

ANSWER KEY & MARKING SCHEME · CBSE CLASS 11**Private, Public and Global Enterprises**

Business Studies · Chapter 3 · Use this with the Board Paper · Companion to Quick Drill

HOW TO USE

Attempt the Board Paper first (closed-book, full time). Then come here. For 2-mark+ questions, compare your answer to the model. For 3-4 mark questions, also consult the **Topper Templates** below — these show the exact step-by-step structure that scores full marks per CBSE marking-scheme conventions.

MODEL ANSWERS · BOARD PAPER**Section A — Very Short Answer (1 mark each)**

Q1. What is the minimum percentage of paid-up capital held by the government in a government company? [1 mark]

| **Ans:** At least 51%.

Q2. Name the form of public enterprise that is created by a special Act of Parliament. [1 mark]

| **Ans:** A statutory (public) corporation.

Q3. What is meant by disinvestment? [1 mark]

| **Ans:** Disinvestment is the sale of a part of the government's equity holding in a public-sector enterprise to private investors or the public.

Q4. Give one example of a departmental undertaking in India. [1 mark]

| **Ans:** Indian Railways (or Posts, or Defence production).

Section B — Short Answer I (3 marks each)

Q5. State any three features of a government company. [3 marks]

| **Ans:** (1) It is registered under the COMPANIES ACT and is a separate legal entity. (2) At least 51% of its paid-up capital is held by the central and/or state government, with up to 49% private. (3) It is managed by a board of directors and its accounts are audited under the Companies Act, with the annual report placed before Parliament. (Other valid points: it can sue/be sued and own property in its own name.)

Q6. What is a joint venture? State any two of its benefits. [3 marks]

| **Ans:** A joint venture is a business arrangement in which two or more independent firms pool their resources (capital, technology, expertise, market access) for a specific project, sharing ownership, risk and profit. Benefits (any two): access to MORE RESOURCES and finance; access to NEW MARKETS and distribution networks; access to advanced TECHNOLOGY; increased capacity; sharing of RISK; lower cost of production; use of an established brand.

Section C — Short Answer II (4 marks each)

Q7. Distinguish between a statutory corporation and a government company on any four bases. [4 marks]

| **Ans:** (1) CREATION — Statutory corporation: created by a special Act of the legislature; Government company: registered under the Companies Act. (2) GOVERNING LAW — Statutory corporation: governed by its own Act; Government company: governed by the Companies Act. (3) CAPITAL/OWNERSHIP — Statutory corporation: wholly owned by the State; Government company: at least 51% government, up to 49% private. (4) STAFF — both have their own staff (not civil servants), but the statutory corporation's terms are set by its Act while the government company's follow the Companies Act and its board.

Q8. Explain any four features of global enterprises (MNCs). [4 marks]

| **Ans:** (1) HUGE CAPITAL — they command enormous financial resources raised from many global sources. (2) ADVANCED TECHNOLOGY — sophisticated technology enabling high-quality, standardised products. (3) FOREIGN COLLABORATION & MARKET EXPANSION — they collaborate with local firms and operate through branches/subsidiaries in many countries, expanding their market territory. (4) CENTRALISED CONTROL — overall policy is directed from the parent-company headquarters. (Product innovation through R&D and aggressive marketing strategy are also valid features.)

Section D — Long Answer (6 marks each)

Q9. Explain the merits and limitations of a statutory corporation. [6 marks]

Ans: A STATUTORY (public) CORPORATION is created by a special Act of Parliament or a State Legislature, which defines its powers and objectives; it is a separate legal entity, wholly State-owned but financially autonomous, with its own staff. MERITS: (1) It enjoys operational AUTONOMY and flexibility, free from day-to-day government interference, allowing quick commercial decisions. (2) Because created by an Act, it is ACCOUNTABLE to Parliament, protecting public money. (3) It can frame its own personnel policies and attract competent professional STAFF on its own terms. (4) It combines public accountability with the independence of private enterprise, serving public objectives on business lines. LIMITATIONS: (1) In practice its AUTONOMY is eroded by political and bureaucratic INTERFERENCE despite the Act. (2) It is RIGID — any change of objective or scope requires AMENDING the Act, a slow process. (3) Unclear rules can cause friction and litigation with government departments. (4) The absence of competition can breed complacency and inefficiency. Thus the statutory corporation offers 'autonomy with accountability', but interference and rigidity limit it in practice.

Q10. Explain the changing role of the public sector in India after the 1991 reforms. [6 marks]

Ans: Before 1991 the public sector was expected to occupy the 'commanding heights' of the economy, with a long list of industries reserved for it. The 1991 NEW INDUSTRIAL POLICY changed this role fundamentally: (1) REDUCED RESERVATION — the number of industries reserved exclusively for the public sector was cut sharply (from 17 to a handful of strategic areas such as atomic energy and railways), opening most sectors to private and foreign investment. (2) DISINVESTMENT — the government began selling a part of its equity in public-sector enterprises to private investors and the public, to raise resources, broaden ownership, and improve efficiency through market discipline (the opposite of nationalisation). (3) MoU SYSTEM — a Memorandum of Understanding between each enterprise and the government set clear performance targets and granted greater operational AUTONOMY in return for accountability for results. (4) REVIVAL/CLOSURE OF SICK UNITS — chronically loss-making units were referred for restructuring and revival, or wound up where unviable, rather than endlessly subsidised, and management was professionalised. Overall, the public sector withdrew from non-strategic commercial activity and concentrated on infrastructure, strategic industries, and social goals, while the private sector expanded and partnerships (including PPP) grew.

★ TOPPER ANSWER TEMPLATES

3 TEMPLATES · MEMORISE THE FORMAT

★ TOPPER TEMPLATE — 5-mark: 'Explain the features, merits and limitations of a statutory corporation.'

Most terms

Step 1 [1 mark]	Meaning & creation	A STATUTORY (public) CORPORATION is a public enterprise brought into existence by a SPECIAL ACT of Parliament or a State Legislature. The Act defines its objectives, powers, privileges, and relationship with government departments (e.g. LIC, RBI).
Step 2 [2 marks]	Features	(i) Created by a special Act, which also governs it. (ii) It is a separate LEGAL ENTITY that can sue, be sued, own property and enter contracts. (iii) It is wholly OWNED by the State but financially INDEPENDENT, with full autonomy in its operations and its own budget. (iv) Its employees are NOT civil servants and are recruited on its own terms.
Step 3 [1 mark]	Merits	It enjoys operational AUTONOMY and flexibility free of day-to-day government interference, can frame its own policies, and is accountable to Parliament so public money is protected; it can attract competent staff on its own terms.
Step 4 [1 mark]	Limitations	In practice AUTONOMY is undermined by political and bureaucratic interference; rigidity arises because any change of objective needs amending the Act; clashes occur where the rules are unclear; and government and public dealings can still cause delay and lack of initiative.

COMMON LOSS OF MARKS:

- Confusing it with a government company (which is created under the Companies Act, not a special Act).
- Saying its employees are civil servants — they are not.
- Listing features without separating merits from limitations.

★ TOPPER TEMPLATE — 4-5 mark: 'Explain the features of global enterprises (MNCs).'

Annual

Step 1 [1 mark]	Huge capital & financial strength	Global enterprises possess HUGE CAPITAL resources and the ability to raise funds from many sources — equity, debentures, public deposits, and global capital markets — giving them enormous financial strength and staying power.
Step 2 [1 mark]	Foreign collaboration & advanced technology	They enter FOREIGN COLLABORATIONS with local firms for the sale of technology, production of goods, and use of brand names, and they command ADVANCED, sophisticated TECHNOLOGY that ensures high-quality, standardised products.
Step 3 [1 mark]	Product innovation & marketing strategy	They run strong R&D departments for continuous PRODUCT INNOVATION and employ aggressive, professional MARKETING STRATEGIES (heavy advertising, brand building) to achieve high sales.
Step 4 [1 mark]	Expansion of market territory & centralised control	They EXPAND their MARKET TERRITORY across countries, operating through branches and subsidiaries, while keeping CENTRALISED CONTROL of overall policy in the hands of the parent-company headquarters.

COMMON LOSS OF MARKS:

- Listing features as one-word points without a sentence of explanation.
- Confusing an MNC (one firm operating in many countries) with a joint venture (a partnership between firms).
- Omitting the centralised-control / parent-HQ feature.

★ TOPPER TEMPLATE — 4-5 mark: 'Distinguish between departmental undertaking, statutory corporation and government company.'

Annual

Step 1 [1 mark]	How it is created	DEPARTMENTAL UNDERTAKING: created by an executive/administrative decision of government as a department; STATUTORY CORPORATION: created by a SPECIAL ACT of the legislature; GOVERNMENT COMPANYY: registered under the COMPANIES ACT.
Step 2 [1 mark]	Legal status	DEPARTMENTAL: NO separate legal entity — it is part of a ministry; STATUTORY CORPORATION: a separate legal entity defined by its Act; GOVERNMENT COMPANYY: a separate legal entity under the Companies Act.
Step 3 [1 mark]	Capital & ownership	DEPARTMENTAL: financed wholly from the government budget; STATUTORY CORPORATION: wholly owned by the State, capital provided by government; GOVERNMENT COMPANYY: at least 51% of paid-up capital held by government, up to 49% private.
Step 4 [1 mark]	Staff & control	DEPARTMENTAL: run by civil servants under direct ministerial control; STATUTORY CORPORATION: own staff (not civil servants), high autonomy; GOVERNMENT COMPANYY: own staff, managed by a board, moderate autonomy under the Companies Act.
Step 5 [1 mark]	Accountability & flexibility	DEPARTMENTAL: maximum control, least flexibility, directly answerable to Parliament; STATUTORY CORPORATION: accountable to Parliament but operationally flexible; GOVERNMENT COMPANYY: accountable through its annual report laid in Parliament, fairly flexible.

COMMON LOSS OF MARKS:

- Writing a paragraph instead of comparing each form on each base.
- Saying a government company is created by a special Act (it is registered under the Companies Act).
- Forgetting the 51% capital test for the government company.

MARKING SCHEME — GENERAL NOTES

- In distinguish-type questions, each base of distinction must address BOTH (or all three) forms to earn its mark.
- The decisive identifiers must be stated: special Act for a statutory corporation; Companies Act + 51% for a government company; department of a ministry for a departmental undertaking.
- Real Indian examples (Railways, LIC, RBI, SAIL, ONGC) carry marks in conceptual answers.
- For global enterprises, each feature must have a one-sentence explanation — bare one-word lists earn only half marks.
- A government company must be described as at least 51% government-owned, NOT 100% — stating 100% loses the mark.