

MCOs - NCERT Economics Ch.4, Class 10th - Globalisation and the Indian Economy

(Note: Please read the summary before attempting the questions)

Q1. Consider the following statement about MNCs:

1. It is a company which owns or controls production in more than one nation.
2. Before emergence of MNCs, trade was the main channel connecting distant countries.

Which of the given statement(s) is/are **correct**?

- a) 1 only
- b) 2 only
- c) Both the statements
- d) None of the statements

Q2. The ways through which MNC interlink production across countries:

1. Joint production with the local companies.
2. Buying local companies.
3. Using local companies for supplies and then selling it under suppliers' brand.

Which of the given statements are **correct**?

- A) All of the above
- B) 1 and 2 only
- C) 1 and 3 only
- D) 2 and 3 only

Q3. The process of globalisation is achieved through

1. Foreign investment
2. Foreign trade
3. Movement of people
4. All of the above

Q4. Trade barrier refers to

1. The tax imposed by government on movement of goods in the country.
2. The barrier that exists on the international border to check physical goods coming into the country.
3. Restrictions imposed by government to regulate foreign trade.
4. The hardship faced by traders in their trade activities.

Q5. Which of the following statement is **incorrect** about SEZ?

1. Additional taxes are imposed on companies for availing benefits of SEZ.
2. World class infrastructural facilities are provided.
3. They are set up to attract foreign investments.
4. Domestic companies are allowed to function in SEZ.

Q6. Which of the following statement is **incorrect** about WTO?

1. It was started in 1995 at the initiative of developing nation.
2. Its aim is to liberalise international trade.
3. It establishes rules regarding international trade.
4. It has 164 members at present.

Q7. Consider the following about the impact of globalization:

1. It has led to the improvement in lives of all the people.
2. It is one of the prominent reasons for the shutting down of small companies.

Which of the above statement is **incorrect**?

- a) 1 only
 - b) 2 only
 - c) Both the statements
 - d) None of the above
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Answers & Explanations

Q1. Answer: (c)

Explanation:

Statement 1 is correct: Definition of MNC – A MNC is a company that owns or controls production in more than one nation.

Statement 2 is correct: Only after MNC's emergence, • Production of goods and services were globalised. Starting from the process of designing to last process of after sales services, all processes are being carried out at different countries taking the best advantage possible. E.g. – Research and designing at USA, Production at China, After sales services in India.

Q2. Answer: (B)

Explanation:

Ways adopted by MNCs to interlink production process across the globe:

Once MNCs are assured of the favourable factors then they invest in the countries by adopting the following means:

- 1) **Partnership with the local companies** for joint production. In this approach local companies get the advantage of money and latest technology from MNCs.
- 2) **Buying local companies** and then expanding. E.g. – Acquisition of Parakh foods by Cargill foods, an American MNC.
- 3) **Using local companies for supplies** of the product to sell then *under their own brand (And not under suppliers' brand)*. This method is mostly adopted in garment, footwear, sports items and Price, quality, delivery, labour conditions are determined by MNCs.

Q3. Answer: (4)

Explanation:

Globalisation is the process of rapid integration or interconnection between countries. More and more goods and services, investments and technology are moving between countries. It is achieved through foreign investment, foreign trade and movement of people.

Q4. Answer- (3)

Explanation:

Trade barrier - Restrictions like tax which are imposed by any government to regulate import and export of commodities in their respective countries.

Q5. Answer- (1)

Explanation:

Special Economic Zones (SEZ):

- ✓ Provision of world class facilities like water, electricity, recreational and educational facilities, storage, transport etc. are provided.
- ✓ **Exemption from payment of taxes for some initial years.**
- ✓ It is one of the steps taken to attract foreign investments.

Q6. Answer- (1)

Explanation:

World Trade Organisation (WTO)

- It was started in 1995 at the initiative of the *developed countries*.
- Aim – To liberalise international trade. WTO sees all the trade barriers as harmful for foreign trade and investments. All the countries should liberalise their policies.
- Functions – To establish rules of international trade and to see that these rules are followed.
- At present, WTO has 164 members.

Q7. Answer- (a)

Explanation:

Statement 1 is incorrect: Not all the people have benefited from the process of globalization. For e.g. workers, small companies were hit hard due to competition.

Statement 2 is correct: Globalisation has posed a major challenge on small producers. Rising competition from big MNCs have forced these companies to shut down.