

HEADINGS BASED TEST

- Q1. The term ‘_____’ means 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.
- Q2. The economic, social, political, technological and other forces which operate outside a business enterprise are part of its _____.
- Q3. The individual consumers or competing enterprises as well as the governments, consumer groups, competitors, courts, media and other institutions working outside an enterprise constitute its _____.
- Q4. Changes in government’s economic policies, rapid technological developments, political uncertainty, and changes in fashions and tastes of consumers and increased competition in the market all influence the _____ in important ways.
- Q5. New industrial policy has sought to liberate industry from the shackles of the licensing system (_____), drastically reduce the role of the public sector (_____) and encourage foreign private participation in India’s industrial development (_____).
- Q6. The Government of India, made an announcement on November 8, 2016. The two largest denomination notes, `500 `1,000, ceasing to be legal tender with immediate effect, except for a few specified purposes such as paying utility bills. This is called _____.

Q7. On the basis of the foregoing discussion, IDENTIFY the following features:

1. _____: Business environment is the sum total of all things external to business firms and, as such, is aggregative in nature.
2. _____: Business environment includes both specific and general forces.
3. Specific forces (such as investors, customers, competitors and suppliers) affect individual enterprises directly and immediately in their day-to-day working.
4. General forces (such as social, political, legal and technological conditions) have impact on all business enterprises and thus may affect an individual firm only indirectly.
5. _____: Different elements or parts of business environment are closely interrelated.
6. Increased life expectancy of people and increased awareness for healthcare has increased the demand for many health products and services like soft drinks, fat-free cooking oil, and health resorts.
7. _____: Business environment keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competition in the market.
8. _____: it is very difficult to predict future happenings, especially when environment changes are taking place too frequently as in the case of information technology or fashion industries.
9. _____: Since business environment consists of numerous interrelated and dynamic conditions or forces which arise from different sources, it becomes difficult to comprehend at once what exactly constitutes a given environment.
10. it may be difficult to know the extent of the relative impact of the social, economic, political, technological or legal factors on change in demand of a production the market.
11. _____: Business environment differs from country to country and even region to region.
12. Political conditions in the USA, for instance, differ from those in China or Pakistan. Similarly, demand for sarees may be fairly high in India whereas it may be almost non-existent in France.

Q8. Identify the Point of Importance of Business Environment.

1. Early identification of opportunities helps an enterprise to be the first to exploit them instead of losing them to competitors.
2. Maruti udyog became the leader in the small car market because it was the first to recognize the need for small cars in an environment of rising petroleum prices and large middle class population in India
3. If an Indian firm finds that a foreign multinational is entering the Indian market with new substitutes, it should act as a warning signal. And the Indian firms can prepare themselves to meet the threat by adopting such measures as improving the quality of the product, reducing cost of the production, engaging in aggressive advertising, and so on
4. The enterprise depends on the environment as a source of inputs or resources and as an outlet for outputs, so the enterprise designs policies that allow it to get the resources that it needs to convert those resources into outputs that the environment desires.
5. Enterprises are facing increasingly dynamic environment like turbulent market conditions, less brand loyalty, more demanding customers, rapid changes in technology and global competition to cope with these managers must understand ,examine environment and develop suitable courses of action
6. Entry of new players in the market, which means more competition, may make an enterprise think afresh about how to deal with the situation and the future course of action.
7. The enterprises that continuously monitor their environment and adopt suitable business practices are the ones which not only improve their present performance but also continue to succeed in the market for a longer period.

Q9. Identify the Dimensions of Business Environment (economic, social, technological, political and legal) from the following statements

1. Scientific research has discovered a technology that makes it possible to produce an energy efficient light bulb that lasts at least twenty times as long as standard bulb.
2. Interstates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee are some of the factors that can affect management practices in a business enterprise.
3. Short and long term interest rates significantly affect the demand for product and services. In case of construction companies and automobile manufacturers, low longer-term rates are beneficial because they result in increased spending by consumers for buying homes and cars on borrowed money.
4. Forces like customs and traditions, values, social trends, society's expectations from business .
5. The celebration of Diwali, Eid, Christmas, and Guru Pravin India provides significant financial opportunities for greetings card companies, sweets or confectionery manufacturers, tailoring outlets and much other related business.
6. The health-and-fitness trend has become popular among large number of urban dwellers. This has created demand for products like organic food, gyms, and bottled (mineral) water and food supplements.
7. Forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating business.
8. Recent technological, advances in computers and electronics have modified the ways in which companies advertise their products.
9. It is common now to see computerized information kiosks, and World Wide Web multimedia pages highlighting the virtues of products. In scientific and engineering fields such as lasers, robotics, biotechnology, food preservatives, medicine, telecommunication and synthetic fuels have provided numerous opportunities
10. Airline companies have Internet and World Wide Web pages where customers can look for flight times, destinations and fares and book their tickets online.
11. Shifts in demand from vacuum tubes to transistors, from steam locomotives to diesel and electric engines, from fountainpens to ballpoint, from propeller airplanes to jets, and from typewriters to computer based word processors, have all been responsible and creating new business.
12. Political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.

13. Political unrest and threats to law and order. Political instability can shake that confidence. The attitudes of government officials towards business may have either positive or negative impact upon business.
14. Even after opening up of our economy in 1991, foreign companies found it extremely difficult to cut through the bureaucratic red tape to get permits for doing business in India. As a result these companies were discouraged from investing in our country.
15. legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government—Centre, state or local.
16. An adequate knowledge of rules and regulations framed by the Government is a pre-requisite for better business performance.
17. in India, a working knowledge of Companies Act 2013; Industries (Development and Regulations) Act 1951; Foreign Exchange Management Act and the Imports and Exports (Control) Act 1947; Factories Act, 1948; Trade Union Act, 1926; Workmen's Compensation Act, 1923; Industrial Disputes Act, 1947, Consumer Protection Act, 1986, Competition Act, 2002, is important for doing business.
18. The advertisement of alcoholic beverages is prohibited.
19. Advertisements, of packets of cigarettes carry the statutory warning 'Cigarette smoking is injurious to health'.
20. Advertisements of baby food must necessarily inform the potential buyer that mother's milk is the best.
21. Volume of imports and exports of different items & Balance of payments and changes in foreign exchange reserve
22. Attitudes towards product innovations, lifestyles, occupational distribution and consumer preferences and Concern with quality of life, Consumption habits
23. Birth and death rates, Life expectancy, Population shifts, Composition of family
24. Prevailing political system, Political ideology and practices of the ruling party,
25. The nature and profile of political leadership and thinking of political personalities Dominant ideologies and values of major political parties
26. The nature of relationship of our country with foreign countries. The extent and nature of government intervention in business
27. Economic policies of the Government, including industrial, monetary and fiscal policies. Economic planning, including five year plans, annual budgets, and so on.
28. Economic indices, like national income, distribution of income, rate and growth of GNP, per capita income, disposal personal income, rate of savings and investments, value of exports and imports, balance of payments, and so on.
29. Infrastructural factors, such as, financial institutions, banks, modes of transportation communication facilities, and so on.
30. Business enterprises in India do realize the importance and impact of the economic environment on their working. Almost all annual company reports presented by their chairpersons devote considerable attention to the general economic environment prevailing in the country and an assessment of its impact on their companies.
31. Educational system and literacy rates, Shifts in the presence of women in the workforce

Q10. As a part of economic reforms, the Government of India announced a new industrial policy in July 1991. The broad features of this policy were as follows:

1. The Government reduced the number of industries under compulsory licensing to _____
2. Many of the industries reserved for the public sector under the earlier policy, were de reserved. The role of the public sector was limited only to _____ industries of strategic importance.
3. Disinvestment was carried out in case of many _____ sector industrial enterprises.
4. Policy towards foreign capital was liberalized. The share of foreign equity participation was increased and in many activities _____ percent Foreign Direct Investment (FDI) was permitted.
5. Automatic permission was now granted for _____ agreements with foreign companies.

6. Foreign Investment Promotion Board (FIPB) was set up to promote and channelize _____ investment in India.

Q11. Identify the Point Of Impact of Government Policy Changes on Business and Industry

1. As a result of changes in the rules of industrial licensing and entry of foreign firms, competition for Indian firms has increased
2. Competition for Indian firms has increased especially in service industries like telecommunications, airlines, banking, insurance, etc.
3. Customers today have become more demanding because they are well-informed.
4. Increased competition in the market gives the customers wider choice in purchasing better quality of goods and services.
5. Increased competition forces the firms to develop new ways to survive and grow in the market.
6. New technologies make it possible to improve machines, process, products and services.
7. The rapidly changing technological environment creates tough challenges before smaller firms
8. After 1991, the market forces have become turbulent as a result of which the enterprises have to continuously modify their operations.
9. Indian enterprises have suffered for long with inadequately trained personnel.
10. The new market conditions require people with higher competence and greater commitment.
11. In a fast changing world, there is a shift to market orientation in as much as the firms have to study and analyze the market first and produce goods accordingly.
12. The public sector undertakings have realized that, in order to survive and grow, they will have to be more efficient and generate their own resources for the purpose
13. They have become more customer-focused and adopted measures to improve customer relationship and satisfaction

Q12. A truly _____ economy implies a boundary less world where there is

1. Free flow of goods and services across nations;
2. Free flow of capital across nations;
3. Free flow of information and technology;
4. Free movement of people across borders;
5. A common acceptable mechanism for the settlement of disputes;
6. A global governance perspective

Q13. Digitalization has broadly impact three sections of society:

_____: who are largely outside the digital economy?

_____: who are becoming part of the digital economy who have been covered under Jan Dhan Accounts and Rupay cards; and

_____: who are fully conversant with digital transactions?

ANSWER KEY

ALL ANSWERS ARE WRITTEN IN RED INK

- Q1. The term ‘**business environment**’ means 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.
- Q2. The economic, social, political, technological and other forces which operate outside a business enterprise are part of its **environment**.
- Q3. The individual consumers or competing enterprises as well as the governments, consumer groups, competitors, courts, media and other institutions working outside an enterprise constitute its **environment**.
- Q4. Changes in government’s economic policies, rapid technological developments, political uncertainty, and changes in fashions and tastes of consumers and increased competition in the market all influence the **Working of a business enterprise** in important ways.
- Q5. New industrial policy has sought to liberate industry from the shackles of the licensing system (**liberalisation**), drastically reduce the role of the public sector (**privatisation**) and encourage foreign private participation in India’s industrial development (**globalisation**).
- Q6. The Government of India, made an announcement on November 8, 2016. The two largest denomination notes, `500 `1,000, ceasing to be legal tender with immediate effect, except for a few specified purposes such as paying utility bills. This is called **demonetization**.

Q7. On the basis of the foregoing discussion, identify the following features:

1. **Totality of external forces:** Business environment is the sum total of all things external to business firms and, as such, is aggregative in nature.
2. **Specific and general forces:** Business environment includes both specific and general forces.
3. Specific forces (such as investors, customers, competitors and suppliers) affect individual enterprises directly and immediately in their day-to-day working. **specific and general forces**
4. General forces (such as social, political, legal and technological conditions) have impact on all business enterprises and thus may affect an individual firm only indirectly. **specific and general forces**
5. **Inter-relatedness:** Different elements or parts of business environment are closely interrelated.
6. Increased life expectancy of people and increased awareness for healthcare has increased the demand for many health products and services like soft drinks, fat-free cooking oil, and health resorts. **Inter-relatedness**
7. **Dynamic nature:** Business environment keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competition in the market.
8. **Uncertainty:** it is very difficult to predict future happenings, especially when environment changes are taking place too frequently as in the case of information technology or fashion industries.
9. **Complexity:** Since business environment consists of numerous interrelated and dynamic conditions or forces which arise from different sources, it becomes difficult to comprehend at once what exactly constitutes a given environment.
10. It may be difficult to know the extent of the relative impact of the social, economic, political, technological or legal factors on change in demand of a production the market. **Complexity**
11. **Relativity:** Business environment differs from country to country and even region to region.
12. Political conditions in the USA, for instance, differ from those in China or Pakistan. Similarly, demand for sarees may be fairly high in India whereas it may be almost non-existent in France. **Relativity**

Q8. Identify the Point of Importance of Business Environment.

1. Early identification of opportunities helps an enterprise to be the first to exploit them instead of losing them to competitors. **It enables the firm to identify opportunities and getting the first mover advantage**
2. Maruti udyog became the leader in the small car market because it was the first to recognize the need for small cars in an environment of rising petroleum prices and large middle class population in India. **It enables the firm to identify opportunities and getting the first mover advantage**
3. If an Indian firm finds that a foreign multinational is entering the Indian market with new substitutes, it should act as a warning signal. And the Indian firms can prepare themselves to meet the threat by adopting such measures as improving the quality of the product, reducing cost of the production, engaging in aggressive advertising, and so on **It helps the firm to identify threats and early warning signals**
4. The enterprise depends on the environment as a source of inputs or resources and as an outlet for outputs, so the enterprise designs policies that allow it to get the resources that it needs to convert those resources into outputs that the environment desires. **It helps in tapping useful resources**
5. Enterprises are facing increasingly dynamic environment like turbulent market conditions, less brand loyalty, more demanding customers, rapid changes in technology and global competition to cope with these managers must understand ,examine environment and develop suitable courses of action **It helps in coping with rapid changes**
6. Entry of new players in the market, which means more competition, may make an enterprise think afresh about how to deal with the situation and the future course of action. **It helps in assisting in planning and policy formulation**
7. The enterprises that continuously monitor their environment and adopt suitable business practices are the ones which not only improve their present performance but also continue to succeed in the market for a longer period. **It helps in improving performance**

Q9. Identify the Dimensions of Business Environment (economic, social, technological, political and legal) from the following statements

1. Scientific research has discovered a technology that makes it possible to produce an energy efficient light bulb that lasts at least twenty times as long as standard bulb. **technological**
2. Interstates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee are some of the factors that can affect management practices in a business enterprise. **economic**
3. Short and long term interest rates significantly affect the demand for product and services. In case of construction companies and automobile manufacturers, low longer-term rates are beneficial because they result in increased spending by consumers for buying homes and cars on borrowed money. **economic**
4. Forces like customs and traditions, values, social trends, society's expectations from business. **social**
5. The celebration of Diwali, Eid, Christmas, and Guru Pravin India provides significant financial opportunities for greetings card companies, sweets or confectionery manufacturers, tailoring outlets and much other related business. **social**
6. The health-and-fitness trend has become popular among large number of urban dwellers. This has created demand for products like organic food, gyms, and bottled (mineral) water and food supplements. **social**
7. Forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating business. , **technological**
8. Recent technological, advances in computers and electronics have modified the ways in which companies advertise their products. **technological**
9. It is common now to see computerized information kiosks, and World Wide Web multimedia pages highlighting the virtues of products. In scientific and engineering fields such as lasers, robotics, biotechnology, food preservatives, medicine, telecommunication and synthetic fuels have provided numerous opportunities **technological**
10. Airline companies have Internet and World Wide Web pages where customers can look for flight times, destinations and fares and book their tickets online. **technological**
11. Shifts in demand from vacuum tubes to transistors, from steam locomotives to diesel and electric engines, from fountainpens to ballpoint, from propeller airplanes to jets, and from typewriters to computer based word processors, have all been responsible and creating new business. **technological**

12. Political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business. **political**
13. Political unrest and threats to law and order. Political instability can shake that confidence. The attitudes of government officials towards business may have either positive or negative impact upon business. **political**
14. Even after opening up of our economy in 1991, foreign companies found it extremely difficult to cut through the bureaucratic red tape to get permits for doing business in India. As a result these companies were discouraged from investing in our country. **political**
15. legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government—Centre, state or local. **Legal**
16. An adequate knowledge of rules and regulations framed by the Government is a pre-requisite for better business performance. **Legal**
17. in India, a working knowledge of Companies Act 2013; Industries (Development and Regulations) Act 1951; Foreign Exchange Management Act and the Imports and Exports (Control) Act 1947; Factories Act, 1948; Trade Union Act, 1926; Workmen's Compensation Act, 1923; Industrial Disputes Act, 1947, Consumer Protection Act, 1986, Competition Act, 2002, is important for doing business. **Legal**
18. The advertisement of alcoholic beverages is prohibited. **Legal**
19. Advertisements, of packets of cigarettes carry the statutory warning 'Cigarette smoking is injurious to health'. **Legal**
20. Advertisements of baby food must necessarily inform the potential buyer that mother's milk is the best. **Legal**
21. Volume of imports and exports of different items & Balance of payments and changes in foreign exchange reserve **economic**
22. Attitudes towards product innovations, lifestyles, occupational distribution and consumer preferences and Concern with quality of life, Consumption habits. **social**
23. Birth and death rates, Life expectancy, Population shifts, Composition of family **social**
24. Prevailing political system, Political ideology and practices of the ruling party. **political**
25. The nature and profile of political leadership and thinking of political personalities Dominant ideologies and values of major political parties **political**
26. The nature of relationship of our country with foreign countries. The extent and nature of government intervention in business **political**
27. Economic policies of the Government, including industrial, monetary and fiscal policies. Economic planning, including five year plans, annual budgets, and so on. **economic**
28. Economic indices, like national income, distribution of income, rate and growth of GNP, per capita income, disposal personal income, rate of savings and investments, value of exports and imports, balance of payments, and so on. **economic**
29. Infrastructural factors, such as, financial institutions, banks, modes of transportation communication facilities, and so on. **economic**
30. Business enterprises in India do realize the importance and impact of the economic environment on their working. Almost all annual company reports presented by their chairpersons devote considerable attention to the general economic environment prevailing in the country and an assessment of its impact on their companies. **economic**
31. Educational system and literacy rates, Shifts in the presence of women in the workforce **social**

Q10. As a part of economic reforms, the Government of India announced a new industrial policy in July 1991. The broad features of this policy were as follows:

1. The Government reduced the number of industries under compulsory licensing to **six**
2. Many of the industries reserved for the public sector under the earlier policy, were de reserved. The role of the public sector was limited only to **four** industries of strategic importance.
3. Disinvestment was carried out in case of many **public** sector industrial enterprises.

4. Policy towards foreign capital was liberalized. The share of foreign equity participation was increased and in many activities **100** percent Foreign Direct Investment (FDI) was permitted.
5. Automatic permission was now granted for **technology** agreements with foreign companies.
6. Foreign Investment Promotion Board (FIPB) was set up to promote and channelize **foreign** investment in India.

Q11. Identify the Point Of Impact of Government Policy Changes on Business and Industry

1. As a result of changes in the rules of industrial licensing and entry of foreign firms, competition for Indian firms has increased **increasing competition**
2. Competition for Indian firms has increased especially in service industries like telecommunications, airlines, banking, insurance, etc. **increasing competition**
3. Customers today have become more demanding because they are well-informed. **More demanding customers**
4. Increased competition in the market gives the customers wider choice in purchasing better quality of goods and services. **More demanding customers**
5. Increased competition forces the firms to develop new ways to survive and grow in the market. **Rapidly changing technological environment**
6. New technologies make it possible to improve machines, process, products and services. **Rapidly changing technological environment**
7. The rapidly changing technological environment creates tough challenges before smaller firms **Rapidly changing technological environment**
8. After 1991, the market forces have become turbulent as a result of which the enterprises have to continuously modify their operations. **Necessity for change**
9. Indian enterprises have suffered for long with inadequately trained personnel. **. Need for developing human resource**
10. The new market conditions require people with higher competence and greater commitment. **Need for developing human resource**
11. In a fast changing world, there is a shift to market orientation in as much as the firms have to study and analyze the market first and produce goods accordingly. **Market orientation**
12. The public sector undertakings have realized that, in order to survive and grow, they will have to be more efficient and generate their own resources for the purpose **Loss of budgetary support to the public sector**
13. They have become more customer-focused and adopted measures to improve customer relationship and satisfaction **More demanding customers**

Q12. A truly **global** economy implies a boundary less world where there is

1. Free flow of goods and services across nations;
2. Free flow of capital across nations;
3. Free flow of information and technology;
4. Free movement of people across borders;
5. A common acceptable mechanism for the settlement of disputes;
6. A global governance perspective

Q13. Digitalization has broadly impact three sections of society:

- **The poor:** who are largely outside the digital economy?
- **The less affluent:** who are becoming part of the digital economy who have been covered under Jan Dhan Accounts and Rupay cards; and
- **The affluent:** who are fully conversant with digital transactions?