

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्ति उत्थान आश्रम लखीसराय बिहार

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### BUSINESS SERVICES

Question 1:

What are services? Explain their distinct characteristics?

**ANSWER:**

Services are intangible economic activities that require personal interaction between the consumer and the service provider at the time of delivery of the services. Services need not involve any kind of production or sale of goods and are mainly provided in order to satisfy individuals' wants. Services are generally classified into business services (including banking, insurance and warehousing) and professional services (including legal services, medical advice and tax consultancy).

Features of services are as follows:

**(i) Intangible:** Services are intangible as they cannot be seen or touched. One can only experience them. This implies that the quality of services cannot be checked before their use. Thus, it becomes imperative for service providers to offer services to the satisfaction of the individuals concerned.

**(ii) Inseparable:** Services have to be produced and used simultaneously. Unlike goods, which are produced today for sale later, services have to be used at the same time as they are made available.

**(iii) Inconsistent:** No standards can be set for services; they have to be provided each time according to the demand and expectations of the service users. As each service user has different tastes and preferences, the type and quality of services provided differ according to the user.

**(iv) Involvement:** The involvement of the service user and the service provider is a prerequisite at the time of delivery of the services. For instance, in a school, the teacher and the students are actively involved in the exchange of the service of imparting knowledge.

**(v) Inventory:** Services cannot be stored for sale at a future date. They need to be provided as and when the service users ask for them. This is because if services are not consumed immediately then they lose its value.

Question 2:

Explain the functions of commercial banks with an example of each.

**ANSWER:**

The following functions are performed by commercial banks:

**(i) Collection of deposits:** Banks accept various types of deposits from the public such as savings account deposit, current account deposit and fixed account deposit, and pay interest on them. They are indebted to repay the depositor the amount deposited by him or her.

**(ii) Lending of funds:** Banks grant loans and advances on the basis of the total deposits available with them. These advances can be in the form of overdrafts, discounted trade bills, cash or consumer credits, etc. The interest charged on these loans is a major source of profits for banks.

**(iii) Extension of cheque facility:** Cheques drawn on other banks are also collected by banks, and thus they act as a clearing house. Cheques are mainly of two types—bearer cheques (encashable immediately at bank counters) and crossed cheques (only deposited in the payees' accounts).

**(iv) Remittance of funds:** Banks help in transferring the funds of customers from one place to another. These transfers can be done in the form of bank drafts and pay orders at nominal commission charges.

**(v) Provision of allied services:** In addition to other functions, banks also provide services such as locker facility, underwriting services and bill payments. They also perform functions such as buying and selling of shares and debentures on behalf of their customers.