4.1 Understanding, Applying, Analysing, Evaluating and Creating Based Questions (with answers)

CASE PROBLEM-1

Q.1. Zeenat has recently completed her course in Fashion Designing from NIFT. Now her father wants her to do something creative. He has no consideration for earning money. He wants that Zeenat should teach fashion designing to those girls who have great interest in it but have failed to get admission to the Fashion Designing Course because of their poor financial position. His aim is to help the girls from poor families. So he gave ₹ 10 lakh to Zeenat to establish a Fashion Designing Centre. 50 girls could take admission in this centre. Zeenat announced nominal fees to be charged for admission. Within one week of the opening of the centre, all the seats were filled. After getting training in this centre, it became easy for the girls to get jobs in the market. Within a few months, Zeenat's centre became popular. She spent ₹ 5 lakh out of the total ₹ 10 lakh on infrastructure and other things, and the remaining ₹ 5 lakh she deposited in the Savings Account of a bank. One of her friends was a bank employee. She advised Zeenat that instead of keeping ₹ 5 lakh in the Savings Account, She should keep them in a Fixed Deposit Account. But Zeenat replied that she would need money any time and so she could not keep her money in a Fixed Deposit Account. Then her friend told her that she should deposit her money in such a bank account which would serve the purpose of both, the Savings Account and the Fixed Deposit Account. From this account she could withdraw money as and when needed and a definite amount would continue to get automatically transferred to the Fixed Deposit. Zeenat opened the account with her bank.

Identify and explain the type of Bank Account which Zeenat's friend advised her to open in the bank.

3marks

Ans. Multiple Option Deposit Account

It is a combination of savings account and fixed deposit account which provide specific options to the depositors. It is a type of Saving Deposits Account in which amount of deposit in excess of a particular limit gets automatically transferred to Fixed Deposit Account. And, in case sufficient funds are not available in Saving Deposits Account to honour a cheque issued, the required amount gets automatically transferred from Fixed Deposit Account to the Saving Deposits Account. The account holder has two benefits from this account– he/she can earn more interest and it lowers the risk of dishonouring a cheque.

CASE PROBLEM-2

Q.2. **Mr. Rajesh is employed in a branch of Punjab National Bank in Delhi. His friend, Mr. Vijay goes to the bank very often. One day, Vijay goes to the bank to get a Bank Draft issued. There he noticed that a customer of the bank told Rajesh that he wanted to transfer ₹ 40,000 to Chandigarh immediately. Rajesh expla-ined to him that it was not possible to transfer the money immediately; it would be done after some time. When some such cases of transfer would come, all of them would be transferred in a batch. On another day, Vijay noticed that one of the bank customers came and asked Rajesh if he could get ₹ 3 lakh transferred to Mumbai immediately. Rajesh replied in affirmative. Vijay asked Rajesh why he refused to transfer ₹ 40,000 to Chandigarh immediately that day, and how ₹ 3 lakh got transferred to Mumbai immediately now. Rajesh explained this to Vijay, and he was satisfied.**

What explanation must have been given by Rajesh to Vijay? 3 marks

Ans. Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) are the fastest possible money transfer system through banks using the internet facility provided by banks. In RTGS system, the transactions are settled immediately as soon as they are processed on one to one basis without bunching or netting with any other transaction, i.e., no waiting period. However, the minimum transaction value for RTGS is ₹ 2 lakh.

On the other hand, in NEFT takes place in batches at regular time intervals, not immediately.

CASE PROBLEM-3

Q.3. **The owner of 'Govinda Fertilisers', Rehan opened a current account in 'The Punjab National Bank'. The customer can often withdraw money from the current account only up to the amount deposited in it. One day he needed money more than the balance in the account. He was worried about how to arrange the money. He needed this amount for about a day or so. One of his friends told him that the customers having a current account in the bank can get the permission to withdraw money more than the balance in the account after making an agreement with the bank.**

Identify the facility provided by the bank referred to in the above case. 1 mark

Ans. Bank Overdraft

CASE PROBLEM-2

Q. 2. Sukarn has taken fire insurance policy for his factory. Due to fire he suffered a loss of ₹ 2 lakh and he gets the compensation for the same. The half-burnt goods can be sold for ₹ 30,000. Who has the right over it? Why? 3 marks

Ans. The insurance company has the right over the amount realised by selling the half burnt goods after it has paid compensation for the loss to the insured. Sukarn cannot make any profit by selling the half burnt goods. (Principle of subrogation)

CASE PROBLEM-3

Q. 3. A factory owner gets his stock of goods insured, but he hides the fact that the electricity board has issued him a statutory warning letter to get his factory's wiring changed. Later on, the factory catches fire due to short circuit of wiring. Can he claim compensation? 3 marks

Ans. No, the factory owner cannot claim compensation from the insurance company since he has hidden the fact of statutory warning from the electricity board. He has violated the principle of 'utmost good faith'. According to this principle, the insured must voluntarily make full, accurate disclosure of all facts, material to the risk being proposed. The insurer must also make clear all the terms and conditions in the insurance contract.

CASE PROBLEM-4

Q. 4. Shubham has taken a loan from Saurabh against the security of his factory. Can Saurabh take a fire insurance policy of that factory? 1 mark

Ans. Yes, Saurabh (the lender) can take a fire insurance policy of the factory though he is not its owner, because he has financial interest in the factory premises. **(Principle of insurable interest)**

CASE PROBLEM-5

Q. 5. Rishabh insured his factory for ₹ 5 lakh against fire. Due to fire, he suffered a loss of ₹ 2 lakh. How much amount he can recover from the insurance company? Why? 1 mark

Ans. Rishabh can recover ₹ 2 lakh from the insurance company (not the policy amount, that is, ₹ 5 lakh) since he has suffered a loss of ₹ 2 lakh only. The purpose of insurance is to compensate for loss and not to earn profit. **(Principle of indemnity)**

CASE PROBLEM-6

Q. 6. Ashish took a marine policy to cover the goods exported by him. Under the policy goods have been insured against damage likely to be caused by sea-water. During the voyage a hole was caused in the bottom of the ship. Through this hole sea water entered into the ship which damaged the goods insured. Can Ashish claim compensation for the loss? 3 marks

Ans. Yes, Ashish can claim compensation for the loss from the insurance company.

Reason: In this case there are two causes of the mishap, which has occurred. *First,* the hole caused in the bottom of the ship and *second,* seepage of sea water into the ship. The nearest cause of the damage caused to the goods is the seepage of the water, the hole in the bottom of the ship is the remote cause. Therefore, Ashish must be compensated for the loss caused by the damage to the goods covered by the policy.

CASE PROBLEM-7

Q. 7. Sohan took the life insurance policy of his wife. After one year, the couple got divorced and after two years, his wife met with an accident and died on the spot. Is Sohan entitled to get compensation from the insurance company, if Sohan was regularly paying the premium amount? 3 marks

Ans. Yes, Sohan is entitled to the compensation because in case of life insurance policy, the insurable interest must be present at the time of contract. So, Sohan will get the compensation for the death of his wife even after divorce.

CASE PROBLEM-8

Q.8. Madhav took a fire insurance policy of ₹20 lakh for his factory at the annual premium of ₹24, 000. In order to avoid premium more than this amount, he did not disclose that highly explosive chemicals are being manufactured in his factory. Due to a fire, his factory gets severely damaged. The insurance company refused to make the payment tor claim as it became aware about the highly explosive chemicals. Is Madhav entitled to receive the claim? Give reason in support of your answer. 1 mark

Ans. No, Madhav is not entitled to receive the claim as he has violated the principle of 'Utmost Good Faith'.

CASE PROBLEM-9

Q.9. A transport company took an accident insurance policy for all its vehicles. A truck of that company carrying oranges met with an accident. Due to that accident there was no damage to oranges but oranges were unloaded from that truck and reloaded to another. Due to time wasted in unloading and reloading the oranges got spoiled. Will the company get compensation for loss of oranges from the insurance company or not? Which principle is related with this case? 1 mark

Ans. The company will not get compensation because oranges were not spoiled in accident, but got spoiled due to delay in unloading and loading. This case is related to the principle of 'Proximate Cause'.

CASE PROBLEM-10

Q.10. Mr. Sugan took an Insurance Policy against his car and after three months he sold it to Mr. Sunil. The car was stolen from outside of Mr. Sunil's house. Mr. Sugan made a claim to the insurance company. His claim was rejected on the ground that Mr. Sugan was no longer owner of the car, so he has no insurable interest and he has no financial loss with the loss of the car.

(a) Was Mr. Sugan right in making claim? Give reason in support of your answer. 3 marks

(b) Who can claim compensation?

Ans. (a) No, Mr. Sugan cannot claim compensation from the insurance company because he has already sold the car. The principle of Insurable Interest states that the insured must have insurable interest at the time of the loss.

(b) Mr. Sunil can claim compensation from the insurance company since he has insurable interest in the car at the time of the loss.