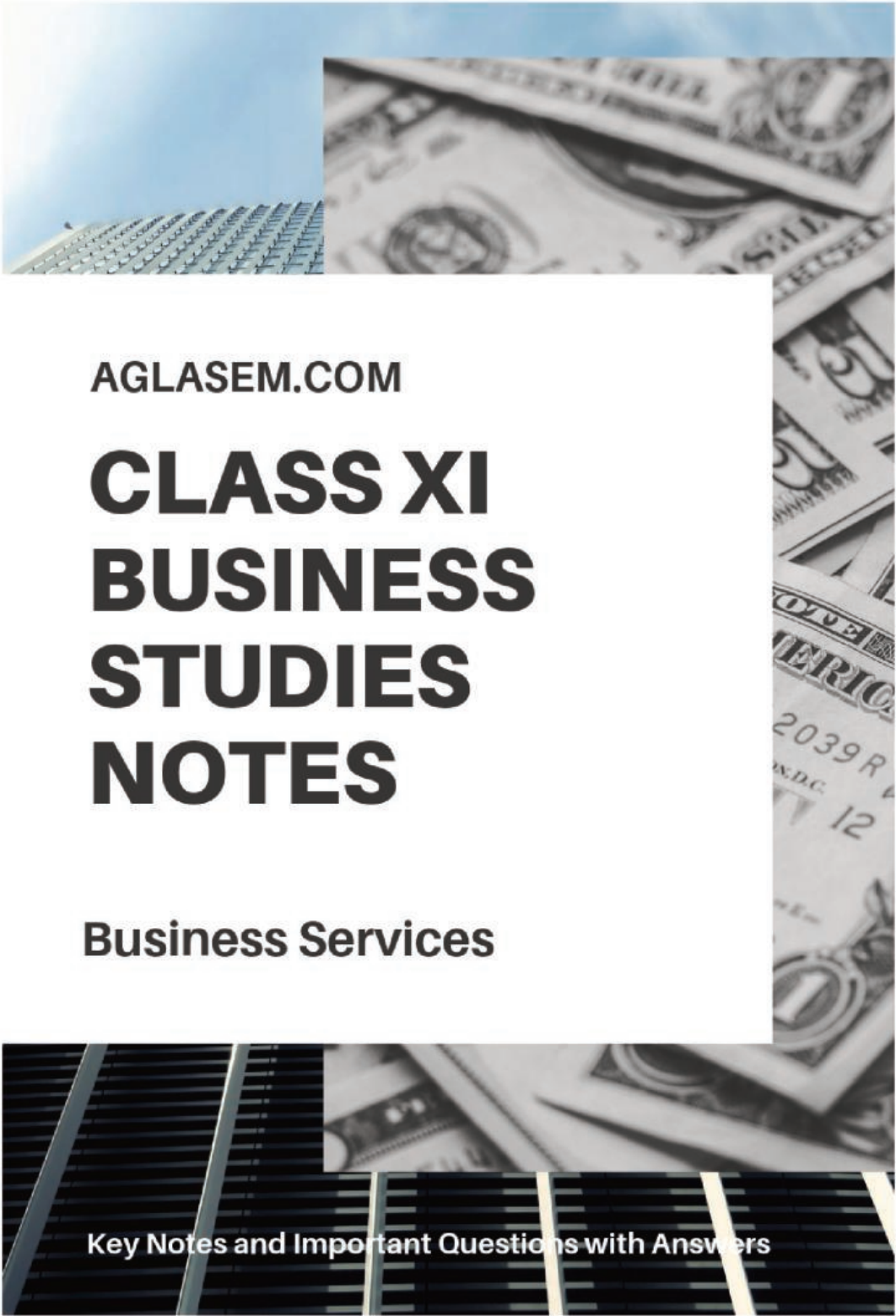




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CLASS XI BUSINESS STUDIES NOTES

Business Services

Key Notes and Important Questions with Answers

CHAPTER 4

BUSINESS SERVICES

It has already been stated that commerce consists of trade and auxiliaries to trade. Auxiliaries or aids to trade refer to the activities ice- to the buying related and selling of goods and services. These auxiliaries to trade are also known as business services or facilities. These services are essential and indispensable to the smooth flow of trade and industry. The examples of business services are Banking, insurance, transport, Warehousing and communication.

NATURE OF BUSINESS SERVICES:

1. **Intangibility** :- Cannot be seen, touched or smelled. Just can only be felt, yet their benefits can be availed of e.g. Treatment by doctor.
2. **Inconsistency** :- Different customers have different demands & expectation. e.g. Mobile services/Beauty Parlour.
3. **In Separability** :- Production and consumption are performed simultaneously e.g. ATM may replace clerk but presence of customer is must.
4. **Inventory Loss** :- Services cannot be stored for future use or performed earlier to be consumed at a later date. e.g. under utilized capacity of hotels and airlines during slack demand cannot be stored for future, when there will be a peak demand.
5. **Involvement** :- Participation of the customer in the service delivery is a must e.g. A customer can get the service modified according to specific requirement.

Type of Services :-

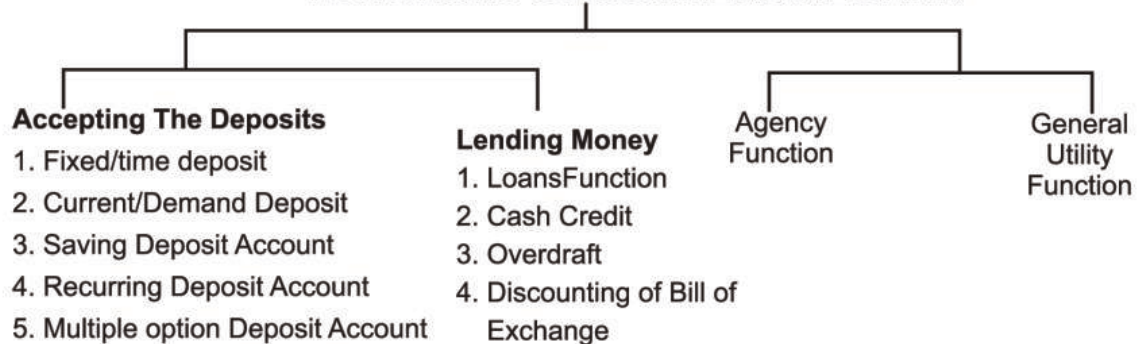
1. **Social Services :-** Provided voluntarily to achieve certain goals e.g. health care and education services provided by NGOs.
2. **Personal Services :-** Services which are experienced differently by different customers. e.g. tourism, restaurants etc.
3. **Business Services :-** Services used by business enterprises for the conduct of their activities. e.g. Banking, insurance, communication, Warehousing and transportation.

Banks

Banks occupy an important position in the modern business World. No country can make commercial and industrial progress Without a Well organized banking system. Banks encourage the habit of saving among the public. They mobilize small savings and channelize them into productive uses.

Meaning of Bank : Bank is a financial institution which collect deposits from pubic, repayable on demand and earns a small margin of profit by lending money.

FUNCTIONS OF COMMERCIAL BANK



(A) Primary Functions

1. **Accepting Deposits :-** Accepting deposits is the main function of commercial banks. Banks offer different types of Bank accounts Fixed Deposit, Current Deposit Saving Deposit Account, Recurring Deposit Account etc to suit the requirements and needs of different customers.
2. **Lending Money :-** With the help of money collected through various types of deposits, commercial banks lend finance to businessman, farmers, and others. The main ways of lending money are Term Loans, Bank overdraft, Cash Credit, and Discounting of Bill of Exchange.

Secondary Functions

The secondary functions of commercial banks are as under:-(1) Agent Functions. As an agent of its customers a commercial bank provides the following services:-

- (I) Collecting bills of exchange, promissory notes and cheques.

- (III) Buying and selling shares, debentures and other securities.
- (IV) Payment of interest, insurance premium etc.
- (V) Transferring funds from one branch to another and from one place to another.
- (VI) Acting as an agent of representative while dealing with other banks and financial institutions.

A Commercial banks performs the above functions on behalf of and as per the instructions of its customers.

(B) General Utility Functions:-

Commercial banks also perform the following miscellaneous functions:-

- (I) Providing lockers for safe custody of jewelry and other valuables of customers.
- (II) Giving references about the financial position of customers.
- (III) Providing information to a customer about the credit worthiness of other customers.
- (IV) Supplying various types of trade information useful to customer.
- (V) Issuing letter of credit, pay orders, bank draft, credit cards and travelers cheques to customers.
- (VI) Underwriting issues of shares and debentures.
- (VII) Providing foreign exchange to importers and travelers going abroad.

TYPES OF BANK ACCOUNTS

- A. Fixed Deposit Account :-** Money is deposited in the account for a fixed period. After expiry of specified period person can claim his money from the bank. Usually the rate of interest is maximum in this account. The longer the period of deposit, the higher will be the rate of interest on deposit.
- B. Current Deposit Account :-** Current deposit Accounts are opened by businessman. The account holder can deposit and Withdraw money, Whenever desired. As the deposit is repayable on demand, it is also known as demand deposit. Withdrawals are

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- ## OTHER BANKING SERVICES

- A. Term Loans :-** These loans are provided by the banks to their customers for a fixed period to purchases Machinery Truck. Scooter, House etc. The borrowers repay there loans in Monthly/Quarterly/Half Yearly/Annual instalments.
- B. Bank Overdraft :-** The customer who maintains a current account with. the bank, takes permission from the bank to withdraw more money than deposited in his account. The extra amount withdrawn is called overdraft. This facility is available to trustworthy customers for a small period. This facility is usually given against the security of some assets or on the personal security of the customer. interest is charged on the actual amount overdrawn by the customer.
- C. Cash Credit :-** Under this arrangement, the bank advances cash loan up to a specified limit against current assets and other securities. The bank opens an account in the name of the

4. **Credit Card :-** A bank issues a credit card to those of its customers who enjoy good reputation. This is a sort of overdraft facility. With the help of this card the holder can buy goods or obtain services up to a certain amount even without having sufficient deposit in their bank accounts.
5. **Tele Banking :-** Under this facility, a customer can get information about the balance in his account or information about the latest transactions on the telephone.
6. **Core Banking Solution Centralized Banking Solution :-** In this system a customer by opening a bank account in one branch (which has CBS facility) can operate the same account in all CBS branches of the same bank anywhere across the country. It is immaterial with which branch of the bank the customer deals with when he/she is a CBS branch customer.
7. **National Electronic Fund Transfer :-** NEFT refers to a nation wide system that facilitate individuals, firms and companies to electronically transfer funds from any branch to any individual, firm or company having an account with any other bank branch in the country. HEFT settles transactions in batches. The settlement takes place at a particular point of time for example, NEFT settlement takes place 6 times a day during the week days (9.30am, 10.30 am, 12.00 noon, 1.00 pm. 3.00 pm & 4.00 pm) and 3 times during Saturday 9.30 am, 10.30 am and 12.00 noon) Any transaction initiated after a designated settlement time is settled on the next fixed settlement time.
8. **Real Time Gross Settlement :-** RTGS refers to a funds transfer system where transfer of funds takes place from one bank to another on a Real time and on Gross basis. Settlement in Real time means transactions are Settled as soon they are processed and are not subject to any waiting period.

The RTGS service for customers is available from 9.00 am to 3.00 pm on week days and from 9.00 am to 12.00 noon on Saturdays.

Difference between RTGS AND NEFT :

1. While RTGS transactions are processed continuously, NEFT settles transactions in batches.
2. The RIGS system is primarily meant for large value transactions i.e above Rs. 2 Lakhs and NEFT for transaction below Rs. 2 Lakhs

Benefits of E-Banking to customer:-

1. E-Banking provides 24 hours a day X 365 days a year services to the customers.
2. Customers can make transactions from office or house or while traveling via mobile telephone.
3. There is greater customer satisfactions through -banking as it offers unlimited access and great security as they can avoid travelling with cash

Benefits of E-Banking to Banks:-

1. E-Banking lowers the transaction cost.
2. Load on branches can be reduced by establishing centralized data base.
3. E-Banking provides competitive advantage to the bank, adds value to the banking relationship.

Answer Now

1. A Company has to transfer Rs. 3 lakhs and Rs. 1 lakh to two shopkeeper in other City on urgent basis. Which banking Services should be availed by Company ?

Ans. RTGS, NEFT

2. Differentiate between RIGS and NEFT Service of Bank.

3. Natasha needed some money due to some emergency at 10 PM. Bank is closed at this time. Which Service she may use to withdraw money from bank ?

Ans. ATM/Debit Card

4. Which type of bank account of students are open in the Schools?

Ans. Savings

5. Rubal has a credit Card of a bank. He has to make purchase of Rs. 5000 but he has only Rs. 3000 in his bank account. Can he make purchase of Rs. 5000 with the Credit Card?

Ans. Yes he can, As in credit card no money is required in bank Account.

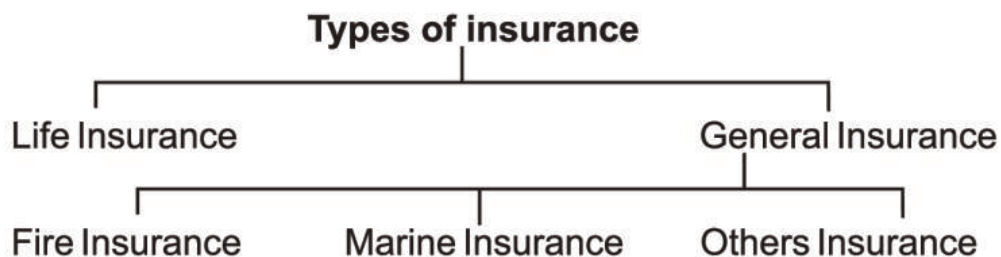
INSURANCE

Meaning of insurance : Insurance is a contract under which one party (insurer or Insurance Company) agrees in return of a consideration (Insurance premium) to pay an agreed sum of to another party (Insured) to make good for a loss, damage or injury to something of value in which the insured has financial interest as a result of certain event.

Principles of Insurance These principles are :

1. **Utmost Good Faith :-** Insurance contracts are based upon mutual trust and confidence between the insurer and the insured. It is a condition of every insurance contract that both the parties insurer and the insured must disclose each fact and information related to insurance contract to each other.
2. **Insurable Interest :-** It means some pecuniary interest in the subject matter of insurance contract. The insured must have insurable interest in the subject matter of insurance i.e., life or property insured the insured will have to incur loss due to this damage and insured will be benefitted if full
3. **Indemnity :-** Principle of indemnity applies to all contracts except the contract of life insurance because estimation regarding loss of life cannot be made. The objective of contract of insurance is to compensate to the insured for the actual loss he has incurred. These contracts 'provide security from loss and no profit can be made out of these contracts.
4. **Proximate Cause :-** The insurance company will compensate for the loss incurred by the insured due to reasons mentioned in insurance policy. But if losses are incurred due to reasons not mentioned in insurance policy than principle of proximate cause or the nearest cause is followed.
5. **Subrogation :-** This principle applies to all insurance contracts which are contracts of indemnity. As per this principle, when any insurance company compensates the insured for loss of any of his property, then all rights related to that property automatically get transferred to insurance company. one insurance policy for the same risk then all the insurers will contribute the amount of loss in proportion to the amount assured by each of them and compensate him for the actual amount of loss because he has no right to recover more than the full amount of his actual loss.

6. **Contribution :-** According to this principle if a person has taken more than steps to minimize the loss or damage to the insured property otherwise the claim from the insurance company may be lost.
7. **Mitigation :-** According to this principle the insured must take reasonable steps to minimize the loss or damage to the insured property otherwise the claim form the insurance company may be lost.



A. LIFE INSURANCE

Concept of Life Insurance:- Under life insurance the amount of Insurance is paid on the maturity of policy or the death of policy holder whichever. is earlier. If the policy holder survives till maturity he enjoys the amount of insurance. If he dies before maturity then the insurance claim helps in maintenance of his family. The insurance company insures the life of a person in exchange for a premium which may be paid in one lump sum or periodically say yearly, half yearly quar-terly or monthly.

Types of Life Insurance Policies:-

1. **Whole Life Policy :-** Under this policy the sum insured is not payable earlier than death of the insured. The sum becomes payable to the heir of the deceased.
2. **Endowment Life Insurance Policy :-** Under this policy the insures undertakes to pay the assured to his heirs or nominees a specified sum on the attainment of a particular age or on his death whichever is earlier.
3. **Joint Life Policy :-** It involves the insurance of two or more lives simultaneously. The policy money is payable on the death of any one of lives assured and the assured sum will be payable to the

4. **Annuity Policy :-** This policy is one under which amount is payable in monthly, quarterly, half yearly or annual instalments after the assured attains a certain age. This is useful to those who prefer a regular income after a certain age.
5. **Children's Endowment Policy :-** This policy is taken for the purpose of education of children or to meet marriage expenses. The insured agrees to pay a certain sum when the children attain a certain age.

B. GENERAL INSURANCE

- (a) **Fire Insurance :-** It provides safety against loss from fire. If property of insured gets damaged due to fire, compensation is provided by insurance company. If no such event happens, the insured will not receive anything. For such service insurance company charges premium depending upon the amount of loss insured.

Features:-

1. Utmost Good Faith
 2. Contract of Indemnity
 3. Insurable Interest in Subject matter.
 4. Subject to the doctrine of proximate cause.
 5. It is a contract from year to year. It generally comes to an end at the expiry of the year and may be renewed.
- (b) **Marine Insurance :-** Marine Insurance provides protection against loss during sea voyage. The businessmen can get their ship insured by paying the premium fixed by the insurance company. The functional principles of marine insurance are the same as the general principles of Insurance.
 - (c) **Other Insurance**
Health Insurance :- Health insurance has gained popularity these days. General Insurance companies provide special health insurance policies such as Medi-claim for the general public. The insurance company charges a nominal premium every year and in return undertakes to provide up to stipulated amounts for the treatment of certain diseases such as heart problem, cancer, etc.

- Q.1 A person insured his Stock Rs. 40000 for Rs. 60000 from a insurance company. All his stock destroyed in the fire. The insurance company paid him Rs. 40,000 actual value of stock instead of insured amount of Rs. 60000. Which principle of insurance is followed by the insurance company? Explain
- Q.2 Deepak did not disclose his Cancer diseases before the insurance Company, when getting insurance. Name and explain the Principle of Insurance that did not followed by Deepak.
- Q.3 Principle of Indemnity is not applied on which Insurance ?
- Q.4 Explain the Principle of Insurable Interest.
- Q.5 At what time the Insurable Interest must be present in Fire Insurance ?

COMMUNICATION

Communication:- It is an important service that helps in establishing links between businessmen. Organization, suppliers, customers etc. It educates people, widens their knowledge and broadens their outlook. It overcomes the problem of distance between people, businessmen and institutions and thus helps in smooth running of trade, industrial and commercial activities. In this fast moving and competitive world it is essential to have advanced technology for quick exchange of information with the help of electronic media. The main services can be classified into postal and telecom.

Postal Services :- Every business sends to outsiders and receives from outsiders several letters, market reports, parcel, money order etc. every day. All these services are provided by the post and telegraph offices scattered throughout the country. The postal department performs the following services.

1. **Financial Services** They provide postal banking facilities to the general public and mobilize their savings through the following saving schemes like public provident fund (PPF), Kisan Vikas Patra, National Saving Certificate, Recurring Deposit Scheme and Money Order facility.
2. **Mail Services** The mail services offered by post offices include transmission of messages through post cards, Inland letters, envelopes etc. transmission of articles through parcel facility. registration facility and speed post to provide

facility to provide insurance cover for various risks in the course of transmission by post.

The various mail services all:

1. **UPC (under postal certificate):-** When ordinary letters are posted the post office does not issue any receipt. However, if sender wants to have proof then a certificate can be obtained from the post office on payment of prescribed fee. This paper now serves as a evidence of posting the letters.
2. **Registered Post :-** Sometimes we want to ensure that our mail is definitely delivered to the addressee otherwise it should come back to us. In such situations the post office offers registered post facility which serves as a proof that mail has been posed.
3. **Parcel :-** Transmission of articles from one place to another in the form of parcels is known as parcel post. Postal charges vary according to the weight of the parcels.

Allied Postal Services

1. **Greetings Post :-** Greetings can be sent through post offices to people at different places.
2. **Media Post :-** Cooperates can advertise their brands through post cards, envelops etc.
3. **Speed Post :-** It allows speedy transmission of articles (within 24 hours) to people, in specified cities.
4. **e-bill post :-** The post offices collect payment of bills on behalf of BSNL and other organizations.
5. **Courier Services :-** Letters, documents, parcels etc. can be sent through the courier service. It being a private service the employees work with more responsibility.

Q. 1 Ram has to send a very important letter to other city. Which Postal Service he should use ?

Ans. Registered Post

Q. 2 Name two financial Services offered by the Post Office.

Q. 3 Shayam has to send a letter to Hyderabad on urgent basis. Which postal Service he should use ?

Ans. Speed Post

Q. 4 Name the Saving Schemes operated in the Post Offices.

Ans. Saving A/C, PPF

Q. 5 Chintu has to send a Book to other city. Which Postal Service he will use ?

Ans. Parcel

Telecom Services :- Today's global business world, the dream of doing business across the world, will remain a dream only in the absence of telecom services.

The various types of telecom services are

1. **Cellular mobile services :-** cordless mobile communication device including voice and non-voice messages, data services and PCO services.
2. Radio Paging Services means of transmitting information to persons even when they are mobile.
3. Fixed Line Services including voice and non-voice messages and data services to establish linkage for long distance traffic.
4. Cable services Linkages and switched services within a licensed area of operation to operate media services which are essentially one way entertainment related services.
5. VSAT Service (Very small Aperture Terminal) is a Satellite based communication service. It offers government and business agencies a highly flexible and reliable communication solution in both urban and rural areas.
6. DTH Services (Direct to Home) a Satellite based media services provided by cellular companies with the help of small dish antenna and a setup box.

1 Marks Questions :-

Q. 1 What do you mean by Debit Card ?

Q. 2 Shayam has Rs 2 Lakhs in his account. He doesn't have any use

- bank account he should be opened with the Bank ? (Ans. Fixed Deposit Account)
- Q. 3 What is meaning of Tele Banking ?
- Q. 4 It is the Prime responsibility of the insured to take resonable steps to minimize loss/damage to the insured property. Name the Principle of insurance. (Ans. Mitigation)
- Q. 5 Name the Bank Service in which a Customer can withdraw more money from bank then money present in his account. (Ans : Bank Overdraft)
- Q. 6 Define Insurance.
- Q. 7 Ram saves Rs. 3000 every month. Which type of bank account he should open with the bank ?(Ans : Reccuring Deposit Account)
- Q. 8 What is Credit Card ?
- Q. 9 Rahul's father wants to save Rs. 100,000 so that he can gift the money to Rahul on his graduation day. Which type of Account should he open with bank ?
- Q.10 Name two companies that offer DTH Service in our Country ?
- Q.11 A company insures its stock against fire for Rs. 15 lakhs. A fire broke down and the total stock was lost. At the time of fire there was stock worth Rs. 25 Lakh. What is the value of compensation company would be entitled to ?
- Ans : Amount of Compensation = (Sum Assured Nalue of Property)x Claim for Actual Loss Ans : Rs. 9 Lakhs.
- Q.12 What do you understand by insurable interest?
- Q.13 Name the two secondary function offered by the banks.
- Q.14 Name two business Services.
- Q.15 Which Business Services make utilization of Time and Place.
- Q.16 Explain E-mail Service.

3/4 MARKS QUESTIONS :-

- Q 1. Mr. Satish gets his house insured against fire of Rs. 20 Lakh with insurer A and for Rs. 10 Lakh with insurer B. A loss of Rs. 3 Lakh occurred.
- (1) How much compensation can be claimed from A and B

- (2) Name the principle of Insurance in the above case.
- Q.2. Explain the scope of Health Insurance.
- Q.3. Explain the meaning of Bank overdraft.
- Q.4. Name the principle of insurance for each of the following statements:-
- (a) The insured is expected to disclose all the important facts related to the property insured.
 - (b) Insured must have some economic interest in the subject matter of Insurance contract.
 - (c) To claim for insurance the insured must take reasonable steps to minimize the loss.
 - (d) Insured is entitled to recover the loss suffered by him, up to the limit of policy amount.
- Ans. (a) Utmost good faith
- (b) Insurable Interest
- (c) Mitigation
- (d) Indemnity
- Q.5 Name the accounts generally opened in the Bank.
- Q.6 Name any four services offered by electronic banking.
- Q.7 Whether Insurable Interest is necessary in all types of Insurance? At time it should be available in Marine and Fire Insurance ?
- Q.8 A person insured his Godown against Fire having value of Rs. 10 Lakhs from 3 insurance companies for A- 2 Lakhs, B- 5 Lakhs and C -3 Lakhs. At the time of loss in Godown due fire, Insurance Companies paid the insured value in the ratio of 2:5:3. Which Principle applies in this example ? Explain.
- Q.9 Manmohan get insured his property for Rs. 6 Lakhs for Fire Insurance. The Actual value of the property was 8 Lakhs. There is loss of Rs. 4 lakh to the property due to fire. Calculate on the Average basis, how much Compensation insurance company will pay to Manmohan. (Ans. : 3 Lakhs)
- Q.10 Ram mortgage his factory to shayam and get loan from him. Can Shayam get it insured for Fire. Explain. (Yes, As Shayam has

- Q.11 Ram get insured his Car. Car met with an accident and destroyed. The Insurance company paid him the value of his car. Ram sold the accidental car for Rs. 20000. Who has legal right on this money. Explain. (Insurance Company as per Principle of Subrogation)
- Q.12 A Husband purchased a Life insurance policy for his wife for 15 years. After 5 years he divorced his wife. Will the Husband has right get the maturity amount. (Yes, As Insurable Interest Needed at the time of purchase of Life Insurance Policy)
- Q.13 Name & Explain the Principles of Insurance violated in the following cases :
- (i) Rajeev did not disclose about his heart disease while taking Life Insurance worth Rs. 50 Lakhs.
 - (ii) Manoj did not make any effort to save the goods from the flood water as he has taken insurance to these goods. (Ans : Mitigation)
- Q.14 Rahul had taken insurance of Rs. 3 lakh for his car (Worth Rs. 2 Lakhs) from an insurance company. After 2 months, his car got fire and damaged very badly. His car was taken by Insurance Company & Insurance amount was paid to the Rahul.
- (i) How much amount was given by the Insurance Company to Rahul ?
 - (ii) Under which Principle of Insurance, Insurance company has taken his damaged car.
- Q.15 A factory was insured with Insurance company A for Rs 70 Lakhs and Insurance company B for Rs. 90 Lakh. Due to earthquake, factory was totally destroyed. The estimated loss of Rs. 63 Lakhs.
- (i) Can Insurance amount be claimed from both the companies? (Yes, but in the ratio of 7:9)
 - (ii) How much maximum Insurance amount will be received by the factory owner? (Rs. 63 Lakhs)
 - (iii) Which Principle of Insurance are being followed in the above case?

LONG ANSWER QUESTION (5-6 MARKS)

- Q.1 Describe briefly the various policies issued by life insurance corporation.
- Q.2 A factory owner gets his stock of goods insured but he hide the fact that the electricity board has issued him statutory warning letter to get his factory. Wiring changed later on, the factory catches fire due to short circuit which principle is violated in the case. Explain.
- Q.3 Write notes on RTGS system and NEFT.
- Q.4 Divya Garments Ltd. has a loan of Rs. 10,00,000 to pay. They are short of funds so they are trying to find means to arrange funds. Their manager suggested to 'claim from insurance company against stock lost due to fire in the warehouse. He actually meant that they can put their warehouse on fire and claim from Insurance company against stock insured. They will use the claim money to pay loan.
- (a) Will the company receive claim if the surveyer from company comes to know the real cause of fire?
 - (b) Which values did company ignore while planning to arrange money from false claim?
 - (c) Explain three elements of fire insurance.
- Q.5 Write a detailed note on various facilities offered by Indian Postal Department.