

**ANSWER KEY & MARKING SCHEME · CBSE CLASS 11****Business Services**

Business Studies · Chapter 4 · Use this with the Board Paper · Companion to Quick Drill

**HOW TO USE**

Attempt the Board Paper first (closed-book, full time). Then come here. For 2-mark+ questions, compare your answer to the model. For 3-4 mark questions, also consult the **Topper Templates** below — these show the exact step-by-step structure that scores full marks per CBSE marking-scheme conventions.

**MODEL ANSWERS · BOARD PAPER****Section A — Very Short Answer (1 mark each)****Q1. State any one feature that distinguishes a service from a good. [1 mark]**

**Ans:** Intangibility — a service cannot be touched or stored, unlike a physical good. (Any one of: inconsistency, inseparability, perishability, involvement is also acceptable.)

**Q2. Name the two primary functions of a commercial bank. [1 mark]**

**Ans:** Accepting deposits and advancing loans.

**Q3. To which type of insurance does the principle of indemnity NOT apply? [1 mark]**

**Ans:** Life insurance.

**Q4. Expand RTGS. [1 mark]**

**Ans:** Real Time Gross Settlement.

**Section B — Short Answer I (3 marks each)****Q5. Explain any three features of services. [3 marks]**

**Ans:** (1) INTANGIBILITY — services cannot be touched, seen or stored before purchase (a flight is experienced, not held). (2) INSEPARABILITY — a service is produced and consumed at the same time and cannot be separated from its provider (a doctor's consultation). (3) PERISHABILITY — services cannot be stored for later sale; an unsold airline seat is lost forever. (Other valid: inconsistency; involvement.)

**Q6. Distinguish between a savings account and a current account on any three bases. [3 marks]**

**Ans:** (1) PURPOSE/HOLDER — Savings: for individuals to encourage thrift; Current: for businessmen with frequent transactions. (2) WITHDRAWALS — Savings: limited number; Current: unlimited. (3) INTEREST & OVERDRAFT — Savings: earns interest, no overdraft; Current: little/no interest but offers the overdraft facility.

**Section C — Short Answer II (4 marks each)****Q7. Explain any four principles of insurance. [4 marks]**

**Ans:** (1) UTMOST GOOD FAITH — both parties must disclose all material facts truthfully; concealment voids the contract. (2) INSURABLE INTEREST — the insured must have a financial interest in the subject (own house/life), gaining from its existence and losing from its destruction; this separates insurance from gambling. (3) INDEMNITY — the insured is compensated only for the actual loss, never more (applies to fire and marine, NOT life). (4) CONTRIBUTION — where the same subject is insured with more than one insurer, all share the loss in proportion. (Subrogation and causa proxima are also acceptable.)

**Q8. What is e-banking? State any three of its benefits. [4 marks]**

**Ans:** E-banking is the conduct of banking transactions through electronic channels — internet, mobile, ATMs and cards — without visiting a branch. Benefits (any three): (1) round-the-clock 24x7 anytime-anywhere banking; (2) convenience that saves time and travel; (3) faster fund transfers (RTGS/NEFT) and bill payments; (4) lower operating costs for the bank and so cheaper services; (5) instant access to balances and statements.

**Q9. Explain the primary and secondary functions of a commercial bank. [6 marks]**

**Ans:** A commercial bank performs PRIMARY and SECONDARY functions. PRIMARY FUNCTIONS: (1) ACCEPTING DEPOSITS through SAVINGS accounts (thrift, interest, limited withdrawals), CURRENT accounts (business use, unlimited withdrawals, overdraft, little interest), RECURRING accounts (a fixed sum every month) and FIXED/TERM deposits (a lump sum locked for a period at higher interest). (2) ADVANCING LOANS through CASH CREDIT, OVERDRAFT, TERM LOANS and DISCOUNTING OF BILLS — the interest earned being the bank's main income. SECONDARY FUNCTIONS: (3) AGENCY SERVICES performed as the customer's agent — collecting cheques, bills and dividends, paying premiums/rent/bills on standing instructions, transferring funds, and buying/selling securities. (4) GENERAL UTILITY SERVICES — providing safe-deposit lockers, issuing demand drafts and letters of credit, dealing in foreign exchange, and underwriting securities. Thus a bank is a financial intermediary, not merely a place to keep money safe.

**Q10. Explain transport, warehousing and communication as business services, stating the hindrance each removes. [6 marks]**

**Ans:** TRANSPORT carries raw materials to factories and finished goods to markets, removing the hindrance of PLACE and creating place utility; its modes are roadways (flexible, short distance), railways (cheap bulk overland), waterways (cheapest for heavy cargo), airways (fastest, costliest, for urgent light goods) and pipelines (liquids/gases). WAREHOUSING stores goods safely from production until they are demanded, removing the hindrance of TIME and creating time utility — essential for seasonal goods; its functions include storage, protection, risk-bearing, financing against goods, and grading & packing, and its types include private, public, bonded and government warehouses. COMMUNICATION links buyers and sellers and carries information, removing the hindrance of INFORMATION; it comprises POSTAL services (letters, parcels, speed/registered post, money orders) and TELECOM services (telephone, mobile, fax, email, internet). Together these three services move, store and connect trade so that the goods industry produces actually reach consumers.

**★ TOPPER ANSWER TEMPLATES**

**3 TEMPLATES · MEMORISE THE FORMAT**

**★ TOPPER TEMPLATE — 5-6 mark: 'Explain the functions of a commercial bank.'**

Most terms

<b>Step 1</b> [1 mark]	<b>Two heads of functions</b>	A commercial bank performs two broad sets of functions: PRIMARY functions (accepting deposits and advancing loans — its core banking business) and SECONDARY functions (agency services and general utility services).
<b>Step 2</b> [2 marks]	<b>Primary — accepting deposits</b>	ACCEPTING DEPOSITS: the bank mobilises public savings through four account types — SAVINGS (for thrift, limited withdrawals, interest), CURRENT (for businessmen, frequent withdrawals, overdraft, little interest), RECURRING (a fixed sum deposited monthly), and FIXED/TERM (a lump sum locked for a period at higher interest).
<b>Step 3</b> [1 mark]	<b>Primary — advancing loans</b>	ADVANCING LOANS: the bank lends the deposited funds through CASH CREDIT, OVERDRAFT (withdrawal beyond balance on a current account), TERM LOANS, and DISCOUNTING OF BILLS of exchange — earning interest, which is its main income.
<b>Step 4</b> [1 mark]	<b>Secondary — agency services</b>	AGENCY functions performed for customers: collecting cheques and bills, collecting dividends/interest, paying rent/insurance premiums/bills on standing instructions, transferring funds, and buying/selling securities.
<b>Step 5</b> [1 mark]	<b>Secondary — general utility services</b>	GENERAL UTILITY services: providing lockers for safe custody of valuables, issuing demand drafts and letters of credit, dealing in foreign exchange, and underwriting securities.

**COMMON LOSS OF MARKS:**

- Mentioning only deposits and forgetting that ADVANCING LOANS is also a primary function.
- Mixing agency services with general utility services.
- Not naming the deposit-account types under 'accepting deposits'.

★ **TOPPER TEMPLATE — 5-6 mark: 'Explain the principles of insurance.'**

Annual

<b>Step 1</b> [1 mark]	<b>Utmost good faith</b>	UTMOST GOOD FAITH (uberrimae fidei): both parties must disclose ALL material facts truthfully. The insured must reveal the true condition of the subject (health, property); concealment makes the contract voidable.
<b>Step 2</b> [1 mark]	<b>Insurable interest</b>	INSURABLE INTEREST: the insured must have a financial/pecuniary interest in the subject — must gain from its existence and lose from its loss. You may insure your own house or your own/spouse's life, not a stranger's property. This separates insurance from gambling.
<b>Step 3</b> [1 mark]	<b>Indemnity</b>	INDEMNITY: the insured is compensated only for the ACTUAL loss suffered, never more — no profit is allowed. It applies to FIRE and MARINE insurance but NOT to LIFE insurance, since human life cannot be valued in money.
<b>Step 4</b> [1 mark]	<b>Contribution</b>	CONTRIBUTION: where the SAME subject is insured with MORE THAN ONE insurer, all insurers share the loss in proportion, so the insured cannot recover more than the actual loss from multiple policies.
<b>Step 5</b> [1 mark]	<b>Subrogation (+ causa proxima)</b>	SUBROGATION: after paying the claim, the insurer acquires the insured's rights over the damaged property, so the insured cannot also profit from the salvage. CAUSA PROXIMA — the loss must arise from the nearest (proximate) insured cause.

**COMMON LOSS OF MARKS:**

- Saying indemnity applies to LIFE insurance (it does not).
- Confusing subrogation (rights pass to insurer) with contribution (loss shared among insurers).
- Defining insurable interest as 'any interest' instead of a financial/pecuniary one.

★ **TOPPER TEMPLATE — 4-5 mark: 'Distinguish between goods and services / state the features of services.'**

Annual

<b>Step 1</b> [1 mark]	<b>Intangibility</b>	SERVICES are INTANGIBLE — they cannot be touched, seen, tasted, or stored before purchase (you experience a flight, you cannot hold it). GOODS are tangible physical objects you can own and possess.
<b>Step 2</b> [1 mark]	<b>Inconsistency / inseparability</b>	INCONSISTENCY (heterogeneity) — services cannot be standardised; quality varies with the provider and occasion. INSEPARABILITY — a service is produced and consumed simultaneously and cannot be separated from its provider. Goods are standardised and can be produced now and consumed later.
<b>Step 3</b> [1 mark]	<b>Perishability</b>	PERISHABILITY — services cannot be stored for future sale; an unsold airline seat or hotel room for the night is lost forever. Goods can be stored in inventory and sold later.
<b>Step 4</b> [1 mark]	<b>Involvement</b>	INVOLVEMENT — the customer participates in the creation/delivery of the service (a patient describing symptoms, a diner specifying an order). In the case of goods, the buyer need not be present during production.
<b>Step 5</b> [1 mark]	<b>Conclusion</b>	Thus services are intangible, inconsistent, inseparable, perishable, and involve the customer — five features that clearly mark them off from physical goods.

**COMMON LOSS OF MARKS:**

- Listing only intangibility and perishability and missing inconsistency, inseparability, and involvement.
- Giving no example for each feature.
- Writing it as a paragraph instead of feature-by-feature.

**MARKING SCHEME — GENERAL NOTES**

- In features-of-services answers, each feature must be named AND explained with an example to earn full marks.
- For commercial-bank functions, BOTH accepting deposits AND advancing loans must appear under primary, and agency must be kept distinct from general utility.
- Insurance answers must flag that indemnity does NOT apply to life insurance, and must not confuse subrogation (rights pass to insurer) with contribution (loss shared among insurers).
- RTGS-vs-NEFT answers must state real-time-individual (RTGS) versus batch-no-minimum (NEFT).
- Real Indian examples (RBI as central bank, RTGS/NEFT, marine/hull insurance) carry marks in conceptual answers.