

Chapter – 8

Multi-National Corporations (MNCs)

I. Choose the Correct Answer

Question 1.

A Multinational Corporation can be defined as a firm which

- (a) Is beyond the control of any government
- (b) Is one of the top 200 firms in the world
- (c) Owns companies in more than one country
- (d) All the above

Answer:

- (c) Owns companies in more than one country

Question 2.

Centralised control in MNC's implies control exercised by

- (a) Branches
- (b) Subsidiaries
- (c) Headquarters
- (d) Parliament

Answer:

- (c) Headquarters

Question 3.

Enterprises operating in several countries but managed from one country is termed as

- (a) Government company
- (b) Multinational Company
- (c) Private company
- (d) Joint Venture

Answer:

- (b) Multinational Company

Question 4.

Dispersal of decision making power to branches/affiliates/subsidiaries by head office represents

- (a) Centralisation
- (b) Decentralisation
- (c) Power
- (d) Integration

Answer:

- (b) Decentralisation

Question 5.

Coca – Cola company is an example of

- (a) MNC
- (b) Government company
- (c) Joint Venture
- (d) Public company

Answer:

- (a) MNC

II. Very Short Answer Questions

Question 1.

Define Multinational Company.

Answer:

According to Neil H.Jacoby, “A multinational corporation owns and manages the business in two or more countries”

Question 2.

Write any two advantages of MNC.

Answer:

1. Low-Cost Labour: MNC set up their facilities in low-cost countries and produce goods/ services at a lower cost.

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

Question 3.

Give two examples of MNC.

Answer:

Micromax informatics, Karbonn Mobiles.

Question 4.

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

Answer:

A multinational corporation is known by various names such as: global enterprise, international enterprise, world enterprise, transnational corporation etc.

III. Short Answer Questions

Question 1.

What are the advantages of MNC's?

Answer:

The Following are the major advantages of MNC's.

- It helps in providing low-cost labour
- It put an end to exploitative trade practices of local monopolists.
- It helps in producing quality products.
- It helps is the proper usage of Idle Resources.

Question 2.

What are the disadvantages of MNC's?

Answer:

1. **The 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.
2. **Transfer of Outdated Technology:** Where MNCs transfer outdated technology to the host nation, it serves no purpose.
3. **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.
4. **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.
5. **Deprivation of Job Opportunity of Local People:** MNCs may not generate job opportunities for the people of their home country.