MORE QUESTIONS SOLVED

I. Multiple Choice Questions
Question 1. Which of the following is a departmental undertaking?
(a) Life Insurance Corporation Limited
(b) Railways
(c) Bharat Heavy Electrical Limited
(d) All of the above
Question 2. In which form of public sector enterprise, private individuals can also become shareholders?
(a) Departmental Undertaking
(b) Government Company
(c) Statutory Corporation
(d) None of the above
Question 3. Which of the following is most suitable when purpose is to generate revenue for the government?
(a) Departmental Undertaking
(b) Government Company
(c) Statutory Corporation
(d) None of the above
Question 4. Which of the following is most suitable when national security is of utmost importance?
(a) Departmental Undertaking
(b) Government Company
(c) Statutory Corporation
(d) None of the above
Question 5. Steel Authority of India Limited (SAIL) is an example of:
(a) Departmental Undertaking
(b) Government Company
(c) Statutory Corporation
(d) None of the above
Question 6. Which of the following is an example of Statutory Corporation?
(a) Life Insurance Corporation Limited
(b) Railways
(c) Bharat Heavy electrical Limited
(d) All of the above
Question 7. BIFR stands for:
(a) Bureau of Industrial and Financial Reconstruction
(b) Board of Industrial and Financial Reconstruction
(c) Board of Indian Financial Reconstruction
(d) Board of Industrial and Financial Reformation
Question 8. Which of the following has 51% of the capital from government?
(a) Departmental Undertaking
(b) Government Company
(c) Statutory Corporation
(d) None of the above
Question 9. Which of the following is under the control of a ministry?
(a) Departmental Undertaking
(b) Government Company
(c) Statutory Corporation
(d) None of the above
Question 10. Which of the following is controlled and managed as

per the provisions of the statute under which it has been formed?
(a) Departmental Undertaking
(b) Government Company
(c) Statutory Corporation
(d) None of the above
Question 11. When two or more businesses join hands for mutual benefit and common purpose, it is called:
(a) Public Private Partnership
(b) Joint Venture
(c) Global Enterprises
(d) Statutory Corporation
Question 12. Which year brought a drastic change in the role of public sector in India?
(a) 1951
(b) 1956
(c) 1991
(d) 2001
Question 13. Memorandum of Understanding (MOU) is a term used in context of:
(a) Public Private Partnership
(b) Joint Venture
(c) Changing role of public Sector
(d) All of the above
Question 14. Employees of which of the following are considered as government employees?
(a) Departmental Undertaking
(b) Government Company
(c) Statutory Corporation
(d) None of the above
Question 15. Since 1991, number of has increased in India.
(a) Departmental Undertaking
(b) Government Company
(c) Statutory Corporation
(d) Global Enterprises
Answer:
1. (6)
2. (b)
3. (b)
4. (a)
5. (c)
6. (a)
7. (b)
8. (b)
9. (a)
10. (c)
11. (b)
12. (c)
13. (d)
14. (a)
15. (d)

II. Short Answer Type Questions
Question 1. What is the difference between Public and Private sector?
Answer: Differences between public and private sectors are summarised in the table given below:

Basis	Public Sector	Private Sector
Ownership	These are owned by the government- central or state.	These are owned by individuals or group of individuals.
Aim	It aims at social welfare.	It aims at profit maximisation.
Efficiency	It is likely to be less efficient due to lack of autonomy and too much interference.	It is likely to be more efficient due to quick decision making.
Management Control	It is subject to control from the government.	It is controlled only by business laws but not directly by the government.
Accountability	These are accountable to the government.	These are accountable to the owners.
Example	Railways, BHEL, LIC Ltd, SAIL, GAIL	Reliance Industries Limited, Partnership firms, HUF, Cooperatives etc.

Question 2. Discuss the merits and demerits of Departmental Undertaking.
Answer: These are established as departments of the ministry and are financed, managed and controlled by either central government or state government. Examples: Indian railways, post and telegraph.
Features

- No separate entity: It does not have separate legal entity.
- Finance: It is financed by annual budget allocation of the government and all its earnings go to government treasury.
- Accounting and Audit: The government rules relating to audit and accounting are applicable to it.
- Staffing: Its employees are government employees and are recruited and appointed as per government rules.
- Accountability: These are accountable to the concerned ministry.

Merits

- It is more effective in achieving the objective laid down by government as it is under the direct control of govt.
- It is a source of government income as its revenue goes to government treasury.
- It is accountable to parliament for all its actions which ensures proper utilisation of funds.
- It is suitable for activities where secrecy and strict control is required like defence production.

Demerits

- It suffers from interference from minister and top officials in their working. .
- It lacks flexibility which is essential for smooth operation of business.
- It suffers from red tapism in day to day work.
- These organizations are usually insensitive to consumer needs and do not provide goods and adequate service to them.
- Such organisations are managed by civil servants and government officials who may not have the necessary expertise and experience in management.

Question 3. Explain three trends indicating changing role of public sector.
Answer: The changing role of public sector is clear from the following trends:

1. Restricting the role of public sector only to critical areas: The reservation of industries exclusively for the public sector has been reduced from 17 to 8 and further to 3 only.
2. Performance improvement through Memorandum of Understanding (MOU):

Under this government lays down performance targets for the management and gives greater autonomy to hold the management accountable for the results.

3. Disinvestment: Equity shares of public sector enterprises were sold to private sector and the public. It was expected that this would lead to improved managerial performance and better financial discipline.
4. Restructure and Revival: All public sector sick units were referred to Board of Industrial and Financial Reconstruction (BIFR). Units which were potentially viable were restructured and which could not be revived were closed down by the board.

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