

MANAGEMENT PROGRAMME

Term-End Examination

December, 2014

**MS-3 : ECONOMIC AND SOCIAL
ENVIRONMENT**

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

Note : There are two sections A and B. Attempt any three questions from section A, which carry 20 marks each. Section B is compulsory and carries 40 marks.

SECTION - A

1. What are the important laws relating to functioning and operation of capital markets in India ? Explain with special reference to Securities and Exchange Board of India Act, 1992.
2. Briefly analyze the institutional infrastructure for SSI and critically evaluate its performance.
3. Compare Gandhian Model of Development with Rao - Manmohan Model of Development. Give your views on the two given models.
4. How is Current Account Convertibility different from Capital Account Convertibility ? Discuss in the context of present scenario.
5. Write short notes on **any four** of the following :
 - (a) Revenue Deficit
 - (b) Liberalisation
 - (c) Development banks
 - (d) Capital Market Reforms
 - (e) High Powered Money

SECTION - B

6. Read the following case and answer the questions given at the end.

The proposal of Government of India in 2005 is to charge tax on foreign BPO companies, which has core work in India. But question here is, why tax only for those who are doing their core work here? The logic may be to slow down the growth of MNC in India. But the government is missing the big picture i.e. the BPO services had tax holiday till 2009. The tax holiday itself was a price paid by the Indian government to accelerate BPO sector in India, now this sector doing business almost \$ 3.6 billion in just five years in India. The BPO industries may give long-term benefits to India.

It is unjust to change the rules in midway, as government decided to give tax holiday till 2009, this tax holiday itself could have been an incentive for many MNC to base their operations in India.

In one stroke, a business decision involving million of dollars is being made look stupid, because of this proposal. If example Intel is considered, having development centre in India to which outsourcing is done by Intel U.S. Intel India is given a cost plus remuneration of say, \$ 25 per hour. The chip developed by India is sold by Intel US to its customer abroad at a profit \$ 100. Revenue officer may attempt to tax a significant portion of the \$ 100. While computing in Indian's rightful share of tax.

The profit of \$ 100 per chip comes from not just chip design work in India, but also great manufacturing development of the market, and consumer marketing, none of which is done in India. To isolate design as the sole determinants of profit is to mistake a part for the whole. Its idea, whose time has not come, foreign companies say they that cannot be taxed if their translations with BPO are at 'arm's' length and question of 'core' and none core activities does not arise.

Case Questions :

- (a) What is logic of government behind this ? Do they stop the growth of BPO, MNC in India?
 - (b) Do you support this proposal ? Explain.
7. (a) Discuss globalisation as a part of India's reform strategy. How has the economy progressed towards globalisation since 1991 ?
- (b) "India cannot depend merely on the services sector to drive growth. It needs a balanced growth strategy across all sectors including agriculture and industry". Comment.
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