

# J. K. SHAH CLASSES

## SYJC-ORGANISATION OF COMMERCE & MANAGEMENT

QUESTION PAPER – SET 1

Date: 11/09/2016

Total Marks: 40

Total time: 1 hour 30 minutes

### Solutions

Ans.1. (A) Fill in the blanks:

- 1) Current A/c
- 2) All types of insurance
- 3) Life insurance
- 4) Ports
- 5) Speed post

(B) Match the pairs :

- (1) Insurable interest
- (2) To minimise the losses
- (3) Payment made by policy holder
- (4) Perishable goods
- (5) Storage of goods

Ans 3 Write short note on:

### 1. MAIL SERVICES

Mail Services is one of the main services of post office that deals with collection of letters and parcels from the sender to distribute among the receivers. Indian postal service deals with both inland and international mails.

1. **Post Card:** Post Card is the cheapest means of written communication. It is a card on both sides of which we can write our message. It has a specified space to write the address of the receiver. In the post office, two different types of post cards are available. One is 'Ordinary post card' and the other is 'competition post card'. While ordinary post cards are used for writing letters, competition post cards are used to send reply to questions asked in various competitions announced through radio, television, newspapers and magazines.
2. **Inland Letter Card:** Like post card, written message can also be send using inland letter card. This card is sold by post offices and is commonly used for sending messages within our country. Unlike post card, the written potion of the inland letter card is folded and sealed. Only names and addresses of the

receiver and the sender remain open. Thus these ensure secrecy of the message. However, no enclosure is allowed inside the inland letter cards. A special type of card just like inland letter card is used for sending messages to foreign countries. It is known as “aerogram”.

3. **Envelope:** As post cards are not suitable for sending confidential messages and in inland letter card it is not possible to send any enclosure although it ensures secrecy of the message. If one wants to send an application or bio-data seeking employment in any organization, a postal envelope or an ordinary envelope with postage stamps affixed on it can be used for sending enclosures. It is a small size paper packet having one side open. After keeping your enclosure in it, you need to close it and send it to the receiver.
4. **Parcel Post:** The postal facility through which articles can be sent in the form of parcels is known as Parcel post. It provides reliable and economical parcel delivery service. Under parcel post services, parcels of specified size and weight can be sent across the country as well as outside the country. Postal charges vary according to the weight of the parcel. Separate postage is to be paid for inland and foreign parcel post.
5. **Book Post:** Printed materials, printed books, periodicals, greeting cards can also be mailed as book post. Under book post, envelopes containing books or documents should only be closed but not sealed. It should be mentioned on the face of the envelope as “Book Post”. The postage on Book post mails is less than the postage on sealed envelopes.
6. **Telegrams:** Telegrams is an important medium of sending messages to distant places. Whatever message the sender writes in the telegram, it is communicated in the same form to the receiver. First of all the message is communicated by one post office to the other post office situated nearest to the place of the addressee. From there a postal employee takes the message to the house of the receiver. The expense on the telegram is calculated on the basis of the words written in the message.
7. **Telephones:** In India, telephone service was started by the post and telegraph department in 1881. Talking to a person in the same city is called a local call and talking to a person in some other city is called a trunk call. Telephone is the best medium for quick communication both in and outside the country. These days the telephone service is being provided by The Videsh Sanchar Nigam Ltd. (VSNL), Bharat Sanchar Ltd. (BSNL) etc. Mostly business messages are communicated through the medium of the telephone.

## 2. ROLE OF TRANSPORT

1. **Helps in Production:** Transport system helps the manufacturer to take the raw materials and other requirements quickly from the places, where it is available to the production centres. It helps the movement of the labour from their houses to the place of their work. It also makes possible quick dispatch and distribution of finished goods to the centres of consumption.
2. **Expanding Markets:** It reduces the gap between the producers and consumers. It helps to cover the wider area of market places by making the goods available, whenever need arises. Transport plays an important role in distribution and marketing of goods. Air transport plays an important role in the success of an international trade.
3. **Creates Place Utility:** Transport is useful for carrying the goods from the place of its availability to the place of its requirements. Only, because of transport, it has been possible for the people staying at far places to get the benefit of goods, which are not available near to them. e.g. Apples from Kashmir are transported throughout the country, Mangoes from India are exported to different countries, etc.
4. **Stability of Prices:** Transport helps to maintain the prices of the goods by providing the goods at the proper time and satisfying the consumer demand for the goods. It helps to maintain balance between the demand and supply of goods, which ensures stability of prices. If there is a shortage of goods at a certain place, it can easily be satisfied with the help of efficient transport system.
5. **Creates Employment:** Transport provides direct employment to transport owners, drivers, mechanics, helpers and so on. It also provides indirect employment by facilitating the movement of goods and people from one place to another. So, it provides direct and indirect employment to the number of people.
6. **Improves Standard of Living:** Transport helps people to enjoy a better standard of living by providing them with goods of their choices from faraway place or places of its availability. As transport creates employment, it gives an opportunity to people to earn good amount of income. e.g. Imported cars can be transported from foreign countries.
7. **Cost Reduction:** The cost of Production and distribution can be reduced with the help of efficient, cheap and quick means of transport. The goods can be sold at low prices which in turn will increase demand and expand

market. Increase in demand for goods can lead to large scale production and demand can be fulfilled by transporting finished goods to the places of its demand for consumption.

8. **Provides help during Emergency:** People are badly affected during natural calamities like floods, earthquakes, landslides, etc. and also during riots, bomb blasts, accidents, fire, etc. Transport helps the people by providing them with the necessities like food, water, medicines, etc. and also helps them to travel to their destinations. Various transport facilities can be used during the time of emergency and rescue operations can be done with helicopters, fire brigades, etc.

### 3. FUNCTIONS OF WAREHOUSING

Warehouses preserve goods on a large scale in a systematic and orderly manner. They provide protection to goods against heat, wind, storm, moisture, etc. and also cut down losses due to spoilage, wastage, etc. This is the basic function of every warehouse. There are many other functions in addition to these basic functions which are as follows:

1. **Storage of goods:** The basic function of warehouses is to store large stock of goods. These goods are stored from the time of their production or purchase till their consumption or use.
2. **Protection of goods:** A warehouse provides protection to goods from loss or damage due to heat, wind, dust, etc. It makes special arrangements for different products according to their nature. It also helps to reduce the losses due to spoilage or wastages during storage.
3. **Financing:** When goods are kept in a warehouse, the depositor gets a receipt which acts as a proof about the deposit of goods. The warehouse, also issues a document in favour of the owner of goods which is called a warehouse-keeper's warrant. The warehouse warrant and receipt are negotiable instrument and can be negotiated by endorsement and delivery. Thus the owner of the goods can raise finance from banks, financial institutions, etc.
4. **Risk-Bearing:** The entire responsibility of the goods stored in the warehouse is passed to the warehouse keeper, once the goods are handed over to him for storage. Thus, the risk of loss or damage to goods in storage is borne by the warehouse-keeper. Since he is bound to return the goods in the same condition, warehouse becomes responsible for any loss, theft, damage, etc. Thus warehouses take all precautions to prevent the goods from any loss.

5. **Grading and Branding:** Warehouses also perform the functions of grading and branding of goods on behalf of the manufacturer, wholesaler and the importer of goods. It also provides facilities for packaging of goods for the convenience of handling.
6. **Processing:** Certain commodities are not consumed in the form they are produced. Processing is required to make them consumable. e.g. Paddy is polished, timber is seasoned, fruits are ripened, etc. Sometimes warehouses undertake these activities on behalf of the owners.
7. **Transportation:** Warehouses can provide transport facility to the bulk depositors. It collects goods from the place of production and also sends goods to the place of delivery on the request of the depositors.
8. **Time and Place Utility:** Warehouses create time utility by preserving the goods till it is demanded. It also creates place utility by providing the goods at the place, where they are required.

Q.3 Distinguished between

1.

Sr.No	Points of Distinction	Life Insurance	Fire Insurance
1	Meaning	A contract whereby the insurance company undertakes to pay a certain sum of money either on death or maturity (whichever is earlier) for a consideration (Premium).	A contract which insurer promises to pay compensation to insured if something happens to the subject matter due to fire or related events.
2	Who takes it	It can be taken by an individual for his own life or for his family members	It can be taken by individuals for their properties or by businessmen for their goods, properties business liabilities, etc.
3	Subject Matter	In Life Insurance, the life of the Insured is a subject	In Fire Insurance, the goods and assets or property of the

		matter	insured is the subject matter
4	Insurable Interest	It must exist at the time of contract	It must exist both at the time of contract and also at the time of loss
5	Period	The policy can be issued for any number of years, even until death of the assured	It is generally for a short period like one year
6	Compensation	It is paid either on death or maturity whichever is earlier	It is paid only if there is loss due to fire during the term of policy
7	Point of Distinction	It is not applicable as a human life cannot be valued in terms of money for calculating the actual loss	It is applicable as insurance company compensates for the financial loss and the insured is brought back to the same financial condition that he was before the event
8	Number of Policies	Insured can take any number of policies on the same life.	Generally, only one policy can be taken. However, double insurance is possible

2.

Sr.No	Points of Distinction	Cheque	Bank Draft
1.	Meaning	According to the Indian Negotiable Instrument Act, A cheque is an unconditional order directing the banker to pay a certain sum of money only to the order of a certain person.	A draft is an order to pay money drawn by one office of a bank upon another office of the same bank for a sum of money payable to order on demand
2.	Aim	It aims at facilitating	It aims at facilitating

		businessman for effecting local payments.	immediate outstation payments.
3.	Drawer	The drawer is the account holder of the bank	The drawer is the bank itself.
4.	Dishonour	The cheque may or may not be dishonoured	A draft can never be dishonoured as it is already paid for.
5.	Bank Charges	The bank may not charge for issuing cheque book.	The bank charges a nominal amount to issue a draft.
6.	Payments	Payment of crossed cheques cannot be obtained immediately	Payment of bank draft can be obtained immediately
7.	Facility extended to	Cheque facility is extended to account holders of the bank only	Draft facilities is extended to both account holders of the bank as well as outsiders.
8.	Reliable	Cheques issued by an individual may not be cleared due to many reasons such as sign not matching, post dated, less balance, etc.	A bank draft is more reliable as it is issued by the bank only after receipt of payment.

#### Q.4 True or False

1. This statement is FALSE.

##### Reasons:

- a) The principle of indemnity does not apply to life insurance.
- b) Indemnity means a guarantee or assurance to put insured in the same position in which he was immediately prior to the happening of the uncertain event.
- c) The insurer undertakes to make payment of actual loss incurred by the insured.
- d) Insurance contract is signed only for getting protection against unpredicted financial losses causing out of future uncertainties.
- e) Insurance is not for making profit.

- f) Compensation is paid in proportion to the losses incurred.
- g) The amount of compensation is limited to the amount insured or actual loss whichever is less.
- h) It is applicable to fire and marine insurance.
- i) It is not applicable to life insurance because value of human life cannot be assessed in monetary terms.

**2. This statement is False**

**Reasons:**

- a. Formation of e-business is simple.
- b. It does not require any physical presence.
- c. Cost of setting up e-business is low because it does not require any physical facility.
- d. It involves low operating cost due to reliance on network of relationship rather than ownership of resources.
- e. Government patronage is more because of giving priority to IT sector.
- f. It requires less time to settle transactions because transactions are settled immediately on internet.
- g. Thus, it is easy to set up e-business as compared to traditional business.

**Ans 5 Long Answers**

**1. Outsourcing** is the process of contracting a business function to specialized agencies. In doing so, the company benefits in two ways:

- 1. It reduces its own cost.
- 2. It uses the expertise of the firm which specializes in a particular kind of service.

• **Advantages of Outsourcing**

- 1. It leads to better efficiency and effectiveness.
- 2. The companies are able to focus their attention on improving the quality of their product.
- 3. Outsourcing leads to cost reduction for the company. The cost of outsourcing services is much less than keeping such a large work force on the rolls of the company.
- 4. Manpower through outsourcing is available at a lower cost.
- 5. Investments requirements of the company are reduced.
- 6. Outsourcing helps in knowledge sharing between organizations.
- 7. It stimulates entrepreneurship, employment and exports in the country from where outsourcing is done.



- **Disadvantages of Outsourcing**

1. There is always a danger of the misuse of company information by the contractor.
2. Many companies compromise on the quality of outsourcing in order to cut costs. This is especially seen in the IT sector where companies try to get cheap manpower from the other countries.
3. In some cases, companies ignore ethical related to outsourcing.
4. The quality of the outsourced service is sometimes not up to the mark.

## 2. PRINCIPLES OF INSURANCE

1. **Principles of Utmost Good Faith (Uberrimae Fidei):** All types of insurance contracts require utmost good faith towards each other. The insurer and the insured must also disclose all material facts, clearly, correctly and completely.

If the insurer finds that certain material facts relating to the contract was not disclosed the insurer may avoid the contract, this principle is more important for life Insurance as the information disclosed will affect the decision of the Insurance Company to decide whether to accept or reject the proposal.

2. **Principle of Insurable Interest:** The insured must have insurable interests (financially) in the subject matter of insurance. In Life Insurance it refers to the life insured. In Fire and General Insurance, it must be present at the time of occurrence of loss and in Marine Insurance, the insurable interest exists only at the time of the occurrence of the loss. The owner of the contract is said to have insurable interest as long as he is the owner. It is applicable to all contracts of insurance. Following are the cases insurable interest.
  - a. A person has insurable interest in his own life and his property.
  - b. A wife has insurable interest in the life of her husband.
  - c. A businessman has insurable interest in the goods he deals with and in the business property.
  - d. A creditor has insurable interest in the life debtors to the extent of loan given.
  - e. A partner has insurable interest in the life of other partners (partnership firm).

The subject matter of insurance must be a physical object and must be subject to risk. Absence of insurable interest will make the contract of insurance invalid. Insurable interest must be present at the time of taking the policy and at the time of making the claim.

3. **Principle of Indemnity:** Indemnity means a guarantee or assurance to put the insured in the same position in which he was immediately prior to the happening of the uncertain event. The insurer undertakes to make payment of actual loss incurred by the insured.

Insurance contract is signed only for getting protection against unpredicted financial losses arising to the future uncertainties. Insurance contract is not made for making losses arising due to the future uncertainties. Compensation is paid in proportion to the losses incurred. The amount of compensation is limited to the amount assured or the actual loss, whichever is less. It is applicable to fire, marine and general Insurance. However, in case of life insurance, the principle of indemnity does not apply because the value of human being cannot be assessed in monetary terms.

4. **Principle of Contribution:** This principle is a corollary to the principle of indemnity. It is applicable to all contracts of indemnity. 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. If one insurer pays full compensation then that insurer can claim proportionate claim from the other insurers.
5. **Principle of Subrogation:** 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. This principle is corollary of the principle of indemnity and is applicable to all contracts of indemnity. This principle is applicable only when the damaged property has any value after the event causing the damage. The insurer can benefit out of subrogation rights only to the extent of the amount he has paid to the insured as compensation.
6. **Principle of Mitigation of loss:** Under this principle, insured must always try his level best to minimize the loss of his insured property, in case of uncertain events like fire outbreak, blast etc. The insured must take all possible measures and necessary steps to control and reduce the losses. The insured must not neglect and behave irresponsible during such events just because the property is insured. Hence, it is responsibility of the insured to protect his insured property and avoid further losses
7. **Principle of Cause-Proxima (Nearest Cause):** Principle of Cause-Proxima means when loss is caused by more than one causes, the proximate (nearest) cause should be taken into consideration to decide the liability of the insurer. The property may be insured against some causes and not against all causes, in such an instance, the proximate cause of loss to be found. If the proximate cause is the one which is insured against, the insurance company is bound to pay the compensation and vice versa.