Liberalisation, Privatisation and Globalisation

Standard difficulty · 20 questions · 40 marks · Time: 37 minutes

Name: _____ Date: _____ Score: ____ / 40

Write full answers in Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. India's New Economic Policy was announced in:
   (a) 1995 **(b)** 2001 **(c)** 1981 **(d)** 1991

2. "Letting foreign institutional investors invest in Indian markets" is an example of:
   (a) financial sector reform **(b)** privatisation
   (c) trade policy reform **(d)** foreign exchange reform

3. What is meant by "disinvestment"?
   (a) foreign currency kept to pay for imports
   (b) removing restrictions and opening up sectors of the economy
   (c) selling part of the equity of public enterprises to the public
   (d) shedding government ownership or management of enterprises

4. Which of these is named in the book as a Maharatna company?
   (a) Steel Authority of India Limited
   (b) Bharat Sanchar Nigam Limited
   (c) Indian Railway Catering and Tourism Corporation
   (d) Mahanagar Telephone Nigam Limited

5. In the book's table, growth of GDP as a whole was 5.6% a year in 2012–13 and 6.6% in 2013–14. What is the difference?
   (a) 1.5 points **(b)** 12.2 points **(c)** 2 points **(d)** 1 point

6. Suppose the rupee is devalued from ₹20 to ₹39 per dollar. How many more rupees does an importer pay for goods worth $70,000?
   (a) ₹1,330,000 **(b)** ₹19 **(c)** ₹2,730,000 **(d)** ₹1,400,000

7. A country imports goods worth $4 billion a month and holds foreign exchange reserves of $60 billion. For how many months of imports do the reserves last?
   (a) 16 months **(b)** 4 months **(c)** 15 months **(d)** 60 months

8. The government owns all 794,000 shares of a public enterprise and sells 40% of them to the public at ₹320 a share. How much does this disinvestment raise?
   (a) ₹203,264,000 **(b)** ₹317,600 **(c)** ₹254,080,000 **(d)** ₹101,632,000

Section B — Short answer — 8 × 2 = 16 marks

9. What is liberalisation?

10. Explain each term: (a) privatisation (b) stabilisation measures

11. Is each a direct or an indirect tax? (a) customs duty (b) corporation tax

12. What status does the book give each public enterprise (Maharatna, Navratna or Miniratna)? (a) Mahanagar Telephone Nigam Limited (b) Bharat Sanchar Nigam Limited

13. Name the area of reform each belongs to: (a) devaluing the rupee in 1991 (b) reducing tariff rates and removing export duties

14. An exporter sells goods worth $27,000. How many rupees does the exporter get at ₹45 per dollar, and at ₹63 after a devaluation?

15. Using the book's table, compare the growth of agriculture in 1992–2001 (3.3%) and 2012–13 (1.5%): was it higher or lower in the later period, and by how many percentage points?

16. A good costs ₹2,100 abroad. Its import tariff is cut from 95% to 10%. What is its price in India before and after the cut?

Section C — Longer answers — 4 × 4 = 16 marks

17. Describe the reforms in the industrial sector after 1991.

18. Match each with its meaning: (a) quantitative restrictions (b) privatisation (c) stabilisation measures. Choose from: limits on the quantity of imports or exports; shedding government ownership or management of enterprises; short-term steps to fix the balance of payments and inflation.

19. A company abroad needs 7,600 hours of data-entry work. It costs $55 an hour at home and $27 an hour if outsourced to a firm in India. (a) What does each option cost? (b) How much is saved by outsourcing? (c) What made India a destination for outsourcing?

20. (a) Put these in order, earliest first: quantitative restrictions on consumer goods and farm imports were fully removed (2001); the Constitution was amended to allow GST (2016); the WTO replaced GATT (1995). (b) How many years from the first to the last? (c) Explain what one of these meant for India's trade.

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Answer key

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Q	Answer	Working
1	**(d) 1991**	—
2	**(a) financial sector reform**	—
3	**(c) selling part of the equity of public enterprises to the public**	—
4	**(a) Steel Authority of India Limited**	—
5	**(d) 1 point**	6.6 − 5.6
6	**(a) ₹1,330,000**	70,000 × (39 − 20)
7	**(c) 15 months**	60 ÷ 4
8	**(d) ₹101,632,000**	40% of 794,000 × 320
9	**Removing restrictions on economic activity and opening up sectors of the economy.**	—
10	**(a) shedding government ownership or management of enterprises (b) short-term steps to fix the balance of payments and inflation**	—
11	**(a) indirect (b) direct**	—
12	**(a) Navratna (b) Miniratna**	—
13	**(a) foreign exchange reform (b) trade policy reform**	—
14	**₹1,215,000 and ₹1,701,000, i.e. ₹486,000 more**	27,000 × 45; 27,000 × 63
15	**1.8 points lower**	3.3 − 1.5
16	**₹4,095 and ₹2,310**	2,100 × 195%; × 110%
17	**Licensing was abolished for most products, few industries stayed reserved for the public sector, many small-scale products were dereserved, and markets were allowed to set most prices.**	—
18	**(a) limits on the quantity of imports or exports (b) shedding government ownership or management of enterprises (c) short-term steps to fix the balance of payments and inflation**	—

Q	Answer	Working
19	**(a) $418,000 and $205,200 (b) $212,800 (c) fast communication and IT, lower costs, and skilled workers**	7,600 × 55; 7,600 × 27
20	**(a) the WTO replaced GATT; quantitative restrictions on consumer goods and farm imports were fully removed; the Constitution was amended to allow GST (b) 21 years (c) Answers will vary; see the chapter.**	—

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