Marks : 40	SYJC March' 19 Subject : OC Business services & Emerging Modes of Business	Duration : 1.5 Hours. Solution

Q.1. Fill in the Blanks: **(05)**

1. Postal services are administered by **Government of India**
2. In case of urgency and to avoid delays **Speed post** is sent
3. In India railways are owned and managed by **Government**
4. Door to door service is offered by **Road transport**
5. The costliest means of transport is **Air transport**

Q.2. Match the correct pairs: **(05)**

	Group "A"		Group "B"
1.	Road transport	a.	Government owned
2.	Rail transport	b.	Co-operative societies
3.	Air transport	c.	Self employed
4.	Postal department	d.	Owned by private companies
5.	Courier services	e.	Door to door service
		f.	Speed in delivery
		g.	Costliest means of transport
		h.	Huge carrying capacity
		i.	Difficulty in transport
		j.	Cheapest means of transport

Ans. : (1 – e), (2 – h), (3 – g), (4 – a), (5 – f).

Q.3. Write short notes on: (Any 2) **(10)**

1. Principle of Contribution.

(a) This principle is a corollary to the principle of indemnity.
(b) It is applicable to all contracts of indemnity.
(c) Under this principle, the insured can claim the compensation only to the extent of actual loss either from any one insurer or all the insurers.
(d) If one insurer pays full compensation then that insurer can claim proportionate claim from the other insurers.

e.g.

(a) Mr Raj insured his house worth ₹ 60 lakhs with three insurance companies. A. Co. Ltd. - ₹ 10 lakhs, B. Co. Ltd. - ₹ 20 lakhs and C. Co. Ltd. - ₹ 30 lakhs. At the time of loss incurred, the compensation will be paid by the insurance companies in the ratio of 1 : 2 : 3.
(b) Mr S insures his property worth ₹ 1 lakh with two insurers, with A. Co. Ltd for ₹ 90,000 and with B. Co. Ltd for ₹ 60,000. Mr. S's actual property destroyed is worth ₹ 60,000, then Mr S can claim the full loss of ₹ 60,000 either from A. Co Ltd or B. Co. Ltd. Or, he can claim ₹ 36,000 from A. Co. Ltd and ₹ 24,000 from B. Co. Ltd in the ratio of 3 : 2.

2. Advances

(a) An advance is a credit facility provided by the bank to its customers.
(b) It differs from loan in the sense that loans may be granted for longer period, but advances are normally given for a short period of time.
(c) The purpose of granting advances is to meet day-to-day requirement of a business. Interest is charged only on the amount withdrawn and not on the sanctioned amount.

3. Principle of Subrogation

(a) According to Principle of Subrogation, after the insured is compensated for the loss due to damage to property insured, then the right of ownership of such property passes on to the insurer.

(b) This principle is corollary of the principle of indemnity and is applicable to all contracts of indemnity.

(c) This principle is applicable only when the damaged property has any value after the event causing the damage.

(d) The insurer can benefit out of subrogation rights only to the extent of the amount he has paid to the insured as compensation.

Q.4. Answer the following: (Any 1) (10)

1. Explain Fire Insurance and types of Fire Insurance policies.

Ans: Meaning:

(a) Fire Insurance protects the insured against the risks of fire.

(b) Any property which is subject to damage by fire can be insured against fire.

(c) The loss due to fire, lightning and explosion is also covered by Fire Insurance.

(d) Fire Insurance is for protection and not for profit.

(e) The amount of premium of fire insurance depends upon the value of subject matter, place of storage and extent of risk involved.

(f) Fire Insurance protects against the risk of damage by fire to property and assets.

Definitions:

A fire insurance contract may be defined as an agreement whereby one party, in return for a consideration, undertakes to indemnify the other party against financial loss to property or assets due to fire.

According to Indian Fire Insurance Act, 1938: "In addition to other insurances, fire insurance is that insurance contract which takes place against fire and such other risks which are mentioned in the fire insurance contract."

Types:

(1) Blanket Policy:

(a) Blanket Policy covers all fixed and current assets of the assured in one policy.

(b) Under this policy, all the assets lying at different places are covered under one premium and one policy.

(2) Reinstatement Policy:

(a) This is a type of Fire Insurance Policy, where the insurer undertakes to replace the property or goods lost by fire. In this policy, instead of paying compensation for the property lost by fire, the property is replaced.

(b) While paying compensation, the depreciation amount of the property is not taken into consideration.

(c) The rate of premium is higher in Reinstatement Policy.

(3) Average Policy:

(a) It is a policy which contains an average clause.

(b) If the subject matter is not insured as per the exact market value or undervalued, then the insurer is liable to pay that percentage of the loss for which it is insured.

(c) e.g. If a policy is taken for ₹ 50,000 against the market value of ₹ 1,00,000.

(d) The loss incurred due to fire is ₹ 40,000, then the insurance company will pay ₹ 20,000 (50% of ₹ 40,000).

(4) Comprehensive Policy:

(a) Comprehensive policy covers all types of risks like fire, burglary, riots, explosion, strikes, etc.

(b) This policy is also called 'all in one policy'.

(c) This type of policy is not popular in India but very popular in the countries like UK, USA, etc.

(5) Excess Policy:

(a) Excess policy is taken when the value of the stock in the market constantly fluctuates.
(b) In such an instance, it is not advisable to take one policy of a certain sum, but instead two policies can be taken.
   (i) One policy is for a minimum amount below which value of the stock never falls.
   (ii) Another policy for a difference / excess amount (for a maximum amount of stock) by which price fluctuates. e.g. If the value of stock ranges between ₹ 1,00,000 and ₹ 1,30,000, then one policy is taken for ₹ 1,00,000 and another policy for excess amount i.e. ₹ 30,000.

(6) Specific Policy:
(a) In case of a specific policy, the property is insured for a definite sum irrespective of the market value.
(b) If there is a loss, the stated amount will have to be paid to the policy holder.
(c) But the actual value of the subject matter is not considered in this respect.
(d) e.g. A property of value ₹ 100,000 is insured for ₹ 60,000 and the loss due to fire is ₹ 30,000 then the insurance company will pay ₹ 30,000 in full as compensation.

(7) Valued Policy:
(a) This is a type of policy where the value of the subject matter of insurance is agreed upon at the time of making the contract.
(b) The insurer has to pay a specified amount or value irrespective of the amount of loss caused due to fire.
(c) Valued policy is taken for those goods whose value becomes difficult to calculate in case of loss by fire.
(d) This type of policy can be taken for art work, paintings, etc. where the value of the damaged articles become difficult to assess/measure.

(8) Floating Policy:
(a) This policy can be taken for those goods which are lying in different localities or godown or warehouses since the quantity of goods lying at different places fluctuate from time to time, it becomes difficult for the owner to take a specific policy so businessmen and traders take fluctuating policy.
(b) Such a policy is usually taken under one sum and one premium for goods lying at different places.

2. Explain types of Banks.

Ans: Meaning:
(a) Bank is an institution which deals in money and credit.
(b) It accepts deposits from the public and grants loans and advances to those who are in need of funds for various purposes.
(c) Banks encourage saving habits among individuals and thereby makes funds available for their use as and when required.
(d) Banks also help in the nation’s development by providing credit to farmers, small scale industries and self employed people as well as to large business houses which lead to balanced economic development of the country.
(e) It also helps to raise the standard of living of the people in general by providing loans for purchase of consumer durable goods, houses, cars, etc.
(f) Banks are the distributors and protectors of liquid capital which is of vital significance to a developing country.
(g) Efficient administration of the banking system helps in the economic growth of the nation.

Definitions:

Oxford Dictionary: “Bank is an establishment for custody of money, which it pays out on customer’s order.”

Indian Banking Companies Regulation Act, 1949: “Banking Company is one which transacts the business of banking which means the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.”

The different types of banks are:

(1) Central Bank:

(a) Central Bank is the apex bank of the banking structure of a country.
(b) It plays an important role in a country's monetary and banking system.
(c) Central Bank is the most important bank of a country.
(d) The main function of this bank is to maintain economic stability of the country and in reference to the underdeveloped countries, its main function is to bring economic development.
(e) This bank issues currency, controls other banks and works as a bank of the government.
(f) The Central Bank provides guidance to other banks, whenever they face any problem.
(g) It is therefore known as the banker's bank.
(h) In India, the Reserve Bank of India, in England, The Bank of England and in America, The Federal Reserve Bank are the Central Banks.

(2) Commercial Banks:

(a) These banks accept the deposits from the general public and provide short term loans to traders, manufacturers and businessmen by way of cash credits, overdrafts, etc.
(b) Commercial banks provide various services like collecting cheques, Bills of Exchange, remitting money from one place to another place, etc.
(c) Nowadays some of the commercial banks are also providing housing loans on a long term basis to individuals.
(d) Commercial banks are of three types i.e. Public Sector Banks, Private Sector Banks and Foreign banks.

Public Sector Banks:

(i) These are banks where majority of the stake is held by the Government of India or Reserve Bank of India.
(ii) e.g. State Bank of India, Corporation Bank, Bank of Baroda, Dena Bank, etc.

Private Sector Banks:

(i) In case of private sector banks, majority of share capital is held by private individuals.
(ii) These banks are registered as companies with limited liability.
(iii) examples of Private Sector Banks are The Jammu and Kashmir Bank Ltd., Bank of Rajasthan Ltd., Global Trust Bank, Vyasa Bank, etc.

Foreign Banks:

(i) These banks are registered and have their headquarters in a foreign country but operate their branches in our country.
(ii) Foreign Banks operating in our country has increased since the financial reforms of 1991.
(iii) Examples of the foreign banks operating in our country are Hong Kong and Shanghai Banking Corporation (HSBC), Citibank, American Express, Standard Chartered Bank, etc.

(3) Co-operative Banks:

(a) Co-operative Banks are financial institutions registered under the Co-operative Societies Act.
(b) The main objective of such a bank is to give credit to economically backward people.
(c) In India, co-operative banks are the main source of rural credit.
(d) These banks encourage saving habit among the villagers and give loans at a low rate of interest.

There are three types of co-operative banks at different levels:

(a) Primary Credit Societies:

(i) These are formed at the village or town level with borrower and non-borrower members residing in one locality.
(ii) The operations of each society are restricted to a small area so that members know each other and can keep a watch over the activities of all the members to prevent frauds.

(b) District Central Co-operative Banks:
These banks operate at district levels having some of the primary credit societies belonging to the same district as their members, and function as a link between the primary credit societies and state co-operative banks.

(c) State Co-operative Banks:
(i) These are the apex co-operative banks in all the states of the country.
(ii) They mobilize funds and helps in the proper channelisation among various sectors.
(iii) The money reaches the individual borrowers from the state co-operative banks through the central co-operative banks and primary credit societies.

(4) Development Banks:
(a) Business often requires medium and long term capital for purchase of machinery and equipment, for using latest technology or for expansion and modernisation.
(b) Such financial assistance is provided by Development Banks.
(c) They also undertake other development measures like subscribing to the shares and debentures issued by Companies, in case of undersubscription of the issue by the public.
(d) Examples of Development Banks are Industrial Finance Corporation of India (IFCI) and State Financial Corporation (SFCs).

(5) Regional Rural Banks:
(a) These banks were established in 1975 to enhance the banking facilities in the rural areas.
(b) In these banks, the features of commercial and co-operative banks are found.
(c) These banks are sponsored by some commercial bank.
(d) 50% of their capital is provided by the Central Government, 35% by the Commercial Bank concerned and 15% by the State Government concerned.
(e) The main functions performed by these banks are to provide loans to small traders, small farmers and for the development of agricultural activities.

(6) Specialised Banks:
(a) There are some banks which cater to the requirements and provide overall support for setting up business in specific areas.
(b) Exim Bank, SIDBI and NABARD are examples of such banks.

(a) Export Import Bank of India (Exim Bank):
(i) For setting up business for exporting products or importing products from foreign countries for sale in our country, EXIM Bank can provide the required support and assistance.
(ii) The bank grants loans to exporters and importers, and also provides information about the international market.

(b) Small Industries Development Bank of India (SIDBI):
(i) To establish small scale business unit or industry, loan on easy terms can be availed through SIDBI.
(ii) It also finances modernization of small scale industrial units, use of new technology, etc.
(iii) The main aim of SIDBI is to promote, finance and develop small scale industries.

(c) National Bank for Agricultural and Rural Development (NABARD):
(i) It is an apex institution for financing agricultural and rural sectors.
(ii) For people engaged in agricultural or other activities like handloom weaving, fishing, etc. NABARD can provide credit for both short term and long term through regional rural banks.

(7) Indigenous Bankers:
(a) In India, indigenous or native/domestic bankers have been carrying on banking functions for generations before properly organized commercial and other banks started functioning.
(b) They mainly deal in “hundis” and promissory notes.

(c) They charge a very high rate of interest on loan. Hundis are regarded as native Bills of Exchange.

(8) Exchange Banks:

(a) Exchange Banks are mainly concerned with financing foreign trade.
(b) Main functions of Exchange Bank are remitting money from one country to another country, discounting of foreign bills, helping import and export trade, etc.
(c) Bank of Tokyo, Bank of America are examples of exchange banks working in India.

(9) Savings Bank:

(a) This bank accepts small savings from public who have fixed income.
(b) It creates the saving habit among people.
(c) In India, post office saving bank is one of the saving banks.
(d) Commercial Banks and Co-operative Banks also play a role of a saving banks.

Q.5. Write a short notes on: (Any 2) (10)

1. Payment gateway.

(a) In e-business payments have to be made online. There is no physical exchange of cash across a counter. Payments have to be made through the web. This is done by an e-commerce application service provider called as payment gateway.
(b) A payment gateway authorizes payments made online for anyone who is trading, buying or selling.
(c) These may include retailers, manufacturers, dealers, buyers and sellers of goods on the internet.
(d) It is the virtual equivalent of a physical Point of Sale.
(e) Payments are made through debit cards, credit cards and by direct transfers from bank accounts through the net banking facility. Most gateways offer all these options for payments.

2. Encryption.

(a) It is the process of transforming plain text or data to cipher (coded) text that cannot be read by anyone other than the sender and receiver.
(b) Encryption is a process by which readable text information is converted into coded information which can be read only through a special process.
(c) The encryption process is controlled by an encryption key. The encryption key controls how the plain text is converted into cipher text.
(d) Encryption is used for ensuring data confidentiality when a customer wants to send sensitive payment information.
(e) A major role for this process is played by software companies.
(f) The information is made secure and then passed on to the merchant establishment or the company which processes these payments.

3. Scope of e-business.

(a) E-business offers tremendous opportunities to business firms for expanding their sales and business relationships.
(b) Some of these opportunities are given below:

(1) Growing use:

(a) More and more people are making use of the Internet.
(b) People will gradually prefer to do shopping online through the Internet.
(c) Millions of people around the world exchange information and conduct transactions through e-business.
(d) The number is increasing day-by-day. E-business is being widely used in business as well as in social sectors such as health care, public administration and so on.

(2) Huge potential:

(a) E-business offers tremendous scope for growth.
(b) It is very cost effective. Buying online can reduce costs by ninety percent.
(c) Internet in India is growing at about 250 percent every year.

(d) Introduction of broadband and improved connectivity will boost the growth of e-business.

(3) Trust building:

(a) E-business website provides a forum for interaction between business firms as well as between business and customers.
(b) Buyers and sellers get easy access to website and secrecy of information exchanged is assured.
(c) People can interact with one another.
(d) Companies operating the website facilitate exchange of ideas and viewpoints between various interest groups in addition to promoting their own business interests.

(4) Value creator:

(a) E-business helps business enterprises to multiply their market values.
(b) With the help of e-business, business concerns acquire knowledge and information and improve their intellectual capital.
(c) In fact, e-business has created several new businesses, markets and business opportunities.
(d) Business firms can strengthen their relationships with customers due to quick and inexpensive communication.

(5) Wide coverage:

(a) Transactions under e-business include transactions between consumers, manufacturers, suppliers and the government.
(b) The scope of e-business is not restricted to only online shopping.
(c) It also includes online stock, transactions and the use of software.
(d) In India, till now business is managed through traditional methods.
(e) Now many businesses are becoming aware of the advantages of e-business and are incorporating this into their strategies.
(f) It also helps in better communication between business houses and makes purchasing easier for large organizations.

Q.6. Answer the following. (10)

1. Explain types of e-business transactions & Steps involved in online transactions.

Ans: The various types of e-business transactions are :

(1) Business to Business (B to B):

(a) Transactions between business firms come under this category.
(b) Business firms interact with each other for a variety of services.
(c) These include supplying ancillary parts/ components to manufacturers providing value added services like catering and also providing manpower. e.g. www.seekandsource.com

(2) Business to Consumer (B to C):

(a) The transactions under B to C are between business firms and consumers.
(b) Firms use their site for a range of marketing activities.
(c) These include promotion, product information, reviews about the product/service and delivery of the product at the doorstep.
(d) The cost of products and services is kept low through this method and the speed of transaction is also faster.
(e) The process of withdrawal of funds from one's bank has also been made simple.
(f) The growth of Automated Teller Machines (ATM) in India has been phenomenal.
(g) Many in India call it 'All Time Money'. No longer one has to go to a crowded bank for money. e.g. www.amazon.com

(3) Consumer to Consumer (C to C):

(a) Today, there are number of websites where consumers can buy and sell goods like books, apparels, electronic goods, fashion jewellery, etc.
(b) Here, consumers buy and sell goods and services to other consumers.
(c) The internet offers a lot of scope for this activity.

(d) The process allows buyers and sellers to display information about their goods on the web. It also permits them to rate the products or service.
(e) The payment modes for transactions are made secured through advanced technology like Pay Net and Pay Pal.
(f) The internet allows a lot of space for consumer groups to be formed. These forums are very interactive.
(g) Redressal of complaints is also possible through such groups. e.g. www.eBay.com

Three stages in online transaction are as follows:

(a) Pre-Purchase / Sale: It is based upon advertising and information about the product.

(b) Purchase / Sale: It includes price of the product, price negotiation, actual purchase or sale and payment.

(c) Delivery Stage: After completing sale-purchase stage, this is the final stage.

Steps involved in on-line transactions:

(1) Registration:
(a) Registration is required for online transactions.
(b) The person who wants online transaction needs to register with the online vendor by filling up a registration form.
(c) Among various details to be filled in is a 'password' relating to the registered 'account' and 'shopping cart.'
(d) For security reasons, 'Account' and 'Shopping cart' are password protected.

(2) Placing an order:
(a) The online shopper can pick and drop the things in the shopping cart.
(b) The shopping cart maintains the record of what items have been picked up while browsing the online store.
(c) After making sure about the items to be purchased, the shopper can choose a payment option.

(3) Payments:
Payment can be done in a number of ways like -
(a) Cash on Delivery: After physical delivery of goods, payments for the online goods ordered is made.
(b) Cheque: The vendor collects the cheque from the customer and after realization of the cheque, the goods are delivered.
(c) Net banking Transfer: It is an electronic facility of transferring funds through the internet. The buyer transfers the agreed amount to the online vendor's account. After receipt of the amount, the vendor delivers the goods.
(d) Credit or Debit Cards: This is popularly known as 'plastic money.' They are mostly used for online payments. The vendors get the amount from the buyer through credit or debit card and make the delivery of goods after receiving the payment.
(e) Digital Cash: It is a form of electronic currency that exists only in cyberspace. It has no real physical properties, but offers the ability to use real currency in an electronic format.

2. Explain advantages of e-business.

Ans: Advantages of e-business:

(1) It is easy to set up e-business as compared to traditional business.
(2) E-business does not require physical space. It requires highly qualified technical professionals.

(3) Global market:
(a) E-business enables business firms to reach out to customers all over the world who have an access to the internet.
(b) The whole world becomes, therefore, a potential market for business enterprises.

(4) Working round the clock (24 x 7):
(a) A website is open all 24 hours.
(b) It can take orders, keep an eye on delivery of goods and receive payments at any time.

(c) A business firm can provide desired information about its products and services to the customers.
(d) It can also display three dimensional images of its products on the Internet.

(5) Customized products and services:
(a) Internet provides high speed communication with different parts of the world.
(b) Business enterprises can thus develop products to suit preferences of people residing in different countries.
(c) e.g. In India, manufacturers of silk sarees can develop silk garments for Chinese and Japanese customers.
(d) Businessmen can even invite customers to design products and services of their choice and thereby earn their loyalty.

(6) Reduced costs:
(a) Cost of setting up e-business is comparatively low as compared to traditional business.
(b) With the help of e-business, business firms can substantially reduce the costs of business transactions.
(c) E-business can help to reduce advertising costs, expenses involved in exchange of information, costs involved in carrying the goods for display.
(d) The number of customer service representatives can be reduced by providing information on website.

(7) Wide choice:
(a) The World Wide Web (internet) offers a lot of exposure to business on a global platform.
(b) For the customers, the whole world becomes a shop.
(c) They can look and evaluate the same product at different websites and make the best choice.
(d) There are no limitations of inventory and space.

(8) Customer convenience:
(a) Customers can shop sitting at home or office.
(b) They do not need to stand in a queue, to talk to salesmen or to read catalogues and price lists.
(c) They can access the internet and buy at any time according to their convenience.

(9) Richness:
Information about the product is provided to the consumers by using Audio-Video technology that makes understanding of the product easier.

(10) Interactivity:
(a) E-business allows direct communication between suppliers and consumers. Communication can be done with e-mail or through online chatting etc.
(b) Relationship building is very strong in e-business.
(c) Communication is easy as there is no face-to-face interaction.

(11) Paperless society:
(a) E-business reduces dependence on paperwork and the attendant red tape.
(b) Tax payers can file tax returns electronically.
(c) Government can grant licenses and approvals without much paperwork.

(12) Lower investment:
(a) It is much easier to start an e-business than a traditional business.
(b) Capital required is much less.
(c) A small firm can obtain the same benefits of internet technology which are available to big business.
(d) In e-business, networked firms are more efficient than unnetworked firms.