NARAYANA EDUCATIONAL INSTITUTIONS 44 YEARS OF EXCELLENCE

Class XI

Business Studies Practice Sheet

HINT ANSWERS

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Q 2. Regional balance is important to ensure the development of all regions and states in a balanced way and removing regional disparities. In the pre-Independence period, industrial progress was primarily restricted to a few areas like the port towns. Therefore, post-independence the government took initiatives to set up new enterprises in backward areas and also checked the growth of private sector units in already advanced areas.

Q 3. It is difficult, though not impossible, for the public sector companies to compete with the private sector in terms of profits and efficiency due to following reasons:
(i) Difference in Objective pursued: The private sector companies focus on the objective of profit maximisation while the public sector companies primarily focus on the objective of social welfare.
(ii) Difference in Ownership: The management and administration of the public sector companies is greatly influenced by political considerations primarily because the government is the sole or major shareholder in these companies. Whereas, the private sector companies enjoy greater autonomy as the ownership rests in the hands of the individuals or group of individuals.
(iii) Difference in Management: The management of private sector companies is done by professionally qualified and trained managers. Whereas, the competency of government officials who are responsible for management of public sector enterprises may be relatively less. As a result, the private sector companies display higher efficiency in their working.
(iv) Difference in Area of Operation: The public sector companies mainly deal in basic and public utility sectors which require huge investments but the returns are not very high.
On the contrary, private sector companies deal in those sectors where the returns on investment are lucrative.

Q 4. Definition: A Public-Private Partnership (PPP, 3P or P3) is a cooperative arrangement between one or more public and private sectors, typically of a long-term nature.
Features:
• A public-private partnership (PPP, 3P or P3) is a cooperative arrangement between two or more public and private sectors, normally of a long-term nature.
• PPPs often involve a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project.
• Capital investment is made by the private sector on the basis of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government.

• PPPs enable the public sector to harness the expertise and efficiencies that the private sector can bring to the delivery of certain facilities and services traditionally procured and delivered by the public sector.
° PPPs may be structured so that the public sector body seeking to make a capital investment does not incur any borrowing.

Q 5. (a) The telecommunication sector was reserved for public sector at the time of independence as the private sector was disinterested in investing in heavy industries or develop it in any manner. Therefore, telecommunication being the prerequisite of industrial development was operated through public sector enterprises as it required huge capital, well coordinated industrial construction, trained technicians and workforce.
(b) The telecommunication sector was privatised later on so as to make it more efficient and sustain growth on its own financial and economic strength.
(c) Yes, the consumers have been benefitted through privatisation of telecommunication sector in terms of wider choices, better quality of products and services, lower price, value added services, etc.

Q 8- Public Private Partnership

Q 9. (a) Development of infrastructure is a prerequisite for industrialisation in any country. In order to develop basic infrastructure, at the time of Independence, the pubic sector was given the prime responsibility to invest in key areas as the private sector was reluctant to invest in the projects which required heavy investments and involved long gestation periods. Therefore, the government had to mobilise huge capital, coordinate industrial construction and train technicians and workforce. The investments were to be made to:
(i) Give infrastructure to the core sector, which requires huge capital investment, complex and upgraded technology, big and effective organisation structures like steel plants, power generation plants, civil aviation, railways, petroleum, state trading, coal, etc.
(ii) Give a lead in investment to the core sector where private sector enterprises did not show much interest like fertilizers, pharmaceuticals, petro-chemicals, newsprint, medium and heavy engineering;
(iii) Give direction to future investments like hotels, project management, consultancies,
textiles, automobiles, etc.
(b) Regional balance is important to ensure development of all regions and states in a balanced way and removal of regional disparities. In the pre-Independence period, the industrial progress was primarily restricted to a few areas like the port towns. Therefore, post-independence the government took initiatives to set up new enterprises in backward areas and also checked the growth of private sector units in already advanced areas.
(c) Economies of scale can be achieved only through encouraging production on large scale.
Therefore, the electric power plants, natural gas and petroleum, etc. were set up as large scale units in the public sector.
(d) Check over concentration of economic power in the hands of private sector can be maintained by public sector by setting up large industries and sharing the income and benefits that accrue with a large of number of employees and workers. Whereas, a private sector encourages monopolistic practices.
(e) Import substitution was important in order to make the country self-reliant. During the second and third Five Year Plan period, it was difficult to import heavy machinery required for building a strong industrial base due to the lack of foreign exchange.

Therefore, to resolve the problem the heavy engineering which would help in import substitution were established in the public sector

Q 11. Ans. (a) Multinational Company

(b) Features:

(i) Expansion of market territory/ International operations

An MNC has production, marketing and other facilities in several countries. It operates through a network of subsidiaries and branches in host countries. It owns and controls assets in foreign countries.

"Max Ltd., a foreign company, started its business in an underdeveloped country."

(ii) Giant size and huge capital resources

MINCs possess huge capital resources. They are able to tap funds from various sources. They may issue equity shares, debentures or bonds to the public. They are also in a position to borrow from financial institutions and international banks.

"The size of the business is quite large. The company has plenty of resources. It employs thousands of people in the under-developed country."

(iii) Sophisticated/ Advanced technology

Generally, a multinational corporation has at its command advanced technology so as to provide world-class products and services.

"Max Ltd, is using completely the latest technology in its various business activities."