

# QB365 Question Bank Software Study Materials

## Government Organisation Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

### 2 Marks

10 x 2 = 20

1) Give two examples of Public Corporation.

**Answer :** LIC, Food Corporation of India (FCI), ONGC, Air India, Indian Airlines, State Bank of India, Reserve Bank of India, Employees State Insurance Corporation, Central Warehousing Corporation, Damodar Valley Corporation, National Textile Corporation, Industrial Finance Corporation of India (IFCI), Unit Trust of India (UTI), Tourism Corporation of India, Minerals and Metals Trading Corporation (MMTC) etc are some of the examples of Public Corporations.

2) Give two examples of Departmental Undertaking.

**Answer :** Some example of departmental undertakings is Indian Railways, Post and Telegraph, All India Radio, Doordarshan etc.

3) What is meant by Red-Tapism?

**Answer :** Red tapism means follow up of excessive rules and regulations for taking an action. It delays the decision making process. The decisions of departmental undertaking usually get delayed due to political interference and rigid procedures. These undertakings are excessively centralised that results in red tapism.

4) What is the basic feature of a Departmental undertaking?

**Answer :** A departmental undertaking is established either as a separate full - fledged ministry or as a major sub-division of a ministry (i.e. department) of the Government.

5) State the form of public enterprises which is most suitable for projects related to National Security.

**Answer :** i. Departmental undertakings is the form of public enterprises which is most suitable for projects related to National Security  
ii. Because Strategic industries like defence and atomic power cannot be better managed other than government departments.  
iii. Department undertakings can maintain secrecy in their working.

6) What are the examples of Departmental Undertaking?

**Answer :** The Indian Railways are managed by the Ministry of Railways. Post services are run as a department, under the Ministry of Communication. The Delhi Milk Scheme, All India Radio, Doordarshan are other examples of departmental undertakings.

7) What are the disadvantages of Departmental Undertaking?

**Answer :** **The disadvantages of Departmental Undertaking are:**

- (i) Red-tapism
- (ii) Incidence of Additional Taxation
- (iii) Lack of Competition.
- (iv) Casual Approach to work
- (v) Financial Dependence

8) What was the role of government in the past?

**Answer :** During the twentieth century, various governments started participating in industrial and commercial activities. Previously, the role of government was limited only to the maintenance of law and order.

9) How can we establish state enterprises?

**Answer :** The government can establish state enterprises in two ways. They are:

- (i) By starting a new unit.
- (ii) By taking over an existing industrial or commercial unit owned by private persons.

10) Give examples of government companies.

**Answer :** Examples of government companies are:

- (i) Coal Mines Authority Ltd.,
- (ii) Steel Authority of India Ltd.,
- (iii) Indian Telephone Industries,
- (iv) Tamil Nadu State Transport Corporation Ltd.,
- (v) Tamil Nadu Agro Industries Corporation (Jointly Owned by Central State Govt.),
- (vi) Tamil Nadu Small Industries of India Corporation (TANSI),etc.,

**3 Marks**

10 x 3 = 30

11) What is meant by Government Company?

**Answer :** A "Government Company" is defined under Section 2(45) of the Companies Act, 2013 as "any company in which not less than 51% of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company".

12) What is meant by Public Corporations?

**Answer :** 1. Public Corporation is a body corporate created by an Act of Parliament or Legislature. Its name is notified in the official gazette of the Central or State Government. It is an artificial person with the flexibility of the private sector and the powers of the government.

2. They are set up with the objective of carrying out a specific type of commercial activity. The powers and functions of public corporations are well defined and they are financially independent. These organizations are formed for administering nationalized industries or undertakings. Many service organizations of the government are set up in the form of corporations.

13) What is meant by Departmental undertakings.

**Answer :** Departmental Undertakings can be defined as the most common and established forms of public enterprises of a country. Such an enterprise is financed as well as organized and managed by the ruling Government of that country itself. A prime departmental undertaking example is the Indian Railway.

14) List the areas where the state or central ownership is a preferred form of business organisation. Justify your choice of areas.

**Answer :** Following are the areas where the state or central ownership is a preferred form of business organisation:

- 1. the place where raw materials are available
- 2. the place where suitable workers are found
- 3. the place where transportation facilities like roadways, railways, shipping and airways are readily available.
- 4. The place where political stability is determined.

15) What are the different kinds of organisation that come under the public sector?

**Answer :** There are 4 organisations that come under public sector. They are

- i. Departmental organisations
- ii. Public organisations
- iii. Government companies
- iv. board organisations

16) List the names of some enterprises under the public sector and classify them.

- Answer :**
- 1. Departmental organisations - Indian Railways, Food and Public distribution.
  - 2. Public organisations - Food Corporation of India FCI, ONGC, Oil and Natural Gas Corporation.
  - 3. Government companies - Steel Authority of India Ltd, Tamilnadu Trasport Corporation.
  - 4. Board organsations - Tamil Nadu Electricity Board, Tamil Nadu Slum Clearance Board.

17) What is meant by Departmental undertakings.

**Answer :** (i) Department form of organisation of managing state enterprises is the oldest form of organisation. In those days, no distinction was made between the routine functions of the Government and that of the public enterprises.

(ii) Under departmental form of organisation, a public enterprise is run as a separate full-fledged ministry or as a major subdivision of a department of the Government.

(iii) The Delhi Milk Scheme, All India Radio, Doordarshan are other examples of departmental undertakings.

18) What necessitated governments to intervene in industrial sectors?

**Answer :** Industrial revolution helped all-round growth of industries. Private entrepreneurs worked, only for profit motive. The exploitation of consumers and workers by private entrepreneurs became very common. The development of industries was left to the judgement of private enterprises. Therefore, government's control or intervention became a necessity to safeguard the interests of the general public.

19) Explain the management of public corporation.

**Answer :** The public corporation is administered by the Board of Directors appointed by public authority to which it is answerable. Generally, the Board is nominated by government on the basis of experience and skills.

20) What is public corporation?

**Answer :** A public corporation is an autonomous body corporate created by a special statute of a state or central government. A public corporation is a separate legal entity created for a specific purpose. It is administered by a Board appointed by public authority to which it is answerable.

**5 Marks**

5 x 5 = 25

21) What are the features of Public corporation? (Any 5)

**Answer :** a) **Special Statute:**

A public corporation is created by a special Act of the Parliament or the State Legislature. The Act defines its powers, objectives, functions and relations with the ministry and the Parliament (or State Legislature).

**b) Separate Legal Entity :**

A public corporation is a separate legal entity with perpetual succession and common seal. It has an existence, independent of the Government. It can own property; can make contracts and file suits, in its own name.

**c) Capital Provided by the Government:**

The capital of a public corporation is provided by the Government or by agencies controlled by the government. However, many public corporations have also begun to raise money from the capital market.

**d) Financial Autonomy:**

A public corporation enjoys financial autonomy. It prepares its own budget, and has authority to retain and utilize its earnings for its business

**e) Management by Board of Directors:**

Its management is vested in a Board of Directors, appointed or nominated by the Government. But there is no Governmental interference in the day-to-day working of the corporation.

22) What are the Features of Government company? (Any 5)

**Answer : Features of Government Company:**

**a) Registration Under the Companies Act:**

A Government company is formed through registration under the Companies Act, 1956, and is subject to the provisions of this Act, like any other company.

However, the Central Government may direct that any of the provisions of the Companies Act shall not apply to a Government company or shall apply with certain modifications.

**b) Executive Decision of Government:**

A Government company is created by an executive decision of the Government, without seeking the approval of the Parliament or the State Legislature.

**c) Separate Legal Entity:**

A Government company is a legal entity separate from the Government, It can acquire property; can make contracts and can file suits, in its own name.

**d) Whole or Majority Capital Provided by Government:**

The whole or majority (at least 51%) of the capital of a Government company is provided by the Government; but the revenues of the company are not deposited into the treasury.

**e) Majority of Government Directors:**

Being in possession of a majority of share capital, the Government has authority to appoint majority of directors, on the Board of Directors of a government company.

23) What are the advantages of Departmental undertaking? (any 5)

**Answer : Advantages of Departmental Undertaking;**

Following are the advantages of the departmental undertaking.

**a) Easy Formation:**

It is easy to set up a departmental undertaking. The departmental undertaking is created by an administrative decision of the Government, involving no legal formalities for its formation.

**b) Direct and Control of Parliament or State Legislature:**

The departmental undertaking is directly responsible to the Parliament or the State legislature through its overall head i.e. the minister concerned.

**c) Secrecy Maintained :**

Strategic industries like defence and atomic power cannot be better managed other than government departments. Departmental undertakings can maintain secrecy in their working.

**d) Lesser Burden of Tax on Public :**

Earnings of departmental undertaking are entirely paid into Government treasury, resulting in lesser tax burden on the public.

**e) Instrument of Social Change :**

Government can promote economic and social justice through departmental undertakings. Hence, a departmental undertaking can be used by the Government, as an instrument of social change.

24) What are the advantages and disadvantages of Departmental undertaking?

**Answer : Advantages of Departmental Undertaking;**

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**Disadvantages of Departmental Undertaking:**

Following are the major limitations of the departmental undertaking.

**a) Red-Tapism:**

There is too much of procedures which results in delay. Commercial organisation cannot afford delay in taking decisions.

**b) Incidence of Additional Taxation:**

Losses incurred by a departmental enterprise are met out of the treasury.

This very often necessitates additional taxation the burden of which falls on the Common man.

**c) Lack of Competition:**

Civil Servants are given control of these undertakings who may not have business outlook or commercial experience. So, they run the undertaking in their own fashion without considering the sovereignty of the consumers.

**d) Casual Approach to Work:**

As officers of a departmental undertaking are subject to frequent transfers; they develop a sense of casual approach to work. As a result, the operational efficiency of the undertaking suffers a lot.

**e) Government Interference:**

There is an excessive government interference and control organisation in department. These undertakings are not given freedom to decide their own policies. Centralised control leads to delay in action. Red-tapism and bureaucracy have become the limiting features of these organisations.

25) What are the advantages and disadvantages of Government Company?

**Answer : Advantages of Government Company:**

**a) Easy Formation:**

A Government company can be easily formed under the Companies, Act; just by an executive decision of the government.

**b) Internal Autonomy:**

A government company can manage its affairs independently. It is relatively free from ministerial control and political interference, in its day-to - day functioning.

**c) Private Participation:**

Through Government company device, the government can avail of the management skills, technical know-how and expertise of the private sector and foreign countries. For example, the Hindustan Steel Limited has obtained technical and financial assistance from the U.S.S.R., West Germany and the UK. for its steel plants at Bhilai, Rourkela and Durgapur.

**d) Easy to Alter:**

Objectives and powers of the Government Company can be changed by simply altering the Memorandum of Association of the company, without seeking the approval of the Parliament.

**e) Discipline:**

The Government Company is subject to provisions of the Companies Act; which keeps the management of the company active, alert and disciplined.

**f) Professional Management:**

A Government company can employ professionally qualified managers; because it has its own personnel policies.

**g) Public Accountability:**

The Annual Report of a Government company is presented to the Parliament/ State Legislature. These reports can be discussed and debated there.

**Disadvantages of Government Company:**

**a) Board of Directors Packed with 'Yes-Men':**

On the Board of Directors of a government company, there are Government appointed directors (Government being the major shareholder); who are 'yesmen' of the Government. They are unable to run the company, in a business like manner.

**b) Autonomy Only in Name:**

Independent character of a Government company exists only in name. In reality, politicians, ministers, Government officials, interfere excessively in the day-to-day working of the government company.

**c) A Fraud on Companies Act and Constitutions:**

A Government company is criticized as being a 'fraud on the Companies Act and on the Constitution'. This criticism is valid on the ground that the Government can exempt a Government company from application of several provisions of the Companies Act. Again, the Parliament is not taken into confidence, while creating a Government company.

**d) Fear of Exposure:**

The annual report of the government company is placed before the Parliament/State Legislature. The working of the company is exposed to Press criticism: Therefore, management of the Government Company often gets demoralized and may not take initiative to come out with and implement something innovative.

**e) Lack of Expertise in Deputationists:**

The key personnel of a Government company are often deputed from Government departments. These deputationists generally lack expertise and commitment; leading to lower operational efficiency of the government company.

**f) Selfish Functioning:**

The Government Company works neither for the government nor for the public at large. It serves the personal interests of people who work in the company and who dictate policies of the company.