III. Long Answer Type Questions

Question 1. Define Joint Venture and explain its major benefits.
Answer: Meaning: When two or more independent firms together establish a new enterprise by pooling their capital, technology and expertise, it is known as a Joint Venture. Example: Hero Cycle of India and Honda Motors Co. of Japan jointly established Hero Honda. Similarly Suzuki Motors of Japan and Govt, of India come together to form Maruti Udyog.
Benefits

1. Greater resources and capacity: In a joint venture the resources and capacity of two or more firms are combined which enables them to grow quickly and efficiently.
2. Access to advanced technology: It provides access to advanced techniques of production which increases efficiency and then helps in reduction in cost and improvement in quality of product.
3. Access to new markets and distribution network: A foreign company gain access to the vast Indian market by entering into a joint venture with Indian company. It can also take advantage of the well established distribution system of local firms.
4. Innovation: Foreign partners in joint ventures have the ideas and technology to develop innovative products and services. They have an advantage in highly competitive and demanding markets.
5. Low cost of production: Raw materials and labour are comparatively cheap in developing countries so if one partner is from developing country they can be benefited by the low cost of production.
6. Well known brand names: When one party has well established brands and goodwill, the other party gets its benefits. Products of such brand names can be easily launched in the market.

Question 2. Explain the main features of Multinational Company.
Answer: Multinational Company may be defined as a company that has business operations in several countries by having its factories, branches or offices in those countries. But it has its head quarter in one country in which it is incorporated. Example: GEC, IBM, PHILIPS, COCA-COLA etc.
Features

1. Huge capital resources: MNCs possess huge capital resources and they are able to raise lot of funds from various sources.
2. International operations: A MNC has production, marketing and other facilities in several countries.
3. Centralised control: MNCs have headquarters in their home countries from where they exercise control over all branches and subsidiaries. It provides only broad policy framework to them and there is no interference in their day to day operations.
4. Foreign collaboration: Usually they enter into agreements relating to sale of technology, production of goods, use of brand name etc. with local firms in the host country.

5. Advanced technology: These organisations possess advanced and superior technology which enable them to provide world class products and services.
6. Product innovations: MNCs have highly sophisticated research and development departments. These are engaged in developing new products and superior design of existing products.
7. Marketing strategies: MNCs use aggressive marketing strategies. Their brands are well known and spend huge amounts on advertising and sale promotion.

Question 3. Differentiate between Statutory Corporation, Departmental Undertaking and Government Company.
Answer: Differences between Statutory Corporation, Departmental Undertaking and Government Company are summarized in the table given below:

Basis	Statutory Corporation	Departmental Undertaking	Government Company
Formation	By a special act of Parliament or State Legislature	By a Ministry	Under Companies Act with or without Private Sector participation
Ownership	Wholly owned by the Government	Wholly owned by the Government	At least 51% share capital is held by the Government.
Autonomy	Sufficient	No Autonomy	Highest
Legal Status	Separate legal entity	No separate legal entity	Separate legal entity
Public Accountability	Moderate	Highest	Low
Personnel	Not government employees but hired under a contract of service	Government employees	Not government employees but hired under a contract of service
Funds	Financed from its own resources which may include issue of shares and debentures.	Financed from government budget	Financed from its own resources which may include issue of shares and debentures.
Suitability	Industrial and commercial undertakings	Defense, services of public utility like education, health etc.	Industrial and commercial undertakings
Example	LIC, GIC, SBI, RBI etc.	Railways, Post and Telegraph	SAIL, GAIL, BHEL etc.

Question 4. Explain the merits and demerits of public-private partnership.
Answer: Public private partnership also called PPP or p3 is a contract between government and private business firms for the provision of public assets and/or public services.
Merits

- Inflow of private investment: PPP attracts private investment which is of utmost importance to undertake such essential projects.
- Increased efficiency: Involvement of private sector will bring efficiency in implementation of projects and cut down cost and time.
- Innovation: It helps in bringing innovative design and constructive practices.
- Better economic viability: Involvement of experienced and creditworthy sponsors and commercial lenders can increase economic viability of the projects.
- Risk sharing: The structuring of a PPP project allocates the risks to the agency which can handle it most suitably.

Demerits

- Increased cost: Cost of production increases for the government as private sector also demands its profit share for the money it invests.
- Control gets divided: Control gets divided between private and public sector. Government remains involved in all stages and private sector, is responsible for more commercial functions like project design, construction, finance and operations.

Question 5. What is Statutory Corporation? Explain its features, merits and demerits.
Answer: It is established under a special act passed in parliament or state legislative assembly.
Its objectives, powers and functions are clearly defined in the Statute /Act.
Examples include Unit Trust of India, Life Insurance Corporation of India, Steel Authority of India Limited etc.
Features

- It is established under a special act which defines its objects, powers and functions.
- It has a separate legal entity.
- Its management is vested in a Board of Directors appointed or nominated by the government.
- It has its own staff, recruited and appointed as per the provisions of act.
- This type of enterprise is usually independently financed. It obtains funds by borrowing from government or from public or through earnings.
- It is not subject to same accounting and audit rules which are applicable to Government Department.

Merits

- Internal autonomy: It enjoys a good deal of autonomy in its day to day operations and is free from political interference.
- Quick decisions: It can take prompt decisions and quick actions as it is free from the prohibitory rules of government.
- Parliamentary control: Their performance is subject to discussion in Parliament which ensures proper use of public money.
- Efficient management: Their Directors and top Executives are professionals and experts of different fields.

Demerits

- Flexibility is for name sake only: In reality, there is not much operational flexibility. It suffers from lot of political interference.
- Lack of profit motive: Usually they enjoy monopoly in their field and do not have profit motive due to which their working turns out to be inefficient.
- Corruption: Where there is dealing with public, rampant corruption exists. Thus public corporation is suitable for undertaking requiring monopoly powers e.g., public utilities.

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