# 

**BUSINESS ENVIRONMENT**

**1.** A business has to offer a wider choice in purchasing enhanced quality of goods and services in order to maintain an edge over its competitors. The implementation of the new economic policy with liberalisation, privatisation, and globalisation has posed various challenges for the corporate sector. One of the important challenges is explained in the above lines. Identify it.

(a) Increasing competition

(b) More demanding customers

(c) Necessity for change

(d) Market orientation

**Answer: (a) Increasing competition**

**2.**Which of the following is a feature of demonetisation?

(a) Tax administration measure

(b) Channelising savings into the formal financial system

(c) Development of less-cash economy

(d) All of the above

**Answer: (d) All of the above**

**3.** On 8th November 2016, with the announcement from the Government of India, all the ₹500 and ₹1,000 banknotes of the Mahatma Gandhi series have ceased to be legal tender. The government also announced the issuance of new ₹500 and ₹2,000 banknotes in exchange for the demonetised banknotes. Identify the concept being described in the above lines.

(a) Globalisation

(b) Liberalisation

(c) Demonetisation

(d) Privatisation

**Answer: (c) Demonetisation**

**4.**In today’s world, the flow of goods and services is not only cheap and fast, but reliable and secure. You can order anything you wish from any part of the world. The Internet has been connecting people without any limitations or boundaries in the way of doing business. Identify the concept being described in the above lines.

(a) Liberalisation

(b) Globalisation

(c) Demonetisation

(d) Privatisation

**Answer: (b) Globalisation**

**5.** The Government of India launched the “Make in India” initiative in September 2014 to increase foreign direct investment (FDI) in 25 sectors. As of April 2015, FDI inflow in India increased by 48% since the launch of the “Make in India” initiative.

Identify the concept being described in the above lines, with regard to an inflow of FDI.

(a) Demonetisation

(b) Privatisation

(c) Liberalisation

(d) Globalisation

**Answer: (c) Liberalisation**

**6.**The Union Cabinet has given an ‘in-principle’ nod to divest stakes in Air India, a wholly government-owned airline. This means the government is willing to shed a substantial portion of its stake and hand over the management of the ailing airline to the private sector. Identify the concept being described in the above lines.

(a) Liberalisation

(b) Privatisation

(c) Globalisation

(d) Demonetisation

**Answer: (b) Privatisation**

**7.**According to a report by the India Staffing Federation (ISF), India has emerged as the

fifth largest market worldwide in Flexi-staffing in 2018, and the country would have a 6.1 million Flexi-workforce by 2021. It showed that Haryana, Gujarat, Karnataka, Madhya Pradesh, and Telangana are the states with high growth potential for Flexi-staffing, but Andhra Pradesh tops the list of states with favourable business environments. Identify the features of the business environment being discussed above.

(a) Relativity

(b) Dynamic nature

(c) Uncertainty

(d) Interrelatedness

**Answer: (a) Relativity**

**8.** India continues to be a lower-middle-income country along with 46 others, while Sri Lanka has climbed to the upper-middle-income group for the fiscal year (FY) 2020, according to the World Bank’s classification of countries by income levels, released on July 1, 2019. Identify the related dimensions of the business environment.

(a) Social dimension

(b) Technological dimension

(c) Economic dimension

(d) Political dimension

**Answer: (c) Economic dimension**

**9.** India’s population is expected to grow under 0.5 percent during 2031-41 due to a decline in fertility rate and an increase in life expectancy. These changes in India’s demography will also have implications such as the proportion of elementary school-going children will witness significant declines, lack of hospital beds, and an increase in retirement age. The related feature of the business environment is described in the above lines is\_\_\_\_\_\_\_\_.

(a) Totality of external forces

(b) Dynamic nature

(c) Interrelatedness

(d) Relativity

**Answer: (c) Interrelatedness**

**10.** According to the World Health Organisation, 39% of adults are overweight. Over the last 40 years, the prevalence of obesity has tripled around the world. With over half of consumers drinking at least one sugary drink on a given day, regulations towards the beverage sector are likely to become increasingly onerous. In the U.K., for example, a sugar tax was introduced in 2018 on beverages containing more than 5% sugar. Identify the related dimensions of the business environment.

(a) Legal dimension and Social dimension

(b) Social dimension and Technological dimension

(c) Technological dimension and Legal dimension

(d) Political dimension and Technological dimension

**Answer: (a) Legal dimension and Social dimension**

**11.** As a result of major government initiatives, more and more people are going ‘green’. In order to keep in line with the trend, ‘Clapaway’ a carpet cleaning company, has advertised that they only use natural cleaners that come from renewable resources and that all their service vehicles are hybrid vehicles that use both gas and electricity. Identify one of the points related to the importance of the business environment and its understanding by managers, which is being highlighted in the above case.

(a) It helps in assisting in planning and policy formulation

(b) It helps in coping with rapid changes

(c) It helps in improving performance

(d) It enables the firm to identify opportunities and get the first-mover advantage

**Answer: (c) It helps in improving performance**

**12.** ‘Yo Tummy’ began its business by offering the classic combo of hamburgers and fries. But over time, their customers wanted healthier foods, so ‘Yo Tummy’ responded and began offering healthy alternatives such as salads, fruits, wraps, and oatmeal. If ‘Yo Tummy’ hadn’t responded, they may have lost customers that wanted to eat healthier foods. The above case highlights one of the points related to the importance of the business environment and its understanding by managers. Identify it.

(a) It helps in coping with rapid changes

(b) It helps in improving performance

(c) It helps the firm to identify threats and early warning signals

(d) It enables the firm to identify opportunities and get the first-mover advantage

**Answer: (a) It helps in coping with rapid changes**

**13.** Electric vehicles with zero tailpipe emissions are emerging as a good alternative to problems like climate change, surging pollution leading to ill health, crude import bill, and energy security. Identify the related dimensions of a business environment.

(a) Economic dimension, Legal dimension, and Social dimension

(b) Social dimension, Political dimension, and Economic dimension

(c) Economic dimension, Technological dimension, and Social dimension

(d) Social dimension, Political dimension, and Legal dimension

**Answer: (c) Economic dimension, Technological dimension, and Social dimension**

**14.** The Economic Survey 2019 suggests that psychological biases can be used in the realm of tax compliance. It is in favour of using religious norms such as “dying in debt is a sin” to improve tax compliance. Identify the related dimensions of the business environment.

(a) Legal dimension and Social dimension

(b) Social dimension and Economic dimension

(c) Technological dimension and Political dimension

(d) Political dimension and Economic dimension

**Answer: (b) Social dimension and Economic dimension**

**15.** In order to boost and double India’s export of goods and services to over USD 1,000 billion by 2025, it is important to lower effective corporate tax rates, bring down the cost of capital and simplify regulatory and tax frameworks. Identify the related dimension of a business environment.

(a) Social dimension and Legal dimension

(b) Technological dimension and Political dimension

(c) Political dimension and Social dimension

(d) Economic dimension and Legal dimension

**Answer: (a) Social dimension and Legal dimension**

We trust that the offered Business Studies MCQs for Class 12 with respect to Chapter 3: Business Environment will help you. Assuming you have any questions with respect to CBSE Class 12 Business Studies, Chapter 3: Business Environment MCQs, drop a remark underneath, and we will hit you up at the most punctual.

1. Which of the following is not a part of the business environment of business?  
(a) Customers  
(b) Suppliers  
(c) Competitors  
(d) None of the above

**Answer/Explanation**

Answer: d  
Explanation:  
(d) All of the above elements are a part of business environment of an enterprise.

2. Which of the following is not a component of specific forces of business environment?  
(a) Technological conditions  
(b) Customers  
(c) Employees  
(d) Investors

**Answer/Explanation**

Answer: a  
Explanation:  
(a) Technological conditions is a component of general forces that affect the business environment of an enterprise.

3. The growing awareness about healthcare has led to an increase in the demand for healthcare products and services in the country. Identify the feature of business environment being described in the above case.  
(a) Dynamic nature  
(b) Uncertainty  
(c) Relativity  
(d) Interrelatedness

**Answer/Explanation**

Answer: d  
Explanation:  
(d) Interrelatedness, as the different elements or parts of business environment are closely interrelated

4. Since more number of people have become more beauty and health conscious, our economy has witnessed an unprecedented surge in the number of health and beauty spas and wellness clinics. Related feature of business environment being described in the above lines is —  
(a) Totality of external forces  
(b) Dynamic nature  
(c) Interrelatedness  
(d) Relativity

**Answer/Explanation**

Answer: c  
Explanation:  
(c) Interrelatedness, as the different elements or parts of business environment are closely interrelated

5. ‘Twinkle Stars’ is a well-known resort for organising parties, especially for children. However, in past 6 months its popularity has reduced considerably as a new resort with better ambience and facilities has opened within its vicinity. Name the related feature of business environment which has influenced the business of ‘Twinkle Stars’ adversely.  
(a) Totality of external forces  
(b) Dynamic nature  
(c) Interrelatedness  
(d) Uncertainty

**Answer/Explanation**

Answer: b  
Explanation:  
(b) Dynamic nature as business environment is dynamic in that it keeps on changing

6. Any kind of external devices, like compact discs (CD’s) for computer, have become obsolete. Google, with its Google Drive service, Apple with its iCloud offering, enables the users store documents, photos, music and movies on web-based servers. Identify the feature of business environment being described in the above lines.  
(a) Relativity  
(b) Dynamic nature  
(c) Uncertainty  
(d) Interrelatedness

**Answer/Explanation**

Answer: c  
Explanation:  
(c) Uncertainty, as business environment is largely uncertain as it is very difficult to predict future events.

7. According to the United Nations Environmental Agency, the world produces around 300 million tons of plastic each year, half of which constitutes single-use items. Ford is recycling over one billion plastic bottles every year to develop elements of the car’s interior, reducing the amount of plastic ending up in a landfill. The American car maker has revealed that their Romanian-built EcoSport SUVs’ carpets are made using 470 recycled single-use plastic bottles. The process for making Ford EcoSport carpets involves shredding bottles and their caps into tiny flakes and then heating them to 260° C. Identify the related dimension of business environment.  
(a) Economic dimension  
(b) Social dimension  
(c) Technological dimension  
(d) Political dimension

**Answer/Explanation**

Answer: c  
Explanation:  
(c) Technological dimension, as technology is facilitating recycling process.

8. DigiLocker is the country’s first secured cloud-based platform for the storage, issuance and verification of documents with the Driving Licence & Vehicle Registration System of the Road Transport Ministry. The integration of a government department with DigiLocker since its launch last year is one of the biggest of its kind. It will spare 1 people the trouble of carrying licences & vehicle papers, which can be accessed on phones using the DigiLocker app. Identify the related dimension of business environment.  
(a) Ecoriomic dimension  
(b) Technological dimension  
(c) Social dimension  
(d) Political dimension

**Answer/Explanation**

Answer: b  
Explanation:  
(b) Technological dimension, as technology is facilitating online process.

9. The Uttarakhand government has developed surveillance network using latest satellite technology. Under this system, the state’s mining department would be in a position to check illegal mining activities across the state. The state government is also considering the use of drones in its proposed campaign against illegal mining. Identify the related dimensions of business environment.  
(a) Economic dimension and Legal dimension  
(b) Social dimension and Economic dimension  
(c) Technological dimension and Political dimension  
(d) Political dimension and Economic dimension

**Answer/Explanation**

Answer: c  
Explanation:  
(c) Technological dimension and Political dimension

10. In order to boost and double India’s export of goods and services to over USD 1,000 billion by 2025, it is important to lower effective corporate tax rate, bring down cost of capital and simplify regulatory and tax framework. Identify the related dimension of business environment.  
(a) Social dimension and Legal dimension  
(b) Technological dimension and Political dimension  
(c) Political dimension and Social dimension  
(d) Economic dimension and Legal dimension

**Answer/Explanation**

Answer: a  
Explanation:  
(a) Economic dimension and Legal dimension

11. The Economic Survey, 2019 suggests that the psychological biases can be used in the realm of tax compliance. It is in favour of using religious norms such “dying in debt is a sin” to improve tax compliance. Identify the related dimensions of business environment.  
(a) Legal dimension and Social dimension  
(b) Social dimension and Economic dimension  
(c) Technological dimension and Political dimension  
(d) Political dimension and Economic dimension

**Answer**

Answer: b

12. Electric vehicles with zero tail pipe emission are emerging as a good alternative to ‘ problems like climate change, surging pollution leading to ill health, crude import bill and energy security. Identify the related dimensions of business environment.  
(a) Economic dimension, Legal dimension and Social dimension  
(b) Social dimension, Political dimension and Economic dimension  
(c) Economic dimension, Technological dimension and Social dimension  
(d) Social dimension, Political dimension and Legal dimension

**Answer**

Answer: c

13. ‘Yo Tummy’ began its business by offering the classic combo of hamburgers and fries. But over time, their customers wanted healthier foods, so ‘Yo Tummy’ responded and began offering healthy alternatives such as salads, fruits, wraps and oatmeal. If ‘Yo Tummy’ hadn’t responded, they may have lost customers that wanted to eat healthier foods. The above case highlights one of the points related to the importance of business environment and its understanding by managers. Identify it.  
(a) It helps in coping with rapid changes.  
(b) It helps in improving performance.  
(c) It helps the firm to identify threats and early warning signals.  
(d) It enables the firm to identify opportunities and getting the first mover advantage.

**Answer**

Answer: a

14. As a result of major government initiatives, more and more people are going ‘green’. In order to keep in line with the trend, ‘Clapaway’ a carpet cleaning company has advertised that they only use natural cleaners that come from renewable resources and that all their service vehicles are hybrid vehicles that use both gas and electricity. Identify one of the points related to the importance of business environment and its understanding by managers which is being highlighted in the above case.  
(a) It helps in assisting in planning and policy formulation.  
(b) It helps in coping with rapid changes.  
(c) It helps in improving performance.  
(d) It enables the firm to identify opportunities and getting the first mover advantage.

**Answer**

Answer: c

15. According to the World Health Organization, 39% of adults are overweight. Over the last 40 years, the prevalence of obesity has tripled around the world. With over half of consumers drinking at least one sugary drink on a given day, regulations towards the beverage sector are likely to become increasingly onerous. In the U.K., for example, a sugar tax was introduced in 2018 on beverages containing more than 5% sugar. Identify the related dimensions of business environment.  
(a) Legal dimension and Social dimension  
(b) Social dimension and Technological dimension  
(c) Technological dimension and Legal dimension  
(d) Political dimension and Technological dimension

**Answer**

Answer: a

16. India’s population is expected to grow under 0.5 per cent during 2031-41 due to decline in fertility rate and increase in life expectancy. These changes in India’s demography will also have implications such as the proportion of elementary school-going children will witness significant declines, lack of hospital beds and increase in retirement age. The related feature of business environment being described in the above lines is  
(a) Totality of external forces  
(b) Dynamic nature  
(c) Interrelatedness  
(d) Relativity

**Answer**

Answer: c

17. India continues to be a lower-middle-income country along with 46 others, while Sri Lanka has climbed to the upper-middle-income group for the fiscal year (FY) 2020, according to the World Bank’s classification of countries by income levels, released on July 1, 2019.  
Identify the related dimensions of business environment.  
(a) Social dimension  
(b) Technological dimension  
(c) Economic dimension  
(d) Political dimension

**Answer**

Answer: c

18. According to a report by the India Staffing Federation (ISF), India has emerged as the  
fifth largest market worldwide in flexi-staffing in 2018 and the country would have 6.1 million flexi-workforce by 2021. It showed that Haryana, Gujarat, Karnataka, Madhya Pradesh and Telangana are the states with high growth potential for flexi- staffing but Andhra Pradesh tops the list of states with favourable business environment. Identify the feature of business environment being discussed above,  
(a) Relativity  
(b) Dynamic nature  
(c) Uncertainty  
(d) Interrelatedness

**Answer**

Answer: a

19. The Union Cabinet has given ‘in-principle’ nod to divest stakes in Air India — a wholly government owned airline. This means the government is willing to shed a substantial portion of its stake and hand over the management of the ailing airline to the private sector. Identify the concept being described in the above lines.  
(a) Liberalisation  
(b) Privatisation  
(c) Globalisation  
(d) Demonetisation

**Answer**

Answer: b

20. The Government of India launched “Make in India” initiative in September, 2014 to increase foreign direct investment (FDI) in 25 sectors. As of April, 2015, FDI inflow in India increased by 48% since the launch of “Make in India” initiative.  
Identify the concept being described in the above lines, with regard to inflow of FDI.  
(a) Demonetisation  
(b) Privatisation  
(c) Liberalisation  
(d) Globalisation

**Answer**

Answer: c

21. In today’s world, the flow of goods and services is not only cheap and fast, but reliable and secure. You can order anything you wish from any part of the world. Internet has been connecting people without any limitations or boundaries in the way of doing business. Identify the concept being described in the above lines.  
(a) Liberalisation  
(b) Globalisation  
(c) Demonetisation  
(d) Privatisation

**Answer**

Answer: b

22. On 8th November 2016, with the announcement from Government of India, all the ₹500 and ₹1,000 banknotes of the Mahatma Gandhi series have ceased to be a legal tender. The givemment also announced the issuance of new ₹500 and ₹2,000 banknotes in exchange for the demonetised banknotes. Identify the concept being described in the above lines.  
(a) Globalisation  
(b) Liberalisation  
(c) Demonetisation  
(d) Privatisation

**Answer**

Answer: c

23. Which of the following is a feature of demonetisation?  
(a) Tax administration measure  
(b) Channelising savings into the formal financial system  
(c) Development of less-cash economy  
(d) All of the above

**Answer**

Answer: d

24. A business has to offer wider choice in purchasing enhanced quality of goods and services in order to maintain an edge over its competitors. The implementation of the new economic policy with liberalisation, privatisation and globalisation has posed various challenges for the corporate sector. One of the important challenges is explained in the above lines. Identify it.  
(a) Increasing competition  
(b) More demanding customers  
(c) Necessity for change  
(d) Market orientation

**Answer**

Answer: a

**Question 1:**  
‘The first masters’ is a leading advertising company in its industry. Recently they had a meeting in which all the reasons which were outside the control of the organisation were discussed. The organisation wanted to maintain its supremacy in the market. They decided to break the meeting into two parts. In the first part customers, competitors, suppliers, etc. were discussed where as in the second part the political, economic, social conditions in the country were discussed. It was concluded that company was doing extremely well in the domestic market and the client base was expanding. However when the company’s performance in foreign markets was evaluated it was found that conditions were different in different countries so the strategies adopted would have to be different. After the meeting the company was looking forward to making new gains.  
Which features of Business Environment have been highlighted in the above case? Also identify the lines.  
**Answer:**  
**The features of Business Environment which have been highlighted are:**

1. **Totality of external forces**. Recently they had a meeting in which all the reasons which were outside the control of the organisation were discussed.
2. **Specific and general forces.** In the first part customers, competitors, suppliers, etc. were discussed where as in the second part the political, economic, social conditions in the country were discussed.
3. **Relativity.** However when the company’s performance in foreign markets was evaluated it was found that conditions were different in different countries so the strategies adopted would have to be different.

**Question 2:**  
Bright Services is a taxi service provider. The company is targeting a revenue of 50 crore rupees this year. However with the passage of time it has found entrance of new service providers in the market which was not expected at one stage of time. It has a good team of technicians, drivers, software providers, etc. The company has decided to make it adaptable to such continuously changing circumstances. It knows that if it has to expand in new countries it will have to learn the basic differentiating factors like traffic rules, technological aspects, etc. Thus it understands that conditions are different in different countries.  
Which features of Business Environment are discussed in the above case? Which force is discussed above?  
**Answer:**  
**The various features of Business Environment which are discussed above are:**

1. **Uncertainty.** However with the passage of time it has found entrance of new service providers in the market which was not expected at one stage of time.
2. **Dynamic nature.** The company has decided to make it adaptable to such continuously changing circumstances.
3. **Relativity.** Thus it understands that conditions are different in different countries.  
   The type of force which is discussed above is General Force —Legal (Traffic rules), Technological (Technical aspects).

**Question 3:**  
ABCDEF Ltd. decided to start its new venture in Delhi. For this they needed to understand the Business Environment of the area. It was realised 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 realised 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.  
**Answer:**  
**The various features of Business Environment which are highlighted in the above case are:**

1. **Complexity.** It was realised 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.
2. **Interrelatedness.** After understanding the business situations the company started to study the close links between different elements of the Business Environment.
3. **Relativity.** Later they realised 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.
4. **Dynamic nature.** The reason for its success in different countries was the adaptability it showed in meeting the changing environment.

**Question 4:**  
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?  
**Answer:**  
The importance of business environment which is highlighted above is — **Helps in tapping useful resources.**

**Question 5:**  
The market is flooded with better quality toys of foreign origin. The result is fall in revenue of the indigenous or local companies as their products are much interior and are also costlier in less demand in the market.  
Which dimension of Business Environment can be seen here affecting the local companies’ revenue? 1  
**Answer:**  
The dimension of Business Environment which is affecting the indigenous companies is  
**Technological Environment.** Since the products are technologically advanced they are replacing the locally made inferior products.

**Question 6:**  
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?  
**Answer:**  
The dimension of business environment which is covered here is the **“Social”** dimension of business environment as marriages come under the social dimension.

**Question 7:**  
We can expect high sale of sarees in India but we can’t expect the same in Which feature of business environment is discussed in the previous line?  
**Answer:**  
The feature of business environment which is discussed above is **“Relativity”** as the business environment varies from place to place. The choice of people, their culture and purchasing capacity are different in different areas.

**Question 8:**  
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?  
**Answer:**  
The dimension of business environment which is highlighted here is the **“Legal”** environment as it comes under the legal laws to clearly state the necessary information as directed by the government.

**Question 9:**  
Long Drive Manufacturers is a leading vehicle manufacturing company. It claims that it can create a fuel in its laboratory which can run the newly designed car. The company is ready to provide this fuel to its customers for free for one year provided they buy the car.  
Which dimension of business environment is affected here by the company’s innovative solution? 1  
**Answer:**  
The dimension of business which is affected here by the company’s innovation is the **“Technological”** environment.

**Question 10:**  
Identify the various dimensions of business environment:

1. With the election of a new government the sensex drops by 748 points.
2. A particular channel refrains from showing the advertisement of a particular product as it is banned by the government.
3. 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.
4. At the time of holi a large number of manufacturing firms get involved in making colours which are used in the celebration of this colourful festival.
5. It is not advisable to open a luxury car showroom in the middle of an economy where per capita income is very low.

**Answer:**  
**The various dimensions of business environment highlighted above are:**

1. Political environment.
2. Legal environment.
3. Technological environment.
4. Social environment.
5. Economic environment.

**Question 11:**  
A recent rate cut in the interest on loans announced by the Banks encouraged Amit, a science student of Progressive School to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organized by Directorate of Education. He was awarded first prize for his invention.  
Identify and explain the dimensions of business environment discussed in the above case.  
**Answer:**  
**Following are the dimensions of business environment discussed in the above para:**

1. **Economic Environment.** Economic dimension of business environment includes various economic factors like inflation, interest rates, currency value, income of people, etc. Both short and long term interest rates affect the demand for various goods and services in the economy. Lower interest rates lead to higher demand while higher interest rates lead to less spending by consumers leading to reduced demand.
2. **Technological Environment.** Scientific improvements and innovations are included in the technological dimension of business environment. It provides new ways and methods of producing goods and services. For example, technological developments in the field of computers and information technology have changed the ways in which companies promote their goods and services.

**Question 12:**  
With change in the consumption habits of people, Neelesh, who was running a sweets shop shifted to chocolate business. On the eve of Diwali he offered chacolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got lot of orders online and earned huge profit by selling chocolates.  
Identify and explain the dimensions of business environment discussed in the above case.  
**Answer:**  
**Following dimensions of business environment are discussed in the given para:**

1. **Social Environment.** Social Environment consists of attitudes, beliefs, desires, customs and traditions, level of education, composition of working population, culture, religion, values, etc. Values refer to concepts which are held by the society in high esteem and traditions include social practices that have been followed by the society for a long period of time.
2. **Technological Environment.** Scientific improvement and innovations are included in  
   the technological dimension of business environment. It provides new ways and methods of producing goods and services. For example, technological developments in the field of computers and information technology have changed the ways in which companies promote their goods and services.

**Question 13:**  
“World Softwares” is a software giant. It has many branches throughout the world. The company knows that it has great opportunities in its path. When it it was limited only to its native country. With the passage of time within 20 years the economies of various countries have integrated. This has come as a great advantage to this company which has expanded. In many of the countries where it has its, branches the control of government in the public sector enterprises has diluted leading to more control in the hands of the private sector. One of the major reasons for the success of the company has been the role of the initiator the company has played as it was the first company of its kind to enter the market.  
Identify the two important concepts highlighted above. Which type of advantage has been indicated in the last line of the above case?  
**Answer:**  
**Globalisation. With the passage of time within 20 years the economies of various countries have integrated.**

1. **Disinvestment.** In many of the countries where it has its branches the control of government in the public sector enterprises has diluted leading to more control in the hands of the private sector.
2. **First mover advantage.** The role of the initiator the company has played as it was the first company of its kind to enter the market.

**Question 14:**  
Metlapp 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 heart beat, 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 athtected many other players to enter the market. Competition resulted in reduction in prices, thereby benefiting the customers.

1. In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain these concepts.
2. Also, explain briefly any three impacts of these concepts on Indian business and industry.

**Answer:**

1. **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.
2. **Three impacts of liberalisation and globalisation on Indian business.**
   * **Increase in competition.** In today’s Indian economy, competition has increased due to liberalised imports and entry of MNCs (foreign Multinationals). Although, it is good for consumers, but some of the Indian industrial units, particularly small-scale and medium scale industries are facing problems.
   * **More demanding customers.** Customers are well informed and so they have become more demanding. They have a wider choice and can now purchase better products and services.
   * **Technological development.** Increasing competition has forced the companies to develop new technologies. New technologies make it possible to improve machines, production process, products and services. The rapidly changing technological environment has created tough challenges before small firms.
   * **Necessity for change.** Since Economic Reforms of 1991 market forces have been changing rapidly. Therefore, business firms have to continuously modify their operations.
   * **Need for developing human resources.** The new market conditions require people with higher qualifications, competence and greater commitment. Hence there is a need to train and upgrade human resources.

**Question 15:**  
The internet has taken the whole world by surprise. The government has also been lenient in giving the online companies a chance to flourish in the changing business scenario. Interneters Online is an entrepreneurial initiative by a group of young engineers. The company has entered in the domain of providing products online. Many new firms have also entered after seeing them enter this mode of business and many of these firms are foreign in origin. The companies dealing in online business know that in today’s world customer has many options. The customer is no more dependent on a single company for the product he requires. This has empowered the customer who has more choices and the result is a fragmented market. The firms selling with monopoly in the market are the stories of the past. The products offered by the companies are going through different types of technological changes. The companies are trying to give variety of products which are technologically advanced. “Interneters Online” is a firm which is right now selling 200 products online. Recently if tried to increase the number of products to be sold by 15 but it realised that many of these products were not allowed by the government to be sold in their territory.  
Identify three impacts of government policy changes on Business and Industry highlighted in the above case. Also identify the dimension of business environment highlighted above.  
**Answer:**  
**The three impacts of government policy changes on Business and Industry highlighted above are:**

1. **Increasing Competition.** Many new firms have also entered after seeing them enter this mode of business and many of these firms are foreign in origin.
2. **More demanding customers.** This has empowered the customer who has more choices and the result is a fragmented market.
3. **Rapidly changing technological environment.** The companies are trying to give variety of products which are technologically advanced.  
   The dimension of business environment which is highlighted above is Legal environment. It realised that many of these products were not allowed by the government to be sold in their territory.

**Question 16:**  
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?  
**Answer:**  
Need for developing human resource.

**Question 17:**  
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 started to gather and the incidence caught the attention of 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. This company knows that all the inputs are the resources from the outside environment and they have to be converted into successful products. Five years back the company used to make products which used to suit its production requirements. Now it has decided to manufacture products according to the requirements of the potential customers. The product can only reach customers in the best possible manner only if the company prepares itself. 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. The revenue of the company can decline 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. For this the company will have to prepare itself.  
Which economic reform is highlighted in the initial lines of the above case? Which dimension of business is affected here in the initial lines of the passage? Which importance of business environment is highlighted here? Name three different types of impacts of government policy changes on business and industry you can find here.  
**Answer:**  
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.  
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.  
The importance of business environment which is highlighted here is **Tapping useful resources.** There were protests and the result was the closure of the plant.  
**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.

**Question 18:**  
It’s high time that the government should finalise the industrial and monetary policies. The various economic indices like national income, per capita income, rate of savings and investment, etc. should be taken care of while deciding any economic plans for future.  
Which concept can be seen discussed in the above paragraph?  
**Answer:**  
The concept which has been discussed in the above paragraph is **“Economic Environment”.**

**Question 19:**  
ABCDE Ltd. has opened a customized shoe business in 23 cities. The organisation has done a lot of research on the nature of business environment in which it is doing business. The market has fragmented as there are many players, brand loyalties of the customers keep on changing, customers are more demanding and there is intense competition in the market. Every week on Saturday the board of directors sits for a meeting and decides the future course of action. They rely on their surveys and past performances of other companies to achieve policy making and deciding future course of action. The company devotes its lot of time in understanding the external environment. With all the research the company has realised that the business environment does tend to have a lot of impact on the organisation so it is necessary to continuously monitor it.  
Name the various importance of management highlighted above?  
**Answer:**  
**The various importance of business environment highlighted above:**

1. **It helps in coping with rapid changes.** The market has fragmented as there are many players, brand loyalties of the customers keep on changing, customers are more demanding and there is intense competition in the market.
2. **It helps in planning and policy formulation.** They rely on their surveys and past performances of other companies to achieve policy making and deciding future course of action.
3. **It helps in improving performance.** With all the research the company has realised that the business environment does tend to have a lot of impact on the organisation so it is necessary to continuously monitor it.

**Question 20:**  
A greeting card making company in USA is flourishing well. The company makes cards for different occasions. During the time of Christmas and New Year, the production and selling of cards reaches a new high. The company exists in an environment which is democratic and there are rules for every business firm. Once you step out of the company there are customers, competitors, government authority and almost everything one can think of. The company appears to have a promising future. However the  
firm will have to understand the close relationship between various elements of the business environment around it.  
In the above case which dimension of business environment is highlighted? Which features of business environment are highlighted in the above case?  
**Answer:**  
The dimension of business environment which is highlighted above is **“Social”.** The Company makes cards for different occasions. During the time of Christmas and New Year Eve. The production and selling of cards reaches a new high.  
**The features of business environment which are highlighted above are:**

1. **Totality of external forces.** Once you step out of the company there are customers, competitors, government authority and almost everything you can think of.
2. **Inter-relatedness.** However the firm will have to understand the close relationship between various elements of the business environment around it.

**Question 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 equipments are difterent in different branches. This is due to the change in cultures and lifestyles of people in the different countries. The market in which it is dealing is known for awareness of health. The more the awareness the more is the demand for such equipments. Company knows that the demand for these products ic unpredictable as new designs keep on coming and the industry keeps on changing frequently. There is a Research and Development Department which keeps on updating the equipments in material and design. However the outside business environment is characterized by changing customer preferences, entry of new competitors making it change. A meeting was organized recently to understand the external business environment. However, after the meeting it was realised that business environment can’t be understood in totality it can only be understood by breaking it into its dimensions. The result of a successful meeting could be seen later in the performance of the company which created record sales in the coming year.  
Identify the features of business environment highlighted here.  
**Answer:**  
**The different features of business environment highlighted above are:**

1. **Relativity.** This is due to the change in cultures and lifestyles of people in the different countries.
2. **Uncertainty.** Company knows that the demand for these products is unpredictable as new designs keep on coming and the industry keeps on changing frequently.
3. **Dynamic nature.** However, the outside business environment is characterized by changing customer preferences, entry of new competitors making it change.
4. **Complexity.** However after the meeting it was realised that business environment can’t be understood in totality it can only be understood by breaking it into its dimensions.

**Question 22:**  
GHJ Private Ltd. is concerned about the external environment of business. It is busy analyzing various factors which are going to affect its business. However with a lot of understanding it developed about the business 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 have increased. The company finds new competitors and technological challenges which are posing new changes 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’s not easy to understand the business environment 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.  
**Answer:**  
**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 changes for it.
3. **Complexity.** Even after spending a lot of money on the surveys the company comes to a conclusion that it’s not easy to understand the business environment and it is properly understood 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.

**Question 23:**  
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 labour in the manufacturing of these carpets. Products produced through the involvement of child labour 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.

**Answer:**  
**The various dimensions of business environment highlighted above are:**

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.

**Question 24:**  
‘On Your Marks’ is a good shoe manufacturing company. The company is the first to start a shoe having a unique technology giving it a long life. However the company knows that it exists in an environment where everything around it counts; so everything around it matters. Therefore, it is trying to observe every small aspect of the business environment. There are various factors which are closely related to each other and can’t be understood in isolation like change in lifestyle which can be linked to the improved demand of technologically advanced shoes. However, the company can’t be self satisfied. It will have to adjust to rapidly changing technology, fragmentation of market, changing brand loyalties, etc. It has got good man power and a very well established production department. It knows that various resources in the form of inputs have to be transformed into the best products and sold for increasing its revenue. However, there are various challenges which the company is facing. These are in the form of protests done by labour unions throughout the country which sometimes assume the form of strikes. The board of directors is keen to adapt to this difficult situation. Government is playing a very positive role, like it did a few years back, and is freeing the business environment from unnecessary restrictions and government controls. The company is hopeful of emerging as a winner under such government support.

Which features of business environment are highlighted in the above case?  
Identify the importance of business environment highlighted in the above case?  
Which dimension of business environment is highlighted above?  
Which economic reform is discussed in the last part of the case?

**Answer:  
The features of business environment highlighted in the above case are:**

1. **Totality of external forces.** However, the company knows that it exists in an environment where everything around it counts; so everything around it matters.
2. **Inter-relatedness.** There are various factors which are closely related to each other and can’t be understood in isolation like change in lifestyle which can be linked to the improved demand of technologically advanced shoes.

The importance of business environment highlighted in the above case:

1. **It helps in coping with rapid changes.** It will have to adjust to rapidly changing technology, fragmentation of market, changing brand loyalties, etc.
2. **It helps in tapping useful resources.** It knows that various resources in the form of inputs have to be transformed into the best products and sold for increasing its revenue.

The dimension of business environment which is highlighted in the above case is **‘Political Environment’.** These are in the form of protests done by labour unions throughout the country and about to assume the form of strikes.  
The economic reform which is discussed in the last part of the case is **‘Liberalisation’.** Government is playing a very positive role, like it did a few years back, and is freeing the business environment from unnecessary restrictions and government controls.

**Question 25:**  
‘Runners Ahead’ is an emerging software consultancy company. The a specific manner but political, social and economic conditions affect it in a general way. The company has decided to prepare an emergency plan to meet unpredictable challenges which change the business in a very fast manner particularly in the field of Information Technology. The changes in the IT sector are very fast. So the chances of success are high; like in the case of new software launched where the company has the advantage of entering the market early. However, things are not so easy. Every time circumstances pose new challenges. The organisation has decided to monitor the external business environment so that it can adopt suitable measures to increase its client base.  
Recently the company has been given a project by the government to study and analyse its new policy. The policy of the government is to give a bigger role to the private sector by reducing its own role in the Public Sector Undertakings.  
In order, to meet new challenges the company has to exploit various aspects of business. Recently it has invented a new type of advanced software for social networking sites for the aged people catering to their specific needs. The company is expecting huge rise in its revenue through the help of this project.  
Which features of business environment is highlighted in the above case? 2  
Identify the importance of business environment highlighted in the above case. 2  
Which economic reform is highlighted in the above case in the second paragraph of the above case? 1  
WTiich dimension of business environment is highlighted in the above case? 1  
**Answer:**  
Recently the company has been given a project by the government to study and analyse its new policy. The policy of the government is about giving a bigger role to the private sector by reducing its own role in the Public Sector Undertakings.  
In order, to meet new challenges the company has to exploit various aspects of business. Recently it has invented a new type of advanced software for social networking sites for the aged people catering to their specific needs. The company is expecting huge rise in its revenue through the help of this project.

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

1. **Specific and general forces.** The company finds its business affected by customers, competitors, tax taking authorities in an isolated manner but political, social and economic conditions affect it in a general way.
2. **Uncertainty.** The Company has decided to prepare an emergency plan to meet unpredictable challenges which change the business in a very fast manner particularly in the field of Information Technology.

The importance of business environment highlighted above:

1. **It enables the firm to identify opportunities and get the first mover advantage.** So the  
   chances of success are high; like in the case of new software launched where the company has the advantage of entering the market early.
2. **It helps in improving performance.** The organisation has decided to monitor the external business environment so that it can adopt suitable measures to increase its client base.

The economic reform highlighted in the above case is **‘Privatisation’.** The policy of the government is about giving a bigger role to the private sector by reducing its own role in the Public Sector Undertakings.  
The dimension of business environment which is highlighted above is ‘Social’. Recently it has invented a new type of advanced software for social networking sites for the aged people catering to their specific needs.

**Question 26:**  
‘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?  
**Answer:**  
Loss of budgetary support to the public sector.

**Question 27:**  
After the adoption of various economic reforms by the Indian government, the business scenario in the country has changed. Earlier, the firms used to produce first and go to the market for sale later. But now-a-days firms analyse the needs and wants of the consumers first and then produce goods accordingly.  
Identify the impact of government policy changes on business and industry in India, mentioned in the above case.  
**Answer:**  
Market Orientation

**Question 28:**  
Identify the dimensions of Business Environment in the following cases:

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

**Answer:**

1. **Economic environment.** Since the demonetisation move results in lowering of interest rates.
2. **Technological environment.** Due to demonetisation move, there will be technological advancement in the way business transactions will be done.

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