

CHAPTER 04 – BUSINESS SERVICES

MULTIPLE CHOICE QUESTIONS

- "PPF" in Postal service stands for
 - Pre postal funds
 - Public provident fund**
 - Paid postal facility
 - Private public funds
- Cheques which are to be deposited only in the payees account are
 - Order cheque
 - Blank cheque
 - Crossed cheque**
 - Bearer cheque
- DTH services are provided by
 - Transport companies
 - Banks
 - Insurance companies
 - Cellular companies**
- The banking services provided through internet is called
 - C – banking
 - Exchange banking
 - E – banking**
 - Wide banking
- Which type of Insurance has the elements of protection and investment both?
 - Life insurance**
 - Fire insurance
 - Marine insurance
 - All of them
- Kotak Mahindra bank is an example of:
 - Public Sector Bank
 - Private Sector bank**
 - Cooperative bank
 - Specialized bank
- Which of the following bank acts as a government banker
 - Specialized Bank
 - Cooperative bank
 - Central bank**
 - Commercial bank
- Who decides the rate of interest provided by commercial banks on deposits in India?
 - Reserve Bank of India**
 - Commercial Bank
 - Foreign Exchange Bank
 - Export- Import bank
- Commercial Banks provide the facility of fund transfer from one place to another, on account of inter-connectivity of branches. Such facility is called as:
 - Acceptance of deposits
 - Allied services
 - Lending of funds
 - Remittance of funds**
- The principle of insurance wherein insured is not allowed to make any profit.
 - Insurable Interest
 - Proximate Cause
 - Subrogation**
 - Utmost Good Faith
- In which type of insurance, loss is not measurable.
 - Life Insurance**
 - Fire Insurance
 - Marine Insurance
 - Burglary Insurance
- Which insurance reimburses the loss of freight to the shipping company?
 - Cargo Insurance
 - Ship Insurance
 - Hull Insurance
 - Freight Insurance**
- Crop Insurance is a part of which type of insurance?
 - Life Insurance
 - Marine Insurance
 - Fire Insurance
 - Other Insurance**

SHORT ANSWER QUESTIONS

- Give the full form of the following abbreviations used in bank fund transfer-
 - RTGS
 - IFSC

ANSWER

 - RTGS -Real Time Gross Settlement
 - IFSC -Indian Financial System Code
- Briefly explain the principles of insurance in the following cases.
 - Mrs. Jayan wishes to insure the life of her friend Suji. But the life insurance company objects it.
 - Mr. Sunil got 3lakhs from the insurance company as compensation for his stolen car. Later he files a suit to recover the stolen car.

ANSWER

- (a). Insurable Interest – The insured must have an interest on the subject matter of insurance, otherwise the contract of insurance become void.
- (b). Subrogation – This principle states that, after the payment of loss to the insured on the property, the whole right of such property is entitled with the insurer.

16. Watching a movie in a cinema hall differs from purchasing a video cassette of a movie from a shop in several aspects. Differentiate them from business point of view.

ANSWER

GOODS	SERVICES
An activity or process	A physical object
Intangible	Tangible
Inconsistency – different customers different demands	Consistency – All customers get standardized products.
Inseparability –production and consumption at a time.	Separable – production and consumption are separated in different times.
No inventory	Inventory – can be kept in stock

LONG ANSWER QUESTIONS

17. Mr. Ajeesh took an insurance policy on his life. He also took another insurance policy on his own house against the risk of fire. Explain any four differences between these types of Insurance policies.

ANSWER

BASIS	LIFE INSURANCE	FIRE INSURANCE
Risk	Maturity or death is certain	Risk is uncertain
Period	Long term contract	Short term (1 year)
Insurable Interest	Must be present at the time of taking the policy but not necessary at the time of death.	Must be present on taking policy and at the time of loss.
Premium	Premium paid is returned with or without bonus to the insured	Will not be returned

18. Explain the major functions of Commercial Banks in India.

ANSWER

Banks perform a variety of functions. Some of them are the basic or primary functions of a bank while others are agency or general utility services in nature. The important functions are given below:

- a. **Accepting Deposits:** It accepts deposits from the public in the form Fixed Deposits, Savings Bank Deposits, Current Deposits, Recurring Deposits etc.
- b. **Lending of Funds:** Lending of money is the main business of commercial banks and the interest charged on such advances is the main source of income. It may be in the form of cash credit, overdraft, discounting of bills, term loans etc.
- c. **Cheque facility** - Collection of cheques is an important service provided by the bank to its customers. It may be crossed cheques (encashed through account only) and bearer cheques (encashable at the bank counters).
- d. **Remittance of funds** – Transfer of funds from one account to another is made possible by issuing demand drafts (DD).

e. **Allied services** (Personal Services) – It include Payment of insurance premium, telephone charges etc. and the collection of dividends, interest etc.

19. What are the fundamental principles of insurance

ANSWER

The contract of insurance is based on the following principles

1. **Utmost good faith** - A contract of insurance is based on the basic principle of utmost good faith. It means that the insured and insurer must disclose all the material fact relating to the insurance. The contract of insurance is a contract of *uberimae fidei* (ordinary contract -let the buyer beware)
2. **Insurable Interest** - Insurable interest means money interest or financial interest. A person is said to have an insurable interest in the subject matter of an insurance if the person gains by its presence and losses by its absence.
3. **Indemnity** - Indemnity means to make good the loss. In other words, insured is not allowed to make any profit from the loss or damage to property. All insurance except Life insurance is contract of indemnity
4. **Proximate Cause** - It means the direct cause. According to this principal the cause or reason for the loss must be directly related to the subject matter. This principle is applicable when the loss is the result of two or more causes.
5. **Subrogation** - According to this principal after paying the compensation the right of ownership of such property passes to the insurance company
6. **Contribution** - When more than one policy is taken to cover the same risk, it is known as double insurance. In the case of double insurance, the insured can claim only the actual amount of loss either from one insurance Company or all the insurance company together. (Applicable to all insurance except Life insurance)
7. **Mitigation of losses** - These principal states that it is the duty of the insured to take reasonable steps to minimise the loss to the insured property.