



Class: XII	Department: Commerce
Worksheet No: 3	Topic: Business Environment

MCQ's

1. It refers to integration of economies of the world
 - a) Privatization.
 - b) Globalization.**
 - c) Liberalization
 - d) Nationalization.
2. Demonetization refers to
 - a) Transfer of ownership from public sector to private sector.
 - b) The factors which influence business and exist outside the business.
 - c) Unshackling the economy from bureaucratic cobweb to make it more competitive.
 - d) Withdrawal of the status of legal tender to the currency in circulation.**
3. Business environment is related to the local conditions and it happens be different in different countries. The feature of business environment stated above is
 - a) Complexity
 - b) Dynamic Nature.
 - c) Relativity**
 - d) Inter-relatedness.
4. Government demonitised Rs.500 and Rs.1,000 currency notes on
 - a) 8th November 2016.**
 - b) 8th October 2016.
 - c) 8th November 2017.
 - d) 8th September 2016.
5. A rise in income of the people leads to increase in the demand of goods and services. The dimension of business environment referred here is

- a) Social Environment
- b) Political Environment
- c) **Economic Environment**
- d) Legal Environment

6. People are becoming more conscious about health and fitness relates to _____ **SOCIAL** _____ environment.

7. _____ **LEGAL** _____ environment consists of Acts passed by the Government, judgement of courts.

8. Customers, Competitors, Suppliers are examples of _____ **SPECIFIC** _____ forces.

9. _____ **GENERAL** _____ forces have an impact on all business organization.

10. _____ **DYNAMIC** _____ **NATURE** _____ characteristics of business environment states that environment keeps on changing with time.

TRUE OR FLASE

11. social environment consists of political system and its working- **False**. **POLITICAL** environment consists of political system and its working

12. privatization means removal of unnecessary restriction on doing business- **False**. **LIBERALISATION** means removal of unnecessary restriction on doing business

13. One of the features of demonetization is to create less-cash or cash-lite economy- **True**.

14. Market orientation means the firm produces the product first and then go to the market for sale later- **False**. Market orientation means the firm has to study the market first and produce goods accordingly.

15. Maruti Udyog become the leader in the small car market because it was the first to recognize the need for small cars.

The above given information pertains to the importance- It enables the firm to identify opportunities and getting first mover advantage- **True**.

GIVE ONE WORD OR A SENTENCE

16. It refers to such an economy process through which some public sector undertaking is brought either partially or completely under private ownership. Identify the economic reform-

PRIVITISATION

17. It refers to the sum total of all the Acts passed by the government, Judgments of the courts, and

Decisions rendered by the various commissions and agencies in the country. Identify the business environment-**LEGAL ENVIRONMENT**

18. It is relatively easier to understand in parts but difficult to grasp in its totality as the forces arise from different sources. Identify the feature of business environment. -**COMPLEXITY**

19. Increase competition in the market gives the customer wider choice in purchasing better quality goods and services, therefore they are well informed about the products and services. Identify the impact of government policy changes on business and industry-**MORE DEMANDING CUSTOMERS.**

20. Freedom in deciding the scale of business activities and freedom in fixing price of goods and services are some of the features of which economic reform? -**LIBERALISATION**

BOARD QUESTIONS

1. Identify the dimensions of business environment in the following cases:

1. Hand-woven carpets are banned in some European countries as they think there can be involvement of child labor in the manufacturing of these carpets. Products produced through the involvement of child labor are banned in these countries.
2. With the winning of a new party in a particular country an automobile company has decided to take back its plan of opening 15 plants in that country.
3. In the month of October, a greeting card manufacturing company has decided to increase its scale of production of New Year Greeting Cards.
4. A chocolate making company has decided to make more sweetened chocolates for people living in a particular country.
5. A super bike producing company has decided to withdraw its earlier proposal of opening 10 new plants in a country as it finds the per capita income of that country too low to purchase its bikes in large numbers.
6. Advertising of a particular brand is taken back as it is expected to hurt the sentiments of a particular section of society. The company takes this decision on a conscientious level.

1. Legal Environment.

2. Political Environment.

3. Social Environment.

4. Social Environment.

5. Economic Environment.

6. Social Environment. Since nothing is preventing the company legally, the decision is taken after taking into consideration the social feelings of the people.

2. "Business environment includes both specific and general forces." Name two types of general and specific forces.

Specific forces- investors, customers, competitors and suppliers [ANY TWO]

General forces- Economical, social, political, legal and technological conditions [ANY TWO]

3. "Business environment consists of numerous interrelated and dynamic conditions or forces which arise from different sources. Increased life expectancy of people and increased awareness for health care have increased the demand for many health products and services like diet Coke, fat-free cooking oil." Identify the features of management from the above paragraph and quote lines in support of your answer.

interrelated

4. Shaktishali Steel' is a steel manufacturing company. The owner's brother is a director in a public sector undertaking. He advises his brother to make his company run properly otherwise they can also face the same result which less performing PSU's have faced. The Public Sector Undertakings now have changed and are trying to generate high revenues for their own functioning, as the government support has declined.

In the above case which impact of government policy changes on business has been highlighted?

Loss of budgetary support to the public sector

5. Mr. Ajay after completing MBA from USA comes to India to start a new business under the banner Ecom Creations Ltd. He launches a new product in e-learning for Senior Secondary School students in Commerce stream, which already has an established market in UK and USA but not in India. His business starts flourishing in India. Now more Indian companies entered into the market with other subjects also.

Identify and quote the lines from above para which highlight the significance of understanding business environment.

1.It enables the firm to identify opportunities and getting the first mover advantage

Quote:

" After completing his MBA from USA, Mr. Ajay came to India .to start a new business under the banner Ecom Creations Ltd. He launched a new product in e-learning for senior secondary school students in the commerce stream which already had an established market in UK and the USA but not in India."

2.It helps in improving performance - enterprise through continuous monitoring of the environment and adopting suitable business practices which help to improve both their present and future performance.

Quote

“His business started flourishing in India.”

3.It helps the firm to identify threats and early warning signals -Threats are likely to hinder a firm’s performance and take timely actions.

Quote

“Now more Indian companies entered into the market with other subjects also.”

6. A company is a component of market. It utilizes various raw materials, labor force, human resources, power, water, other sources, etc. When all these resources are utilized output is produced. But before output is produced the input has to go through various operations. These operations convert the raw materials into final products which are then sold in the market.

In the above paragraph which importance of Business Environment is highlighted?

It helps in tapping of useful resources.

7. Identify the dimensions of Business Environment in the following cases:

1. The demonetization move of the government has resulted in the accumulation of lakhs of crores of rupees in the banks. Now the banks will give more loans to the people at lower interest rate. General public can now afford home loans more easily-

- **Economic environment**-Since the demonetization move results in lowering of interest rates.

2. Small business will now move towards transaction of business affairs in plastic money. This will lead to use of internet, new gadgets, etc. and reduce dependence on cash. Report generation of these transactions will be helpful in acting as proof for the betterment of future business.

- **Technological environment**- Due to demonetization move, there will be technological advancement in the way business transactions will be done.

7. ‘Understanding of environment by business managers enables them not only to identify and evaluate, but also to react to the forces external to their firms.’ In the light of the statement, explain any four points of importance of business environment.

- a) **It enables the firm to identify opportunities and getting the first mover advantage**
- b) **It helps the firm to identify threats and early warning signals**
- c) **It helps in tapping useful resources**
- d) **It helps in coping with rapid changes**
- e) **It helps in assisting in planning and policy formulation**
- f) **It helps in improving performance [any four points along with explanation]**

9. The court passed an order that all schools must have water purifier for the school children as:

- (i) Society in general is more concerned about quality of life; -**social**

- (ii) Innovative techniques are being developed to manufacture water purifier at competitive rates -**technological**
- (iii) Incomes are rising and children at home are also drinking purified water. -**economical**
- (iv) The Government is also showing positive attitude towards the water purifier business.-**political**

Identify the different dimensions of business environment by quoting from the above details.

10. Identify the impact of policy changes on business enterprise from the following information.

- a) Increased competition in the market gives the customers wider choice in purchasing better quality of goods and services- **More demanding customers**
- b) Indian enterprises have suffered for long with inadequately trained personnel. The new market conditions require people with higher competence and greater commitment. -**Need for developing human resources.**

11. Discuss the major impacts caused on business due to The New Industrial Policy 1991

- **Increasing competition**
- **More demanding customers**
- **Rapidly changing technological environment**
- **Necessity for change**
- **Need for developing human resource**
- **Market orientation**
- **Loss of budgetary support to the public sector**

12. What are the features of Demonetization in India?

- Demonetization is viewed as a tax administration measure. Cash holdings arising from declared income was readily deposited in banks and exchanged for new notes. But those with black money had to declare their unaccounted wealth and pay taxes at a penalty rate.
- Demonetization is also interpreted as a shift on the part of the government indicating that tax evasion will no longer be tolerated or accepted.
- Demonetization also led to tax administration channelizing savings into the formal financial system.
- Another feature of demonetization is to create a less-cash or cash-lite economy, i.e., channeling more savings through the formal financial system and improving tax compliance.

CASE STUDY BASED QUESTIONS

1. ABC Ltd. decided to start its new venture in Delhi. For this they needed to understand the Business

Environment of the area. It was realized by the company that the Business Environment of Delhi was very hard to understand unless and until it was divided into different business dimensions like legal, political, economic, social and technological conditions. After understanding the business situations, the company started to study the close links between different elements of the Business Environment. They gave a proper shape to their research and the business got started with full force. Later they realized that the products they were selling in Delhi were more fit for the European culture and decided to start a new branch in Belgium where the demand of their products was very high from the first day. The company came to be recognized and, in few years, became a global brand. The reason for its success in different countries was the adaptability' it showed in meeting the changing environment. The company kept track of all happenings and did a periodic survey of the choices of the customers. It recognized that there was no surety in the nature of market and it was very unpredictable.

Which features of Business Environment have been highlighted in the above case? Identify the lines which highlight these features.

The various features of Business Environment which are highlighted in the above case are:

- a) **Complexity**- It was realized by the company that the Business Environment of Delhi was very hard to understand unless and until it was divided into different business dimensions like legal, political, economic, social and technological conditions. As we can see it is very difficult to. Understand the business environment unless it is broken into its dimensions.
- b) **Interrelatedness** -After understanding the business situations, the company started to study the close links between different elements of the Business Environment.
- c) **Relativity**- Later they realized that the products they were selling in Delhi were more fit for the European culture and decided to start a new branch in Belgium where the demand of their products was very high from the first day.
- d) **Dynamic nature**- The reason for its success in different countries was the adaptability it showed in meeting the changing environment.

2. Naman and Govind after finishing their graduation under vocational stream decided to start their own travel agency which will book Rail Tickets and Air Tickets on commission basis. They also thought of providing tickets within ten minutes through the use of internet. They discussed the idea with their Professor Mr. Mehta who liked the idea and suggested them to first analyse the business environment which consists of investors, competitors and other forces like social, political etc. that may affect their business directly or indirectly. He further told them about the technological improvements and shifts in consumer preferences that were taking place and hence they should be aware of the environmental trends and changes which may hinder their business performance. He emphasized on making plans keeping in mind the threat posed by the competitors, so that they can deal with the situation effectively. This alignment of business operations with the business environment will result in better performance.

- (i) Identify and state the component of business environment highlighted in the above Para. They also thought of providing tickets within ten minutes through the use of internet, technological improvements, -**Technological**

Naman and Govind after finishing their graduation under vocational stream, shifts in consumer preferences, be aware of the environmental trends and changes-**Social**

(ii) State any two features of business environment as discussed by Professor Mehta with Naman and Govind.

- a) Analyze the business environment which consists of investors, competitors and other forces like social, political etc. that may affect their business directly or indirectly-**Specific and general forces**
- b) He further told them about the technological improvements and shifts in consumer preferences that were taking place-**interrelatedness.**
- c) They should be aware of the environmental trends and changes which may hinder their business performance—**dynamic nature.**

(ii) Also state two points of importance of business environment as stated by Professor Mehta in the above situation.

- a) They should be aware of the environmental trends and changes which may hinder their business performance-**It helps the firm to identify threats and early warning signals**
- b) He emphasized on making plans keeping in mind the threat posed by the competitors, so that they can deal with the situation effectively-**helps in assisting in planning and policy formulation.**
- c) This alignment of business operations with the business environment will result in better performance-**helps in improving performance.**