Business Services

Standard difficulty · 20 questions · 40 marks · Time: 37 minutes

Name: _____ Date: _____ Score: ____ / 40

Show your working for Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. Services that cannot be stored for future use are said to be:
   (a) consistent **(b)** separable **(c)** tangible **(d)** perishable

2. What is meant by “cash credit”?
   (a) a loan against security, drawn as needed up to a limit
   (b) sending money from one place to another
   (c) a bank’s order payable on demand at another branch
   (d) the amount paid by the insured to the insurer

3. A trader insures goods he owns, as he would lose if they were damaged. Which principle of insurance applies?
   (a) contribution **(b)** mitigation
   (c) utmost good faith **(d)** insurable interest

4. A shop wants to pay a supplier by a written order on its bank. Which banking service fits?
   (a) cheque **(b)** fixed deposit **(c)** bank draft **(d)** bank overdraft

5. A large shoe company keeps its finished stock in its own godown. Which kind of warehouse is this?
   (a) public warehouse **(b)** government warehouse
   (c) private warehouse **(d)** bonded warehouse

6. Which kind of insurance covers a ship and its cargo at sea?
   (a) burglary insurance **(b)** motor vehicle insurance
   (c) marine insurance **(d)** fire insurance

7. Kabir keeps ₹120,000 in a fixed deposit at 8% simple interest a year for 4 years. How much interest is earned?
   (a) ₹38,400 **(b)** ₹9,600 **(c)** ₹158,400 **(d)** ₹4,800

8. A shop insured against fire for ₹500,000 suffers a fire loss of ₹430,000. By the principle of indemnity, how much does the insurer pay?
   (a) ₹430,000 **(b)** ₹930,000 **(c)** ₹500,000 **(d)** ₹70,000

Section B — Short answer — 8 × 2 = 16 marks

9. What are services?

10. Explain each term: (a) warehousing (b) remittance

11. Name the principle of insurance in each case. (a) After paying for a stolen car, the insurer gets the right to recover it. (b) When a fire breaks out, the owner tries hard to save as much stock as possible.

12. Name the kind of warehouse. (a) A firm builds a store for its own goods next to its factory. (b) A store owned and run by the government.

13. Which feature of services does each show? (a) The same barber gives a slightly different haircut each time. (b) A hotel room left empty tonight cannot be sold tomorrow.

14. Goods are insured with Insurer A for ₹900,000 and with Insurer B for ₹200,000. A fire causes a loss of ₹1,100,000. By the principle of contribution, how much does each insurer pay?

15. A trader has ₹59,000 in his current account and withdraws ₹91,000 under an overdraft facility. (a) What is the overdraft? (b) What interest does he pay on it for one year at 10%?

16. A trader hires 850 square metres in a public warehouse at ₹10 per square metre per month for 3 months. What rent does he pay?

Section C — Word problems — 4 × 4 = 16 marks

17. Explain the features of services.

18. Match each with its meaning: (a) remittance (b) bank draft (c) premium. Choose from: sending money from one place to another; the amount paid by the insured to the insurer; a bank's order payable on demand at another branch.

19. Read about Shreeji Traders. (a) A factory insured for ₹10 lakh suffers a loss of ₹4 lakh and gets only ₹4 lakh. (b) When a fire breaks out, the owner tries hard to save as much stock as possible. (c) Mohan hides the fact that he has a heart disease while buying a life policy. Identify the principle of insurance in each part and explain it briefly.

20. A warehouse insured for ₹1,800,000 catches fire, and stock worth ₹1,290,000 is destroyed. (a) How much is the claim under indemnity? (b) What must the owner do while the fire burns, and which principle is this? (c) After paying, the insurer takes the damaged stock. Name this principle.

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Answer key

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Q	Answer	Working
1	**(d) perishable**	—
2	**(a) a loan against security, drawn as needed up to a limit**	—
3	**(d) insurable interest**	—
4	**(a) cheque**	—
5	**(c) private warehouse**	—
6	**(c) marine insurance**	—
7	**(a) ₹38,400**	120,000 × 8 × 4 ÷ 100
8	**(a) ₹430,000**	the smaller of the loss and the sum insured
9	**Intangible activities that are separately identifiable, provide satisfaction of wants, and are not necessarily linked to the sale of goods.**	—
10	**(a) storing goods until they are needed (b) sending money from one place to another**	—
11	**(a) subrogation (b) mitigation**	—
12	**(a) private warehouse (b) government warehouse**	—
13	**(a) inconsistency (b) no inventory**	—
14	**A ₹900,000; B ₹200,000**	1,100,000 × 900,000/1,100,000
15	**(a) ₹32,000; (b) ₹3,200**	91,000 − 59,000; 32,000 × 10/100
16	**₹25,500**	850 × 10 × 3
17	**Intangibility, inconsistency (each delivery differs), inseparability of production and consumption, no inventory (perishable), and involvement of the customer in delivery.**	—
18	**(a) sending money from one place to another (b) a bank's order payable on demand at another branch (c) the amount paid by the insured to the insurer**	—
19	**(a) indemnity: the insurer makes good the actual loss, no more (b) mitigation: the insured must take reasonable steps to reduce the loss (c) utmost**	—

Q	Answer	Working
	good faith: both parties must disclose every material fact	
20	**(a) ₹1,290,000 (b) try to save as much as possible: mitigation of loss (c) subrogation**	the insurer pays the actual loss, up to the sum insured