



INDIAN SCHOOL AL WADI AL KABIR

Business Studies-XII	Department: Commerce
Worksheet No: 3	Topic: Business Environment

MCQ's

- Business environment is the sum total of all individuals, groups, institutions and forces that exist outside the business organisation and impact it. Identify the features of business environment
 - Totality of external forces**
 - Inter-relatedness
 - Uncertainty
 - Relativity
- _____ are customers, competitors and suppliers and they have a direct impact on the organisation. Identify the features of business environment
 - Inter-relatedness
 - Uncertainty
 - Specific forces**
 - General forces
- Customer tastes and preferences, intensity of competition in the market, etc. keep on changing as per the change in business environment. Identify the features of business environment
 - Dynamic nature**
 - Inter-relatedness
 - Uncertainty
 - Relativity
- Business environment differs from place to place. This difference can be on the basis of social, political or other dimensions of business. E.g., kurta-pyjamas are more in demand in India than Western countries—Social dimension. Identify the features of business environment
 - Dynamic nature
 - Inter-relatedness
 - Uncertainty
 - Relativity**
- _____ environment of business includes short-term and long-term interest rates, rate of inflation, stock market indices, value of domestic currency in terms of foreign currencies, etc.
 - Economic**
 - Social
 - Legal
 - political

5. It consists of attitudes, beliefs, desires, customs and traditions, level of education, education system, composition of working population, social, cultural and religious values, consumers' awareness, role of NGOs, etc. Identify the element of business environment

- a) Economic
- b) Social**
- c) Legal
- d) political

6. It Includes-Stability of Government, Trade Union activities, Approach and attitude of the Government. Identify the element of business environment

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

7. _____ environment includes the provisions of the Constitution, Commercial and economic laws, Government policies and Judicial decision.

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

8. Abolishing licensing requirements in most industries except for a short list of industries, freedom in deciding the scale of business activities, removal of restrictions on the movement of goods and services, freedom in fixing the prices of goods and services are all part of _____

- a) Liberalisation**
- b) Privatisation
- c) Globalisation
- d) Licensing

9. This economic reform aims at increasing the role of private sector in the economy and thereby reducing the role of public sector. In 1991, the Indian government adopted the policy of planned disinvestment of the public sector. Under the policy, sick and loss-making enterprises were handed over to BIFR (Board of Industrial and Financial Reconstruction) Identify the economic reform.

- a) Liberalisation
- b) Privatisation**
- c) Globalisation
- d) Licensing

10. _____ means integrating the economy of a country with the economies of other countries to facilitate free flow of trade, capital, people and technology across the borders. It leads to the emergence of a cohesive global economy.

- a) Liberalisation
- b) Privatisation
- c) Globalisation**
- d) Licensing

11. A company is a component of market. It utilises various raw materials, labour 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?

- a) **Helps in tapping useful resources.**
- b) Helps in coping up with rapid changes
- c) Helps in improving performance
- d) Helps to identify threats and early warning signals

12. The market is flooded with better quality toys of foreign origin which are more attractive due to certain features that will follow the command given by the user. This resulted in a fall in revenue of the indigenous or local companies as their products are much inferior and are also costlier. This resulted in a decrease in sales.

Which dimension of Business Environment can be seen here affecting the local companies' revenue?

- a) **Technology**
- b) Social
- c) Legal
- d) political

13. The sale of sarees increases in the months of the year when a large number of marriages take place in India. The saree manufacturing companies make special plans of sale for these months. Which dimension of business environment comes into picture here?

- a) Technological
- b) **Social**
- c) Legal
- d) political

14. We can expect high sale of sarees in India but we can't expect the same in Europe. Which feature of business environment is discussed here?

- a) Dynamic nature
- b) Inter-relatedness
- c) Uncertainty
- d) **Relativity**

15. Advertisements of a protein supplement must inform the potential buyer that the product if taken beyond a given dose can be harmful to the diabetics. Which dimension of business environment is highlighted here?

- a) Political
- b) Economical
- c) **Legal**
- d) Social

16. A software is in high demand among the industrial buyers as it can connect all the branches of a company as a single integrated unit. Identify the various dimensions of business environment

- a) **Technological**
- b) Social
- c) Legal

d) political

17. The Indian companies after the year 1991 have especially paid attention to the need of having a manpower which can adjust to the changing competitive environment. The new market situations require employees with greater talent and higher level of competence.

In the above paragraph which one important impact of Government policy change on business is highlighted?

- a) Market orientation
- b) More demanding customer
- c) Rapidly changing technological environment.
- d) Need for developing human resource.**

18. Mr Pradeep is a director in a public sector undertaking and he advises his brother Mr. Sudhir who owns steel manufacturing firm to run his company efficiently as 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?

- a) Market orientation
- b) More demanding customer
- c) Rapidly changing technological environment.
- d) Loss of budgetary support to public sector**

19. The two largest denomination notes, Rs-500, Rs-1,000, were _____ on November 8, 2016. with immediate effect, ceasing to be legal tender.

- a) Demonetised**
- b) Liberalised
- c) Globalised
- d) Privatised

20. The firms have to study and analyse the market first and produce goods accordingly. Identify the impact of Government policy change on business

- a) Market orientation**
- b) More demanding customer
- c) Rapidly changing technological environment.
- d) Need for developing human resource.

21. 'Raise the Bar' is a sports equipment company. It has different branches in different parts of the world. However, the requirements of the sports equipment's are different in different branches. This is due to the change in cultures and lifestyles of people in different countries. The market in which it is dealing is known for people who are health conscious. The more the awareness, the more is the demand for such equipment. The management knows that the demand for these products is unpredictable as new designs are available in the market and the industry keeps on changing frequently. The Research and Development Department of the company keeps on updating the equipment's material and design according to the market requirement. However, the external environment is characterized by changing customer preferences, entry of new competitors making it to adapt to the changing environment. A meeting was organized recently to understand the external business environment. Management realised that business environment can't be understood in totality and it is easier to understand in parts. The result of a successful meeting could be seen later in the performance of the company which created record

sales in the next year.

Identify the features of business environment highlighted here.

1. **Relativity.** This is due to the change in cultures and lifestyles of people in the different countries.
2. **Uncertainty.** Management knows that the demand for these products is unpredictable as new designs are available in the market and the industry keeps on changing frequently.
3. **Dynamic nature.** However, the external environment is characterized by changing customer preferences, entry of new competitors making it to adapt to the changing environment.
4. **Complexity.** Management realised that business environment can't be understood in totality and it is easier to understand in parts.

22. Excel Private Ltd is concerned about the external environment of business. It is busy analysing various factors which are going to affect its business. However, with a lot of understanding it found two types of factors; one which affected the firm directly and the other which affected all the firms in the business. With the passage of time, the challenges for the company has increased. New competitors and technological advancements are posing new challenges for it. The company at the end of the year decides to have a survey. This survey is about knowing the business environment properly. Even after spending a lot of money on the surveys the company comes to conclusion that it is difficult to understand the business environment in its totality and it is properly understood only in parts. The company is ready to seek advice from experts and is eager to notice changes in the business environment. When a multinational company enters the market, the company is eager in taking preventive measures like improving the product, aggressive advertising, etc. A special team of experts have been created. The team observes the changes taking place like changing branding loyalty, more demanding customers, etc. as it knows the pace of change is more important than the change itself. The painstaking efforts of the company don't go unrewarded. The company by the end of the year makes huge profit and by understanding the business environment is able to increase its revenue.

Which features of business environment have been highlighted in the above case? Also identify the various importance of business environment highlighted above.

The various features of business environment which are highlighted in the above case are:

1. **Specific and general forces.** However, with a lot of understanding it developed about the business it found two types of factors; one which affects the firm directly and the other which affected all the firms in the business.
2. **Dynamic nature.** The Company finds new competitors and technological challenges which are posing new challenges for it.
3. **Complexity.** Even after spending a lot of money on the surveys the company concludes that it is difficult to understand the business environment in its totality and it is properly understood only in parts.

The various benefits of business environment highlighted in the above case are:

1. **It helps the firm to identify threats and send early warning signals.** When a multinational company enters the market, the Company is eager in taking preventive measures like improving the product, aggressive advertising, etc.
2. **It helps in coping with rapid changes.** The team observes the changes taking place like changing branding loyalty, more demanding customers, etc. as it knows the pace of change is more important than the change itself.
3. **It helps in improving performance.** The Company by the end of the year makes huge profit and by understanding the business environment, is able to increase its revenue.

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

- a) Hand-woven carpets are banned in some European countries as they think there can be involvement of child labour in the manufacturing of these carpets. Products produced with the involvement of child labour are banned in these countries.
- b) 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.
- c) In the month of October, a greeting card manufacturing company has decided to increase its scale of production of New Year Greeting Cards.
- d) A chocolate making company has decided to make more sweetened chocolates for people living in a particular country.
- e) 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.
- f) 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.

Answer:

The various dimensions of business environment highlighted above are:

- a) Legal Environment.
- b) Political Environment.
- c) Social Environment.
- d) Social Environment.
- e) Economic Environment.
- f) **Social Environment.** Since nothing is preventing the company legally, the decision is taken after taking into consideration the social feelings of the people.

25. Met Lapp Networks and Technologies Ltd. is a leader in technology innovation in the United States, creating products and solutions for connecting the world. It has a large research and development team which invented the first smart watch, named as W-7. The watch besides showing the time, also monitors few health parameters like heartbeat, blood pressure etc.

While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth. The company decided to take advantage of simplified export procedure and removal of quantitative as well as tariff restrictions in India.

It set up its office in Jamnagar with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduction in prices, thereby benefiting the customers.

In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain these concepts.

The two major concepts related to government policy discussed in the given para are as follows:

Liberalisation. Liberalisation means removing unnecessary control and restrictions over the business. It refers to those government policies that promote economic growth by lessening the restrictions and regulations placed on the business.

Globalisation. It is an economic reform that aims at integration of markets in the global economy leading to the increased inter-connectedness of national economies. It simply means the integration of the various economies of the world leading towards the emergence of a cohesive global economy.

26. With the abolition of licensing requirements a company has decided to enter into a new industry and the government's support is making the movements of goods easier. The company has lost its foothold in the previous industry in which it was once a leader. All this happened because of the opposition of a project which the company had undertaken in a village. The villagers along with the trade union started to gather and the incident caught the attention of the media. There were protests and the result was the closure of the plant. The biggest competitor of the company wanted to ensure that they gain from this situation. They started their vigorous efforts to increase their business output. Now it has decided to manufacture products according to the requirements of the potential customers. The company invests a lot in its employees so that they can meet the best standards of providing services which suit the customers. To increase the revenue of the company, management decides to adapt to the changes at a fast pace in the next few years. The reason for this could be the different types of innovative practices involved by various competitors in producing goods with the latest technology.

a) Which economic reform is highlighted in the initial lines of the above case?

The economic reform which is highlighted in the initial lines of the above case is Liberalisation. With the abolition of licensing requirements, the company has decided to enter into a new industry and the government's support is making the movements of goods easier.

b) Which dimension of business is affected here in the initial lines of the passage?

The dimension of business which is affected in the above lines is Political. There were protests and the result was the closure of the plant.

c) Which importance of business environment is highlighted here?

The importance of business environment which is highlighted here is- **Helps in coping up with rapid changes:** To increase the revenue of the company, management decides to adapt to the changes at a fast pace in the next few years.

d) Name three different types of impacts of government policy changes on business and industry you can find here.

Three different types of impacts of government policy changes on business and industry we can find here are:

1. **Market Orientation.** Now it has decided to manufacture products according to the requirements of the potential customers.
2. **Need for developing human resource.** For this the company invests a lot in its employees so that they can meet the best standards of providing services which suit the customers.
3. **Rapidly changing technological environment.** The reason for this could be the different type of innovative practices involved by various competitors in producing goods with the latest technology.