

Business Environment

1. Which of the following is an element of 'Social Environment' ? (2024)

- (A) Rates of saving and investment
- (B) Expectations from the workforce
- (C) The nature of relationship of our country with foreign countries
- (D) Planned outlay in public and private sectors

Ans. (B) Expectations from the workforce

2. 'SK Builders' became the market leader in the designer house segment as it was the first to recognize the need of using Artificial Intelligence in designing houses in the changing environment of technological advancement. This highlights the following point of importance of business environment : (2024)

- (A) It helps to identify threats and early warning signals.
- (B) It enables the firm to identify opportunities and getting the first mover advantage.
- (C) It helps in tapping useful resources.
- (D) It helps in improving performance.

Ans. (B) It enables the firm to identify opportunities and getting the first mover advantage.

3. State any three features of business environment. (2024)

Ans. Features of business environment are: (Any three)

- (i) Business environment is the sum total of all factors/things external to business firms and, as such, is aggregative in nature.
- (ii) Business environment includes both specific such as customers, investors, etc and general forces such as political, social, etc.
- (iii) Different elements or parts of business environment are closely inter-related.
- (iv) Dynamic nature: Business environment is dynamic and keeps on changing whether in terms of technological improvement, shifts in consumer preferences, etc
- (v) Business environment is uncertain as it is very difficult to predict future happenings, especially when environment changes are taking place too frequently



(vi) Business environment is complex as it consists of numerous interrelated and dynamic conditions or forces that are relatively easier to understand in parts but difficult to grasp in its totality.

(vii) Business environment is a relative concept since it differs from country to country and even region to region.

4. State any three features of 'Demonetization'. (2024)

Ans. Features of demonetization are: (Any three)

(i) Demonetisation is viewed as a tax administration measure and people with black money had to declare their unaccounted wealth and pay taxes at a penalty rate.

(ii) Demonetisation is also interpreted as a shift on the part of the government indicating that tax evasion will no longer be tolerated or accepted.

(iii) Demonetisation led to tax administration channelizing savings into the formal financial system, to enable banks with deposits to provide a base loans, at lower interest rates.

(iv) It creates a less-cash or cash-lite economy, i.e., channelising more savings through the formal financial system and improving tax compliance.

5. Differentiate between 'Delegation' and 'Decentralisation' on any four bases. (2024)

Ans. Differences between Delegation and Decentralisation: (Any four)

Basis	Delegation	Decentralisation
Nature	Delegation is a compulsory act because no individual can perform all tasks on his own.	Decentralisation is an optional policy decision. It is done at the discretion of the top management.
Freedom of action	There is more control by superiors hence less freedom to take own decisions.	There is less control over executives, hence greater freedom of action.
Status	It is a process followed to share tasks.	It is the result of the policy decision of the top management.



Scope	It has narrow scope as it is limited to superior and his immediate subordinate.	It has wide scope as it implies extension of delegation to the lowest level of management.
Purpose	The purpose is to lessen the burden of the manager.	The purpose is to increase the role of the subordinates in the organisation by giving them more autonomy.

Previous Years' CBSE Board Questions

3.1 Business Environment-Concept and Importance

MCQ

1. 'Cartoony Planet' is a well-known indoor playground for organising parties for children in Noida. It has many play-stations and it organises various activities for the kids to enjoy. Looking at the increasing number of children visiting 'Cartoony Planet', a new indoor playground in the name of 'Tiny-Tots House' came up with advanced swings, play stations and entertainment activities near 'Cartoony Planet'!

To compete with the newly opened indoor playground, 'Cartoony Planet' also added some advanced swings and entertainment activities to attract more children.

The above information highlights one of the features of 'Business Environment. Identify the feature from the following:

(a) Uncertainty

(b) Dynamic Nature

(c) Relativity

(d) Interrelatedness

(2023)

2. 'Dolma' and 'Una' were gardeners with decades of hands-on experience. They were the first ones to recognise the need of indoor gardens specially for plant-lovers living in apartments. They took advantage of this opportunity and decided to offer beautiful designing ideas for indoor gardening through their innovative venture 'My Space'.

'My Space' offered creative ideas like 'Garden wall', 'Hanging Garden, 'Window Garden', 'Book-shelf Garden' and many more. Since there were no competitors, they soon became the market leaders in the field.

From the following points, identify the importance of Business environment highlighted above:

(a) Business environment helps the firm to identify threats and early warning signals.

(b) Business environment helps in tapping useful resources.

(c) Business environment enables the firm to identify opportunities and getting the first mover advantage.

(d) Business environment helps in assisting in planning and policy formulation.

(2023)



3. Match the various characteristics of Business environment given in Column I with their respective explanations in Column II.

Column I		Column II	
A.	Dynamic nature	(i)	Environment is a phenomenon that is relatively easier to understand in parts but difficult to grasp in its totality.
B.	Complexity	(ii)	Business environment differs from country to country and even region to region.
C.	Relativity	(iii)	Business environment keeps on changing, whether in terms of technological improvement or shifts in consumer preferences.

(a) A-(iii), B-(ii), C-(i)

(b) A-(ii), B-(iii), C-(i)

(c) A-(iii), B-(i), C-(ii)

(d) A-(i), B-(ii), C-(iii)

(2023)

4. Indian ethnic wear like sarees are in great demand in India but Italy does not have such a high demand for the same. Which feature of business environment is reflected from this statement?

(a) Inter-relatedness

(b) Uncertainty

(c) Complexity

(d) Relativity

(Term-I, 2021-22)

5. Sarvodaya Palace is a 40-year-old established hotel in Udaipur. However, recently the travellers started looking for free Wifi, early check in and pet care facilities. The manager sensing the shifts in consumers preferences upgraded the hotel and its policies to accommodate all of these. Which feature of business environment is highlighted in the above case?

(a) Complexity

(b) Dynamic nature

(c) Uncertainty

(d) Relativity

(Term-I, 2021-22)



6. Business environment is said to be uncertain as:

- (a) Different element or parts of business environment are closely inter related.
 - (b) It differs from country to country.
 - (c) It is difficult to predict future happenings especially when environment changes are taking place too frequently.
 - (d) It consists of numerous interrelated forces which arise from different sources.
- (Term-I, 2021-22)**

7. 'Business environment consists of numerous interrelated and dynamic conditions or forces which arise from different sources. Identify the characteristic of business environment being highlighted here.

- (a) Inter-relatedness
- (b) Dynamic nature
- (c) Complexity
- (d) Relativity

(2021 C)

8. Which of the following headings does not highlight the importance of business environment?

- (a) Tapping useful resources
- (b) Coping with rapid changes
- (c) Improving performance
- (d) Promoting innovative ideas

(2021 C)

VSA (1 mark)

9. What is meant by 'Business Environment'?
(Delhi 2015)

10. Why is it said that Business Environment is uncertain?
(AI 2015 C)

11. Why is business environment called dynamic?
(Delhi 2014 C)

SA I (3 marks)

12. What is meant by business environment? State any three points of its importance. **(Delhi 2015)**

13. Explain how does the understanding of business environment help the management in the following:

- (a) Tapping useful resources; and
- (b) Coping with rapid changes.

(Delhi 2015 C)

SA II (4 marks)

14. In an environment of rising petroleum prices and a large middle-class population in India, KV Motors Ltd. recognised the need for small cars in India. It created a product far superior than their competitors not only in terms of quality but also in terms of overall driving experience. It soon became the leader in the small car market. As the Indian government was encouraging foreign investment, MNCs having a big name in car manufacturing entered the Indian market.

KV Motors further expanded its service network and quality creating an entry barrier for the competitors. It depicted its strengths through various brand-building activities. As a result, the market share of KV Motors is refusing to go down in spite of all major automakers as its competitors.

- (a) Identify the economic reforms highlighted in the above case.
- (b) Quoting the lines, explain any two points of importance of Business Environment being highlighted in the above case

(Foreign 2019)

15. How does the understanding of Business Environment help the management in the following:

- (a) Identification of threats and early warning signals
- (b) Improving performance.

(AI 2015 C)

16. Why is the understanding of Business Environment important for managers? Explain with the help of any four points.

(Delhi 2014)

17. Explain the concept of 'Business Environment' and any three features of it.

(AI 2014)

LA (5 marks)

18. 'Konark Ltd. is an electronic goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, 'Nova Ltd. situated in Mumbai. Both Konark's and Nova's operations are affected directly by the investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual firms of this field are affected



indirectly by the factors like the money supply in the economy, composition of the families, the technological changes, etc.

(a) Identify and state the feature of the concept discussed in the above paragraph.

(b) Also, state any four points of importance of this concept.

(AI 2018)

3.2 Dimensions of Business Environment-Economic, Social, Technological, Political and Legal, and Concept of Demonetisation

MCQ

19. Which of the following are the examples of Legal Environment?

(i) Advertisement of alcoholic beverages is prohibited

(ii) Decrease in interest rate on loans

(iii) Increase in demand for organic foods

(iv) Digilockers for storing documents

(v) In 1993, the Supreme Court passed an order to close the iron foundries around 'Taj Mahal' at Agra

(a) (i) and (iv) only

(c) (ii) and (iii) only

(b) (i) and (ii) only

(d) (i) and (v) only

(2023)

20. 'Digilocker' is a flagship initiative of 'Ministry of Electronics and IT, Government of India. It aims at digital empowerment of the citizens by providing access to authentic digital documents such as academic certificates issued by different Examination Boards, Driving Licenses, Vehicle registrations etc. in a digital format.

The above para discusses a few dimensions of Business Environment. Identify the correct dimensions from the following.

(a) Economic Environment and Technological Environment

(b) Social Environment and Economic Environment

(c) Social Environment and Political Environment

(d) Political Environment and Technological Environment

(2023)

21. A leading vacuum cleaner company recently introduced a robotic vacuum cleaner that sweeps, mops and disinfects surfaces within no time. Due to this

there is a shift in demand from ordinary vacuum cleaners to robotic vacuum cleaners.

The dimension of business environment discussed is:

- (a) Technological
 - (b) Political
 - (c) Economic
 - (d) Legal
- (Term-1, 2021-22)**

22. The Indian sweet industry has been through many changes over the years. Identifying the growing trend towards healthier options, Ajay Verma started 'Guilt-free Sweets, offering variety of sugar-free sweets to the customers.

The dimension of business environment highlighted above is:

- (a) Social
 - (b) Economic
 - (c) Political
 - (d) Technological
- (Term-1, 2021-22)**

23. A leading pizza chain recently introduced 'Momo Mia pizza' - a combination of pan pizza with momos in its crust. Their market research had revealed that momos are the second most loved street food of India right after golgappas. They wanted to be the first company to take advantage of this opportunity rather than losing out to competitors.

The point of importance of understanding of business environment discussed above is:

- (a) Tapping useful resources
 - (b) Identifying opportunities and getting the first mover advantage
 - (c) Improvement in performance
 - (d) Coping with rapid changes
- (Term-1, 2021-22)**

24. Several initiative have been undertaken by the Government of India to encourage domestic manufacturing and export the defence equipment's. 'Make in India' in Defence, was one such scheme launched by the Government to encourage companies across the world to manufacture defence products in India.

To which dimension of business environment does the above case relates to?

- (a) Economic Environment
 - (b) Legal Environment
 - (c) Political Environment
 - (d) Social Environment
- (Term-1, 2021-22)**

25. _____ environment of business includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

- (a) Social (b) Political
(c) Technological (d) Economic
(2021 C)

26. Reserve Bank of India has reduced the REPO rate for providing cheaper loans to the industries during COVID-19 pandemic. Which dimension of business environment is being discussed here?

- (a) Political (b) Economic
(c) Technological (d) Social
(2021 C)

27. Which of the following is a component of economic environment?

- (a) Concern with quality of life
(b) Rates of saving and investment
(c) Extent of government intervention in business
(d) Birth and death rates
(2020 C)

VSA (1 mark)

28. What is included in 'Political Environment' of business?
(AI 2014)

29. What is included in 'Legal Environment' of Business?
(AI 2014)

SA II (4 marks)

30. The Government of India, in an effort to eliminate plastic waste, imposed a nationwide ban on single-use plastic. The ban would most likely target plastic cutlery, straws, cups and glasses. As a result of this ban, the businesses have been forced to change their practices. 'Viman Airlines' decided to stop giving small water bottles on its flights. Various firms have come up in the country that are making biodegradable plastic out of starch, wheat hay or petrochemicals. Thus, competition in this upcoming industry is immense. Businesses are also focusing on developing techniques to produce alternatives for plastic bags. 'Carlos Technologies Ltd., a leading engineering company, has planned to design and deliver hi-tech machines that can scale up production of bags made from newspaper to replace plastic bags. Many companies are placing orders for such

machines. This has added challenges before smaller firms making paper bags. In various enterprises, employees are being trained to operate such hi-tech machines. This will provide human resource with higher competence. Customers have also become more demanding due to increased awareness and are forcing sellers to adopt bags which are not made of plastic.

Identify and explain the impact of the above Government policy on Business and Industry. (2020 C)

31. Mahinder Agro Ltd. started a new venture for distribution of harmful and chemical fertilizers free vegetables. They conducted a survey to find out consumer preferences for such vegetables. They found that most of the consumers were concerned about the harmful chemicals being used in growing the vegetables. They found that 90% of the households were searching for its alternatives. The company contacted a group of agriculture experts to lay down the procedure for growing the vegetables by the farmers. They decided to train the farmers in new technology to grow chemical free vegetables according to new innovative methods. The experts also suggested soil management techniques through which farmers would be able to create an abundant and lasting harvest.

Identify and explain the two dimensions of business environment highlighted in the above para.

(Delhi 2019)

32. With change in the consumption habits of people, Neelesh, who was running a sweets shop shifted to chocolate business. On the evening 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 lot of orders online and earned huge profit by selling chocolates. Identify and explain the dimensions of Business environment discussed in the above case. (AI 2016)

33. Beni, after completing her MBA, took up a job with a multinational company named 'Fortio'. The company was paying good salary and perks to its employees. The wages were within the paying capacity of the company that provided the employees a reasonable standard of living. The company also had a good work-culture and the behaviour of superiors was very good towards their subordinates. Beni was very happy in this organisation, but due to long working hours she did not have time to cook her meal. She had to depend upon outside food. Which was deteriorating her health.

She observed that this problem was faced by many of her colleagues, not only in her company but also in many other companies. This was because of increase in the number of working women and non-availability of hygienic home-cooked food. She identified this as a great opportunity and decided to give up her job to

supply packaged home-cooked food to office going people at a reasonable price. At the end of the day, she was also distributing the left-over food in the nearby night-shelters.

- (a) State the dimension of business environment being discussed above.
- (b) State the principle of management being followed by 'Fortio'.
- (c) Identify any two values being communicated by the company to the society in the above case.

(AI 2015)

LA (5 marks)

34. 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 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.

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

(Delhi 2017)



CBSE Sample Questions

3.1 Business Environment-Concept and Importance

MCQ

1. Which characteristic of the business environment is highlighted when changes are taking place too frequently and it becomes difficult to predict the future?

- (a) Uncertainty
- (b) Complexity
- (c) Inter-relatedness
- (d) Relativity

(2022-23)

2. Airlines will be able to offer the benefit of lower pricing to customers on sectors/routes due to the decision of the civil aviation ministry to remove price caps from August 31, 2022. This can help an airline to do better performance if they take early decisions regarding future courses of action after understanding and doing analysis. Which importance of business environment and its understanding by managers is not highlighted above:

- (a) It helps in improving performance.
- (b) It helps in assisting in planning and policy formulation.
- (c) It helps in tapping useful resources.
- (d) It enables a firm to identify opportunities and get first mover advantage.

(2022-23)

3. Even though the political conditions vary from country to country, they impact the sentiment of an investor in the business, if the instability of the political conditions cause uncertainty and make it difficult for him to predict the future. Which feature of the business environment is being highlighted in the above statement?

- (a) Specific and general forces
- (b) Dynamic nature
- (c) Relativity
- (d) All the above.

(2020-21)

4. "The increase in the demand for many Ayurvedic medicines, Health products and services in the past few months, is related to the need for building immunity



and an increased awareness for health care due to the spread of Corona virus.”
Identify the feature of business environment being described above.

- (a) Specific and general forces
 - (b) Interrelatedness
 - (c) Relativity
 - (d) None of the above
- (2020-21)

3.2 Dimensions of Business Environment-Economic, Social, Technological, Political and Legal, Concept of Demonetisation

MCQ

5.



Identify the dimensions of the business environment illustrated by the picture given above in which Sapna who has joined the workforce recently is working on an accounting software.

- (a) Technological and social
 - (b) Technological and political
 - (c) Political and economic
 - (d) Social and legal
- (2022-23)

6. The government of India made an announcement regarding Demonetisation of the Indian economy on November 8, 2016 with profound implications for it. The process which put restrictions on convertibility of domestic money and bank deposits was meant to create a less-cash economy. One argument against the cash-lite economy is that:

- (a) Internet connectivity is a prerequisite.
- (b) More people will be introduced into the formal economy.
- (c) Financial saving will increase.

(d) Tax evasion will be reduced.
(2022-23)

7. "The nature of the relationship of our country with foreign countries", is a major element of which of the following components of the Business Environment?

- (a) Social Environment (b) Legal Environment
(c) Political Environment (d) Economic Environment
(Term-I, 2021-22)

8. As part of regulations to be followed by advertisers, the advertisement for a new brand of baby food for infants provides important information for potential buyers that it is "Not recommended for infants under the age of four months". Which dimension of the business environment is highlighted in the above statement?

- (a) Social Environment
(b) Legal Environment
(c) Political Environment
(d) Economic Environment
(Term-I, 2021-22)

9. The sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance is known as _____.

- (a) Business environment (b) Social environment
(c) Political environment (d) Economic environment.
(Term-I, 2021-22)

10. India has launched its most advanced Geo-imaging satellite which will allow better monitoring of the subcontinent, including its borders with neighbouring countries, by imaging the country 4-5 times a day. The satellite is capable of near real time monitoring of floods and cyclones. The factor constituting the Business Environment being discussed above is:

- (a) Social environment (b) Economic environment
(c) Technological environment (d) Political environment
(Term-I, 2021-22)

11. Aiming to revive Jammu and Kashmir's attraction as a top location for film shooting the J&K film policy, 2021 offers a host of incentives to the filmmakers, such as subsidies and low long term interest rates, for films with patriotic and

certain other themes shot in J&K, for giving work opportunities to local artists, etc. This will have an impact on business enterprises in the state. Which component of business environment is highlighted above:

- (a) Specific and general forces
 - (b) Technological environment
 - (c) Economic environment
 - (d) Totality of external forces
- (Term-I, 2021-22)**

12. Mohammad Kanjiwal, a beekeeper since April 2021 is now part of the growing tribe of at least 50 urban dwellers across Maharashtra raising bees and harvesting honey in their balconies, rooftops and back gardens. As he had been focused on eating right the thought of domesticating honey bees to promote healthy consumption habits and seeing honey being cultivated right before his eyes was mesmerising for him. Identify the factor constituting the general environment being discussed above.

- (a) Economic environment
 - (b) Social environment
 - (c) Technological environment
 - (d) Political environment
- (Term-I, 2021-22)**

13. “Even after opening up of the Indian economy in 1991 foreign companies found it extremely difficult to cut through the bureaucratic red tape to get permits for doing business in India, which created a negative impact on business.” Identify the dimension of the business environment which led to creation of the negative impact on business.

- (a) Social Environment
 - (b) Technological Environment
 - (c) Political Environment
 - (d) Legal Environment
- (2020-21)**

14. Which of the following is not an element of social environment?

- (a) Birth and Death rate
 - (b) Constitution of the country
 - (c) Population Shifts
 - (d) Life expectancy
- (2020-21)**



ANSWERS

Previous Years' CBSE Board Questions

1. (b): Dynamic Nature
2. (c): Business environment enables the firm to identify opportunities and getting the first mover advantage.
3. (c): A – (iii), B – (i), C – (ii)
4. (d): Relativity feature of the business environment is reflected in this statement.
5. (b): Consumer tastes and preferences keep on changing in the dynamic business environment.
6. (c): Business environment is said to be uncertain as it is difficult to predict future happenings especially when environment changes are taking place too frequently.
7. (a): Inter-relatedness
8. (d): Promoting innovative ideas
9. Business environment is the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but they may affect its performance.
10. Business environment is largely uncertain as it is very difficult to predict future happenings especially when environment changes are taking place too frequently as in the business of information technology.
11. Business environment is dynamic since it keeps on changing it could be in terms of technological improvement, shift in consumer preference or entry of new competition in the market.
12. Business environment means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but they may affect its performance. Importance of business environment:
 - (i) It enables the organisation to identify opportunities and getting the first mover advantage instead of losing them to the competitors.
 - (ii) It helps the organisation to identify threats which serves as an early warning signal.
 - (iii) It helps the organisation in tapping useful resources such as finance, technology, raw materials.



(iv) It helps the organisation in coping with rapid changes in a dynamic environment.

(v) It helps the organisation in planning and policy formulation.

(vi) It helps the organisation in improving performance by continuously monitoring the environment and adapting appropriate practices.

(Any three)

13. (a) Tapping useful resources: By understanding what the environment offers, as resources such as finance, technology, raw materials, power etc., one can design policies so that it can convert them into output that the market wants. Since the activities of business are highly dependent on the environment, it is important that business prepares its policies, strategies with a clear understanding of what external environment has to offer and what it expect from the business.

(b) Coping with rapid changes: Environmental factors such as market condition competition etc., are changing very rapidly and more importantly at a very fast pace. In order to effectively cope with these changes, managers must understand the environment and develop suitable courses of action.

14. (a) The economic reform highlighted in the above case is 'Globalisation'. It refers to opening up and integrating the economy with the world economy.

(b) The importance of Business Environment being highlighted above are:

(i) Identification of opportunities: An analysis of a business environment enables an enterprise to identify various positive opportunities and thereby take the first advantage in its competition with other companies. Line: 'KV Motors ltd. recognised the need for small cars in India. It created a product far superior than their competitors not only in terms of quality but also in terms of overall driving experience. It soon became the leader in the small car market'.

(ii) Identification of threats: A study of a business environment can help a company analyse positive opportunities, but this study can also help in identifying various threats or negative signals and take preventive measures timely and appropriately. Line: 'KV Motors further expanded its service network and quality creating an entry barrier for the competitors'.

15. (a) Identification of threats and early warning signals: Adverse change in the external forces act as threats to the business which hinders its performance. Early identification of threats act as warning signal and helps managers to prepare strategies to convert threats into opportunities.

(b) Improving performance: The business enterprises that continuously monitor the environment and adjust business practices suitably are the ones which not



only improve their present performance but also continue to flourish in the market for longer period.

16. Understanding of business environment is important for managers because:

(a) First mover advantage: Awareness of business environment helps an organisation to come up with new ideas, a concepts or products, which helps it to capture the unexploited venues in a market and thus reap the benefit of being a pioneer.

(b) Warning signals: The knowledge about the environment helps the firms to perceive the possible threats in the future – be it from new entrants in the market or existing suppliers or change in government policies at national or international level.

(c) Public image: A business firm can improve its image by being sensitive to its environment and responsive to the aspirations of the public.

(d) Coping with rapid changes: To effectively cope with rapid changes, managers must understand and examine the environment and suitable courses of action.

(e) Planning and policy formulation: Understanding and analysis of environment serves as the basis for deciding the future course of action (planning) and in framing guidelines for decision making (policy).

17. Business environment can be defined as the forces, factors and institutions with which the businessmen have to deal with, to achieve the objectives. We can say that business environment is the surroundings in which business exists.

Features of Business Environment:

(a) Dynamic: Business environment keeps changing. It is not static that is why it's essential to monitor and scan the business environment continuously.

(b) Complex: It is very difficult to understand the impact of business environment on the companies. Though it may be easy to see the changes but it is very difficult to anticipate how these changes will influence business decisions.

(c) Uncertain: It is very difficult to predict the changes in Business Environment. As environment is changing very fast as in IT and fashion industry.

18. (a) Concept discussed in above case is of Business environment of electronic goods manufacturing enterprise. Feature of Business environment discussed here is: Specific and general forces: Their operations are directly affected by specific forces e.g. investors, customers, competitors and suppliers. Besides this general forces e.g. money supply in the economy, technological changes indirectly affect their business.

(b) Importance of Business Environment:

(i) It enables the firm to identify opportunities and getting the first mover advantage: Early identification of opportunities helps an enterprise to be the first to exploit them instead of losing them to competitors.

(ii) It helps the firm to identify threats and early warning signals. Environmental awareness can help managers to identify various threats on time and serves as an early warning signal.

(iii) It helps tapping useful resources: An enterprise depends on environment as a source of input and as an outlet for output. So, enterprise designs policies that allow it to get the resources and convert them to output that the environment desires.

(iv) It helps in coping with rapid changes: All sizes and types of enterprises are facing increasingly dynamic environment. To cope up with these significant changes, managers must examine and understand the environment and develop suitable course of action.

19. (d): (i) and (v) only

20. (d): Political Environment and Technological Environment

21. (a): The shift in demand from ordinary vacuum cleaners to robotic vacuum cleaners, is an example of the technological dimension of the business environment.

22. (a): Social dimension of the business environment has been highlighted here.

23. (b): The Pizza chain is taking the benefit of first mover advantage by conducting market research. The marketer must appropriately analyse the market so as to identify the best opportunities.

24. (c): The launch of 'Make in India' scheme by the Government of India relates to the political environment dimension of the business environment.

25. (c): Technological

26. (b): Economic

27. (b): Rates of saving and investment

28. Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.

29. Legal environment of business refers to the framework of law and various legislations within which business activities have to take place.

30. The impact of the above Government policy on Business and Industry in the above case are:

(i) Necessity for change: Frequent changes in the market, forces the enterprises to continuously modify their operations.

(ii) Increasing competition: Changes in the rules of industrial licensing and entry of foreign firms, has increased the competition for Indian firms especially in service industries such as banking, communication, health, etc.

(iii) Need for developing human resource: The new market conditions need people with required skills and greater commitment. So, the need for developing human resources is increasing.

(iv) Rapidly changing technological environment: The increased competition in the market forces the firms to develop new ways to survive and grow in the market. And due to this the small firms' faces face tough challenges for transformations in processes, technology, machines and products.

31. The two dimensions of business environment that is being highlighted in the given case are as follows:

(a) Technological environment - The technological environment comprises the technological improvements that provide new business opportunities for enterprises. In the given situation, the new technique to grow chemical fertilisers relates to the technological dimension of the business environment.

(b) Social environment - The social environment comprises of factors such as beliefs, traditions, social trends, etc. that affect the demand for goods in the society. Here in the question since, consumers were concerned about the harmful chemicals being used and were looking for other alternatives, so this relates to the social environment of the business.

32. Dimensions of business environment discussed are:

(i) Social Environment: With the change in consumption habits of people on the eve of Diwali he offered chocolates in attractive packages at reasonable prices instead of sweets.

(ii) Technological Environment: He anticipated huge demand and created a website chocolove. com for taking orders.

Technological environment includes forces relating to scientific improvement and innovation which provides new ways of communication. In the above situation we find that changes in technology provided an opportunity for selling chocolate through the internet. A change of taste was observed and anticipated so Neelesh changed to sell chocolate from sweets.

33. (a) Social environment includes social forces like customs and traditions, values, social trends etc. This was because of increase in the number of working women and non-availability of hygienic 'home-cooked food.'

(b) Remuneration to employees. The overall pay and compensation should be fair to both employees and the organisation.

The company was paying good salary and perks to its employees. The wages were within the paying capacity standard of living.

(c) Values being communicated by the company to the society are:
(Any two)

- (i) Good work culture.
- (ii) Good behaviour and human interaction.
- (iii) Concern for the employees.
- (iv) Equal opportunity for women.

34. (a) The concepts discussed are:

(i) Globalisation - Simplification of import and export procedure such as removal of quantitative and tariff restrictions.

(ii) Liberalisation - Easy licensing attracting more players leading to competitive pricing that benefit the customer.

(b) These concepts have had the following positive effect on Indian industry:

(i) Increasing competition: As a result of changes in the rules of industrial licensing and entry of foreign firms, competition for Indian firms has increased especially in services industries like telecommunications, airlines, banking, insurance, etc. which were earlier in the public sector.

(ii) More demanding customers: Customers today have become more demanding because they are well-informed. Increased competition in the market gives the customers wider choice in purchasing better quality of goods and services.

(iii) Rapidly changing technological environment: Increased competition forces the firms to develop new ways to survive and grow in the market. New technologies make it possible to improve machines, process, products and services. The rapidly changing technological environment creates tough challenges for smaller firms.

CBSE Sample Questions

1. (a): Uncertainty
2. (c): It helps in tapping useful resources
3. (d): All of the above
4. (b): Interrelatedness
5. (a): Technological and Social
6. (a): Internet connectivity is a prerequisite
7. (c): Political Environment
8. (b): Legal Environment
9. (a): Business environment
10. (c): Technological environment
11. (c): Economic environment
12. (b): Social environment
13. (c): Political Environment
14. (b): Constitution of the country

