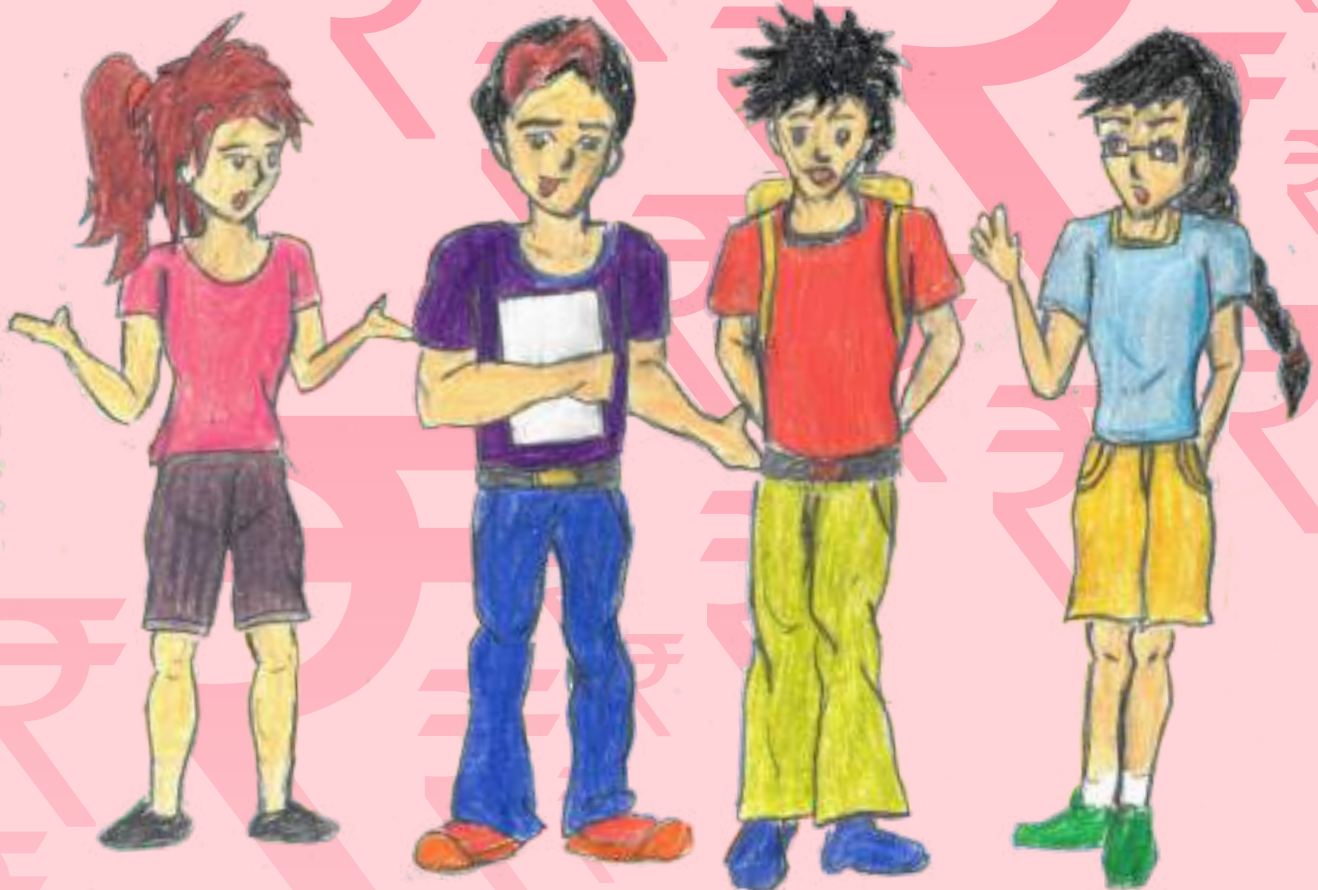


Financial Education

# Workbook

Class : VIII



# Financial Education Workbook for Class VIII

Draft Edition.

## Disclaimer

This book is presented as a reading and teaching material with a sincere purpose of making the reader financially literate. It is not intended to influence the reader in making a decision in relation to any particular financial product/s or service/s.

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# भारत का संविधान

## उद्देशिका

हम, भारत के लोग, भारत को एक सम्पूर्ण प्रभुत्व-संपन्न समाजवादी पधनिरपेक्ष लोकतन्त्रात्मक गणराज्य बनाने के लिए, तथा उसके समस्त नागरिकों को:

साप्ताजिक, आर्थिक और राजनैतिक न्याय,

विचार, अभिव्यक्ति, विश्वास, धर्म

और उपासना की स्वतंत्रता,

प्रतिष्ठा और अवसर की समता

प्राप्त कराने के लिए

तथा उन सब में व्यक्ति की गरिमा

और राष्ट्र की एकता और अखंडता

सुनिश्चित करने वाली बंधुता बढ़ाने के लिए

तृप्तसंकल्प होकर अपनी इस संविधान सभा में आज तारीख 26 नवम्बर, 1949 ई. को एतद्वारा इस संविधान को अंगीकृत, अधिनियमित और आत्मार्पित करते हैं।

1. संविधान ( बचानीयक संशोधन ) अधिनियम, 1976 के धारा 2 द्वारा ( 5.1.1977 ) के " प्रभुत्व-संपन्न लोकतन्त्रात्मक गणराज्य " के स्थान पर प्रतिस्थापित।
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## भाग 4 क

### मूल कर्तव्य

51 क. मूल कर्तव्य - भारत के प्रत्येक नागरिक का यह कर्तव्य होगा कि वह -

- (क) संविधान का पालन करे और उसके अदरों, समस्याओं, राष्ट्रध्वज और राष्ट्रगान का आदर करे;
- (ख) स्वतंत्रता के लिए हमारे राष्ट्रीय आंदोलन को प्रेरित करने वाले उच्च अदरों को हृदय में संजोए रखे और उनका पालन करे;
- (ग) भारत की प्रभुता, एकता और अखंडता की रक्षा करे और उसे अक्षुण्ण रखे;
- (घ) देश की रक्षा करे और आह्वान किए जाने पर राष्ट्र की सेवा करे;
- (ङ) भारत के सभी लोगों में समरसता और समान भावुत्व की भावना का निर्माण करे जो धर्म, भाषा और प्रदेश या वर्ग पर आधारित सभी भेदभाव से परे हों, ऐसी पधाओं का त्याग करे जो स्त्रियों के सम्मान के विरुद्ध हैं;
- (च) हमारे सामासिक संस्कृति को गौरवशाली परंपरा का महत्त्व समझे और उसका परिरक्षण करे;
- (छ) प्राकृतिक पर्यावरण को जिसके अतर्गत वन, झील, नदी, और वन्य जीव हैं, रक्षा करे और इसका संवर्धन करे तथा प्राणी मात्र के प्रति दयाभाव रखे;
- (ज) वैज्ञानिक दृष्टिकोण, नानयवाद और ज्ञानार्जन तथा सुधार की भावना का विकास करे;
- (झ) सार्वजनिक संपत्ति को सुरक्षित रखे और हिम्मा से दूर रहे;
- (ञ) व्यक्तिगत और सामूहिक गतिविधियों के सभी क्षेत्रों में उत्कर्ष की ओर बढ़ने का सतत प्रयत्न करे जिससे राष्ट्र निरंतर बढ़ते हुए प्रयत्न और उपलब्धि की नई उंचाइयों को छू ले;
- (ट) यदि माता-पिता या संरक्षक हैं, छह वर्ष से चौदह वर्ष तक की आयु वाले अपने, दयास्थिति, बालक या प्रतिपाल्य के लिये शिक्षा के अवसर प्रदान करे।

1. संविधान ( बचानीयक संशोधन ) अधिनियम, 2002 के धारा 4 द्वारा प्रतिस्थापित।



# THE CONSTITUTION OF INDIA

## PREAMBLE

**WE, THE PEOPLE OF INDIA**, having solemnly resolved to constitute India into a **'SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC'** and to secure to all its citizens :

**JUSTICE**, social, economic and political;

**LIBERTY** of thought, expression, belief, faith and worship;

**EQUALITY** of status and of opportunity, and to promote among them all

**FRATERNITY** assuring the dignity of the individual and the<sup>2</sup> unity and integrity of the Nation;

**IN OUR CONSTITUENT ASSEMBLY** this twenty-sixth day of November, 1949, do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

---

1. Subs. by the Constitution (Forty Second Amendment) Act, 1976, sec. 2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)

2. Subs. by the Constitution (Forty Second Amendment) Act, 1976, sec. 2, for "unity of the Nation" (w.e.f. 3.1.1977)

---

# THE CONSTITUTION OF INDIA

## Chapter IV A

### FUNDAMENTAL DUTIES

#### ARTICLE 51A

**Fundamental Duties** - It shall be the duty of every citizen of India-

- (a) to abide by the Constitution and respect its ideas and institutions, the National Flag and the National Anthem;
- (b) to cherish and follow the noble ideals which inspired our national struggle for freedom;
- (c) to uphold and protect the sovereignty, unity and integrity of India;
- (d) to defend the country and render national service when called upon to do so;
- (e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;
- (f) to value and preserve the rich heritage of our composite culture;
- (g) to protect and improve the natural environment including forests, lakes, rivers, wild life and to have compassion for living creatures;
- (h) to develop the scientific temper, humanism and the spirit of inquiry and reform;
- (i) to safeguard public property and to abjure violence;
- (j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;
- <sup>1</sup>(k) who is a parent or guardian to provide opportunities for education to his/her child or, as the case may be, ward between age of 6 and 14 years.

---

1. Subs. by the Constitution (Eighty-Sixth Amendment) Act, 2002

## PREFACE

The CBSE's Financial Education curriculum for Classes VI-X, is marked by its strong dynamism, continuous evolution and development. The curriculum has been developed by adopting a functional approach. In the current climate of psychological, social and economic changes, society is influenced by explosive knowledge creation and exponential technology growth.

Financial education is needed to improve our understanding of basic financial concepts and how to use them in our daily life. We need to know about various financial products and to become more aware of financial risks and opportunities to enable each one of us to make informed choices, and in return we can improve our financial well-being.

The vision of financial education is that it could enable students, at their level of need, to understand the role of money in their life, the need for and use of savings, the advantages of using the formal financial sector and the various options to convert their savings into investments, protection through insurance and a realistic recognition of the attributes of these options.

This financial education will help us learn more about the importance and advantages of savings, the importance of staying out of unproductive loans that are beyond our capacity to repay, borrowing from the formal financial sector, the concept of interest and the power of compounding, the time value of money, inflation, the need to insure, the role of major financial sector institutions such as ministries, regulators, banks, stock exchanges and insurance companies and basic concepts about the relation between risks and rewards.

Through this we can help ourselves and others in managing money more effectively by accessing the appropriate financial products and services provided by various financial regulators.

Financial education will help especially those who are financially excluded at present.

The objective of this workbook is to create awareness and educate students on access to financial services, the availability of various types of products and their features and to make students understand their rights and responsibilities as clients of financial services.

Teachers handling the course need to inform themselves regarding the effective use of course content, teaching methodology, management of group work and independent individual work, management of large classes, appropriate use of assessment tools, grading and record-keeping to benefit their students.

We would like to thank the stakeholders - the Reserve Bank of India, Securities and Exchange Board of India. The Insurance Regulatory and Development Authority of India and the Pension Fund Regulatory and Development Authority - for taking the time and effort to develop these books.

The development of this book would never have been possible but for the sincere effort, devotion and leadership of Ms. Sugandh Sharma, Additional Director (Research & Innovation), CBSE and Mr Sandeep Sethi, Education Officer with his team. Any further suggestions are welcome and will be incorporated in the future editions.

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Well friends, let us do **Safe** business by getting it insured. Let us also get our life insured.



I, **Munaf**, will explain why we should pay our taxes honestly and the concept of insurance with the help of a story.



I, **Mudra**, will teach you the difference between VAT and tax, and the different types of banks.



I, **Rashi**, will tell you how to open a bank account, how to withdraw and deposit money in our account, explain a demand draft, a cheque and a passbook and why we should not share our bank secrets.





Bank

Tax

## Ebb and Tide of Financial Management

Life is full of ebbs and tides

Let's learn what's insurance and what it provides.

Into a number of types insurance generally divides

Quick! Go and ask Dad what helped him decide.

Are there any specific rules by which we're supposed to abide?

Thousands of banks I cross everyday of various kinds

Let's learn what makes each different and ties them into confines

Cheques have IFSC and MICR codes and signs.

Does not paying taxes come under a punishable crime?

Does following our financial duties make us benign?

We have to fill withdrawal and deposit slips

Maybe we can ask Dad to take us to the bank for a weekend trip

Please learn as taught or else you might feel like an abandoned ship

Be consistent or else of known knowledge you might feel stripped.

For tomorrow let's join hands and prepare.

Let's read carefully and take care

So that we can claim our rights fair and square.

Make sure, with every word that's written, you're clear.

Locating the important terms—each word and where

Cheque

Insurance

Sales Tax



# Class VII Review



## Functions:

- Monetary Authority
- Issuer of currency
- Banker and debt manager to Government
- Banker of banks
- Maintaining financial stability
- Developmental role

## Controls:

- Public Sector Banks
- Private Sector Banks
- Foreign Banks
- Co-operative Banks
- Regional Banks



## TYPES OF BANK ACCOUNTS

1. Current Account
2. Savings Bank Account
3. Recurring Bank Account
4. Fixed Deposit Account





Banking at our convenience



Remember?  
Real Time Gross Settlement (RTGS)  
National Electronic Fund Transfer (NEFT)  
Internet Banking  
Mobile Banking

How?



How can I calculate Simple Interest?

Simple Interest = Principal Amount  
x Rate of Interest x Time



This was Class VII

Now we will take you to Class VIII

We will learn more...

Yeah, we will have fun.





Time to learn more  
about insurance.

# Introduction to Insurance

## Glossary

- Insurance:** Insurance is a contract between the insurance company (insurer) and the policyholder (insured). In return for a consideration (the premium), the insurance company promises to pay a specified amount to the insured when a specific event happens.
- Insured:** Person or object covered under insurance.
- Insurer:** The insurance company which receives the premium as part of consideration from the insured to cover/compensate the financial losses.
- Life Insurance:** Financial cover for contingency linked with human life like death, disability accident, retirement etc.
- Nominee :** The person(s) nominated by the policyholder to receive the policy benefits in the event of his death.
- Policy term:** The period for which an insurance policy provides cover or the duration of a policy.
- Sum Assured:** The amount an insurer is obliged to pay in case of loss/damage to the insured due to the specified event.

## History of Insurance in India:

In India, insurance has a deep-rooted history. It is mentioned in the writings of Manu (Manusmriti), Yagnavalkya (Dharmasastra) and Kautilya (Arthashastra). The writings talk in terms of pooling resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers' contracts. Insurance in India has evolved over time, drawing heavily from other countries, England in particular.

The year 1818 saw the advent of the life insurance business in India with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however failed in 1834. In 1829, Madras Equitable began transacting life insurance business in Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in Bombay Residency. This era, however, was dominated by foreign insurance offices that did good business in India, namely, Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies.

In 1914, the Government of India started publishing the returns of insurance companies in

India. The Indian Life Assurance companies Act, 1912 was the first statutory measure to regulate the life business. In 1928, the Indian Insurance Companies Act was enacted to enable the government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938, to protect the interests of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers.

The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalise the insurance business.

An Ordinance was issued on 19th January 1956 nationalising the life insurance sector and the Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had a monopoly till the late 90s when the Insurance sector was reopened to the private sector.

The history of general insurance dates back to the Industrial Revolution in the West and the consequent growth of sea-faring trade and commerce in the 17th century. It came to India as a legacy of British occupation. General Insurance in India has its roots in the establishment of the Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd, was set up. This was the first company to transact all classes of general insurance business.

1957 saw the formation of the General Insurance Council, a wing of the Insurance Association of India. The General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices.

In 1968, the Insurance Act was amended to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up then.

In 1972 with the passing of the General Insurance Business (Nationalisation) Act, general insurance business was nationalised with effect from 1st January 1973. 107 insurers were amalgamated and grouped into four companies, namely, National Insurance Company Ltd., New India Assurance Company Ltd., Oriental Insurance Company Ltd and United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commenced business on 1<sup>st</sup> January 1973.

This millennium has seen insurance come full circle in a journey extending nearly 200 years. The process of re-opening the sector began in the early 1990s and the last decade has seen it being opened up substantially. In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of the RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry. They stated that foreign companies should be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.

Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority of India (IRDAI) was constituted as an autonomous



body to regulate and develop the insurance industry. The IRDAI was incorporated as a statutory body in April 2000. The key objectives of the IRDAI include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

The IRDAI opened up the market in August 2000 by inviting applications for registrations. Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 it has framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests.

In December 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time GIC was converted into a national re-insurer. Parliament passed a bill de-linking the four subsidiaries from GIC in July 2002.

By March 2014, there were 28 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 24 life insurance companies operating in the country.



## jumble words

Jumbled Words	Clue	Solution
siRk	Chance that something harmful will occur and leave us facing a loss	
sulnder	Person or object covered under insurance	
suranlcn	Offers protection against unforeseen risks	
cilyPo merT	Duration for which an insurance policy is purchased	
fiLe suranlcn	Financial cover for contingency linked with human life	

- The general insurance business was nationalised with effect from \_\_\_\_\_.
  - 1 January 1970
  - 1 January 1971
  - 1 January 1972
  - 1 January 1973
- IRDAI was incorporated as a statutory body in \_\_\_\_\_.
  - April 2000
  - July 2000
  - April 2001
  - July 1999



IRDAI regulates insurance industry in our country.





Let me tell you what  
can be insured.

# Types of Insurance

## Background

Everyone is exposed to risks and uncertainty. Men, women, children and property are always exposed to different kinds of risks. These risks can be either natural or man-made, resulting in financial losses. Insurance is a mechanism of sharing the losses of a few by many, which reduces the cost of the loss or the effect of the loss caused by a variety of risks. It accumulates funds to meet individual losses which are in turn invested to boost the economy of the nation. Though insurance cannot prevent unwanted events or stop the loss from happening, it protects the policyholder by compensating him the promised amount of loss.

The business of insurance is related to protecting the value of assets. The asset is created through the efforts of the owner. It is valuable in some other form, i.e., residual value. In the case of a factory or a business or a crop, the product it generates is sold and income is generated. In the case of a vehicle or home, it provides comfort and convenience. So both are assets and provide benefits. Every asset is expected to last for a certain period of time during which it will provide the benefits. After that, the benefit may not be available. However the asset may get lost due to an accident or destroyed by some unfortunate event, making it incapable of giving benefits. The planned substitute would not be ready by that time. Insurance is a mechanism that helps to reduce the effects of such adverse situations. It promises to pay the owner or beneficiary of the asset a certain sum if the loss occurs.

## Types of Insurance

### Life Insurance

Life Insurance is a contract between an insured and an insurer, where the insurer promises to pay the nominee of the insured a sum in exchange for a premium, upon the death of the insured person.

Life Insurance policies give your family the promise of protection and; secure their future even when you are not around to take care of them. If you are the primary breadwinner in your family, the loss of income that your family would experience as a result of your premature death is considered as a significant loss and you should protect them against hardship. Buying an insurance policy ensures that if you die, your family will be compensated by the insured amount.

### Health Insurance

Health Insurance covers the cost of an insured individual's medical and surgical expenses.

### **Travel Insurance**

Travel insurance is intended to cover medical expenses, financial default and other losses incurred while travelling, within the country or internationally.

### **Home Insurance**

Home insurance provides complete protection for our home. Our house and other household assets are expensive and, therefore, safeguarding our home from unforeseen events should be our priority. It must be given the most trusted protection. It covers building insurance, contents insurance or both. It generally covers you for and damage to your home caused by fire, bad weather, natural disaster; and damage caused by burglary or attempted burglary.

### **Motor Insurance**

Motor Insurance (or Auto Insurance) provides protection for our vehicle against the financial loss and liability that could result as a part of accident or theft. The owner of a motor vehicle is legally liable for any injury or damage to third party life or property caused by or arising out of the use of a vehicle in a public place. Therefore, Third Party Liability insurance of every motor vehicle is compulsory under the law and driving a motor vehicle without insurance is a punishable offence.

### **Case study**

Satish and Ashish were very good friends. Both were married. Satish had a son who went to a play school and Ashish had a one-year-old daughter. One day, while driving home from the office, Satish's car collided with another and he was killed instantly. His wife was devastated. She had no idea how she was going to bring up her child. After seeing his friend's family in financial crisis, Ashish decided it was a good time to get an insurance policy to help protect his family financially in case something similar happened to him.

Can you suggest what type of insurance Ashish should go for?

---

### **Case study**

Roshni was driving down the highway on a beautiful sunny day. She was going shopping after having lunch with her friends. She turned around the corner and had to slow down because of the cars in front of her. The car in front of her started moving and she accelerated. But for some unknown reason, she got distracted, and the next thing she knew was that her car was forced to stop. The car in front of her bounced and she heard the sound of broken glass. She had just crashed her car. She called her insurance company and it paid all the charges for the repair of her vehicle.

What type of insurance do you think Roshni had?

---

## Exercise

Event	Impact on individual or family	What type of insurance is applicable?
A family member breaks a leg in a skiing accident while on holiday in New Zealand		
A family member's bag is stolen in Chennai		
Theft of the new family car		
A family member drives into the back of someone else's car		
The family home suffers damage from fire		
Theft of household items (television, jewellery and DVD collection)		
A family member is diagnosed with a life-threatening illness, such as cancer or a stroke		



Jumble  
Time

# jumble words

Jumbled Words	Clue	Solution
eahtlH suranlcn	Insurance that covers medical expenses	
ooMtr suranlcn	Gives protection to vehicle owner against theft, damage to his or her vehicle	
puorG suranlcn	Protection offered to a collection of people that share a similarity	

1) \_\_\_\_\_ covers the cost of an insured individual's medical and surgical expenses.

- a) Health insurance    b) Travel insurance  
c) Home insurance    d) Motor insurance

Fun Time




2) \_\_\_\_\_ provides protection for our vehicle against the financial loss and liability due to accident or theft.

- a) Health insurance    b) Travel insurance  
c) Home insurance    d) Motor insurance

3) A \_\_\_\_\_ policy provides protection for our home.

- a) health insurance    b) travel insurance  
c) home insurance    d) motor insurance



We have different  
insurance schemes  
for different risks.





Time to learn about various types of banks.



# Part I: Types of Banks

## What is a Bank?

As per Banking Regulation Act, 1949, banking means accepting, for the purpose of lending or investment, deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise.

## Scheduled and Non-Scheduled Banks

In India, banks have been broadly classified into scheduled and non-scheduled banks. A Scheduled Bank is that which has been included in the Second Schedule of the Reserve Bank of India Act, 1934 and fulfils the following conditions.

- a) It has paid-up capital and reserves of at least Rs. 5 lakh. It assures the Reserve Bank that its operations are not detrimental to the interest of the depositors;
- b) It is a corporation or a co-operative society and not a partnership or a single owner firm.

Banks that are not included in the Second Schedule of the Reserve Bank of India Act are non-scheduled banks.

We have many types of banks let us understand them one by one

## Types of Banks

Banks can be classified into various types based on their functions, ownership, domicile, etc. The following are the various types of banks:

### 1. Commercial Banks

Commercial banks refer to both Scheduled and Non-Scheduled Commercial banks that perform all kinds of banking business, such as financing trade and commerce. Scheduled commercial banks are grouped into Nationalised banks, SBI & Associates, Private sector banks, Foreign banks and Regional Rural Banks (RRBs).

### 2. Regional Rural Banks

Regional Rural Banks were set up help develop the rural economy by providing credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. Being local-level institutions, RRBs were assigned a critical role in the delivery of agriculture and rural credit.



### 3. Co-operative Banks

Co-operative banks are further classified into Rural and Urban Cooperative Banks based on the area of operation.

#### a) Rural Cooperative Banks

Agricultural credit needs are different from those of industry and trade. Agriculturists require:

- Short-term credit to buy seeds, fertilisers and other inputs, and
- Long-term credit to buy land, make permanent improvements on land, buy agricultural machinery and equipment, etc. In India, rural co-operative banks have a major role in providing agricultural finance.

The rural co-operative structure is bifurcated into short-term and long-term. The short-term co-operative structure is a three-tier structure with State Co-operative Banks (StCBs) at the apex (State) level, District Central Co-operative Banks (DCCBs) at the intermediate (district) level and Primary Agricultural Credit Societies (PACS) at the ground (village) level. The short-term structure caters primarily to the various short- and medium-term production and marketing credit needs of agriculture.

The long-term co-operative structure has the State Co-operative Agriculture and Rural Development Banks (SCARDBs) at the apex level and the Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at the district or block level. These institutions have the objective of meeting long-term credit needs in agriculture.

#### b) Urban Co-operative Banks

UCBs play a significant role in providing banking services to the middle and lower income groups of society in urban and semi-urban areas.

### 4. Reserve Bank of India

The central bank is the apex institution, which controls, regulates and supervises the monetary and credit system of the country. Important functions of the central bank are the Management and issue of currency notes, Banker and Debt Manager to the Government of India, Banker to Banks, custodian of the nation's reserves of international currency, lender of last resort, bank of central clearance, settlement and transfer and controller of credit. India's central bank, i.e., the Reserve Bank of India, also performs many development functions to promote economic developments in the country.

## Classification based on Ownership

On the basis of ownership, banks can be classified into three categories;

#### a) Public Sector Banks:

These are owned and controlled by the government. In India, the nationalised banks and the regional rural banks come under this category.

#### b) Private Sector Banks:

These banks are owned by the private individuals or corporations and not by the government or co-operative societies.

#### c) Co-operative Banks

Co-operative banks are operated along co-operative lines. In India, co-operative credit institutions are organised under the co-operative societies law and play an important role in meeting financial needs in the rural areas.

## Classification based on Domicile

On the basis of domicile, the banks are divided into two categories:

**a) Domestic Banks:**

These are registered and incorporated within the country,

**b) Foreign Banks:**

These are foreign in origin and have their head offices in the country of origin.

- 1) Banks that are included in the second schedule of the RBI of India Act, 1934 are known as \_\_\_\_\_.
  - a) Scheduled Banks
  - b) Non-Scheduled Banks
  - c) Commercial Banks
  - d) Development Banks
- 2) \_\_\_\_\_ handle all kinds of banking business, generally financing trade and commerce.
  - a) Scheduled Banks
  - b) Non-Scheduled Banks
  - c) Commercial Banks
  - d) Development Banks
- 3) \_\_\_\_\_ were assigned the critical role of delivering agriculture and rural credit.
  - a) Co-operative Banks
  - b) Commercial Banks
  - c) Regional Rural Banks
  - d) Development Banks
- 4) \_\_\_\_\_ banks are owned and controlled by the government.
  - a) Public Sector
  - b) Private Sector
  - c) Central
  - d) Exchange
- 5) \_\_\_\_\_ are foreign in origin and have their head offices in the country of origin.
  - a) American Banks
  - b) Foreign Banks
  - c) Domestic Banks
  - d) State Banks

Fun Time

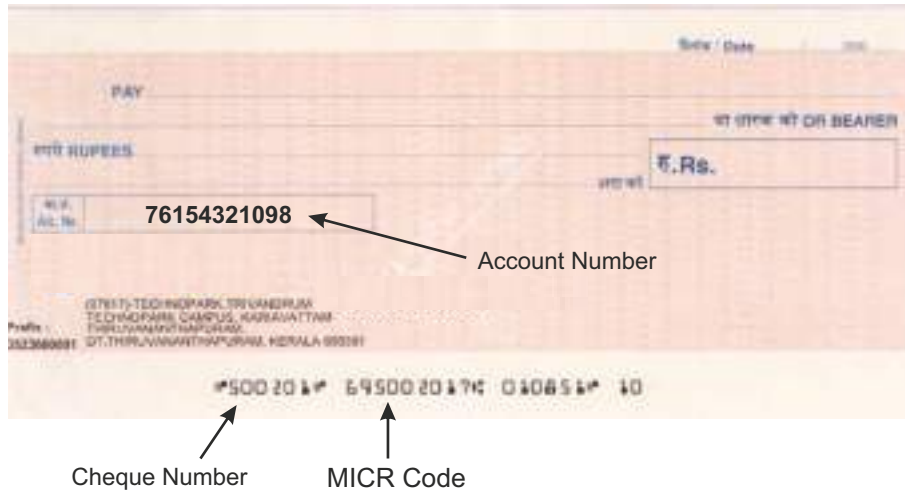


We have different types of banks for different purposes.



# Part II: Cheques

A cheque is a document that orders the payment of money from a bank account.



The following information will be printed on your cheques.

1. Your personal information: Name
2. Your bank's information: Name, Address, City, State and Pin Code.
3. The "CHEQUE NUMBER". Every cheque in the book is in sequence. This number should always be noted so that you can check the status.
4. The second number is the MICR Number. **MICR** stands for **Magnetic Ink Character Recognition**. This is a technology that helps route the cheque to where the funds exist. It is used to efficiently transfer your money.
5. The third number is your account number as maintained by the Reserve Bank of India.
6. The last number tells if your account is current or savings which helps in faster processing in the case of out-station cheques.

## What is MICR Code?

- Magnetic Ink Character Recognition, or MICR, is a character recognition technology used primarily by the banking industry to facilitate the processing of cheques.
- MICR characters are printed in special typefaces with a magnetic ink or toner, usually containing iron oxide. A special machine is used to read these characters, which can be easily read by humans too. The characters are usually printed on the bottom strip of a cheque.
- This MICR code is used by the RBI clearing process to identify the branch and bank.

Every bank has a unique MICR Code. The MICR comprises nine digits, which are further subdivided into the city, bank and branch codes.

1. City code: The first three digits specify the city in which you have a bank account.
2. Bank code: The next three digits specify your bank in that particular city.
3. Branch code: The last three digits specify the branch of the bank.

## What is IFSC?

The Indian Financial System Code (also known as IFSC) is an 11 character code for identifying the bank and branch in which an account is held. The IFSC code is used for both the NEFT and RTGS funds transfer systems.



**Jumble Time**



Jumbled Words	Clue	Solution
Clipub cetors nakb	Banks owned and controlled by the Government of India	
Udsriatlin abnk	Also known as investment bank; meets the financial needs of industries	
lilargaucrut akbn	Provides agricultural finance	
ehacnxeg ankb	Deals in foreign exchange and finances foreign trade	
arivPte eoSctr aBnk	Banks owned and controlled by private individuals or corporations.	
Dscemtoi Bkan	Banks registered and incorporated within the country	
cheldeduS nakB	Banks included in the second schedule of the RBI	

1) A \_\_\_\_\_ is a document that orders a payment of money from a bank account.

- a) Demand Draft      b) Fixed Deposit  
c) Cheque              d) Debit Card

2) The \_\_\_\_\_ helps route the cheque to where the funds exist.

- a) MICR Code          b) IFSC Code  
c) Account number    d) Cheque number

3) The \_\_\_\_\_ is an 11-character code for identifying the bank and branch in which an account is held.

- a) MICR Code          b) IFSC Code  
c) Account number    d) Cheque number

**Fun Time**



**Wow... We have so many types of banks. Which one is yours?**

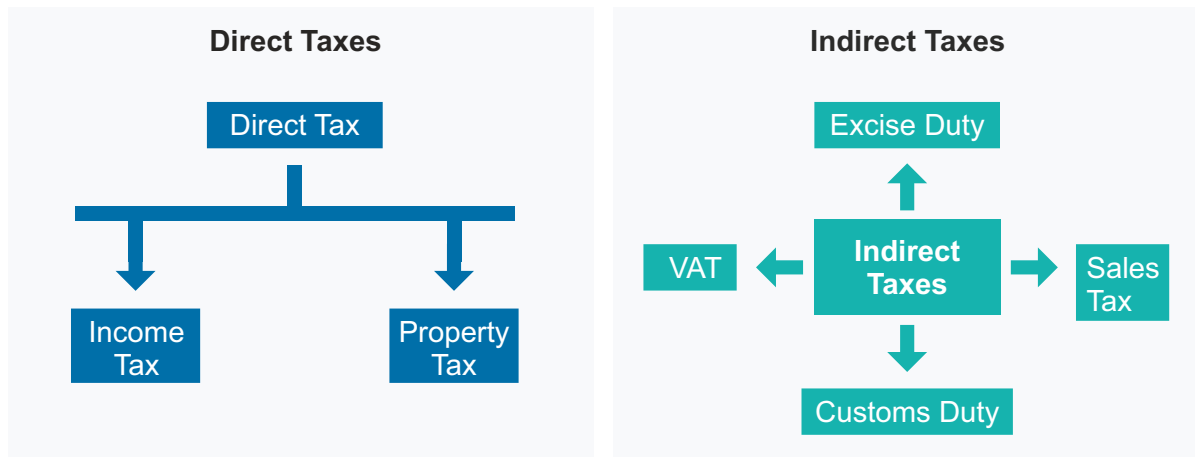






Why I am supposed to give my income to the government?

## Types of Taxes



### Income Tax

An income tax is a government levy (tax) imposed on individuals or entities (taxpayers) that varies with the income or profits (taxable income) of the taxpayer.



### Property Tax

Property tax or 'house tax' is a tax on buildings, along with land, and is imposed on its owners. The tax is levied by the local government where the property is located.

### Custom Duty

Custom duties are indirect taxes that are levied on goods imported to/exported from India. There are different rules for different types of goods and sectors. The government keeps changing these rates so as to promote import/export of specific goods.

### Excise Duty

Excise duties are indirect taxes that are levied on goods manufactured in India for domestic consumption. Like custom duty, there are a number of rules that keep changing at the discretion of the government.



### Sales Tax

Sales tax is levied by the government on the sale and purchase of products in the Indian market. As customers, you pay sales tax on whatever you buy from the market.

## VAT

Value Added Tax is an Indirect tax which is levied on the domestic consumption of goods and services, except those that are zero-rated (such as food and essential drugs) or are otherwise exempt (such as exports). It is levied at each stage in the chain of production and distribution from raw materials to the final sale based on the value (price) added at each stage. It avoids double taxation.

## What are the Effects of Paying Taxes?

The government uses different kinds of taxes and varies the tax rates. This is done to distribute the tax burden among individuals or classes of the population involved in taxable activities, such as business, or to redistribute resources between individuals or classes in the population.

Taxes reduce taxpayers' income. As a result, taxpayers have less money for personal goods and services, savings, and investment. The more services the government provides, the more taxpayers have to pay for them. Whenever new public goods and services are proposed that require new taxes, taxpayers must decide whether the additional benefits are worth the reduction in income.

## Why do we pay taxes?

Taxes are paid by all responsible citizens of the country. Taxation is the source of income for the government, and the money is used for the development of the whole country, e.g., developing roads, infrastructure and education institutions. Therefore, though we do not get any direct benefit from the taxes we pay, still the money is used for us.

## Exercise

- 1) Sales Tax is a type of Direct Tax. (True / False) \_\_\_\_\_
- 2) Customs Duty is levied on goods imported to/exported from India. (True / False) \_\_\_\_\_
- 3) What is Income Tax?  
\_\_\_\_\_
- 4) \_\_\_\_\_ tax is levied by the local government.

Jumble  
Time



Jumbled Words	Clue	Solution
xta	Compulsory contribution imposed on the public by the government	
iDrct Tax	Tax paid directly to the State	
nouseCr	Individual who buys products or services for personal use	
uRnveee	Amount brought into business through business activities	

**Fun Time**



- 1) \_\_\_\_\_ is a tax on buildings or land.  
a) Income Tax                      b) House Tax  
c) Sales Tax                         d) Value Added Tax
  
- 2) \_\_\_\_\_ is an indirect tax that is levied on goods imported to or exported from India.  
a) Income Tax                      b) House Tax  
c) Sales Tax                         d) Customs Duty
  
- 3) \_\_\_\_\_ is levied on goods manufactured in India for domestic consumption.  
a) Income Tax                      b) Excise Duty  
c) Sales Tax                         d) Customs Duty
  
- 4) \_\_\_\_\_ is levied on the sale and purchase of products in the Indian market.  
a) Income Tax                      b) Excise Duty  
c) Sales Tax                         d) Customs Duty



**I feel proud paying taxes.**



Cheque? What is that?



# Part I: Money in & Money out

## A Word about Kinds of Cheques

Cheques may be defined as a written order of a depositor upon a bank to pay to or to the order of a designated party or to a bearer a specified sum of money on demand. The person who draws the cheque is called the drawer, the bank on which the cheque is drawn is called the drawee and the person to whom payment is to be made is called the payee. It is an order of the customer without condition. It is drawn upon a certain bank in writing. The banker always has to pay it on demand. It is payable to a certain person or to the bearer of the instrument.

## Types / Kinds of a cheques

Cheques are of different types.

### **Bearer Cheque**

When the words "or bearer" appearing on the face of the cheque is not cancelled, the cheque is called a bearer cheque. A bearer cheque is payable to the person specified in the cheque or to any one who presents it to the bank for payment. Such cheques are risky, because if they are lost, the finder of the cheque can collect payment from the bank by presenting it in the bank.

### **Order cheque**

An order Cheque is expressed to be so payable or to be payable to a particular person without containing words prohibiting transfer or indicating that it will not be transferable.

### **Open/Uncrossed Cheque**

When a cheque is not crossed, it is known as an "Open Cheque" or an "Uncrossed Cheque". Payment on such a cheque can be obtained at the counter of the bank. An open cheque may be a bearer cheque or an order cheque.

### **Crossed Cheque**

Crossing a cheque means drawing two parallel lines on the face of the cheque with or without adding words like "& CO." or "Account Payee" or "Not Negotiable". A crossed cheque cannot be encashed at the cash counter of a bank. It can only be credited to the payee's account.

### **Ante-Dated Cheque**

If a cheque bears a date earlier than the date on which it is presented to the bank, it is called as "ante-dated cheque". Such a cheque is valid upto three months from the date of the cheque.

### Post-Dated Cheque

If a cheque bears a date that is yet to come (future date) then it is known as a post-dated cheque. A post-dated cheque cannot be honoured earlier than the date on the cheque.

### Stale Cheque

If a cheque is presented for payment after three months from the date of the cheque it is called a stale cheque. A stale cheque is not honoured by the bank.

### Activity: Cheque

1) Fill out the blank cheque below, using the following information:

- | Today's date
- | Name of the payee, or to whom it is to be paid
- | Fill in the numerical amount: ₹ 15,000.
- | Write the amount in words.
- | Sign the cheque with your complete signature.
- | Identify the bank account number and cheque number by circling it.



2) Can you think of a few benefits of using cheques?

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3) Describe other ways people can pay for things besides paying in cash.

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## Part II: Demand Draft / Payment Order

A demand draft (DD) is an instrument used by individuals to make payments or to transfer money. It is issued by one branch of a bank on another branch of the same bank. A DD can be prepared by paying cash or by paying through your bank account. The person who wants to send money, deposits cash in a bank or issues a cheque in favour of the issuing bank, which issues him a demand draft. The demand draft is sent to the person who is to receive the money.



gives it to the branch/bank where he holds an account and receives the payment. DDs are valid for 3 months. Banks normally charge a commission for issuing demand drafts. The customer has to pay an amount equal to the DD amount + Commission + Service Tax. If the DD is issued against the payment of cash the total amount (inclusive of commission and taxes) should not exceed ₹49,999.

Payment orders or Banker's Cheques are similar to demand drafts but are usually issued for payments within a city. These are usually valid for 3 months. Banks may charge a commission for issuing Payment Orders and Banker's Cheques.

Two parties are involved in a draft transaction viz., (a) Drawer i.e., the issuing bank, and (b) Payee who is the beneficiary. The main purpose of a draft is to transfer money from one place to another or to guarantee the certainty of payment to the payee. The bank charges a nominal fee or commission to issue a draft.

A Demand Draft is a much safer and more certain method of payment than cheques. In the case of cheques, an individual is the drawer and hence the cheque can be dishonoured by the drawee bank if there are insufficiently funds in the drawer's account. But since in the case of a DD, the drawer is a bank, payment is certain and it cannot be dishonoured.

An applicant for a Demand Draft is required to fill in a DD Request Slip, mentioning the amount, payee's name, issuing branch, location the draft should be payable at, his name, signature and account number etc.

**Merits of using DD:-**

- | Unlikely to be stolen and used.
- | No chance of fake notes circulating in India.
- | Can be encashed only by the person on whom it is issued.
- | Can be safely sent by courier or post.
- | Can be easily cancelled.
- | Sender can be easily identified.

**The details required to send a demand draft:**

- | Type of DD needed.
- | The mode in which you will pay money to the bank, i.e., by debiting your account or by cash.
- | The place where the money is to be paid.
- | Name of the recipient.
- | The amount.

**Exercise**

1. What is a Demand Draft? What information are you required to provide ?

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2. How can you find the details of the Demand Draft ?

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3. What is a Demand Draft Number ?

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4. What is the difference between a Cheque and a Demand Draft?

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5. What are the advantages of a Demand Draft over a Cheque?

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6. What is the maximum amount one can send through a Demand Draft by paying cash?

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Jumble Time

## jumble words

Jumbled Words	Clue	Solution
uCqeeh	Document that orders a payment of money from a bank account.	
dressoC eqceuh	A crossed cheque is a cheque that has been marked to specify on instruction about the way it is to be redeemed	
reraBe uqChee	Cheque that can be cashed by the bearer of the cheque.	

- When the words "or bearer" appears on the face of the cheque it is known as a \_\_\_\_\_.  
 a) Bearer Cheque      b) Holder's Cheque  
 c) Uncrossed Cheque      d) Crossed Cheque
- When a cheque is not crossed, it is known as a \_\_\_\_\_.  
 a) Crossed Cheque      b) Open Cheque  
 c) Not Crossed Cheque      d) Holder's Cheque
- Which of the following cheque is not honoured by the bank?  
 a) Ante-Dated Cheque      b) Post Dated Cheque  
 c) State Cheque      d) Expired Cheque

Fun Time

With the help of a cheque, we can pay money to the other party.



Our bank account...Wow !



# How to open a bank account

## General Introduction to Banking

Have you been to a bank? You must have observed many activities there. Some people may be depositing (putting in) money and others may be withdrawing (taking out) money. Also, you must have heard people speaking about interest, loan, cheque and demand drafts (DD). Have you heard people saying that the interest they get is too low and it is difficult to meet their household expenses? For them interest is an income used for daily living.

You need money to start a business or to buy items. We can borrow money from people or organisations. The bank is one such institution that lends money to borrowers. The borrowers could be individuals or companies. Individuals need money to construct houses, to purchase houses, land, items such as TV, fridge, motor cycles, cars, etc. Farmers also need money to buy land, cattle, fertilisers, tractors and farm equipments. People need money to start a business. Companies also require money to expand their business. Students also need loans for higher studies. Banks give money to all these types of borrowers. But can banks give money for free? Banks also have expenses in the form of paying interest to the depositor, salary to their employees, rent for the building, for electricity, to buy computers, etc. The interest on a loan is the extra charge that banks collect from borrowers to meet these expenses and make some profit.

### How do banks get money to give to borrowers?

Banks collect money from depositors who have some extra money (from their savings). Will these depositors give money to the bank for free? Depositors also need some incentive (encouragement) so that they keep their money with banks. To encourage depositors to keep their money with banks 'interest' is paid on the money kept by the depositor with the bank. Thus, bank is an organisation that collects money from depositors and gives money to borrowers. So we can say banks act as a 'middleman' between those who have extra money (depositors) and those who need money (borrowers).

Banks need a system with which they can record the transactions of their customers (depositing money and taking out money). For this reason, every individual or company needs to open an account in the bank. When the account is being opened banks check the background

of individuals by asking them to produce a few documents (proof of address, date of birth, etc.)  
 When an account is opened the bank gives a unique number to each depositor called an 'Account Number'. When an individual opens an account, he is given a Savings Bank Account. When a company or a businessman opens an account, they are given a 'Current Account'. Depending on the needs of the account holder, accounts are mainly classified as:

- Savings Bank (SB) account
- Current Account (CA)
- Recurring Deposit (RD) Account
- Fixed or Term Deposit (FD)
- Cumulative Term Deposit (CTD)

**Account Opening Form: Part-B**

Date:  (For office use only) Account No.  Search to verify earlier status of name and address.

**Type of Account**

Savings Bank Account (with cheque book) <input type="checkbox"/> Savings Bank Account (without cheque book) <input type="checkbox"/> No-NIS Account <input type="checkbox"/> Savings Flex Account <input type="checkbox"/> Premium Savings Account <input type="checkbox"/> Current Account <input type="checkbox"/>	Recurring Deposit <input type="checkbox"/> Term Deposit <input type="checkbox"/> Special Term Deposit <input type="checkbox"/> Multi Option Deposit Scheme linked with Savings Bank <input type="checkbox"/> Current Account <input type="checkbox"/> Others (please specify) <input type="text"/>
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\* Please fill the type of account to be opened. To know more about various schemes please consult Bank officer.

**Details of Applicant(s)**

1st/First Holder Name:  OF no. (to be filled in by branch/CPC):

2nd/Second Holder Name:  OF no. (to be filled in by branch/CPC):

3rd/Third Holder Name:  OF no. (to be filled in by branch/CPC):

**Account Name**

Account name as would appear on passbook/account statement:

**Services Required**

**1. ATM-CUM-DEBIT CARD:** (For international card and its variants, separate application is to be submitted)

Applicant no.	Card Type		Name as would appear on the card	
1st	<input type="checkbox"/> Domestic	<input type="checkbox"/> Gold International	<input type="text"/>	<input type="text"/>
2nd	<input type="checkbox"/> Domestic	<input type="checkbox"/> Gold International	<input type="text"/>	<input type="text"/>
3rd	<input type="checkbox"/> Domestic	<input type="checkbox"/> Gold International	<input type="text"/>	<input type="text"/>

Please mention any other account desired to be linked:

**2. INTERNET BANKING:** Viewing rights:  1st  2nd  3rd applicant; Transaction rights:  1st  2nd  No applicant (green tick)

**3. MOBILE BANKING:** Mobile Banking Service to be enabled on this no.

**4. SMS ALERTS:** SMS Alerts on mobile number as mentioned in Part-I  Required  Not required.

**5. CHEQUE BOOK:** Type of Cheque Book:  Ordinary  Multi-copy\*  Both \*Charges applicable for Multi-copy cheques.

**6. STATEMENT FREQUENCY:**  Monthly  Quarterly  Half-yearly  
(Not for current account) a-statement to be sent to e-mail id as mentioned in Part-I  Required  Not required

**Mode of Operation**

Self only  Either or Survivor  Former or Survivor  Any one or Survivor  Jointly  Other \_\_\_\_\_

**Specimen Signatures**

Paste a passport size photograph inside this box.  1st Applicant	Paste a passport size photograph inside this box.  2nd Applicant	Paste a passport size photograph inside this box.  3rd Applicant
Signature: <input type="text"/>	Signature: <input type="text"/>	Signature: <input type="text"/>
Signature: <input type="text"/>	Signature: <input type="text"/>	Signature: <input type="text"/>
Signature: <input type="text"/>	Signature: <input type="text"/>	Signature: <input type="text"/>

\* Please Sign in black ink only.



What documents are required to open an account? Let us try to understand.

## Opening an Account

The procedure and the application form used for opening accounts are more or less the same in all banks.

To open a bank account, you need the following:

- | Address Proof: Telephone bill, ration card, driving licence, voter ID card, passport, electricity bill or Aadhar card.
- | Identity proof: PAN card, passport, voter ID card or Aadhar Card.
- | Photographs: 2
- | Minimum Balance: The minimum balance varies from bank to bank depending upon the type of accounts. Banks also offer No-Frills or Zero balance accounts where there is no requirement for a minimum balance.
- | In the form, the photo of the individual who is opening the account needs to be affixed in the space provided. The photo helps in identifying the account holder.
- | The bank maintains a card that has two specimen (sample) signatures of the account holder. Normally banks scan the signature and store them in the computer.

## General Features of children's bank account

- | A guardian or a parent can open an account for a minor. This account can either be jointly held or can be an independent account. For an independent account the minor has to be more than 10 years of age.
- | The guardian/parent should hold an account with the bank where he/she wants to open an account for the minor.
- | The parent/guardian can choose to get bank statements on a regular basis. This will be helpful for a parent/guardian to monitor the child's account.
- | The parent/guardian also has the option to give instructions to the bank to transfer a specified sum of money into the child's account on a regular basis.
- | Banks that provide these accounts also provide all basic facilities of a savings account. This includes a debit card and a pass book. Some banks even provide cheque books for minors.
- | Usage of the money from the account and the minimum amount that has to be credited into the account will be as per the basic rules set by individual banks. Penalty will be charged if the guardian/parent is not able to maintain the minimum balance in the minor's account.
- | Some banks also provide additional insurance covers to the life of the parent/guardian. Here a certain sum is assured to the minor on the death (under specific conditions) of the parent/guardian.
- | There are various types of deposit schemes for minors offered by banks.
- | A minor above the age of 10 years may be allowed to open and operate saving bank account independently, if they so desire. On attaining majority, the erstwhile minor should confirm the balance in his/her account and if the account is operated by the natural guardian/legal guardian, fresh operating instructions may be obtained and kept on record for all operational purposes.
- | Once the account holder (child/minor) turns into major, the account will be treated as a regular account and the bank will obtain photographs and the specimen signature of the major.

## Documents required for Kid's bank account

The basic KYC norms will be followed while opening an account for a minor in the bank.

- | Document for proof of age and address of the minor
- | Document for proof of the relationship between the parent/guardian and the applicant minor
- | Proof of identify of the minor
- | Photographs of the minor

If the parent/guardian is able to engage the minor in this account in an active manner, then it does teach the minor to manage money. Since there are conditions like minimum average monthly/quarterly balance and also penalty if the same is not maintained it improves a minor's money management skills gradually. On the other hand the account also paves way for a new era where children would be better equipped with knowledge of banking by the time they become adults.

## Exercise

1) What are the requirements for opening a savings bank account?

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2) What is the rate of interest paid on a savings account by your bank?

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3) Find out what other benefits are offered by the bank of your choice.

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4) Fill out the dummy form to open your bank account.

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5) Who can open an account in a bank?

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6) What are the documents required to open an account?

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**Jumble Time**

# jumble words

Jumbled Words	Clue	Solution
uetrrCn ucAnoct	Account mainly used for a large number of transactions on a daily basis.	
ginRrcrue etiosDp uotnccA	Account mainly opened for saving small amounts and earning a higher rate of interest.	
Fdxei eotDspi	Amount deposited in this account cannot be withdrawn before the specified time.	

- The name and address has to be written in
  - Running hand
  - Block letters
  - Small letters
  - Any of the above
- The amount of cash to be deposited has to be filled by
  - The receptionist
  - The applicant
  - The manager
  - The cashier
- The account number in the form is filled by
  - The applicant
  - The bank authorities
  - The cashier
  - The receptionist
- The kind of account a customer would open, is decided by
  - The cashier
  - The customer
  - The bank manager
  - The receptionist
- You need to \_\_\_\_\_ to keep your money in a bank.
  - ask someone
  - take admission in a bank
  - have a friend/relative in a bank
  - open an account in a bank

**Fun Time**



**I am going to open a bank account. What about you?**





Story time!

## Insurance: A story

### A village having insurance against the vagaries of nature

All villagers assembled near the Chabutara. The Mukhia sat on a makeshift stage. The farmers of the village were facing serious problems year after year. One year it was loss of the entire crop due to a sudden downpour of rain at the time of harvest. The second year inundation followed. The river flowing nearby suddenly swelled, submerging many households, killing cattle and damaging tractors, agriculture pump sets etc. It was followed by severe drought in the next year. There was a distraught look on everyone's face because they wanted to find a way to lessen such losses at least this year.

The only graduate of the village had come today from the city and all of them gathered to hear from him if he could provide any solution. "Certainly", said Mr Graduate. "As a group, we can protect ourselves through insurance. All you need is to get a group insurance covering all households of this village. You can insure your homes, pedal cycles, cattle, crops and all other assets under insurance". "Why is group insurance better than individual insurance?" asked one gentleman. "Group insurance is offered to a group that has a similarity. For example, we are all part of this Gram Panchayat and the Gram Panchayat can take a group insurance policy covering all the villagers. Further as it saves lot of administration work of issuing multiple insurance policies for the same risk, it is cheaper than individual insurance." "It is a very good idea." Every one nodded in agreement. "Can we get health treatment under insurance for our families?" asked one woman sitting in a corner. "Of course," said Mr. Graduate. "But you have to purchase a group health insurance to avail of such a facility. One more thing you may want to know about is the cashless facility under health insurance. Now-a-days, most insurance companies have tie-ups with a network of hospitals and the claim amounts are directly paid to them in case of hospitalisation, so that hospitals do not charge the money from you. It means you just have to walk in with your ID proof of insurance to the network hospital and get free access to health care as per the policy under cashless facility." The Mukhia then rose from his chair and told the villagers, "Now we are going to insure the entire village under group insurance." Everyone applauded the decision.



### Fun Time

- 1) For the villagers, group insurance was better than individual insurance because
  - a) it saves administrative work
  - b) it is cheaper
  - c) they all had a similar kind of risk
  - d) all of the above
- 2) What is required at a network hospital to get access to free health care as per the policy under cashless facility?
  - a) Insurance policy
  - b) Witness
  - c) ID proof
  - d) Policy card

We should select the best insurance policy according to our needs



VAT... what is that?



## How Do Vat And Tax Differ?

Mr. Ragahwan had returned home and was happy that his children were curious about tax. He told Sneha and Swapnil that although income tax is paid annually, we still pay tax to the government on a regular basis in the form of VAT and sales tax. Swapnil asked his father to explain the difference between sales tax and VAT since it was in his Economics syllabus. Mr. Raghawan explained that VAT and sales tax are two different forms of consumption tax. However, the ways in which they are levied on the consumer differ.

Value Added Tax (VAT)	Sales Tax
It is an indirect tax which is imposed on products or services at different stages of manufacturing.	This is levied on the total value of the purchase at the time when the products or services are purchased.
VAT is paid to the government directly by the producer, and the cost is passed on to the consumer.	Sales tax is collected from the consumer by the seller at the time of purchase.
It requires comprehensive and tricky calculations as it involves many stages.	Sales tax is easy to calculate as it is charged on the final amount.
VAT is levied on both the producer and the consumer.	Sales tax is levied only on the end-consumer.
VAT is a value added tax collected by state government on declared goods and services.	Sales tax is collected on sales of goods by shops, business establishments and manufacturing units.
The economic effect of VAT falls on the final prices of the goods and services.	Sales tax relies on the final sale to customers.

**Jumble Time**

# jumble words

Jumbled Words	Clue	Solution
Eulva ddade axt	Indirect tax that is imposed on products or services at different stages of manufacturing	
Seals axt	Tax levied on the total value of the purchase at the time of the purchase of the products or services	

**Fun Time**

- VAT stands for the \_\_\_\_\_
  - Valuable Amount of Tax
  - Value Added Tax
  - Value Affirmation tax
  - Value Activity Tax
- VAT is the tax collected by the \_\_\_\_\_ on declared goods and services.
  - Central government
  - District government
  - State government
  - Local government
- Sales tax is levied on the
  - the final products
  - different stages of manufacturing
  - electricity and water supply
  - raw material
- The economic effect of VAT falls on
  - the final prices of the goods and services
  - money invested by the government
  - shopkeepers and manufacturers.
  - customers
- If we don't pay our income tax
  - we might be subject to penalisation
  - the government cant take action against us
  - we might get capital punishment
  - we might get 5 years imprisonment
- The percentage of penalty is
  - is INR 1000/- per failure
  - depends on the percentage of the shortfall of tax
  - is INR 2000/- per failure
  - is INR 5000/- per failure
- The penalty for not paying tax can be
  - imprisonment
  - capital punishment
  - confiscation of our property by the government
  - we might be subject to penalisation

**We should pay our taxes on time.**



How we can withdraw and deposit money in a bank?



## Part I: Filling deposit and withdrawal slips

To deposit money in a bank account, you need to give the bank some details by filling a slip known as a pay-in slip/deposit slip.

As a sample, the slip used by a bank is given below:

Note that the slip has two parts. The right side is for the bank's use and left side is for the depositor's record.

Let us understand the details to be filled up on the Bank Copy. Most of the same information is filled on the left side also.

Circled Number	Detail	Entry in the above slip
1	Name of the Bank's Branch	Jayanagar
2	Date (of deposit)	03-04-06
3	Paid in to the credit of (Nature of account)	SB (Savings Bank)
4	A/C Holders Name	Ramesh K.N.
5	Amount of deposit in words	Two thousand only
6	A/C No. (Account Number)	14502
7	Amount of deposit in figures	2000
8	Signature of Depositor	Signature
9	Cash/Cheque (method of deposit)	Cash
10	Denomination (breakup of amount in different currency notes)	500x2 = 100, 100x10 = 1000 Total ₹ 2000

**Note:** Since authorization is not required for depositing money, anyone can deposit money into any one's account.

## Withdrawal of money

As an example, let us see what needs to be filled to withdraw money from the bank using the form of a bank.

The image shows a bank withdrawal slip form with the following handwritten details and circled annotations:

- 1:** Name of the Account Holders: PADMAKSHI
- 2:** Date (of withdrawal): 01-05-2016
- 3:** Account Number in the Bank: 14110
- 4:** Amount of withdrawal in words: FIVE HUNDRED ONLY
- 5:** Amount of withdrawal in figures: 500/-
- 6:** Debit the amount to my/our SB A/c No. (indicated by an arrow pointing to the account number field)
- 7:** Signature of Depositor: Palvash

Circled Number	Detail
1	Name of the Account Holders
2	Date (of withdrawal)
3	Account Number in the Bank
4	Amount of withdrawal in words
5	Amount of withdrawal in figures
6	Debit the amount to my/our SB A/c No.
7	Signature of Depositor

There are some restrictions on the use of a withdrawal slip. They are:

1. Only the account holder can use this slip to a withdraw the amount for himself.
2. This form cannot be used to make payment to others.
3. The account holder has to produce the pass book.



Let us understand how to operate an account.

## Part II: Operating Your Account

A bank account lets you set aside money for unexpected expenses. Banks offer various types of accounts such as savings and current accounts, allowing you to earn a small amount of interest on your deposit. This article will tell you how to deposit and withdraw money from a bank account.



## Depositing and withdrawing money

When you have a current or savings account, you can deposit and withdraw money either in person at the bank or by using an ATM.

- Making a deposit: If you want to deposit money into your account, there are a few options. If you receive a cheque, you can deposit it with your bank who will collect the money through the clearing house system, where banks in a city exchange cheques with one another and settle the payments by arriving at a net amount of payables and receivables.
- Making a withdrawal: To withdraw money, you can write a cheque made out to 'Cash' and then put date and sign it like a cheque you would deposit. Endorse the cheque and give it to the bank teller, who will give you the cash. To withdraw money from an ATM, put your ATM card into the machine, enter your Personal Identification Number (PIN), and specify the amount of cash you'd like.

RESERVE BANK OF INDIA  
Date / दिनांक : \_\_\_\_\_  
PAY TO THE ORDER OF / या धारक को \_\_\_\_\_  
RUPEES / रुपये \_\_\_\_\_ अदा करे  
Rs. / ₹ \_\_\_\_\_  
A/c No. \_\_\_\_\_ SB A/C \_\_\_\_\_  
HDFC BANK LIMITED  
MICR: \*524000\* 69524000 20 045504\* 31

### Key Messages

- Savings accounts let us set aside money for unexpected expenses.
- A cheque is a document that orders a payment of money from a bank account.

### Exercise

1. What is a Pay-in-slip? What information do you need to fill it ?

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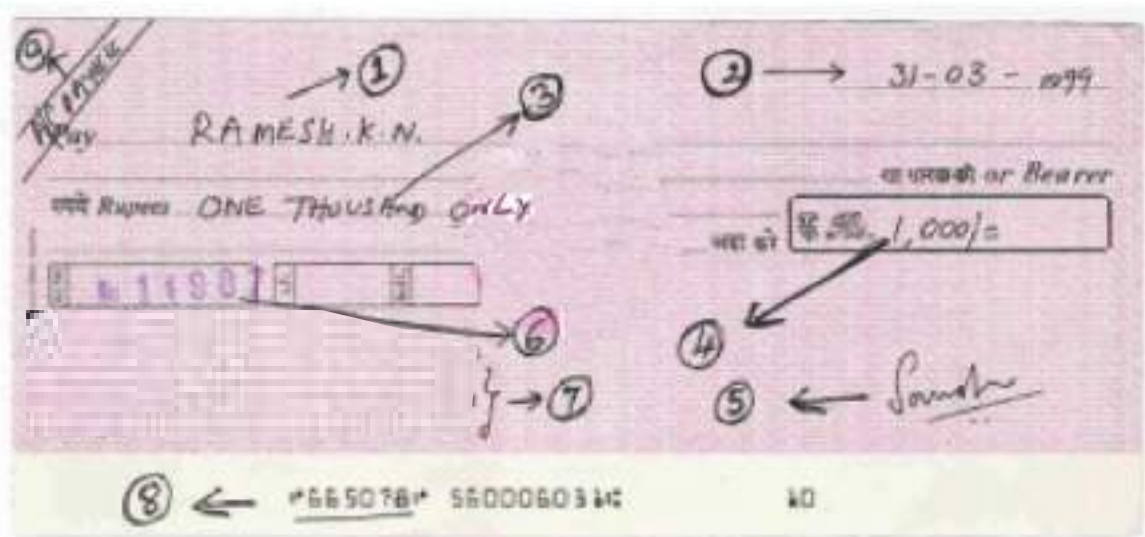
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2. What is a withdrawal slip? What information do you need to fill it ?

---

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- Let us see what needs to be filled in a cheque so as to pay an amount to others. As an example let us study the cheque format used by a bank.



Circled Number	Detail	Entry in the above Cheque
1	Pay (name of the person who needs to be paid)	Ramesh K.N.
2	Date (date on which the money is to be paid)	31-03-1999
3	Rupees (the amount to be paid in words)	One Thousand Only
4	Rs. (the amount to be paid in figures)	1000
5	Signature of the person issuing cheque	Signature (It should be as per the specimen signature card given to the bank)
6	Mode of Payment	A/c Payee
7	Bank branch Address	Public Utility Building, Branch, Bangalore-560001
8	Cheque Number	665078

### Key Notes:

- Overwriting is not permitted.
- Do not write on the MICR strip of the cheque or damage it.

Time to study our passbook



### Passbook

When an account is opened with a bank the bank gives a pass book that lists the transactions carried out in that account.

As an example, let us look at the pass book entry of an account holder of a bank which is given below.



Circled Number	Details	Entry in the above Pass Book
1	Name of the Account holder	Padmakshi and Veena
2	A address of the account holder	2282, 2nd Cross, K.R. Road...
3	Account number	01190014110

Since this account is in two names, the account is called a 'joint account'.

The next and subsequent pages give the details of the transactions carried out by the account holder.

Let us see how transactions are recorded in a passbook.

DATE	PARTICULARS	CHEQUE NO.	DEBIT	CREDIT	BALANCE
					1000.00
13/04/11	SAL. FOR APRIL				1000.00
21/04/11	TRF TO 199725044301		120.00		880.00
06/05/11	TRF TO 199725044301		110.00		770.00
12/05/11	SAL. FOR APRIL			1000.00	1770.00
13/05/11	ATM 400		100.00		1670.00
23/05/11	TRF TO 199725044301		110.00		1560.00
24/05/11	TRF TO 199725044301		110.00		1450.00

Date of Transaction	Details	Reference Number	Amount Taken out/ Amounts withdrawn	Amount put in +/- Amounts Deposited	Balance
01	02	03	04	05	06
23/09/2014	A/c Opening Balance	Sd14039		500.00	500.00
03/10/97	By Cash	SD14086		10000.00	10500.00
24/10/97	By Cash			375.00	14250.00
24/10/97	By Cash	Sd14014		10000.00	24250.00
04/11/97	To Agrahar & Co	Vb5181	15000.00		9250.00
05/11/97	By Cash	SD013014		30000.00	39250.00
06/11/97	By Clearing			30000.00	69250.00

Circled Number	Details	Explanation
1	Date of Transaction	The date on which money was deposited or withdrawn.
2	Details	How the money has come in to the account or to whom money has been given, and how it was taken out.
3	Reference Number	The internal number used by the bank or the cheque number or the cheque.
4	– withdrawn	Amount withdrawn from the account. This reduces the money available in the account.
5	deposit	Amount deposited in to the account. This increases the money available in the account
6	Balance	The amount in the account on a particular day.



**Jumble Time**

# jumble words

Jumbled Words	Clue	Solution
nayPi ipIS	Slip used to deposit money into an account	
rldahwtaWi piIS	Slip used to withdraw money from an account	

**Fun Time**



- When an account is opened in two names, the account is known as \_\_\_\_\_.
  - Two Accounts
  - Separate Account
  - Joint Account
  - Dual Account
- We need to fill a \_\_\_\_\_ slip to take cash out of an account.
  - Deposit
  - Withdrawal
  - Passbook
  - Cheque
- We need to fill a \_\_\_\_\_ slip to put cash into an account.
  - Deposit
  - Withdrawal
  - Passbook
  - Cheque
- \_\_\_\_\_ lists the transactions carried out in the account.
  - Deposit
  - Withdrawal
  - Passbook
  - Cheque



**With the help of a withdrawal slip and pay-in slip we can withdraw and deposit cash in our account.**

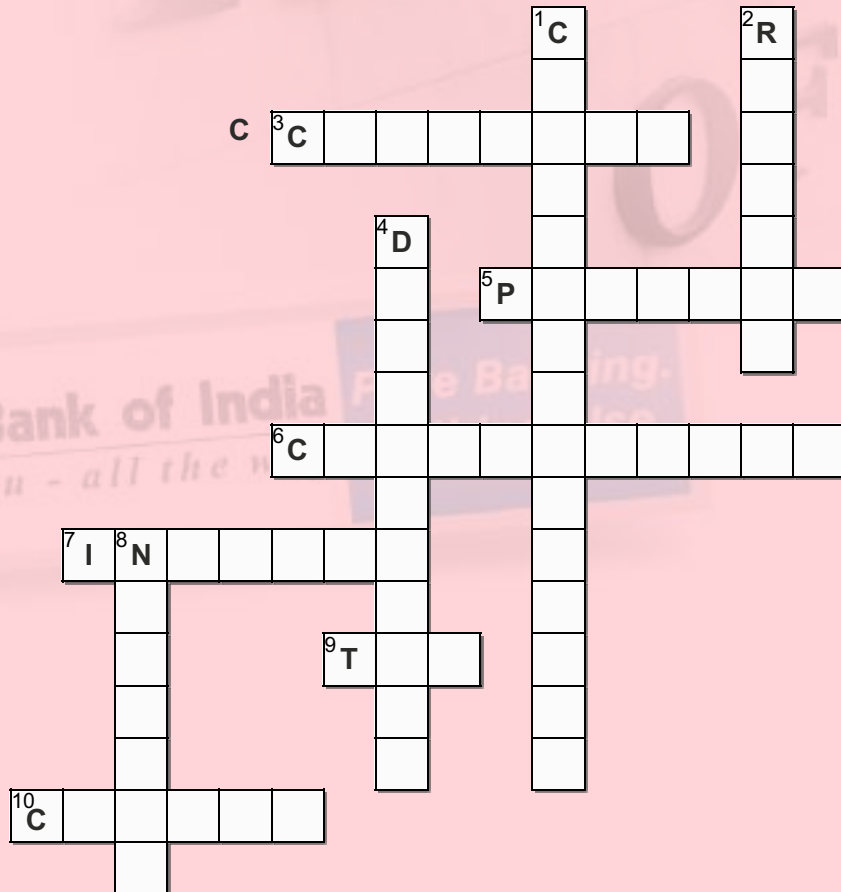


Time to solve crosswords, Rashi



Yeah, we will have fun, Saif.

## CROSSWORD



### Across

3. An individual who buys products or services for personal use and not for manufacturing or resale
5. The amount of money charged by the insurer to the insured for a certain amount of insurance coverage
6. It is the apex institution which controls, regulates and supervises the monetary credit system of the country
7. The person or object covered under the insurance
9. A charge imposed by the government, which acts as a payment for common services provided by the state.
10. A document that orders a payment of money from a bank account to the person specified

### Down

1. These banks perform finance, trade and commerce
2. The amount of money brought in by a company through its activities
4. It is also called a 'remotely created cheque', 'tele-cheque' or 'cheque by phone'
8. The person nominated by the policyholder to receive the policy benefits in the event of his/her death

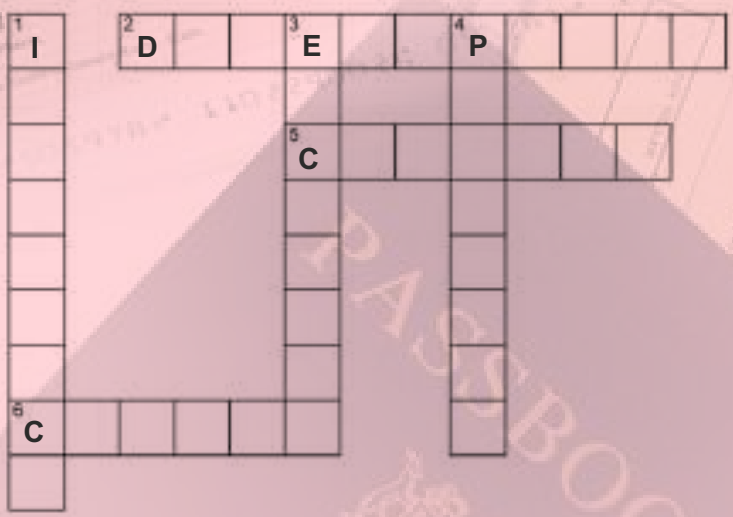




Time for more crosswords, Munaf.



Gaming and learning together, Isn't it great?



ACROSS

- 2 \_\_\_\_ Banks have been set up to meet the growing demands of particular segments such as, export, rural, housing and small industries.
- 5 A \_\_\_\_ cheque cannot be encashed at the cash counter of a bank but it can only be credited to the payee's account.
- 6 \_\_\_\_ is a document that orders a payment of money from a bank account.

DOWN

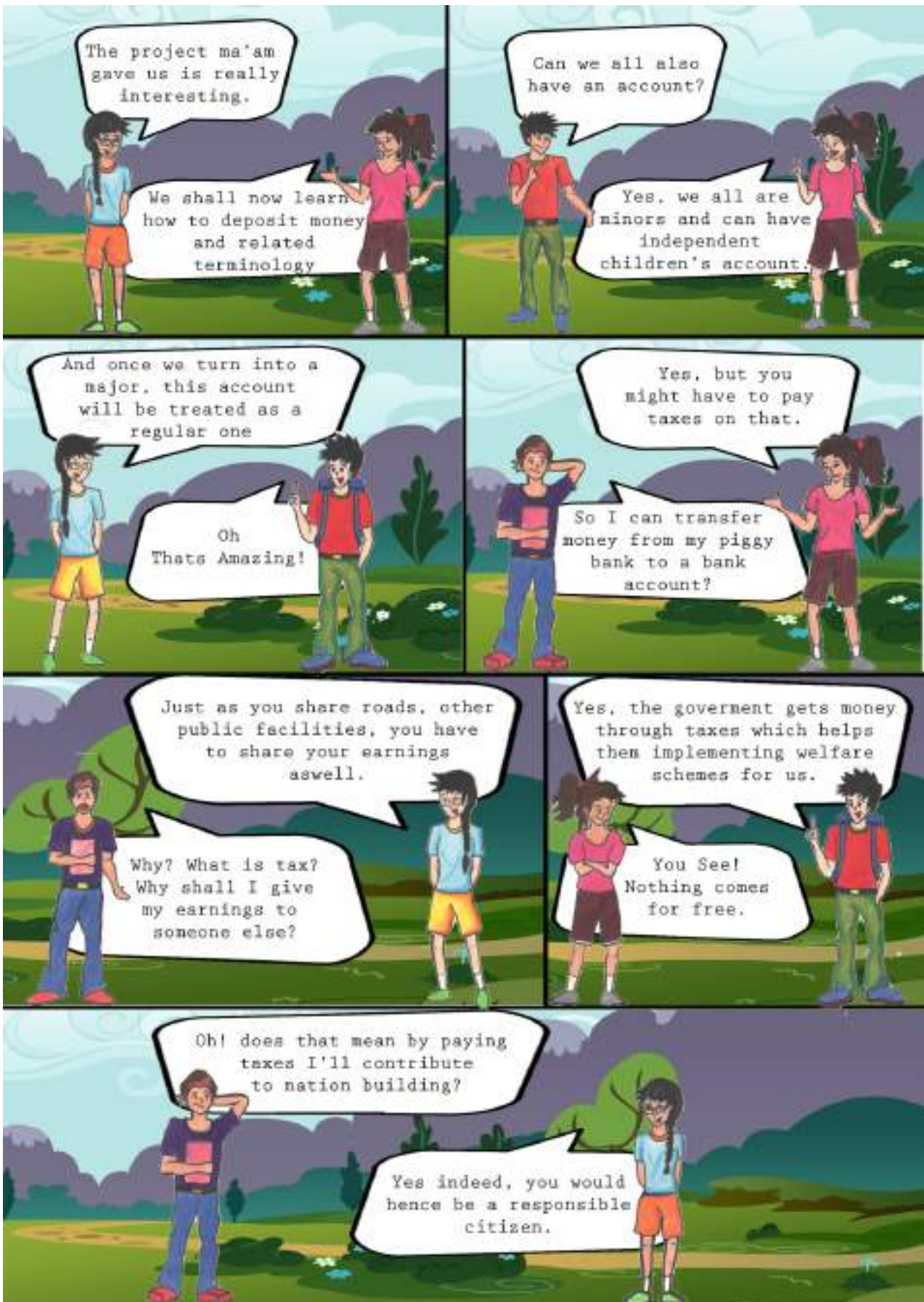
- 1 \_\_\_\_ is a contract between the insurance company (insurer) and the policyholder.
- 3 \_\_\_\_ banks deal in foreign exchange and specialise in financing foreign trade.
- 4 \_\_\_\_ lists the transactions carried out in a bank account.

ABBREVIATIONS

Time for abbreviations

- 1. KYC
- 2. MICR
- 3. ATM
- 4. IFSC
- 5. DD
- 6. FD





**Note:**

**Note:**

**Note:**



Prepared by:

