



INDIAN SCHOOL AL WADI AL KABIR

Business Studies	Department: Commerce
Worksheet No: 1	Topic: Business Environment

MCQ's

1. 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
 - a) Totality of external forces
 - b) Inter-relatedness
 - c) Uncertainty
 - d) Relativity
2. _____ are customers, competitors and suppliers and they have a direct impact on the organisation. Identify the features of business environment
 - a) Inter-relatedness
 - b) Uncertainty
 - c) Specific forces
 - d) General forces
3. 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
 - a) Dynamic nature
 - b) Inter-relatedness
 - c) Uncertainty
 - d) Relativity
4. 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
 - a) Dynamic nature
 - b) Inter-relatedness
 - c) Uncertainty
 - d) Relativity

5. _____ 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.

- a) Economic
- b) Social
- c) Legal
- d) 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 certain features that will follow the command given by the user. This resulted in fall in revenue of the indigenous or local companies as their products are much inferior and are also costlier. This resulted in 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 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

18. '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.

19. 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.

20. 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.

21. 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 dimension of business is affected here in the initial lines of the passage?

b) Which importance of business environment is highlighted here?

22. 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 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.

23. 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 emphasised 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.

1. Identify and explain the component of business environment highlighted in the above Para.
2. State and explain any two features of business environment as discussed by Professor Mehta with Naman and Govind.
3. Also state two points of importance of business environment as stated by Professor Mehta in the above situation.

24. With changes in the consumption habits of people, Neelesh, who was running a sweet shop, shifted to the chocolate business. On the eve of Diwali, he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got a lot of orders online and earned huge profits by selling the chocolate.

Identify and explain the dimensions of business environment discussed in the above case.

25. On 8 November 2016, the Government of India announced the demonetisation making all Rs.500 and Rs. 1,000 banknotes of the Mahatma Gandhi Series invalid past midnight. The government claimed that the action would curtail the use of illicit and counterfeit cash to fund illegal activity and terrorism.

The BSE SENSEX and NIFTY 50 stock indices fell over 6 percent on the day after the announcement. The decision was heavily criticised by members of the opposition parties, leading to debates in both houses of parliament and triggering organised protests against the government in several places across India.

People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked to the inconveniences caused due to the rush to exchange cash. After demonetisation the demand for point of sales (POS) or card swipe

machines has increased. E-payment options like PayTM has also seen a rise.

In context of the above case:

1. Identify and explain the various dimensions of business environment which relate to the above-mentioned case.
2. List any two values that the government seeks to promote through demonetisation.

25. Make in India is an initiative launched by the Government of India to encourage national and multinational companies to manufacture their products in India. It focuses on job creation and skill enhancement and is in twenty five sectors of the economy.

Under the initiative, brochures on these sectors and a web portal were released. The initiative aims at high quality standards and minimising the impact on the environment. It also seeks to attract foreign capital investment in India.

In context of the above case:

1. List any two values which the Government of India wants to convey through this initiative.

26. India's retail sector has been undergoing structural changes for the last two decades. On one hand, the 'mall culture' has gradually become a way of life, especially in the metros and mini - metros.

On the other hand, there is accelerated growth in e-business as customers also prefer to buy products and services via the Internet, telephone and television. However, operating in either of the segments is marked by the presence of strong competitors.

Identify the components of specific forces and general forces being discussed in the above paragraph.

27. It is interesting to know that the menu items of the multinational food chains are customised to suit the general palates of the local people in the region. When McDonald's started its business in India in the year 1996, the company went through a complete localisation strategy.

McDonald's changed its product menu to accommodate the vegetable burger given the large vegetarian population. It also altered its store design and even reduced the product price by close to fifteen per cent. Also, the "McAloo Tikki burger" is not available anywhere but in the Indian outlets of McDonalds.

Identify the relevant feature of business environment being discussed above.

28. 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 organised by the Directorate of Education. He was awarded the first prize for his invention. Identify and explain the dimensions of business environment discussed in the above case.

29. 'Accent Electronics Ltd.' was operating its business in Malaysia. The company started exporting its products to India when the Prime Minister announced relaxation in import duties on electronic items. The company appointed retailers in India who had direct online links with the suppliers to replenish stocks when needed. Identify and explain the dimensions of business environment discussed in the above case.

30. The court passed an order to ban polythene bags as:

1. These bags create many environmental problems which affect the life of people.
2. Society at large is more concerned about the quality of life.

The government decided to give a subsidy to the jute industry in order to promote this business. As a result, —

- Innovative techniques are being developed to manufacture jute bags at low rates.
- Incomes are rising and people can afford to buy these bags.

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