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| Date : | FYJC | Duration: 1 Hr. 15 Min. |
| Marks : 30 | Subject : Organisation of Commerce & Management Ch. 3. Private, Public and Global Enterprises | Set No. : |

SOLUTION

Q.1. Select the correct answer from the possible options given below and rewrite the statement: (05)

1. Private enterprise invest their funds in areas where return is maximum
 - (a) areas of social benefits
 - (b) areas where return is maximum
 - (c) any area.
2. Government Company is registered under, Indian Companies Act 1956
 - (a) Special legislation
 - (b) Indian Companies Act 1956
 - (c) Banking Act 1949
3. Public enterprises are financed by Government
 - (a) Government
 - (b) Private business men
 - (c) political leaders
4. A multinational corporation is also known as Global corporation
 - (a) Global corporation
 - (b) Regional Corporation
 - (c) National Corporation
5. A departmental undertaking has No separate legal activity
 - (a) Separate legal entity
 - (b) No separate legal activity
 - (c) None of these

Q.2. Match the correct pairs: (03)

| | Group "A" | | Group "B" |
|----|--------------------------|----|---------------------------|
| 1. | Steel authority of India | a) | Reduces entry risks |
| 2. | Joint Ventures | b) | Indian Companies Act 1956 |
| 3. | Multinational Company | c) | Government Company |
| | | d) | Sole proprietorship |
| | | e) | Private Company |
| | | f) | Unilever Ltd |

Ans. : (1 - c), (2 - a), (3 - f)

Q.3. Write a word / term / phrase which can substitute each of the following statements: (02)

1. Main objective of public sector enterprise.
Service motive
2. A Company formed by passing a special act in a parliament or legislature.
Statutory Company

Q.4. Distinguish between Joint venture & Partnership. (05)

| Joint venture | Partnership |
|--|---|
| A Joint Venture is a temporary partnership formed to undertake a specific business or for a specific period of time. | A partnership is an association of persons formed to carry out business activity on regular basis for a long period of time to earn profit and share it among them. |
| It is formed to complete a particular venture. | It is formed to carry out business activity permanently. |
| It does not have a typical or specific name for carrying out its activities. | It does have a separate name of the firm, which is used for all its business activities |

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| There is no specific statute to govern a Joint Venture. However, it is governed as per the principles of partnership under Contract Act. | Partnership is governed by a separate Act called Indian Partnership Act, 1932. |
| Liability of partners is limited to a particular venture only. | Liability of partners is always unlimited, joint and several. |
| It is automatically dissolved on completion of the project or the venture. | Partnership is dissolved only if partner demands dissolution or there is court order to dissolve the same. |

OR**Write a note on Demerits of statutory corporation****Ans: Demerits:**

- (1) The formation of a Statutory Corporation is elaborate and time - consuming as it is formed by a special statute formed by Parliament or Legislature.
- (2) In spite of operational flexibility, Statutory Corporations are subject to follow many rules and regulations which reduces its flexibility.
- (3) There is possibility of manipulation and corruption in these organizations.
- (4) There is interference by political parties and Government, as it involves huge amount of investment.
- (5) Due to lack of competition and monopoly, these organizations are unaware of consumer needs.
- (6) Statutory Corporations are suitable only for large scale projects. They are not suitable for small scale projects.
- (7) These organisations are formed through a Special Act, so any desired change as per the requirements of the business is difficult.
- (8) Due to unprofessional management & indifferent employees, these organizations are inefficient and incur losses.

Q.5. State with reasons whether the following statements are True or False: (05)**1. Public enterprises have public accountability.**Ans: This statement is **TRUE**.**Reasons:**

- (1) All the industrial and commercial undertakings owned, managed and controlled by the Central Government or by the State Government are called Public Sector Organizations or Public Sector Undertakings (PSU). These organizations include : (a) Departmental undertakings (b) Public corporations and (c) Government companies.
- (2) These enterprises are financed by the government through shares, debentures, bonds, loans, subsidies, etc. Their revenues go to the government treasury.
- (3) These enterprises are subject to the normal budgeting, accounting and audit procedures as prescribed by the government.
- (4) Public enterprises are accountable to Parliament for all their actions. Such accountability ensures proper utilisation of funds. If anything goes wrong with the functioning of an undertaking, the questions are asked in Parliament and the concerned minister or departmental head is supposed to reply to them. Therefore, such accountability keeps the management alert.

2. Multinational companies have branches throughout the world.Ans: This statement is **TRUE**.**Reasons:**

- (1) Any company having its origin and head office in one country and business activities in many other countries is called a multinational company (MNC).
- (2) The term 'multinational' is the combination of two words, viz. 'multi' means many and 'national' means nations. It is a company that operates in many nations through its branches.
- (3) The multinational corporations (MNCs) are in a position to exercise massive control over the world economy. This is because they have huge capital resources, latest technology, goodwill, marketing strategy and network of operations all over the world.
- (4) When a multinational company sets up branches in all parts of the world we call it do a Global Enterprise or International Enterprise. i.e. Coca cola, Pepsi.
Thus, some multinational companies may have branches all over the world.

Q.6. What is meant by private sector? Explain features of private sector. (10)

Ans:

- (a) All the business organizations which are owned and controlled by private entrepreneurs or individuals or group of people are called as Private Sector organizations.
- (b) The main objectives of private sector organisations is to earn profit.
- (c) This sector includes - Sole Trading business (Swagat Kirana Stores), Partnership firm (M/s. Shah and Mehta), Joint Hindu family business (Dandekar & Sons), Joint Stock Companies (Reliance Co. Ltd), Co-operative societies (Consumers Co-operative Societies).

Features of Private Sector Organizations:

- (1) **Profit Motive:** The main objective of Private Sector enterprises is to earn profit rather than rendering services to society.
- (2) **No Participation by Government:** In case of Private Sector Organizations, there is no participation by Central or State Government.
- (3) **Private Ownership:** The ownership and management lies in the hands of private individuals who are the investors in the business
- (4) **Private Capital Investment:** The capital for the business is invested by owners from their own pockets and the profits are also solely enjoyed by them.
- (5) **Control:** The entire control or management is in the hands of private entrepreneurs.
- (6) **Risk-bearing:** Business risk is also borne by the owners of the business. It means the investor or the group of investors in the society bear the risk.
- (7) **Decision Making:** Decision making process is faster in the private sector as there is more flexibility.
- (8) **Government Interference:** Government control and interference in private organizations is very less.
- (9) **Contribution:** Private Sector organizations contribute towards the economic developments in terms of quality goods and services.