



TEXTBOOK QUESTIONS SOLVED

I. Multiple Choice Questions

Question 1. A government company is any company in which the paid up capital held by the government is not less than

- (a) 49 per cent
- (b) 51 per cent
- (c) 50 per cent
- (d) 25 per cent

Question 2. Centralised control in MNC's implies control exercised by

- (a) Branches
- (b) Subsidiaries
- (c) Headquarters
- (d) Parliament

Question 3. PSE's are organizations owned by

- (a) Joint Hindu Family
- (b) Government
- (c) Foreign companies
- (d) Private entrepreneurs

Question 4. Reconstruction of sick public sector units is taken up by

- (a) MOFA
- (b) MoU
- (c) BIER
- (d) NRF

Question 5. Disinvestments of PSE's implies

- (a) Sale of equity shares to private sector/public
- (b) Closing down operations
- (c) Investing in new areas
- (d) Buying shares of PSE's

Answers:

- 1. (b)
- 2. (c)
- 3. (b)
- 4. (c)
- 5. (a)

II. Short Answer Type Questions

Question 1. Explain the concept of Public Sector and Private Sector.

Answer:

Private sector consists of business owned by individuals or a group of individuals. Examples of private sector include sole proprietorship, partnership, Joint Hindu Family system, cooperative and company. On the other hand, the public sector consists of various organizations owned and managed by the government, owned either wholly or partly by the central or the state government. These may be part of a ministry or come into existence by a special act of the parliament.

Public sector works for social welfare while private sector works for profit motive.

Public sector organizations may take form of departmental undertaking, statutory corporation and a government company. Private sector may take form of sole proprietorship, partnership, Joint Hindu Family, company or a cooperative.

Question 2. State the various types of organizations in the private sector.

Answer: Various types of organizations in the private sector include:

1. Sole Proprietorship: Sole proprietorship refers to a form of business organization which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks.
2. Hindu Undivided Family Business: It refers to a form of organization wherein the business is owned and carried by the members of the Hindu Undivided Family (HUF).
3. Partnership: Partnership is the relation between persons who have agreed to share the profit of the business carried on by all or any one of them acting for all.
4. Cooperative Society: Cooperative society is a voluntary association of persons, who join together with the motive of welfare of the members.
5. Joint Stock Company: A company is an association of persons formed for carrying out business activities and has a legal status independent of its members.
6. Multinational Corporations: An MNC is a company whose business operations extend beyond the country in which it has been incorporated.

Question 3. What are the different kinds of organizations that come under the public sector?

Answer: Following are the different kinds of organizations that come under the private sector.

1. Departmental Undertaking: This is the oldest and traditional form of public enterprises. It is managed by government officials as one of the government departments. It is under the control of concerned minister of the department, who is answerable to government through parliament.
2. Statutory Corporation: Statutory Corporation is a corporate body with a separate legal existence, set up under a special act of parliament or of the state legislature.
3. Government Company: According to the Indian Companies Act 1956, a government company means any company in which not less than 51 per cent of the paid up capital is held by the government or by any state government or partly by central government and partly by one or more state governments.

Question 4. List the names of some enterprises under the public sector and classify them.

Answer: Some of the enterprises under the public sector are as follows:

Railways	Departmental Undertaking
Reserve Bank of India	Statutory Corporation
Life Insurance Corporation of India	Statutory Corporation
The Hindustan Steel Limited	Government Company
Coal India Limited	Government Company
Post and Telegraph Department.	Departmental Undertaking
Food Corporation of India	Statutory Corporation
State Financial Corporation	Statutory Corporation
Damodar Valley Corporation	Statutory Corporation
Hindustan Machine Tools	Government Company
State Trading Corporation of India	Statutory Corporation
Hindustan Aircrafts Limited	Government Company

Question 5. Why is the government company form of organization preferred to other types in the public sector?

Answer: Government company form of organization is preferred to other forms of organizations due to its advantages over other forms. These advantages are as follows:

- It is registered or incorporated under Companies Act.
- It has a separate legal entity.
- Management is regulated by the provision of Companies Act.
- Employees are recruited and appointed as per the rules and regulations contained in Memorandum and Articles of Association.
- The government company obtains its funds from government shareholdings and other its private shareholdings. It can also raise funds from capital market.
- It can be easily formed as per the provision of Companies Act. Only an executive decision of government is required.
- It enjoys autonomy in management decisions and flexibility in day to day working.
- It can appoint professional managers on high salaries.

Question 6. How does the government maintain a regional balance in the country?

Answer: The government is responsible for developing all regions of a country. Earlier, most of the development was limited to few areas like port towns. For providing employment to the people and for accelerating the economic development of backward areas many industries were set up by public sector in those areas.

1. Four major steel plants "were set up in the backward areas to accelerate economic development.
2. The government also makes efforts to prevent mushrooming growth of private sector units in already advanced regions.
3. Government provided many incentives to private sector like tax concessions, loan at cheap rate of interest etc. to motivate them to set up industries in backward regions.

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