing about a desired change in or on behalf of the recipient of the service. The term, service, is not limited to personal services like medical services, beauty parlors, legal services, etc. According to the marketing experts and management thinkers the concept of services is a wider one. The term services are defined in a number of ways but not a single one is universally accepted. The distinct characteristics of services are mentioned below:

1. **Intangibility:** Services are intangible. We cannot touch them, it is not a physical object. According to Carman and Uhl, a consumer feels that he has the right and opportunity to see, touch, hear, smell or taste the goods before they buy them. This is not applicable to services. The buyer does not have any opportunity to touch, smell, and taste the services. While selling or promoting a service one has to concentrate on the satisfaction and benefit a consumer can derive having spent on these services.
   For example: Railways sells a train ticket from A destination to B destination. Here it is the matter of consumer's perception of services than smelling it or tasting it.
2. **Inventory:** Services too, are perishable like labour. Service has a high degree of perishability. Here the element of time assumes a significant position. There will be complete loss of labour. If labour stops working, it is a complete waste. It cannot be stored. Utilized or unutilized services are an economic waste. An unoccupied building, an unemployed person, credit unutilized, etc. are economic waste. Services have a high level of perishability.
3. **Inseparability:** Services are generally created or supplied simultaneously. They are inseparable. For example, the entertainment industry, health experts and other professionals create and offer their services at the same given time. Services and their providers are associated closely and thus, not separable. Donald Cowell states 'Goods are produced, sold and then consumed whereas the services are sold and then produced and consumed'. Therefore inseparability is an important characteristic of services which proves challenging to service management industry.
4. **Inconsistency:** This character of services makes it difficult to set a standard for any service. The quality of services cannot be standardized. The price paid for a service may either be too high or too low as is seen in the case of the entertainment industry and sports. The same type of services cannot be sold to all the consumers even if they pay the same price. Consumers rate these services in different ways. This is due to the

difference in perception of individuals at the level of providers and users. Heterogeneity "makes it difficult to establish standards for the output of service firm.

5. **Involvement:** In the sale of goods, after the completion of process, the goods are transferred in the name of the buyer and he becomes the owner of the goods. But in the case of services, we do not find this. The users have only an access to services. They cannot own the service.
   For example: a consumer can use personal care services or medical services or can use a hotel room or swimming pool. However, the ownership remains with the providers. According to Philip Kotler, "A service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything" From this it is clear that the ownership is not affected in the process of selling the services.

Question 2. Explain the functions of commercial banks with an example of each.
Answer: The main functions of commercial banks are accepting deposits from the public and advancing them loans.
However, besides these functions there are many other functions which these banks perform. All these functions can be divided under the following heads:
1. Accepting deposits; 2. Giving loans;
3. Overdraft; 4. Discounting of Bills of Exchange;
5. Investment of Funds; 6. Agency Functions.

1. **Accepting Deposits:**
   The most important function of commercial banks is to accept deposits from the public. Various sections of society, according to their needs and economic condition, deposit their savings with the banks.
   For example, fixed and low income group people deposit their savings in small amounts from the points of view of security, income and saving promotion. On the other hand, traders and businessmen deposit their savings in the banks for the convenience of payment.
   Therefore, keeping the needs and interests of various sections of society, banks formulate various deposit schemes. Generally, there are three types of deposits which are as follows:
   (i) Current Deposits:
   The depositors of such deposits can withdraw and deposit money whenever they desire. Since banks have to keep the deposited amount of such accounts in cash always, they carry either no interest or very low rate of interest. These deposits are called Demand Deposits because these can be demanded or withdrawn by the depositors at any time they want. Such deposit accounts are highly useful for traders and big business firms because they have to make payments and accept payments many times in a day.
   (ii) Fixed Deposits:
   These are the deposits which are deposited for a definite period of time. This period is generally not less than one year and, therefore, these are called as long term deposits. These deposits cannot be withdrawn before the expiry of the stipulated time and, therefore, these are also called as time deposits.
   These deposits generally carry a higher rate of interest because banks can use these deposits for a definite time without having the fear of being withdrawn.
   (iii) Saving Deposits:
   In such deposits, money up to a certain limit can be deposited and withdrawn once or twice in a week. On such deposits, the rate of interest is very less. As is evident from the name of such deposits their main objective is to mobilise small savings in the form of deposits. These deposits are generally done by salaried people and the people who have

fixed and less income.

2. **Giving Loans:**
   The second important function of Commercial Banks is to advance loans to its customers. Banks charge interest from the borrowers and this is the main source of their income.
   Banks advance loans not only on the basis of the deposits of the public rather they also advance loans on the basis of depositing the money in the accounts of borrowers. In other words, they create loans out of deposits and deposits out of loans. This is called as credit creation by Commercial Banks.
   Modern banks give mostly secured loans for productive purposes. In other words, at the time of advancing loans, they demand proper security or collateral. Generally, the value of security or collateral is equal to the amount of loan. This is done mainly with a view to recover the loan money by selling the security in the event of non-refund of the loan.
   At times, banks give loan on the basis of personal security also. Therefore, such loans are called unsecured loan. Banks generally give following types of loans and advances:
   (i) Cash Credit:
   In this type of credit scheme, banks advance loans to its customers on the basis of bonds, inventories and other approved securities. Under this scheme, banks enter into an agreement with its customers to which money can be withdrawn many times during a year. Under this set lip banks open accounts of their customers and deposit the loan money. With this type of loan, credit is created.
   (ii) Demand Loans:
   These are such loans that can be recalled on demand by the banks. The entire loan amount is paid in lump sum by crediting it to the loan account of the borrower, and thus entire loan becomes chargeable to interest with immediate effect.
   (iii) Short-term Loan:
   These loans may be given as personal loans, loans to finance working capital or as priority sector advances. These are made against some security and entire loan amount is transferred to the loan account of the borrower.
3. **Over-Draft:**
   Banks advance loans to its customer's up to a certain amount through over-drafts, if there are no deposits in the current account. For this, banks demand a security from the customers and charge very high rate of interest.
4. **Discounting of Bills of Exchange:**
   This is the most prevalent and important method of advancing loans to the traders for short-term purposes. Under this system, banks advance loans to the traders and business firms by discounting their bills. In this way, businessmen get loans on the basis of their bills of exchange before the time of their maturity.
5. **Investment of Funds:**
   The banks invest their surplus funds in three types of securities—Government securities, other approved securities and other securities. Government securities include both, central and state governments, such as treasury bills, national savings certificate etc. Other securities include securities of state associated bodies like electricity boards, housing boards, debentures of Land Development Banks, units of UTI, shares of Regional Rural banks etc.
6. **Agency Functions:**
   Banks function in the form of agents and representatives of their customers. Customers give their consent for performing such functions. The important functions of these types are as follows:

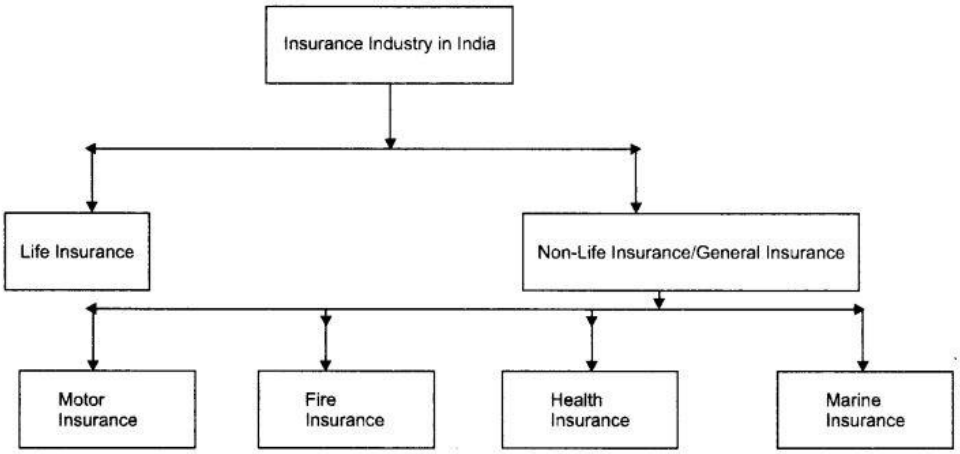
   - Banks collect cheques, drafts, bills of exchange and dividends of the shares for their customers.

- Banks make payment for their clients and at times accept the bills of exchange: of their customers for which payment is made at the fixed time.
- Banks pay insurance premium of their customers. Besides this, they also deposit loan installments, income tax, interest etc. as per directions.
- Banks purchase and sell securities, shares and debentures on behalf of their customers.
- Banks arrange to send money from one place to another for the convenience of their customers.

Question 3. Write a detailed note on various facilities offered by Indian Postal Department.
Answer: Indian Post and Telegraph Department provides various postal services all over India. India has been divided into 22 postal circles for this. There are 1,54,149 post offices in India. It has 5,64,701 letter boxes, which transmits 1575 crore mails every year. 5,01,716 villages have a public telephone and 26000 post offices are connected through the network. It links major 97 countries across the world. It provides speed post facility for over 1000 destinations in India.
Facilities of postal department are broadly divided into:

- **Financial Facilities:** Post and Telegraph Department provides financial services using post office's saving schemes like Public Provident Fund, Kisan Vikas Patra, National Saving Certificate, normal retail banking functions of monthly income schemes, recurring deposit account, savings account, time deposits and money order facility etc.
- **Mail Facilities:** It consists of parcel facilities which consists of transmission of articles from one place to another which can be registered and insured. It also provides facilities for greeting post, (a range of delightful greeting card on all occasions) and Media Post (a way for Indian corporate to advertise their brands through aerograms, telegrams and letterboxes).
- **International Money Transfers:** It enables money transfer from 185 countries in collaboration with Western Union Money Transfer.
- **Passport Facilities:** It has joint hands with Ministry of External Affairs and accepts application for passport.
- **Speed Post:** It has more than 1000 destinatiory in India. It covers 97 major countries of the world.
- **E-Bill Post:** It is the latest addition in facilities by Indian Post whereby it collects bill payment across the counter for BSNL and Bharti Airtel.

Question 4. Describe various types of insurance and exercise the nature of risks protected by each type of insurance.
Answer: There are many types of insurance. Some of them are shown with the help of diagram given below:



Type of Insurance	Meaning	Type of Risk Covered
Life Insurance	Life Insurance is a contract, under which the insurer in consideration of a premium, agrees to pay a specified amount on the death of the assured, or on the expiry of a certain fixed period, whichever is earlier.	It provides protection to the family at the premature death or gives adequate amount at old age when earning capacity is reduced.
Fire Insurance	Fire Insurance is a contract whereby the insurer, in consideration of the premium paid, undertakes to compensate the insured for any loss that may result due to the occurrence of fire.	Protects the goods against the risk of fire.
Marine Insurance	Marine Insurance is a contract of insurance under which the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses.	Protects the goods against the risk of loss in sea voyage.
Health Insurance	Health Insurance policy is a contract between an insurer and an individual or group, in which the insurer agrees to provide specified health insurance at an agreed upon price (the premium).	Protects against unseen health problems.
Motor Vehicle Insurance	It is a contract whereby the insurer agrees to indemnify the insured, in consideration of a fixed premium, for a loss caused by theft, fire, accident, earthquake etc.	It protects the value of motor vehicles against risk of theft, accident and fire etc. It also covers the owner's liability to compensate who are killed or insured through negligence of the motorist.
Burglary Insurance	It is a contract whereby the insurer agrees to indemnify the insured, in consideration of a fixed premium, of loss due to theft, burglary, house breaking and acts of similar nature.	It covers the risk of loss due to theft, burglary, house breaking and acts of similar nature.
Cattle Insurance	It is a contract whereby a sum of money is secured to the assured in the event of death of animals like bulls, buffaloes, cows and heifers.	It covers risk of death of cattle due to accident, disease or pregnancy.
Crop Insurance	It is a contract to provide financial support to farmers in case of crop failure due to drought or flood.	It covers all risks of loss or damages to the crop.
Sports Insurance	It assures a comprehensive cover available to amateur sportsmen covering their sporting equipment, personal effects, legal liability and personal accident risks.	It is available to following sports: angling, badminton, cricket, golf, lawn tennis, squash, use of sporting gun etc.

Question 5. Explain in detail the warehousing services.

Answer: Primary warehousing services include the following:

1. **Consolidation:** Warehouse receives and consolidates goods from different production stations and dispatches it to customer on a single transportation shipment.
2. **Break the Bulk:** Warehouse breaks the bulk received according to the requirements of the client.
3. **Stock Piling:** The next function of warehousing is the seasonal storage of goods to select business.

Secondary Functions of a Warehouse

1. **Protection of goods:** A warehouse provides protection to goods from loss or damage due to heat, dust, wind and moisture, etc. It makes special arrangements for different products according to their nature. It cuts down losses due to spoilage and wastage during storage.
2. **Risk Bearing:** Warehouses take over the risks incidental to storage of goods. Once goods are handed over to the ware housekeeper for storage, the responsibility of, these goods passes on to the ware housekeeper. Thus, the risk of loss or damage to goods in storage is borne by the warehouse keeper. Since it is bound to return the goods in good condition, the warehouse becomes responsible for any loss, theft or damage etc., thus, it takes all precautions to prevent any mishap.
3. **Financing:** When goods are deposited in any warehouse, the depositor gets a receipt, which acts as a proof about the deposit of goods. The ware houses can also issue a document in favour of the owner of the goods, which is called warehouse-keeper's warrant. This warrant is a document of title and can be transferred by simple endorsement and delivery. So while the goods are in custody of the ware housekeeper, the businessmen can obtain loans from banks and other financial institutions keeping this warrant as security. In some cases, warehouses also give advances of money to the depositors for a short period keeping their goods as security.
4. **Processing:** Certain commodities are not consumed in the form they are produced. Processing is required to make them consumable. For example, paddy is polished, timber is seasoned, and fruits are ripened, etc. Sometimes warehouses also undertake these activities on behalf of the owners.
5. **Grading and branding:** On request warehouses also perform the functions of grading and branding of goods on behalf of the manufacturer, wholesaler or the importer of goods. It also provides facilities for mixing, blending and packaging of goods for the convenience of handling and sale.

MORE QUESTIONS SOLVED

I. Multiple Choice Questions

Question 1. Which of the following is an example of E-banking?
(a) EFT (b) Online banking
(c) ATM id) All of the above
Question 2. Who can get an overdraft from a bank?
(a) A Current Account Holder (b) A Saving Account Holder
(c) A Fixed Deposit Account Holder (d) A Recurring Deposit Account Holder
Question 3. Give full form of ATM.
(a) Automatic Tele Money (b) Any Time Money
(c) Automatic Teller Machine (d) Automatic Transfer Money
Question 4. In which type of insurance, interest must exist only at the time of insurance?
(a) Life Insurance (b) Marine Insurance

(c) Fire Insurance (d) All of the above

Question 5. Which of the following companies offer DTH services in our country?

(a) Reliance (b) Idea

(c) Tata sky (d) All of the above

Question 6. Name the type of banking under which ATM, credit card and EFT facilities are available.

(a) Internet Banking (b) E-banking

(c) Modern Banking (d) Online Banking

Question 7. VSAT stands for:

(a) Very Small Aperture Terminal (b) Vidyut Supply and Transport

(c) Very Small Application Terminal (d) Video Screening Aperture Terminal

Question 8. Name the controlling authority of telecom services in India,

(a) TRAI (b) SEBI

(c) RBI (d) IRDA

Question 9. In which of the insurance policy loss cannot be measured?

(a) Life Insurance (6) Marine Insurance

(c) Fire Insurance (d) All of the above

Question 10. To which insurance, principle of indemnity is not applicable? (a) Life Insurance

(b) Marine Insurance

(c) Fire Insurance (d) All of the above

Question 11. Speed post in India connects major countries of the world.

(a) 120 (b) 140

(c) 97 (c) 82

Question 12. Sports insurance is not available for:

(a) Professional Sportsmen (b) Non-professional Sportsmen

(c) Rural Area Sportsmen (d) Urban Area Sportsmen

Question 13. FCI, STC, CWC are examples of:

(a) Bonded Warehouses (b) Government Warehouses

(c) Private Warehouses (d) Cooperative Warehouses

Question 14. It is the duty of the insured to make an effort for minimization of loss. It is the principle of:

(a) Utmost Good Faith (b) Contribution

(c) Mitigation id) Insurable Interest

Question 15. Insurer must have some pecuniary interest in the subject matter of interest. It is the principle of:

(a) Mitigation (b) Contribution

(c) Utmost Good Faith (d) Insurable Interest

Answers:

1. (d) 2. (a) 3. (c) 4. (a) 5. (d)

6. (b) 7. (a) 8. (a) 9. (a) 10. (a)

11. (c) 12. (a) 13. (b) 14. (c) 15. (d)

II. Short Answer Type Questions

Question 1. What is the difference between goods and services?

Answer:

Basis	Goods	Services
Meaning	Goods is a physical product which can be delivered to a buyer and involves the ownership from seller to customer.	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.
Nature	A physical object.	An activity or process.
Intangibility	It is tangible like books.	It is intangible. For example; teaching by a teacher.
Inconsistency	Homogeneous.	Heterogeneous.
Inseparability	It can be separated from its owner.	It can't be separated from its owner.
Inventory	It has inventory.	It has no inventory.
Involvement	Participation of customers is not there in production. For example, manufacturing a car.	Participation of customers is there. For example, transportation is not possible unless the person who has to go is involved.

Question 2. Explain the functions of e-banking.

Answer: E-banking means banking transactions carried out with the help of computer systems (i.e., banking over the internet).

1. **Electronic Fund Transfer (EFT):** Under this system, a bank transfers wages and salaries directly from the company's account to the account of employees of the company.
2. **Automatic Teller Machine (ATM):** It refers to an electronic terminal that allows people with plastic card to perform simple banking transactions like withdrawal of cash 24 x 7 without any help of human teller.
3. **Debit Card:** It refers to a plastic card that allows the bank to take money from the customer's account and transfer it to a seller's account.
4. **Credit Card:** It refers to a plastic card that allows the customer to buy now and pay back the loaned amount to bank at a future date.
5. **Online Banking:** Under this system, when the customer gives instruction on his computer, the bank computer transfers money from customer's account to biller's account.

Question 3. What do you mean by mode of transport? Name different modes of transport.

Answer: Modes Of Transport: Modes of transport can also be called as means of transport or transport mode or transport modality. It is a general term used to specify the different kinds of transport facilities that are used by people to move from one place to the other and also to shift the goods from one place to other.

When more than one mode -of transport is used by a person for transportation then it can be described as a multi-model transport.

Generally there are four modes of transport that uses different types of vehicle, infrastructure and operation. Each mode of transport has its own advantages and disadvantages. The person will choose their mode of transport based on the cost, capability, routes and speed.

The general modes of transport are as follows:

1. Human powered transport; 2. Animal powered transport;
3. Roadways; 4. Waterways;
5. Railways; 6. Airways;
7. Other modes like pipe line, sewage, cable cars.

Question 4. Write short notes on different types of marine insurance.

Answer: Different types of marine insurance are as follows:

- **Cargo Insurance:** Cargo insurance caters specifically to the cargo of the ship and also

pertains to the belongings of a ship's voyagers.

- **Hull Insurance:** Hull insurance mainly caters to the torso and hull of the vessel along with all the articles and pieces of furniture in the ship. This type of marine insurance is mainly taken out by the owner of the ship in order to avoid any loss to the ship in case of any mishaps occurring.
- **Liability Insurance:** Liability insurance is that type of marine insurance, where compensation is sought to be provided to any liability, occurring on account of a ship crashing or colliding and on account of any other induced attacks.
- **Freight Insurance:** Freight insurance offers and provides protection to merchant vessels' corporations which stand a chance of losing money in the form of freight in case the cargo is lost due to the ship meeting with an accident. This type of marine insurance solves the problem of companies losing money because of a few unprecedented events and accidents occurring.

Question 5. What are different types of warehouses?
Answer: Different types of warehouses are as follows:

1. **Public Warehouse:** It is operated in accordance with the law for the purpose of storing goods for other people at profit. Sometimes a large amount of goods arrives in part when it is not convenient for the importer to take it into his custody. During such periods these goods have to be stored somewhere. Similarly, even in trade they have to be stored between the time they are made and the time they are required for use. A public warehouse provides facilities for storing all such goods. It thus renders many useful services to the trade. It enables smaller sellers to carry regional stocks. This factor is very important in competitive markets.
2. **Private Warehouse:** This type of warehouse belongs to the owner of goods, usually a wholesaler, who stored his goods. This is in order to supply to retailers in future. Goods are produced in large quantities in anticipation of future demand and for the unknown customers. The ultimate wholesaler finds it necessary to purchases goods in advance in large bulk and to store them for future supply.
3. **Bonded Warehouses:** It is one which is licensed to accept imported goods for storage before payment of customs duties. By storing his goods in a bonded warehouse the importer gains some control without paying the duty. The goods in bonded warehouses are under the strict supervision of customs officers and before the owner can interfere with them, previous permission is necessary.
4. **Government Warehouse:** This type of warehouse is mainly located at the important sea ports and in most cases is owned by the Dock Authorities. The general public can also use this group of warehouse on payment of fixed charges. If a customer cannot pay the rent within the specified period or time, then the authority can recover the rent by disposing of the goods

III. Long Answer Type Questions

Question 1. Explain different types of life insurance policies.
Answer: The life insurance policies Eire of many types. The principal types of policies are discussed below:

1. **Whole life Policy:** Under this policy premiums are paid throughout life and the sum insured becomes payable only at the death of the insured. The policy remains in force throughout the life of the assured and he continues to pay the premium till his death. This is the cheapest policy as the premium till his death. This is the cheapest policy as the premium charged is the lowest under this policy. This is also known as 'ordinary life policy. This policy is suitable to persons who want to provide for payment of estate duty,

make bequeathments for charitable purposes and to provide for their families after their death.

2. **Children's Endowment Policy:** This policy is taken by the person for his or her children to meet the expenses of education or marriage. The agreement states that a certain sum of money will be paid by the insurer when the children attain a particular age. There will be no need of paying premium if the person entering into the contract dies before maturity.
3. **Endowment Policy:** It runs only for a limited period or up to a particular age. Under this policy the sum assured becomes payable if the assured reaches a particular age or after the expiry of a fixed period called the endowment period or at the death of the assured whichever is earlier. The premium under this policy is to be paid up to the maturity of the policy, i.e., the time when the policy becomes payable. Premium is naturally a little higher in the case of this policy than the whole life policy. This is a very popular policy these days as it serves the dual purpose of family and old age pension.
4. **Double Endowment Policy:** Under this policy the insurer agrees to pay to the assured double the amount of the insured sum if he lives on beyond the date of maturity of the policy. This policy is suitable for persons with physical disability who are otherwise not acceptable for other classes of assurance at the normal tabular rates. Premiums are to be paid for a selected term of years or until death, if earlier.
5. **Joint Life Policy :** This policy covers the risk on two lives and is generally available to partners in business. Policies are however, issued on the lives of husband and wife under specified circumstances. Sum assured becomes payable at the end of the selected term or on the death of either of the two lives assured, if earlier.
6. **Fixed term (marriage) Endowment Policy and Education Annuity Policy:** It is a policy suitable for making provisions for the marriage or education of children. Premiums are payable for a selected term or till prior death. The benefits are payable for selected term or till prior death. The benefits are payable only at the end of selected term. Tn case of the marriage endowment, the sum assured is paid in lump sum, but in case of the educational annuity, it is paid in equal half- yearly installments over a period of five years.
7. **Annuities :** It is a policy under which the insured amount is payable to the assured by monthly or annual installments after he attains a certain age. The assured may pay the premium regularly over a certain period or he may pay the premium regularly over a certain period or he may pay a lump sum of money at the outset. These policies are useful to persons who wish to provide a regular income for themselves and their dependants.

Question 2. What is the difference between life, fire and marine insurance?

Answer: It is summarized in the table given below:

Basis	Life Insurance	Fire Insurance	Marine Insurance
Subject Matter	Subject matter of insurance is human life.	Subject matter of insurance is physical property or assets.	Subject matter of insurance is ship, cargo or fright.
Purpose	Protection and investment both.	Protection only.	Protection only.
Insurable Interest	It must be present at the time of acquiring the policy and it is not necessary at the time of maturity.	It must be present at the time of contract and also when claim falls due.	It must be present at the time when claim falls due.
Policy Amount	It can be any amount.	It can't be more than the value of subject matter.	It can't be more than market value of goods.
Duration	It is taken for long duration like ranging from 5-30 years or whole life.	It is taken for one year.	It is taken for one year or period of voyage or mixed.
Indemnity	It is not based on principle of indemnity.	It is based on principle of indemnity.	It is based on principle of indemnity.
Measurement of Loss	Not possible	Possible	Possible
Surrender Value	It has a surrender value, i.e., it can be surrendered before maturity.	It does not have a surrender value.	It does not have a surrender value.
Contingency of risk	Element of risk is certain because amount has to be paid either on death or on maturity whichever is earlier.	Element of risk is uncertain as mishappening may not take place.	Element of risk is uncertain as mishappening may not take place.

Question 3. Write a short note on GATS.

Answer: The creation of the GATS was one of the landmark achievements of the Uruguay be came Round, whose results entered into force in January 1995. While services currently account for over 60 per cent of global production and employment, they represent no more than 20 per cent of total trade (BOP basis). This—seemingly modest—share should not be underestimated, however. Many services, which have long been considered genuine domestic activities, have increasingly become internationally mobile. This trend is likely to continue, owing to the introduction of new transmission technologies (e.g., electronic banking, tele-health or tele-education services), the opening up in many countries of long entrenched monopolies (e.g. voice telephony and postal services), and regulatory reforms in hitherto tightly regulated sectors such as transport. Combined with changing consumer preferences, such technical and regulatory innovations have enhanced the "tradability" of services and, thus, created a need for multilateral disciplines.

All WTO members, some 140 economies at present, are at the same time members of the GATS and, to varying degrees, have assumed commitments in individual service sectors.

The GATS schedule largely follows a classification. It classifies services into 12 sectors which are as follows:

1. Business services;
2. Communication services;
3. Construction and related engineering services;
4. Distribution services;
5. Educational services;
6. Environmental services;
7. Financial services;
8. Health related and social services

9. Tourism and travel related services;
10. Recreational, cultural and sporting services;
11. Transport services;
12. And other services.

Question 4. Write a short note on Indian insurance sector.
Answer: The health of the insurance sector reflects a country's economy. This sector not only generates long term funds for infrastructure development, but also increases a country's risk taking capacity. India's economic growth since the turn of the century is viewed as a significant development in the global economy. This view is helped in no small part by a booming insurance industry.
The future of the Indian insurance sector looks bright. The sector which stood at a strong US$ 72 billion in 2012 has the potential to grow to US$ 280 billion by 2020. This growth is driven by India's favourable regulatory environment which guarantees stability and fair play. This environment has given rise to an insurance market which encourages foreign investors to tap into the sector's massive potential.
Ever since the Indian government liberalised the insurance sector in 2000 and opened the doors for private participation, the sector has become stronger. The resultant competition has provided the' consumer with a never-before-seen range of products and providers, and also enhanced service levels markedly. Consistent growth in the insurance sector depends on a few factors. Some of these are:

1. **Effective distribution channels:** The efficiency and cost of the various distribution strategies used by companies are significant to their success in the insurance business. This particularly holds true for the retail business.
2. **Focus on overall financial inclusion:** As time evolves, so must the approach of the insurance sector in India. The objective of the insurance sector should ideally be to offer a broader range of activities to a wider populace.
3. **Consumer needs and preferences:** The growth of India's insurance industry can be attributed to product innovation, dynamic distribution channels, and vibrant publicity and promotional campaigns run by insurance companies. Benefits attached to the products and the manner in which they are delivered (through various marketing tie-ups) have helped bring customers and insurance companies closer to each other and made the latter more relevant.
4. **Health Insurance is an up-and-coming segment in this sector:** Currently, it caters for 10 per cent of the overall US$ 30 billion healthcare expenditure in India. Consequently, there is plenty of scope for players in this area.
5. **The life insurance segment contributes** about 4 per cent to India's gross domestic product (GDP) in terms of total premiums underwritten annually. There are 23 private companies in the segment. The state owned Life Insurance Corporation (LIC) dominates the field, with about 71 per cent of the market share, according to Insurance Regulatory and Development Authority (IRDA).

IV. Higher Order Thinking Skills (HOTS)

Question 1. Manju obtained a life insurance policy of her husband. After 5 years, she divorced her husband. After one year of divorce, her husband died in a car accident. Can she claim the amount of policy from the insurance company?
Answer: Yes, she can claim because in life insurance insurable interest has to be present at the time of affecting the policy but need not be present at the time when the claim falls due.

Question 2. A person gets his stock of goods insured, but he hides the fact that the electricity board has issued him statutory warning letter to get his factory's wiring changed later on, the

factory catches fire due to short circuit. Can he claim compensation? State the name of "Principle".

Answer: No, he cannot claim the compensation because the principle of utmost good faith is not followed. According to this principle, it is the duty of the insurer and insured to voluntarily make full accurate disclosure of all facts, material to the insurance contract.

Question 3. Anju has taken a loan from Avi against the security of his factory. Can Avi take a fire insurance policy of that factory?

Answer: No, she cannot. Because in case of fire insurance, insurable interest has to be present both at the time of affecting the policy and also when the claim falls due.

V. Value Based Questions

Question 1. A person took an insurance policy and did not disclose that he is a patient of cancer. Which value is missing in this case?

Answer: Honesty is missing in this case and the principle of utmost good faith is violated and hence the person's beneficiary cannot get the claim for his policy.

Question 2. There are three types of services: Business Services, Social Services and Personal Services. Which of the services in your opinion are of utmost importance and why?

Answer: In my opinion, these services are complementary to each other and hence, they have their own importance. I can't say that tourism or recreation (Personal Service) is less important than services of a charitable hospitals (Social Service) or vice-versa. Similarly I can't say that banking (Business Service) is less important than services of restaurants (Personal Service) or vice-versa. Still if I have to choose one, I will select social services because:

- They benefit to a larger section of society.
- They are sometimes provided without a payment in lieu.
- They have long lasting effects on our society and economy.