

QB365 Question Bank Software Study Materials

Multi National Corporations (MNCs) Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 65

2 Marks

14 x 2 = 28

1) Define Multinational Company.

Answer : "Multinational Company is defined to be an enterprise operating in several countries but managed from one country".

2) Give two examples of MNC's

Answer : (i) Bata corporation
(ii) Coca-cola corporation

3) What is meant by oligopoly?

Answer : Oligopoly is a market condition where there are very few sellers in the same product line.

4) Write any two advantages of MNC's.

Answer : Improvement in Balance of Payment Position:

i. MNCs help the host countries to increase their exports.

ii. As such, they help the host country to improve upon its Balance of Payment position

Improvement in Standard of Living:

By providing super quality products and services, MNCs help to improve the standard of living of people of host countries.

5) "MNC promote alien culture in host country" Justify.

Answer : MNC tend to promote alien culture in host country to sell their products. They make people forget about their own cultural heritage. Example : In India MNCs have created a taste for synthetic food, soft drinks etc.

6) Name any Two Indian Multinational Companies in abroad?

Answer : i) Bajaj
ii) TATA company
iii) INFOSYS

7) List the advantages of MNC's.

Answer : (i) Low cost labour
(ii) Microsoft Corporation

8) List the disadvantages of MNC's.

Answer : (i) Danger for domestic industries
(ii) Transfer of outdated technology

9) How are the MNC's dangerous to domestic industries?

Answer : Danger for Domestic Industries:

MNCs, because of their vast economic power, pose a danger to domestic industries; which are still in the process of development. Domestic industries cannot face challenges posed by MNCs. Many domestic industries have to wind up, as a result of threat from MNCs. Thus MNCs give a set back to the economic growth of host countries.

10) How are MNCs dangerous to independence?

Answer : Danger to Independence:

1. Initially MNCs help the Government of the host country, in a number of ways; and then gradually start interfering in the

political affairs of the host country.

2. There is, then, an implicit danger to the independence of the host country, in the long-run.

11) How do MNC's exploit natural resources?

Answer : 1. MNCs tend to use the natural resources of the host country carelessly.
2. They cause rapid depletion of some of the non-renewable natural resources of the host country.
3. In this way, MNCs cause a permanent damage to the economic development of the host country.

12) How do MNCs put an end to local monopolies?

Answer : 1. The entry of MNCs leads to competition in the host countries.
2. Local monopolies of host countries either start improving their products or reduce their prices.
3. Thus MNCs put an end to exploitative trade practices of local monopolists.

13) Write any 2 advantages of MNC.

Answer : a) **Low Cost Labour:**

MNC set up their facilities in low cost countries and produce goods/service at lower cost.

b) Quality Products:

The resource, experience and expertise of MNCs in the sphere of research and development enables the host country to establish its research and development system which helps it in producing quality goods and services at least possible Cost.

14) Write short note on MNC.

Answer : A multinational company is one which is incorporated in one country (called the home country); but whose operations extend beyond the home country and which carries on business in other countries (called the host countries) in addition to the home country.

3 Marks

4 x 3 = 12

15) Name the type of business enterprise which operates in more than one country.

Answer : Multinational Company is an enterprise operating in several countries but managed from one country.

16) Write any three Indian MNC's.

Answer : 1. Microsoft.
2. IBM.
3. Nestle.
4. Proctor & Gamble.
5. Coca-Cola.
6. Pepsico.
7. CITI Group.
8. SONY Corporation.

17) Describe the List of Indian Multinational Companies and their Headquarters.

Answer :

S.No	Company	Headquarter
(i)	Micromax Informatics	Gurgaon
(ii)	Hero Motocorp	New Delhi
(iii)	Bajaj	Pune
(iv)	Britannia	Kolkata
(v)	TVS	Chennai
(vi)	TATA	Mumbai
(vii)	INFOSYS	Bengaluru

18) Give examples of Multinational Companies.

Answer : A few examples of multinational companies are:

- (i) Unilever Limited: It is a British company that has subsidiaries and branches in several countries.
- (ii) Union Carbide: It is an American company, which has plants and subsidiaries in several countries including India.
- (iii) International Business Machine (IBM): It is an American company having branches in several countries.
- (iv) Philips: It is a Dutch Company having a subsidiary company called Philips India (Now Pieco Electricals Co) in India.
- (v) Coca-Cola Corporation: It is an American company manufacturing and selling soft drinks in several countries.

5 Marks

5 x 5 = 25

19) What are the advantages of MNC's? (any 5)

Answer : Low Cost Labour:

MNC set up their facilities in low cost countries and produce goods/service at lower cost. Because of MNCs, poor host countries also begin to develop technically.

Proper Use of Idle Resources :

Because of their advanced technical knowledge, MNCs are in a position to properly utilise idle physical and human resources of the host country.

Technical Development :

MNCs carry the advantages of technical development of 10 host countries.

Managerial Development:

MNCs employ latest management techniques. People employed by MNCs do a lot of research in management,

Improvement in Standard of Living:

By providing super quality products and services, MNCs help to improve the standard of living of people of host countries.

20) What are the disadvantages of MNC's? (any 5)

Answer : Danger for Domestic Industries:

MNCs, because of their vast economic power, pose a danger to domestic industries; which are still in the process of development.

Transfer of Outdated Technology :

Where MNCs transfer outdated technology to host nation, it serves no purpose.

No Benefit to Poor People:

MNCs produce only those things, which are used by the rich. Therefore, poor people of host countries do not get, generally, any benefit, out of MNCs.

Deprivation of Job Opportunity of Local People:

MNCs may not generate job opportunities to the people of home country.

21) Explain the advantages of MNC ?

Answer : Advantages:

i. Low Cost Labour:

MNCs set up their facilities in low cost countries and produce goods services at lower cost. It gains cost advantage and sells its products and services of good quality at low cost. This is not available to smaller companies which operate at regional level.

ii. Quality Products:

The resource, experience and expertise of MNCs in the sphere of research and development enables the host country to establish its research and development system which helps it in producing quality goods and services at least possible cost.

iii. Proper Use of Idle Resources:

Because of their advanced technical knowledge, MNCs are in a position to properly utilise idle physical and human resources of the host country. This results in an increase in the National income of the host country.

iv. Improvement in Balance of Payment Position:

MNCs help the host countries to increase their exports. As such, they help the host country to improve upon its Balance of Payment position.

v. Technical Development:

MNCs carry the advantages of technical development to host countries. In fact, MNCs are vehicle for transference of technical development from one country to another. Because of MNCs poor host countries also begin to develop technically.

vi. Managerial Development:

MNCs employ latest management techniques. People employed by MNCs do a lot of research in management. In a way, they help to professionalize management along latest lines of management theory and practice. This leads to managerial development in host countries.

vii. End of Local Monopolies:

The entry of MNCs leads to competition in the host countries. Local monopolies of host countries either start improving their products or reduce their prices. Thus MNCs put an end to exploitative trade practices of local monopolists. As a matter of fact, MNCs compel domestic companies to improve their efficiency and quality.

viii. Improvement in Standard of Living:

By providing super quality products and services, MNCs help to improve the standard of living of people of host countries.

ix. Promotion of international brotherhood and culture:

MNCs integrate economics of various nations with the world economy. Through their international dealings, MNCs promote international brotherhood and culture; and pave way for world peace and prosperity.

22) Explain the disadvantages of MNC?

Answer : i. Danger for Domestic Industries:

MNCs, because of their vast economic power, pose a danger to home domestic industries; which are still in the process of development. Domestic industries cannot face challenges posed by MNCs. Many domestic industries have to wind up, as a result of threat from MNCs. Thus MNCs give a setback to the economic growth of host countries.

ii. Transfer of Outdated Technology:

Where MNCs transfer outdated technology to host nation, it serves, no purpose.

iii. No Benefit to Poor People:

MNCs produce only those things, which are used by the rich, Therefore, poor people of host countries do not get, generally, any benefit, out of MNCs.

iv. Danger to Independence :

Initially MNCs help the Government of the host country, in a number of ways; and then gradually start interfering in the political affairs of the host country. There is, then, an implicit danger to the independence of the host country, in the long - run.

v. Deprivation of Job Opportunity of Local People:

MNCs may not generate job opportunities to the people of home country.

vi. Misuses of Mighty Status:

MNCs are powerful economic entities. They can afford to bear losses for a long while, in the hope of earning huge profits once they have ended local competition and achieved monopoly. This may be the dirty marketing strategy of MNCs to wipe off local competitors from the host country.

vii. Careless Exploitation of Natural Resources:

MNCs tend to use the natural resources of the host country carelessly. They cause rapid depletion of some of the non-renewable natural resources of the host country. In this way, MNCs cause a permanent damage to the economic development of the host country.

viii. Selfish promotion of Alien Culture:

MNCs tend to promote alien culture in host country to sell their products. They make people forget about their own cultural heritage. In India, e.g. MNCs have created a taste for synthetic food, soft drinks etc. This promotion of foreign culture by MNCs is injurious to the health of people also.

ix. Neglect of Industrial and Economic Growth of Home Country:

An investment in host countries is more profitable, MNCs may neglect home countries industrial and economic development.

- 23) Public enterprises are established to achieve the goal of economic and social development of the country. They are managed and controlled by Central or State Governments through ministers or government officials. Many times their poor performance influences the policy formulation and running of the enterprise into loss. Even the big business houses use their influence and get the policies formulated in their favour. State the role of ministers or government to frame the policies for the success of public enterprises.

Answer : Role of Ministers or governments to frame the policies for the success of public enterprises.

1. The ministers or governments encourage to start multinational companies.
2. It is easy to form in our country.
3. The economic policy is favourable to the multi-nation corporations.
4. The national income will increase by starting MNCs in India.
5. At low cost the products to be produced and sold to people with minimum range of profits.
6. Tax relaxation can be permitted because the Government allowed to start business.
7. Tax revenue can be increased to the Government.
8. New technologies can be imported from developed countries.
9. Culture can be improved among the people.
10. Communication may be developed.