



INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce
Work Sheet: 1	Topic: LIBERALISATION, PRIVATISATION & GLOBALISATION

1. Which of the following refers to relaxation of previous government restrictions?

- a. Privatisation
- b. Globalisation
- c. Disinvestment
- d. Liberalisation

A: d

2. Why there was a need for economic reforms in India?

- a. Due to fiscal deficit
- b. Due to adverse BOP
- c. Rise in prices
- d. All of the above

A: d

3. When did the Gulf Crisis take place?

- a. 1985
- b. 1990-91
- c. 1995
- d. 1975

A: b

4. When was VAT introduced in most of the States of India?

- a. 1995
- b. 2001
- c. 2005
- d. 2006

A: c

5. How many countries are the members of WTO?

- a. 164
- b. 120
- c. 96
- d. 48

A: 164

6. Which of the following statements is true about the Indian financial crisis before 1991?

- a. The World Bank and International Monetary Fund (IMF) provided 10 billion dollars to bail India out of the financial crisis
 - b. The World Bank and International Monetary Fund (IMF) provided 7 billion dollars to bail India out of the financial crisis
 - c. The World Bank and International Monetary Fund (IMF) provided 15 billion dollars to bail India out of the financial crisis
 - d. The World Bank and International Monetary Fund (IMF) provided 12 billion dollars to bail India out of the financial crisis
- A: b

7. Which of the following bodies was a predecessor to the World Trade Organisation?

- a. General Agreement on Tariffs and Trade (GATT)
- b. International Monetary Fund (IMF)
- c. International Bank for Reconstruction and Development (IBRD)
- d. None of the above

A: a

8. Which of the following was the main reason behind initiating the economic reforms in the country?

- a. India was facing a huge fiscal deficit issue
- b. India had an adverse balance of payments
- c. The rise in the prices of several essential commodities
- d. All of the above

A: d

9. Which of the following statements about the new economic policy is not correct?

- The new economic policy helped to initiate privatisation in the country
- The new economic policy helped to initiate liberalisation in the country
- The new economic policy helped to initiate urbanisation in the country
- The new economic policy helped to initiate globalisation in the country

A: c

10. WTO was established in the year-----

- a. 1995
- b. 1948
- c. 1996
- d. 1994

A: a

11. ----- means integrating the domestic economy with the world economy.

- a. Globalisation
- b. Privatisation
- c. Liberalisation
- d. Disinvestment

A: a

12. Which of the following is not a policy initiated under New Economic Policy?

- a. Liberalisation
- b. Privatisation
- c. Globalisation
- d. Licensing

A: d

13. ----- refers to disposal of equity of public sector units in the market.

- a. Globalisation
- b. Privatisation
- c. Disinvestment
- d. Liberalisation

A: c

14. When was the new economic policy announced?

- a. June 1991
- b. May 1991
- c. July 1991
- d. January 1991

A: c

15. It refers to contracting out some of its activities to a third party which were earlier performed by the organisations.

- a. Outsourcing
- b. Globalisation
- c. Privatisation
- d. Liberalisation

A: a

16. Which of the following industries are reserved for the public sector?

- a. Defence equipments
- b. Atomic energy generation
- c. Cement
- d. Both (a) and (b)

A: d

17. The biggest tax reform in the field of indirect tax is the implementation of -----

- a. VAT
- b. Excise duty
- c. Progressive tax
- d. GST

A: d

18. The head office of WTO is located at:

- a. Geneva
- b. Paris

c. London

d. Tokyo

A: a

19. Note on Liberalisation:

Liberalisation of the economy means its freedom from direct or physical controls imposed by the government.

Economic Reforms Under Liberalisation:

(i) Industrial Sector Reforms:

- Abolition of industrial licensing.
- De-reservation of production areas.
- Expansion of production capacity.
- Freedom to import goods.

(ii) Financial Sector Reforms:

Liberalisation implied a substantial shift in the role of the RBI from a regulator to a facilitator of the financial sector.

(iii) Fiscal Reforms Fiscal reforms relate to revenue and expenditure of the government. Tax reforms are the principal component of fiscal reforms. Broadly taxes are classified

- Direct Taxes and
- Indirect Taxes

(iv) External Sector Reforms It include Foreign exchange reforms and Foreign trade policy reforms.

20. Note on Globalisation:

It may be defined as a process associated with increasing openness, growing economic interdependence and deepening economic integration in the world economy.

Policy Strategies Promoting Globalisation of the Indian Economy

- Increase in equity limit of foreign investment
- Partial convertibility
- Long term trade policy
- Reduction in tariffs
- Withdrawal of quantitative restriction

21. Positive and Negative Impact of the LPG (Liberalisation, Privatisation and Globalisation) Policies:

Positive Impact:

- A vibrant economy
- A stimulant to industrial production
- A check on fiscal deficit
- A check on inflation
- Consumer's sovereignty
- Flow of private foreign investment

Negative Impact:

- Neglect of agriculture
- Urban concentration of growth process
- Economic colonialism
- Spread of consumerism
- Lopsided growth process
- Cultural erosion

22. What is New Economic Policy? What are its main objectives?

The NEP is a set of measures that have been adopted since 1991 to make the economy more competitive, efficient and global in character. These measures relate to reforms in i. Industrial policy ii. Trade policy iii. Fiscal policy iv. Financial sector reforms. The objectives of the NEP were:

- To reduce the domestic inflation rate
- To put the economy back on the path of sustainable growth and social justice
- To improve the efficiency and the productivity of the economy
- To improve the Balance of Payment situation

23. What was the condition imposed by the World Bank and IMF for giving loan in India.

India received a loan of \$7 billion from the World Bank and IMF to manage the economic crisis in the late 1980s. For this, the conditions imposed were:

- To liberalize and open up the economy by removing restrictions on the private sector.
- To reduce the role of Govt in many areas of production.
- To remove trade restrictions.

24. Though the GDP growth rate has increased, it has not generated sufficient employment. Why?

Though the GDP growth rate has increased, it has not generated sufficient employment, showing that more goods and services are produced with lesser people, a clear indication of jobless growth.

- This shows that enterprises are focussing more on capital as a means of production which pays less attention to job creation.
- The capital intensive enterprises will not provide employment and will lead to growth in unemployment with the rising population, widening the gap between the two.

25. Why were the PSUs sold off to the private sector in 1991?

- The purpose was mainly to improve the financial discipline and facilitate modernization.
- It also envisaged that private capital and managerial capabilities could be effectively utilized to improve the performance of the PSUs.
- The Govt also envisaged that privatization could provide a strong impetus to the inflow of FDI.

26. Globalization is the outcome of privatization and liberalization policy. Explain.

Liberalization refers to a relaxation of previous Govt restrictions, usually in areas of social or economic policies.

- Privatization is the process of transferring property from public ownership to private ownership and/or transferring the management of a service or activity from the Govt to the private sector.
- Globalization refers to the growing interdependence of countries through the increasing volume and variety of cross border transactions in goods and services and also through the rapidly expanding volume of technology.
- Globalization is the outcome of the policies of liberalization and privatization.
- Example of an outcome of globalization process is outsourcing.

27. India is benefiting from liberalization and integration of the world markets. Comment on the statement in the light of the outsourcing services.

The growth of population is a big factor in making it a source of outsourcing.

* India has invested heavily on technical education and can provide a ready supply of bright people at relatively low cost owing to Govt's inability to provide employment to them.

* Being located on the other side of the developed world gives the advantage of time difference to India and some companies find it a definite advantage.

* The very disadvantages of the Indian economy make it advantageous for developed countries to outsource in India.

28.. Differentiate between demonetization and remonetisation.

Demonetization refers to withdrawal of the status of the legal tender to the currency in circulation. Remonetisation occurs when new currency is issued in place of banned currency.

29. What is a shadow economy?

A shadow economy is a black money where business transactions are conducted without tax payment. Tax evasion is the core characteristic of the shadow economy.