SAMPLE CONTENT

PRECISE

# ORGANIZATION OF COMMERCE & MANAGEMENT

STD. XI

Target Publications® Pvt. Ltd.

(Written as per the Latest Textbook published by the Maharashtra State Bureau of Textbook Production and Curriculum Research, Pune)

Precise

# ORGANISATION OF COMMERCE & MANAGEMENT

## Std. XI

**Maharashtra State Board**

**Salient Features:**

- Based on the Latest Textbook
- Exhaustive content coverage in Question and Answer format
- ‘Smart Codes’ to memorise answers
- ‘For your understanding’ section for conceptual clarity
- Replete with practical and real life examples

Sample Content

Printed at: **Print to Print,** Mumbai

© Target Publications Pvt. Ltd.
No part of this book may be reproduced or transmitted in any form or by any means, C.D. ROM/Audio Video Cassettes or electronic, mechanical including photocopying; recording or by any information storage and retrieval system without permission in writing from the Publisher.

Balbharati Registration No.: 2018MH0022

TEID: 2818

P.O. No. 8226

# PREFACE

**Target's 'Precise Organisation of Commerce & Management (OCM): Std. XI'** is a book curated to help the students study to-the-point for their final exams. The book is replete with practical examples which will instil conceptual understanding within students as they study from the book.

This book covers answers to all textual questions. However, we have also covered extra questions in each lesson with the aim of covering the entire topic and providing more practice. Throughout this book, questions are answered in a detailed, point-wise format which is exactly how the students are expected to write their answers in the exam. Multiple objective type questions have also been covered to help students get sufficient practice in all types of questions.

We have incorporated 'Smart Codes' to facilitate easy answer recall. 'For your understanding' section provides the required conceptual clarity to understand a particular point. 'We're sure that students, parents and teachers alike would love our value proposition, content quality and the presentation of content.

Publisher
**Edition:** First

The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.
Please write to us at: mail@targetpublications.org

Sample Content

**Disclaimer**

This reference book is transformative work based on 'Organisation of Commerce and Management; Third Reprint: 2022' published by the Maharashtra State Bureau of Textbook Production and Curriculum Research, Pune. We, the publishers are making this reference book which constitutes as fair use of textual contents which are transformed by adding and elaborating, with a view to simplify the same to enable the students to understand, memorize and reproduce the same in examinations.

This work is purely inspired upon the course work as prescribed by the Maharashtra State Bureau of Textbook Production and Curriculum Research, Pune. Every care has been taken in the publication of this reference book by the Authors while creating the contents. The Authors and the Publishers shall not be responsible for any loss or damages caused to any person on account of errors or omissions which might have crept in or disagreement of any third party on the point of view expressed in the reference book.

© reserved with the Publisher for all the contents created by our Authors.

No copyright is claimed in the textual contents which are presented as part of fair dealing with a view to provide best supplementary study material for the benefit of students.

# INDEX



**Note**: 1. All textual questions are represented by (T) mark.
2. At the start of each chapter, we have provided a chapter index to enable the students to get an overview of the chapter.

Scan the adjacent QR Code to know more about our **"Supplementary Questions Book"** for Std. XI (Comm). Get sufficient practice of all objective questions across all subjects.

Sample Content

Sample Content

# 5 Forms of Business Organisation – II

| SR. NO. | PARTICULARS | READ 1 | READ 2 | READ 3 |
|---|---|---|---|---|
| 1. | Explain departmental organisation and its features. (T) | | | |
| 2. | Explain merits and demerits of departmental organisation. (T) | | | |
| 3. | Explain statutory corporation and its features. (T) | | | |
| 4. | Explain merits and demerits of statutory corporation. (T) | | | |
| 5. | Explain government company and its features. (T) | | | |
| 6. | Explain merits and demerits of government company. (T) | | | |
| 7. | Explain multinational corporation and its features. (T) | | | |
| 8. | Explain merits and demerits of multinational corporation. (T) | | | |
| 9. | Distinguish Between: (T)<br>1. Private Sector Organisation and Public Sector Organisation<br>2. Departmental Organisation and Statutory Corporation<br>3. Government Company and Multinational Corporation<br>4. Departmental Organisation and Multinational Corporation<br>5. Government Company and Statutory Corporation<br>6. Departmental Organisation and Government Company<br>7. Statutory Corporation and Multinational Corporation | | | |
| 10. | Objective Questions: (T) | | | |

## Q.1. Answer the following questions

### 1. Explain departmental organisation and its features. (T)

**Ans:** The organisation which is **owned, managed, controlled and financed by government** is known as Departmental Organisation. It is the **oldest form** of business organisation. Departmental organisation performs all activities as an integral part for government only. The **minister-in-charge of the ministry is the head** of this organisation. All departmental organisations **act through officers** of the government and all employees are called as **government employees.**

**E.g.:**

| Departmental Organisations | Ministry | Minister-in-Charge (as on July, 2021) |
|---|---|---|
| Indian Railways | Ministry of Railways | Ashwini Vaishnaw |
| Air India | Ministry of Civil Aviation | Jyotiraditya Scindia |
| India Post | Ministry of Communications & Information Technology | Ashwini Vaishnaw |
| Defence Research and Development Organisation (DRDO) | Ministry of Defence | Rajnath Singh |

The features of departmental organisation are as follows:

**1) MANAGED BY GOVERNMENT**
Departmental organisation is managed by concerned government department. The minister who heads the department is responsible and reports to the Parliament for its operations.

**2) DELEGATION OF AUTHORITY**
Top executives delegate the authority to their subordinates and the subordinates further delegate authority to the lower level. Thus, downward delegation of authority takes place.

**3) FINANCED BY THE GOVERNMENT**
Departmental organisation is owned by the government. Thus, it is financed through appropriations in the annual budget. Its revenues are directly paid to the government treasury.

Sample Content

4) **RUN BY THE GOVERNMENT**
Departmental organisation is owned, managed and controlled by the government. Various procedures such as budgeting, accounting and auditing are at par with other government departments.

5) **NO SEPARATE LEGAL ENTITY**
There is no separate legal existence of departmental organisation from government. It is a part of and works under concerned ministry.

6) **GOVERNMENT EMPLOYEES**
Since departmental organisation is a part of the government, its staff is treated as government employees for all practical purposes.

**2. Explain merits and demerits of departmental organisation.** T

**Ans:** The organisation which is owned, managed, controlled and financed by government is known as departmental organisation. It performs all activities as an integral part for government only. The minister-in-charge of the ministry is the head of this organisation. The merits and demerits of departmental organisation are as follows:

**MERITS**

1) **DIRECT CONTROL**
In a departmental organisation, there is direct and absolute control of the government over the enterprise.

2) **DIRECT REVENUE TO THE GOVERNMENT**
The revenue of departmental organisation belongs to the government and directly goes to the government treasury.

3) **LESS OVERHEADS**
The administrative overhead charges (expenses) of departmental organisation are less as it is operated by the government themselves.

4) **PROPER USE OF FUNDS**
Departmental organisations are subject to strict control and supervision. Hence, the chances for misuse of funds are quite less.

5) **QUALIFIED STAFF**
These organisations are properly managed and supervised by the qualified staff.

6) **MAINTAINS SECRECY**
Departmental organisations maintain maximum secrecy on policy matters and they also take care of essential goods and services.

**DEMERITS**

1) **DELAY IN ACTION**
Departmental organisations are controlled by the government. In government, there is centralisation of power. Excessive centralisation results in delay in action.

2) **RED TAPISM AND BUREAUCRACY**
Red tapism refers to practice of excessive paper work and tedious procedures before undertaking any action. There is excessive red tapism and bureaucracy in departmental organisations. This leads to slowing down of process and affects its trustworthiness.

3) **LESS SCOPE FOR INITIATIVE**
There is no scope for the initiative and skill as the procedures and policies are subject to criticism in the Parliament.

4) **LACK OF FLEXIBILITY**
Departmental organisations are controlled by the government and hence, are slightly rigid in nature. It is difficult to change any structure or process easily. The departmental organisation thus lacks flexibility.

5) **DELAYED DECISIONS**
Decision making process is quite slow. For decisions, approval of the minister or the top executive is essential. The executives at lower level cannot take any decision.

Sample Content

6) **ABSENCE OF PROFESSIONALISM**
The efficiency of departmental organisations is affected due to absence of professionalism, fear of public criticism, frequent transfers of officials and staff.

**3. Explain statutory corporation and its features.** **T**

**Ans:** A statutory corporation is an autonomous **corporate body created by the special act of the Parliament or state legislature** with defined powers, functions and duties. State helps statutory corporation by subscribing to its capital.
**E.g.**

| Organisations | Acts |
|---|---|
| Life Insurance Corporation | LIC Act, 1956 |
| Reserve Bank of India | Reserve Bank of India Act, 1934 |
| Airports Authority of India | Airports Authority of India Act, 1994 |
| Oil & Natural Gas Corporation (ONGC) | Oil & Natural Gas Commission Act, 1959 |

**Note:** Acts are given for better understanding. The same need not be remembered.

Following are the features of statutory corporation:

1) **CORPORATE BODY**
Statutory corporations come into existence due to an Act. Thus, they are an artificial person created by law and have independent legal status. Like other companies, they are managed by the board of directors. The board is constituted by government. Besides, these entities have a right to enter into contracts and undertake any kind of business under its own name.

2) **ANSWERABLE TO THE LEGISLATURE**
Statutory corporations are managed by the board of directors. Parliament or state legislature does not have any right to interfere in their working. However, statutory corporations are answerable to Parliament or state assembly. The Parliament or state assembly can discuss policy matters and overall performance.

3) **OWN STAFFING SYSTEM**
Although statutory corporations are owned & managed by the government, their employees are not employees of government. They are recruited, remunerated and governed as per the rules of the corporations. However, employees of various corporations receive balanced or uniform pay and benefits by the government.

4) **FINANCIAL AUTONOMY**
Statutory corporations enjoy financial autonomy (freedom). They are not subject to government budget, accounting and auditing controls. Besides, they can borrow money from within or outside the country after getting the prior permission from the government.

5) **NO POLITICAL INTERFERENCE**
Unlike departmental organisation, statutory corporations are not managed by the government. They come into existence due to an Act and are managed by independent board of directors. Therefore, there is no political interference in the formation, working and administration. It is free from political interference.

**4. Explain merits and demerits of statutory corporation.** **T**

**Ans:** A statutory corporation is an autonomous corporate body created by the special act of the Parliament or state legislature with defined powers, functions and duties. State helps statutory corporation by subscribing to its capital. E.g. Reserve Bank of India, LIC etc. The merits and demerits of statutory corporation are as follows:
**MERITS**

1) **INITIATIVE AND FLEXIBILITY**
There is no political interference in the working of statutory corporations. Thus, they can function on their own and take decisions by themselves. There is flexibility in their working.

Sample Content

2) **ADMINISTRATIVE AUTONOMY**

Since statutory corporations function by themselves, they can manage their own affairs with independence and flexibility.

3) **QUICK DECISIONS**

Statutory corporations function through their board of directors. There is no government interference. Thus, it is relatively free from red tapism and bureaucracy. Hence, decision making is quick.

4) **EFFICIENT STAFF**

Statutory corporations have their own rules and regulations regarding staff recruitment, remuneration, appraisals etc. Thus, they can provide better facilities and attractive terms of service to secure efficient working from its staff.

5) **PROFESSIONAL MANAGEMENT**

Board of directors of statutory corporations consists of business experts and representatives of various groups like labour, consumer etc. These experts are nominated by the government.

6) **EASY TO RAISE CAPITAL**

Statutory corporations are owned by government. Thus, investors know that their money is backed by the government and is safe. Hence, it is easy for the corporations to raise capital by floating bonds at a low rate of interest.

**DEMERITS**

1) **AUTONOMY ON PAPER ONLY**

Although it is said that statutory corporations have independent board of directors, the autonomy is only on paper. Practically, ministers, government officials and political parties often interfere with the working of these corporations.

2) **LACK OF INITIATIVE**

Statutory corporations do not have to face competition. They are not guided by profit motive. Hence, there is lack of motivation on the part of employees to increase the profit or reduce losses. The losses of the statutory corporation are borne by the government.

3) **RIGID STRUCTURE**

Statutory corporations come into existence due to an act. Their objects and powers are defined by that act. Modifying an act is extremely time consuming and complicated process. Hence, it is very difficult to bring changes in the structure of these organisations.

4) **CLASHES AMONGST INTERESTS**

Statutory corporations have many members. These members have varied interests. So, although the corporations are managed by board of directors, vast number of members and their varied interests might hamper the smooth functioning of these corporations.

5) **UNFAIR PRACTICES**

The governing board of a statutory corporation may indulge in unfair practices. It may charge an unduly high price to customers to cover up inefficiency or losses.

**GOVERNMENT COMPANY AND IMPORTANT CONCEPTS**

Government company is a company:

1) which is registered under the Companies Act, 2013 and
2) has minimum 51% of paid-up share capital held by the central government or any state government or partly by central and partly by one or more state governments.

The shares of government company are purchased in the name of ‘The President of India’ or in the name of ‘Governor of a State’.

Sample Content

**E.g.**

| Name of Company | Government share | QR code |
|---|---|---|
| National Thermal Power Corporation | 56.41% | |
| Bharat Heavy Electricals Limited | 63.06% | |
| Hindustan Machine Tools | 100% owned by HMT Limited<br>93.69% shares of HMT Limited are owned by government | |

**IMPORTANT CONCEPTS**

1) **Annual reports:** Annual report is a document which records the activities of the company of entire year. This report is usually sent to shareholders by the company. In government company, annual reports and audit reports are laid or presented before the Parliament. Similarly, in state company, these reports are presented before state legislature.
2) **Appointment of Auditors:** The auditor is appointed by government on the advice of Comptroller and Auditor General of India.
3) **Shareholding:** A government company may be either wholly or partially owned by government. In wholly owned company, 100% capital is held by the government. In partially owned companies, minimum 51% capital is held by the government or combination of governments. In government company, private concerns can hold maximum 49% share capital.
4) **Management:** Like any other company, management of government company is in the hands of board of directors. They are nominated by the government and private investors together. Thus, government companies have professional management and skilful employees, resulting into higher productivity and performance.

**5. Explain government company and its features.**

**Ans:** Government company is a company:

1) which is registered under the Companies Act, 2013 and
2) has minimum 51% of paid-up share capital held by the central government or any state government or partly by central and partly by one or more state governments.

The shares of government company are purchased in the name of 'The President of India' or in the name of 'Governor of a State'. The features of government company are as follows:

1) **REGISTRATION UNDER THE COMPANIES ACT**
Like most of other companies, a government company is formed by registration under the Companies Act, 2013 and subject to the provisions of the same. 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.

2) **SEPARATE LEGAL ENTITY**
A government company is registered under the Companies Act, 2013. It is a separate legal entity from government. It can acquire property, can make contracts and can file suits in its own name.

3) **MAJORITY OF GOVERNMENT DIRECTORS**
More than 51% of paid-up capital is held by the government. Hence, the majority directors are appointed by respective government.

4) **OWN STAFF**
Employees of government company are not governed by civil service rules. Only those officials who are deputed by government are appointed by the government. Government company otherwise has its own staff.

Sample Content

5) **FREE FROM PROCEDURAL CONTROLS**
Government companies enjoy financial autonomy (freedom). They are not subject to government budget, accounting and auditing controls which are applicable to government undertakings.

### 6. Explain merits and demerits of government company. T

**Ans:** Government company is a company
1) which is registered under the Companies Act, 2013 and
2) has minimum 51% of paid-up share capital held by the central government or any state government or partly by central and partly by one or more state governments.

The merits and demerits of Government company are as follows:

**MERITS**

1) **EASY FORMATION**
A government company is a company registered under the Companies Act, 2013. Thus, once an executive decision is passed by government, it can be easily formed.

2) **INTERNAL ECONOMY**
Government company is managed by board of directors. It is relatively free from ministerial control and political interference. It can manage its affairs independently.

3) **EASY TO ALTER**
Objectives and powers of the government company can be changed by simply altering Memorandum of Association (MOA). There is no need of approval from Parliament.

4) **DISCIPLINE**
Government company is subject to the provision of Companies Act, 2013. Thus, it acts as a check and keeps management of the company active, alert and disciplined.

5) **PROFESSIONAL MANAGEMENT**
A government company has its own personnel policies. Thus, it can employ professionally qualified and efficient managers.

6) **PUBLIC ACCOUNTABILITY**
More than 51% of paid-up capital of the government company is owned by government. Thus, the annual report is presented in Parliament (if owned by central government) or State legislature (if owned by state government). These reports can then be discussed and debated there.

**DEMERITS**

1) **AUTONOMY ONLY IN NAME**
Although it is said that government company has independent board of directors, the autonomy is only on paper. Practically, ministers, government officials and political parties often interfere with the working of these companies.

2) **FEAR OF EXPOSURE**
The annual report is placed in Parliament or State Legislature. It is highly possible that the policies or the working of company is criticized by press and public. As a result, the management often gets demoralized and may not take initiative to come out with and implement something innovative.

3) **LACK OF EXPERTISE**
The key personnel of a government company are often deputed from government departments. These personnel may lack expertise and commitment. This might lead to lower operational efficiency of the government company.

4) **LACK OF PROFESSIONAL VIEW**
The main aim of government companies is fulfilment of social objectives and not earning profits. As a result, at times, they might lack a professional view while taking decisions.

### 7. Explain multinational corporation and its features. T

**Ans:** Multinational corporation (MNC) is a business organisation that **operates in many different countries** at the same time. Basically, this organisation has **centralized head office** from where they coordinate global management and have **facilities & other assets in at least one country other than its home country.** Very large multinationals may have budgets that exceed those of many small countries. These corporations are also referred to as **transnational, international corporations.**

Sample Content

**E.g.:** 1) Some examples of Indian MNCs are Infosys, Tata Motors, Reliance Industries, Wipro, Ranbaxy Laboratories, Oil & Natural Gas Corporation (ONGC) etc.

2) Some examples of foreign MNCs in India are McDonalds, Amazon, Walmart, BMW, Mercedes Benz etc.

The features of multinational corporations are as under:

| SMART CODE | I | | C | H | A | M | P |
|---|---|---|---|---|---|---|---|

1) **INTERNATIONAL OPERATIONS**
The operations of MNCs are spread across different countries. They have branches, subsidiaries and affiliates in various countries.

2) **CENTRALISED CONTROL**
MNCs control the activities of their branches of foreign countries from their head office located in the home country. The branches operate within the policy framework of the parent company. In short, MNCs are characterised by unity of control.

3) **HUGE ASSETS AND TURNOVER**
MNCs operate at global level. They have operations in at least two countries. They usually have huge physical and financial assets. This also results in huge turnover. Many MNCs are actually bigger than national economies of several countries.

4) **ADVANCED AND SOPHISTICATED TECHNOLOGY**
MNCs have access to most advanced and sophisticated technology. It employs capital intensive technology in manufacturing and marketing.

5) **MIGHTY ECONOMIC POWER**
MNCs are economically very powerful. Besides, they keep adding to their strength by continuous mergers and acquisitions.

6) **PROFESSIONAL MANAGEMENT**
MNCs hire professionally trained managers to handle the huge funds, advanced technology and international business operations. Each department is headed by a professional manager.

**8. Explain merits and demerits of multinational corporation.** T

**Ans:** Multinational corporation (MNC) is a business organisation that operates in many different countries at the same time. Basically, this organisation has centralized head office from where they coordinate global management and have facilities and other assets in at least one country other than its home country. Very large multinationals may have budgets that exceed those of many small countries. These corporations are also referred to as transnational, international corporations. The merits and demerits of multinational corporations are as follows:

**MERITS**

| SMART CODE | T | I | E | | P | R | I | M | E |
|---|---|---|---|---|---|---|---|---|---|

1) **TECHNICAL DEVELOPMENT**
MNCs enter the host country with advanced & sophisticated technology. Therefore, they act as a vehicle for transfer of technical development from one country to another. Poor countries also begin to develop technically after hosting MNCs.

2) **INFLOW OF FOREIGN CAPITAL**
MNCs pump money from home country to host country. Thus, there is lot of inflow of foreign capital in host country. This gives must needed boost for growth of the domestic economy.
E.g.: Amazon has invested more than 5 billion USD in India over the last five years.

3) **EMPLOYMENT GENERATION**
MNCs create large scale employment opportunities in all countries where they are located. This is a big advantage for countries where there is a more unemployment.

4) **PROMOTION OF INTERNATIONAL BROTHERHOOD AND CULTURE**
MNCs integrate economies of various countries with world economy. Thus, there is cultural exchange between these countries. Through their dealings, MNCs promote international brotherhood and culture and pave way for world peace & prosperity.

Sample Content

5) **RESOURCES ARE PROPERLY USED**
MNCs have advanced technology at their disposal. As a result, they are in a position to utilize idle physical and human resources of the host country. This results in increase in national income of the host country.

**Note:** Host country refers to the country in which the MNCs set up their operations apart from the home country.

6) **IMPROVEMENT IN STANDARD OF LIVING**
MNCs help in improving standard of living in host countries by reducing prices and improving quality of products & services.

7) **MANAGERIAL DEVELOPMENT**
MNCs employ latest management techniques. They undertake a lot of research in management theories. Therefore, they are able to professionalize their management. This leads of managerial development in the host country.

8) **END OF LOCAL MONOPOLIES**
The entry of MNCs in host country leads to competition in that country. The existing businesses which were in monopoly either reduce their prices or upgrade their product quality. Thus, MNCs put an end to exploitation by monopolists. In fact, the entry of MNCs makes domestic companies improve their efficiency and quality.

**DEMERITS**

| SMART CODE | D | E | M | I | S | E | | R | D |
|---|---|---|---|---|---|---|---|---|---|

1) **DANGER FOR DOMESTIC INDUSTRIES**
Due to their huge economic power, MNCs pose a great threat to domestic industries which are in the process of development. 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. E.g.: Snapdeal, an Indian e-commerce company, faced difficulty in sustaining when Amazon entered India with huge funds.

2) **EXPLOITATION OF NATURAL RESOURCES**
MNCs use natural resources of the host country carelessly. Usage of these resources on large scale results in rapid depletion of some of the non-renewable natural resources of the country. MNCs thus cause permanent damage to the economic development of the host country.

3) **MISUSE OF MIGHTY STATUS**
MNCs are economically very powerful. They can afford to bear losses in short- run to wipe off local competition. This will help them achieve monopoly in long-run and earn huge profits. This strategy would be unfair to the local competition.

4) **INTERFERENCE**
MNCs initially help the government of host country. However, with time, as they grow bigger and stronger, they start interfering in the political affairs. In long-run, it might affect the independence of the host country.

5) **SELFISH PROMOTION OF ALIEN CULTURE**
MNCs promote the culture prevalent in the home country. As a result, the host country might lose its identity. E.g. In India, the culture of having soft drinks and synthetic food is on the rise. This promotion of foreign culture might be injurious to health of people as well.

6) **EXPLOITATION OF PEOPLE**
MNCs join hands with big business houses of home country and tend to emerge as powerful monopolies. It results in concentration of power in the hands of few. Gradually, they start exploiting poor people and enrich themselves at the cost of poor working class.

7) **REPATRIATION OF PROFITS**
Repatriation of profits means sending back profits to the home country. MNCs earn huge profits. Usually, major share of profits made are sent back to home country. This results in outflow of foreign exchange and adversely affects the foreign exchange reserves of host country.

Sample Content

8) **DISREGARD OF NATIONAL INTERESTS OF THE HOST COUNTRY**
MNCs are not bothered about the host country's objectives, goals and priorities. Their main objective is to earn profit and hence, they prefer to invest in profit making sectors. They do not care for the development of backward regions and never care to solve chronic problems of host country like unemployment and poverty.

## Q.2. Distinguish between: (T)

**1. Private Sector Organisation and Public Sector Organisation**

SMART CODE | $M^3$ | $C^2$ | B | E | D | S

| Private Sector Organisation | Public Sector Organisation |
|---|---|
| **1) Meaning** | |
| The organisation which is owned, managed, controlled and financed by individuals or group of individuals is known as private sector organisation. | The organisation which is owned, managed, controlled and financed by government or combination of governments is known as public sector organisation. |
| **2) Main motive** | |
| The main objective of private sector organisation is to earn profit. | The main objective of public sector organisation is to serve society by providing essential goods & services. |
| **3) Management** | |
| The management of private sector organisation remains with owner or their elected representatives. | The management of public sector organisation is in the hands of government officials or Board of Directors (BOD). |
| **4) Constituents (Types)** | |
| The private sector organisation includes Sole Trading Concern, Joint Hindu Family Business, Partnership Firm, Joint Stock Company and Co-operative Society. | The public sector organisation includes Departmental Organisation, Statutory Corporation and Government Companies. |
| **5) Capital provider** | |
| Capital is contributed by owner / private investors from their own resources or borrowings from financial institutions. | The capital of public sector organisation is mostly contributed by government. |
| **6) Business areas** | |
| The private sector organisation operates in industrial and commercial area only. | The public sector organisation operates mostly in utility services such as railways, posts, etc. and also in industrial and commercial undertakings. |
| **7) Efficiency** | |
| There is a greater efficiency on the part of private sector due to professional approach in running the organisation | The efficiency of public sector organisation is low due to lack of competitive spirit. |
| **8) Decision making** | |
| In private sector organisation, decision making is quick as very few officials are involved in decision making process. | In public sector organisation, the decision making is delayed due to bureaucratic hurdles. |
| **9) Size of entity** | |
| The private sector organisations can be of any size e.g. Sole Trading Concern operates on small scale basis where as Joint Stock Company operates on large scale basis. | The public sector organisations are large in size and operate on large scale basis. |

**2. Departmental Organisation and Statutory Corporation**
**3. Government Company and Multinational Corporation**
**4. Departmental Organisation and Multinational Corporation**
**5. Government Company and Statutory Corporation**
**6. Departmental Organisation and Government Company**
**7. Statutory Corporation and Multinational Corporation**

Sample Content

| Departmental organisation | Statutory corporation | Government company | Multinational corporation |
|---|---|---|---|
| **1) Meaning** | | | |
| The organisation which is owned, managed, controlled, financed and operated by government is known as departmental organisation. | The organisation which is formed under a special Act of Parliament or State Legislature is known as statutory organisation. | The company where minimum 51% of the paid-up capital is held by central or state government jointly or individually is known as government company. | Multinational corporation (MNC) is a business organisation that operates in many different countries at the same time. |
| **2) Capital** | | | |
| The required funds come from annual budget appropriation of the Government. | The capital is contributed by the government at the time of establishment. Additional capital, if required, can be contributed by the government. | The capital of government company is contributed by central and state government and even by general public and financial institutions. | The capital is contributed by the shareholders which may be in the form of general public, financial institutions etc. |
| **3) Management** | | | |
| The departmental undertaking is managed by government officials of the concerned ministry. The minister who heads the department is responsible. | Statutory corporation is managed by board of directors nominated by the government. | Government company is managed by board of directors appointed by government and shareholders. | MNCs control the activities of their branches in foreign countries from their head office located in the home country. |
| **4) Control** | | | |
| The departmental organisation is controlled by concerned ministry. | The statutory corporation is controlled by the Act or Statute of the Parliament or state legislature. | Government companies are controlled by government or shareholders by following the provisions of Companies Act. | Multinational Company is controlled by the board of directors and shareholders by following the provisions of their respective country's act. |
| **5) Autonomy** | | | |
| The departmental organisation does not have autonomy in decision making. | Statutory corporation enjoys autonomy in decision making. | Government company enjoys autonomy in decision making. | MNCs enjoy autonomy in decision making. |
| **6) Legal status** | | | |
| The departmental organisation has no separate legal status distinct from the government. | Statutory corporation has separate status distinct from the Government. | Government company has separate legal status as it is registered under the Companies Act, 2013. | MNCs have separate legal status. |
| **7) Establishment** | | | |
| The departmental organisation is formed under concerned ministry. | The statutory corporation is established by special act of the Parliament or State Legislature. | Government companies are formed and registered under the provisions of Companies Act 2013. | MNCs are formed and registered under the provisions of respective country's act. |
| **8) Borrowing power** | | | |
| The departmental organisation cannot borrow money from public. | The statutory corporation can borrow money from public by way of bonds. | Government companies can borrow funds by the way of debt or issuing shares to the public. | MNCs can borrow funds by way of debt, bonds or issuing shares to the public. |
| **9) Staff** | | | |
| The staff of departmental organisation are government servants and their services are governed by civil service rules. | The staff is recruited independently and their services are governed by service rules of organisations. | The staff is recruited independently and their services are governed by contract of service rules of organisations. | The staff is recruited independently and their services are governed by contract of service rules of organisations. |

Sample Content

## Objective Questions: (T)

**(A) Select the correct answer from the options given below and rewrite the statements:**

1. Departmental organisation is financed through _______ appropriations made by the legislature.
   a. annual budget b. monthly budget c. quarterly budget
   **annual budget**
2. A _______ is an autonomous corporate body created by the special act of the Parliament or state legislature.
   a. statutory corporation b. government company c. MNC
   **statutory corporation**
3. A statutory corporation is answerable to _______ or state assembly whosoever creates it.
   a. Parliament b. public c. employees
   **Parliament**
4. In government company minimum _______ % paid-up capital is held by government.
   a. 51 b. 41 c. 31
   **51**
5. The shares of government company are purchased in the name of _______.
   a. President of India b. Chief Minister c. Defense Minister
   **President of India**
6. Government on the advice of _______ appoints auditor of government company.
   a. Comptroller and Auditor General of India b. auditor c. chartered accountant
   **Comptroller and Auditor General of India**
7. A government company is a _______ entity separate from the Government.
   a. natural b. legal c. human
   **legal**
8. _______ company has public accountability.
   a. MNC b. Private c. Government
   **Government**
9. MNCs are powerful _______ entities.
   a. economical b. political c. social
   **economical**

**(B) Match the pairs:**

| | Group 'A' | | Group 'B' |
|---|---|---|---|
| 1. | BHEL | a. | Special Legislature |
| 2. | Statutory Corporation | b. | 49% paid up capital by govt. |
| 3. | Departmental Organisation | c. | Service Motive |
| 4. | Private Sector | d. | Railway |
| 5. | Public Sector | e. | Profit Motive |
| | | f. | 51% paid up capital by govt. |

**1 – f**
**2 – a**
**3 – d**
**4 – e**
**5 – c**

**(C) Write a word or a term or a phrase which can substitute each of the following statements:**

1. Organisations which are owned by individual or group of individuals — **Private sector organisations**
2. Organisations which are owned by government. — **Public sector organisations**
3. The sector which aims at profit maximization. — **Private sector**
4. The sector which aims at providing reliable services to customers. — **Public sector**
5. Organisations which are owned, financed, managed and controlled by government or combination of governments. — **Public sector organisations**
6. The organisation which is owned, managed, controlled and financed by government. — **Departmental organisation**
7. The oldest form of business organisation under public sector. — **Departmental organisation**
8. The organisation which performs all its activities as an integral part for government only. — **Departmental organisation**

Sample Content

| | | |
|---|---|---|
| 9. | The organisation which is financed through annual budget appropriations made by the legislature. | Departmental organisation |
| 10. | The organisation in which there is direct and absolute control of government over the enterprise. | Departmental organisation |
| 11. | An autonomous corporate body created by the Special act of the Parliament or state legislature with defined powers, functions and duties. | Statutory corporation |
| 12. | An organisation which is answerable to Parliament or state assembly whosoever creates it. | Statutory corporation |
| 13. | An organisation which is not subject to the budget, accounting and audit controls by the government. | Statutory corporation/ Government Company |

**(D) State whether the following statements are true or false:**

| | | |
|---|---|---|
| 1. | Private sector organisations are owned by individual or group of individuals. | True |
| 2. | Public sector organisations are owned by government. | True |
| 3. | Private sector aims at providing reliable services to customers. | False |
| 4. | Public sector was undertaken as a part of Industrial Policy, 1956. | True |
| 5. | Departmental organisation is oldest form of business organisation under public sector. | True |
| 6. | Departmental organisation performs all activities separately from government. | False |
| 7. | The minister-in-charge of ministry is the head of departmental organisation. | True |
| 8. | There is always a problem of red tapism and bureaucracy in departmental organisation. | True |
| 9. | There is large scope for the initiative and skill in departmental organisation. | False |
| 10. | In departmental organisation, there is flexibility in operations. | False |

**(E) Find the odd one:**
**(Reason is given only for your understanding)**

**1. Indian Post, Indian Railway, Bank of India, Air India**

**Ans:** Bank of India
**Reason:** All others are departmental organisation whereas Bank of India is a private sector organisation.

**2. Life Insurance Corporation, Reserve Bank of India, Bharat Heavy Electricals Limited, ONGC.**

**Ans:** Bharat Heavy Electricals Limited (BHEL)
**Reason:** All others are statutory corporations while BHEL is a government company.

**3. Pepsi, Coca Cola, Dabur, Proctor & Gamble.**

**Ans:** Dabur
**Reason:** All others are MNCs with headquarters outside India while Dabur is an Indian company.

**4. Tata Motors, Hindustan Aeronautics Limited, Steel Authority of India Limited, Gas Authority of India Ltd.**

**Ans:** Tata Motors
**Reason:** All others are public sector organisations.

**(F) Complete the sentences:**

| | | |
|---|---|---|
| 1. | A government company is a _______ entity separate from the Government. | legal |
| 2. | _______ is owned, managed, controlled and financed by government. | Departmental organisation |
| 3. | All government companies are registered under _______ Act, 2013. | Companies |
| 4. | MNCs are powerful _______ entities. | economic |

**(G) Answer in one sentence:**

**1. What is public sector?**

**Ans:** Public sector organisations are those organisations which are owned, financed, managed and controlled by government or combination of governments. E.g. Indian Railways, HPCL, BPCL.

Sample Content

**2. What is private sector?**

**Ans:** Private sector organisations are those organisations which are owned, financed, managed and controlled by private individuals or group of individuals.

**3. What is departmental organisation?**

**Ans:** The organisation which is owned, managed, controlled and financed by government is known as departmental organisation. E.g.: India Post, Indian Railways, Indian Airways.

**4. What is statutory corporation?**

**Ans:** A statutory corporation is an autonomous corporate body created by the special act of the Parliament or state legislature with defined powers, functions and duties. E.g.: Reserve Bank of India, Life Insurance Corporation of India etc.

**5. What is government company?**

**Ans:** Government company is a company which is registered under the Companies Act, 2013 and having minimum 51% of paid-up share capital held by central government or any state government or partly by central and partly by one or more state governments. E.g.: NTPC, BHEL Steel Authority of India Ltd. etc.

**6. What is multinational corporation?**

**Ans:** Multinational corporation (MNC) is a business organisation that operates in many different countries at the same time. E.g.: Infosys, Tata Motors, Wipro etc.

**(H) Correct the underlined word and rewrite the following sentences:**

**1. <u>Private</u> sector aims at providing essential services to customers.**

**Ans.** <u>Public</u> sector aims at providing essential services to customers.

**2. Departmental organisation <u>has separate</u> existence from government.**

**Ans.** Departmental organisation <u>has no separate</u> existence from government.

**3. A statutory corporation is a <u>natural person</u> created by special Act.**

**Ans.** Statutory Corporation is an <u>artificial person</u> created by special Act.

**4. A statutory corporation is <u>not answerable</u> to Parliament or state assembly.**

**Ans.** A Statutory Corporation is <u>answerable</u> to Parliament or state assembly.

**5. MNCs have existence in <u>single country</u>.**

**Ans.** MNCs have existence in <u>many countries</u>.

## Explain the following terms/concepts: (T)

**1. Public Sector Organisation**

**Ans.** Public sector organisations are those organisations which are owned, financed, managed and controlled by government or combination of governments. E.g. HPCL, BPCL.
According to Britannica Encyclopaedia, “an undertaking that is owned by a central, state or local government, supplies services or goods at a price and is operated on more or less self-supporting basis is called as Public Sector Organisation”.

**2. Private Sector Organisation**

**Ans.** Private sector organisations are those organisations which are owned, financed, managed and controlled by private individuals or group of individuals.

**3. Departmental Organisation**

**Ans.** The organisation which is owned, managed, controlled and financed by government is known as departmental organisation. It is the oldest form of business organisation. Departmental organisation performs all activities as an integral part for government only. The minister-in-charge of the ministry is the head of this organisation. All departmental organisations act through officers of the government and all employees are called as government employees.

**4. Statutory Corporation**

**Ans.** A statutory corporation is an autonomous corporate body created by the special act of the Parliament or state legislature with defined powers, functions and duties. State helps statutory corporation by subscribing to its capital. E.g.: LIC, Reserve Bank of India, Airports Authority of India Ltd. etc.

Sample Content

**5. Government Company**

**Ans.** Government company is a company which is registered under the Companies Act, 2013 and having minimum 51% of paid up share capital held by central government or any state government or partly by central and partly by one or more state governments. The shares of government company are purchased in the name of 'The President of India' or in the name of 'Governor of a State'. E.g.: NTPC, BHEL, SAIL etc.

**6. Multinational Corporation**

**Ans.** Multinational corporation (MNC) is a business organisation that operates in many different countries at the same time. Basically, this organisation has centralized head office from where they coordinate global management and have facilities and other assets in at least one country other than its home country.

## Justify the following statements: (T)

**1. Departmental organisations are run for providing public services.**

**Ans.** i. The organisation which is owned, managed, controlled and financed by government is known as departmental organisation.
ii. Departmental organisation performs all activities as an integral part for government only.
iii. All departmental organisations act through officers of the government.
iv. The organisations run by government are not run for making profits. They provide public utility services.
v. Hence, departmental organisations are run for providing public services.

**2. There is direct control of government on departmental organisation.**

**Ans.** i. The organisation which is owned, managed, controlled and financed by government is known as departmental organisation.
ii. Departmental organisation performs all activities as an integral part for government only.
iii. All departmental organisations act through officers of the government.
iv. The minister-in-charge of ministry is head of this organisation.
v. Hence, there is a direct control of government on departmental organisation.

**3. There is no political interference in statutory corporation.**

**Ans.** i. A statutory corporation is an autonomous corporate body created by the special act of the Parliament or state legislature with defined powers, functions and duties.
ii. State helps statutory corporation by subscribing to its capital.
iii. Unlike departmental organisation, statutory corporations are not managed by government.
iv. They come into existence due to an Act and are managed by independent board of directors.
v. Hence, there is no political interference in formation, working and administration of statutory corporation. It is free from political interference.

**4. There is professional management in statutory corporation.**

**Ans.** i. A statutory corporation is an autonomous corporate body created by the special act of the Parliament or state legislature with defined powers, functions and duties.
ii. Statutory corporations function through the board of directors.
iii. The board of directors of statutory corporations consists of business experts and representatives of various groups like labour, consumer etc.
iv. These experts are nominated by the government.
v. Besides, statutory corporations have their own rules and regulations regarding staff recruitment, remuneration, appraisals etc.
vi. Thus, they can provide better facilities and attractive terms of service to secure efficient working from its staff.
vii. Hence, there is professional management in statutory corporation.

**5. MNC helps to end local monopolies.**

**Ans.** i. Multinational corporation (MNC) is a business organisation that operates in many different countries at the same time.
ii. Local monopolies usually dominate the domestic market and overprice the products.
iii. The entry of MNCs in host country leads to competition in that country.
iv. The existing businesses which were in monopoly either reduce their prices or upgrade their product quality.
v. In fact, the entry of MNCs makes domestic companies improve their efficiency and quality.
vi. Hence, MNCs helps to end local monopolies.

Sample Content

**6. MNC has worldwide existence.**

**Ans.** i. Multinational corporation (MNC) is a business organisation that operates in many different countries at the same time.

ii. Basically, this organisation has centralized head office from where they coordinate global management and have facilities and other assets in at least one country other than its home country.

iii. The operations of MNCs are spread across different countries. They have branches, subsidiaries and affiliates in various countries.

iv. MNCs operate at global level.

v. Hence, MNC has worldwide existence.

**7. MNC has mighty economic powers.**

**Ans.** i. Multinational corporation (MNC) is a business organisation that operates in many different countries at the same time.

ii. Basically, this organisation has centralized head office from where they coordinate global management and have facilities and other assets in at least one country other than its home country.

iii. MNCs operate at global level. This also results in huge turnover

iv. Many MNCs are actually bigger than national economies of several countries.

v. Besides, they keep adding to their strength by continuous mergers and acquisitions.

vi. Hence, MNCs have mighty economic powers.

## Study the following case/situation and express your opinion: (T)

**1. There is X company in which capital contribution by different entities are as follows Madhya Pradesh Govt 35%, Maharashtra Government 35% and Government of India 30% of company.**

**i. Find out type of this company.**

**ii. Tell any one features of this company.**

**iii. Give an example of this type of company.**

**Ans.** i. The total shareholding of X company is 100% (35% + 35% + 30%). Since more than 51% of paid-up capital is held by the government (centre + state), it is a government company.

ii. Following is one of the features of Government company :

a. **Separate legal entity:** A government company is registered under the Companies Act, 2013. It is a separate legal entity from government. It can acquire property, can make contracts and can file suit in its own name.

iii. National Thermal Power Corporation (NTPC), Bharat Heavy Electricals Limited (BHEL), Hindustan Machine Tools (HMT) are some of the examples of government company.

**2. There is a company which is having a registered office in Singapore and such company is having branch offices in Varanasi (India) and Hambantota (Sri Lanka). This company provides cellular services to host countries through their respective branch offices.**

**i. Find out type of organisation.**

**ii. In which country does the company originate?**

**iii. Name any one country which has the branch office of the company.**

**Ans.** i. This company is a multinational corporation (MNC).

ii. Company originates from Singapore.

iii. Singapore is a country with a branch office of the company.

**3. A central government passes a statute in the Parliament and forms a business organisation which is having autonomy in administration and this organisation is answerable to legislature.**

**i. Which type of organisation is this?**

**ii. Give any one features of this organisation.**

**iii. Give any one example of this type of organisation.**

**Ans.** i. A statutory corporation is an autonomous corporate body created by the special act of the Parliament or state legislature with defined powers, functions and duties. Thus, it is a statutory corporation.

ii. One of the features of this organisation is as follows:

a. **Corporate body:** Statutory corporations come into existence due to an Act. Thus, they are an artificial person created by law and have independent legal entity. Like other companies, they are managed by board of directors. The board is constituted by government. Besides, these entities have a right to enter into contracts and undertake any kind of business under its own name.

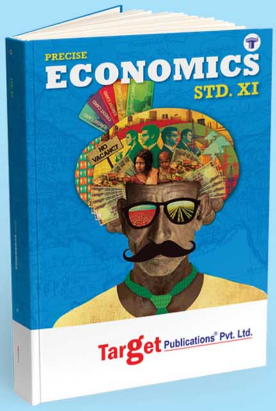
iii. Reserve Bank of India, LIC, ONGC etc. are the examples of this type of organisation.

Sample Content

# EXPLORE OUR RANGE FOR COMMERCE

## 1 PRECISE NOTES

For to the point exam oriented study




- Book Keeping & Accountancy
- Economics
- Organisation of Commerce & Management
- Secretarial Practice
- Mathematics & Statistics – I &II
- English Yuvakbharati
- Hindi Yuvakbharati
- Marathi Yuvakbharati

## 2 SMART PPT

SMART PPTs

Attractive presentations to make concept learning more engaging & more interesting.

## 3 PRUDENT TEST SERIES

PDF

Ready-made test papers (chapter-wise tests, unit tests & prelim papers) in PDF format along with solutions

## 4 QUILL – THE PADHAI APP

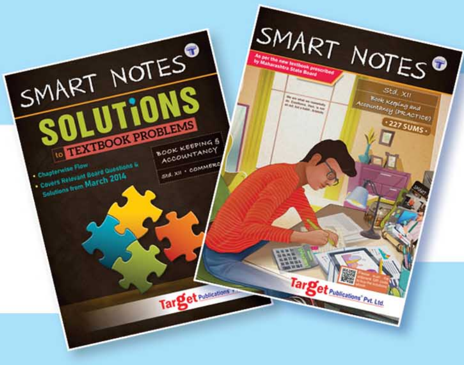
Quill
The Padhai App

PDF

To help you study on the move. The mobile app includes PDF files of all the books for you to read.

*Outstanding titles for additional practice of*
Book Keeping & Accountancy

Detailed solutions of all textual problems & board problems from March 2014.




Practice yourself to perfection with this practice book that covers 227 additional sums

Visit Our Website


Target Publications® Pvt. Ltd.
Transforming lives through learning.

**Address:**
2nd floor, Aroto Industrial Premises CHS,
Above Surya Eye Hospital, 63-A, P. K. Road,
Mulund (W), Mumbai 400 080
**Tel:** 88799 39712 / 13 / 14 / 15
**Website:** www.targetpublications.org
**Email:** mail@targetpublications.org



Explore our range of STATIONERY