

BUSINESS ENVIRONMENT

STUDY NOTES

- **Business Environment** Business environment as such is the total of all external forces which affect the organisation and operation of business.
- **Features/Characteristics of Business Environment**
 - Totality of External Forces
 - Specific and General Forces
 - Inter-relatedness
 - Dynamic Nature
 - Uncertainty
 - Complexity
- **Importance of Business Environment**
 - Environment Provides Numerous Opportunities for Success of Business.
 - Threats and Early Warning Signals
 - Helps in Tapping Useful Resources
 - Helps in Coping with Rapid Changes
 - Helps in Assisting in Planning and Policy Formulation
 - Helps in Improving Performance
- **Dimensions of Business Environment (PESTL)**
 - (i) **Political Environment:** It constitutes all the factors related to government affairs such as type of government, power, attitude of government towards different groups of societies etc.
 - (ii) **Economic Environment:** It consists of Gross Domestic product, Income at National level and per capita level. Profit earning rate, monetary and fiscal policy of the government etc.
 - (iii) **Social Environment:** It consists of the customs and traditions of the society in which business is existing. It includes the standard of living, taste, preferences etc.
 - (iv) **Technological Environment:** It refers to changes taking place in the method of production, use of equipments and machineries to improve the quality of product.
 - (v) **Legal Environment:** It constitutes the laws and various legislations passed in the parliament. Like as Trade Mark Act, Essential Commodity Act, Weights and Measures Act etc.
- **Economic Environment in India**

Since 1991 India has been going on economic reforms. We have now adopted the policy of liberalisation, privatisation and globalisation. We have started modernising the country's industrial system Unproductive control are being removed private investment, including foreign investment is being encouraged.

 - **Liberalisation:** It means removing unnecessary trade restrictions and making the economy more competitive like as freedom of production, expansion of industries.
 - **Privatisation:** It means removing strict control over private sector and making them free to take necessary decisions. Like as reduction in the number of reserved public sector industries, increasing the share of private sector investment.
 - **Globalisation:** Free interaction among economies of the world in the field of trade, finance, production, technologies and investment is termed as globalisation. Our new economic policy contributed towards globalisation in the following ways.
 - (a) Devaluation of rupee
 - (b) Raising foreign equity participation
 - (c) Long period trade policy
 - (d) Convertibility of rupee

● **Impact of Government Policy Changes on Business and Industry**

- Need for Developing Human Resource
- World Class Technology
- More Demanding Customers
- Increasing Competition

QUESTION BANK

MULTIPLE CHOICE QUESTIONS

1. Which component of general environment of business prohibits the advertisement of alcoholic beverages?
(a) Economic environment (b) Political environment
(c) Social environment (d) Legal environment
2. The business environment consists of numerous inter-related and dynamic forces. Because of this it may be difficult to know the extent of the relative impact of social, economic, political, technological or legal factors on change in the demand of a product in the market. The feature of business environment being discussed in the above para is:
(a) Totality of external sources (b) Relativity
(c) Inter-relatedness (d) Complexity
3. Opportunities refer to the positive _____ trends that will help a firm to improve its performance.
(a) Overall (b) External (c) Internal (d) Forecasting
4. Since business environment consists of numerous interrelated and dynamic conditions or forces which arise from different sources, it become more _____.
(a) Inter-related (b) Dynamic (c) Complex (d) Relative
5. Specific forces such as investors, customers affect individual enterprises _____ and _____ in their day to day working.
(a) immediately, instantly (b) directly, immediately
(c) instantly, directly (d) directly, adversely
6. _____ forces such as social, political, legal have impact on all business enterprises but may affect only indirectly.
(a) Specific (b) General (c) Relative (d) Total
7. Whether the business environment changes in terms of technological improvement or consumer preferences it highlights the fact that business environment is _____ in nature.
(a) Inter-related (b) Dynamic (c) Complex (d) Relative
8. Increase in the demand for many healthy products and services and increase in the awareness for health care bring to light the fact that elements of business environment are _____.
(a) Inter-related (b) Dynamic (c) Complex (d) Relative
9. Early identification of _____ helps an enterprise to be the first to exploit them.
(a) Threats (b) Opportunities (c) Warning signals (d) Resources
10. Business environment is a source of both _____ and _____.
(a) Resources, changes (b) Changes, opportunities
(c) Changes, threats (d) Opportunities, threats
11. _____ refers to the external trends and changes that will hinder a firm's performance.
(a) Opportunities (b) Threats (c) Warning signals (d) Business environment
12. _____ Environment consists of gross national product, corporate profits, inflation rate, interest rate etc.
(a) Business (b) Economic (c) Social (d) Total
13. Banking sector reforms led to attractive deposit avenues, easier credit terms and a sound effective and reliable banking system is a result of the _____ environment.
(a) Business (b) Economic (c) Social (d) Total

14. _____ describes characteristics of the society in which the organisation exists.

- (a) Business environment (b) Economic environment
(c) Social environment (d) Total environment

15. Identify the statement with the importance of business environment.

I.	Early identification of opportunities helps an enterprise to be the first one to exploit it.	A.	Business environment helps to identify threats and serve as a warning signal
II.	Business depends on the environment as a source of inputs and as an outlet for outputs	B.	Understanding and examining the environment helps to cope with the significant changes
III.	Turbulent market conditions, less brand loyalty, more demanding customers describe today's business environment.	C.	First mover advantage
IV.	In a strategic move towards countering the new entrants in the mid segment, Maruti Udyog increased the production three fold.	D.	Business needs to design policies that allow it to get the resources it needs

- (a) I – D, II – C, III – B, IV – A (b) I – B, II – C, III – A, IV – D
(c) I – C, II – D, III – B, IV – A (d) I – A, II – B, III – C, IV – D

16. Identify the statement with the features of the business environment.

I.	Business environment includes forces such as investors, suppliers, legal aspects, technological conditions.	A.	Business environment is dynamic.
II.	There are changes in technological environment, shifts in consumer preferences or entry of new competition in the market.	B.	Business environment is complex.
III.	Business environment is a complex phenomenon that is relatively easier to understand in parts but difficult to grasp in its totality.	C.	Business is a relative concept
IV.	Business environment differs from country to country and region to region.	D.	Business studies includes both specific and general studies.

- (a) I – D, II – A, III – B, IV – C (b) I – B, II – C, III – A, IV – D
(c) I – C, II – D, III – B, IV – A (d) I – D, II – B, III – A, IV – C

17. Identify the statement with the features of the business environment.

I.	Political conditions in the USA for instance, differ from those in China or Pakistan.	A.	Warning signal
II.	Maruti Udyog Ltd. increased the production of its Esteem three-fold from 65-180 vehicles per day. There had been an actual delay in the advent of new cars and Maruti cashed in this situation.	B.	First mover advantage
III.	Maruti Udyog became the leader in the small car market because it was the first to recognise the need for small cars.	C.	Business is a relative concept.

- (a) I – C, II – B, III – A (b) I – B, II – A, III – C
(c) I – C, II – A, III – B (d) I – B, II – C, III – A

18. Identify the statement with the importance of the business environment.

I.	Birth and death rates, consumption habits , educational system	A.	Technological environment.
II.	Advertisement of alcoholic beverages is prohibited	B.	Political environment
III.	Airline companies have the internet and world wide web where customers can book their tickets online	C.	Social environment
IV.	Chinese apps and products have been banned by the government of India due to the security concerns between the two countries	D.	Legal environment.

(a) I – C, II – B, III – A, IV – C

(b) I – C, II – B, III – A, IV – D

(c) I – B, II – A, III – C, IV – D

(d) I – C, II – D, III – A, IV – B

19. Over the years, ice cream market in India has gained momentum with entry of national and local players in the market. Even big Indian brands like Amul, Vadilal, Kwality Walls and Mother Dairy is looking for greater opportunities by spreading country wide distribution networks, outlets and menu, to compete with the unorganised players to largely contribute in the industry. Cashing on this growing market, Quick service restaurant Pizza Hut has partnered with Hindustan Unilever to add the FMCG firm's Kwality Wall's ice cream and desserts to its dine-in as well as the delivery and takeaway menu. With this partnership, Pizza Hut expects to increase its average order value by 10 per cent for orders that have Kwality Wall's ice cream and desserts, a joint statement. Besides, Pizza Hut has become the first ever pizza QSR chain to offer ice creams and desserts across its owned and aggregator platform. Identify the importance of scanning the business environment.

(a) It helps in improving performance

(b) It helps in coping with rapid changes

(c) It helps in tapping useful resources

(d) It enables a firm to identify opportunities and getting first mover advantage.

20. A day after the Reserve Bank of India (RBI) lifted its ban on HDFC Bank on issuing new credit cards, the country's largest private sector lender said it had resources and plans in place to "further reinforce pole position in the credit card segment" and that it would "come back with a bang".

At the end of November last year, HDFC Bank had 15.38 million outstanding credit cards in the market, but this number dropped to around 14.82 million at the end of June.

HDFC Bank was the leading player in credit cards, Because of the ban, the bank lost 558,545 credit cards between December and June, while its rivals -- ICICI Bank, SBI Cards, and Axis Bank -- gained 1.3 million, 748,707, and 252,145, respectively have gained market share at its expense over the past few months. This ban on issuing new credit cards had hampered growth in HDFC Bank's retail banking division. This highlights the fact that business environment is

(a) Uncertain

(b) Inter-related

(c) Relative in nature

(d) A totality of external factors.

21. There are many sectors in the economy that are doing well over the last few years in India but one with the fastest growth and the greatest demand is the educational sector. Entering the educational sector is considered a noble professional choice in India but at the end of the day, any business is about profit.

Taking this into consideration, Edtech major Unacademy is in talks to buy a significant stake in Sequoia Capital-backed K12 Techno Services, which runs the Orchids International chain of schools.

If the deal materialises, it'll be the first such bet made by an edtech startup in India on a physical school chain.

Identify the importance of scanning the business environment.

(a) It helps in improving performance

(b) It helps in coping with rapid changes

(c) It helps in tapping useful resources

(d) It helps in assisting in planning and policy formulation.

22. While several industries reel under the COVID-19 lockdown impact in India, PC and laptop majors like HP and Lenovo have seen a massive surge in bulk buying from corporates and enterprises to keep their workforce stay home, safe and connected.

Chromebooks and business laptops started disappearing from the shelves even before the 21-day lockdown was announced from March 24 midnight, as millions of Indians across the spectrum began working from home as corona-positive cases began emerging from various offices from early March.

"Chromebooks have seen the most demand as the data is stored on the Cloud and is safe for the companies from the cybersecurity point of view. HP Chromebooks/business laptops were bought in bulk across industries, majorly by the IT giants," the industry sources told IANS. India's traditional PC market saw a six-year high with 11 million shipments of desktops, notebooks and workstations in 2019 -- an impressive 18.1 per cent year-over-year (YoY) growth, according to the International Data Corporation.

This highlights the fact that business environment is

- (a) Dynamic (b) Inter-related (c) Relative in nature (d) Totality of external factors

23. Hybrid cars are seeing a quiet resurgence as the boom in electric vehicles spurs automakers to give the older, cheaper technology a second look.

This year has been an extraordinary one for electric-car manufacturers. Investors have embraced makers of pure-electric vehicles, driving the share prices of Tesla Inc. and Chinese competitor Nio Inc. to stratospheric levels. Drivers are also coming on board, with EV sales from China to Europe rising despite the pandemic.

But the market risks becoming a crowded one, with more than 500 EV models expected to be available globally by 2022, many conventional automakers are mulling their options, trying to decide which technologies will reign in the decades between now and a full transition away from combustion engines. The investment decisions they make today could determine whether they sink or swim.

This highlights the fact that business environment is

- (a) Dynamic (b) Complex (c) Relative in nature (d) Totality of external factors

24. Alcohol-based sanitizers are disinfectants used for cleaning household items, objects, as well as human hands and so on. They are extremely effective in combating harmful microorganisms including bacteria and are based on toxic chemicals such as iodine, chlorine, phenol, and quaternary ammonium compounds.

Due to the soaring demand, cleaning product manufacturers have ramped up their production capacity to meet the ever-increasing demand for hand sanitizers. Biscuit major Parle Products has been quietly pushing its hand sanitiser brand under its flagship name Parle for a few months now.

The maker of glucose biscuits is an unusual player in the hygiene market. But it isn't the only such company to have launched a hand sanitiser during the Covid-19 pandemic. A whole set of new firms from paints to apparel and lifestyle majors, brewers, distillers and fragrance makers have stepped into the market, even as the frontline companies including fast-moving consumer goods (FMCG) players, pharma and healthcare majors were the first to seize the opportunity created by the disease.

Identify the importance of scanning the business environment

- (a) It helps in coping with rapid changes.
(b) It helps in improving performance
(c) It helps in assisting in planning and policy formulation.
(d) All of the above

25. Hyundai announced its commitment to offer ten electrified, hybrid vehicles by the end of 2022, including seven SUVs and three car models. This product blitz includes eco-solutions for many of Hyundai's current products as well as all-new models, such as the Ioniq 5 and Ioniq 6.

According to the image released by the company, the models that are part of the future strategy include hybrid versions of the Elantra Hybrid and Sonata Hybrid sedans, Santa Fe Hybrid, and Santa Fe Plug-In Hybrid SUVs, and Tucson Hybrid and Tucson Plug-In Hybrid SUVs. The list also includes the new generation of the Kona electric along with the introduction of new models under the Ioniq brand. While the Ioniq 5 crossover will arrive in 2021, the Ioniq 6 sedan will debut in two years' time. The Hyundai Nexu fuel-cell SUV is also part of the company's strategy.

A statement released by the company says the brand is envisioning smart mobility solutions for pressing environmental and transportation needs of the future. It says the new technologies will promote a planet-friendly, zero-emission ecosystem as part of its 'Progress for Humanity' global vision. The range of hybrid, plug-in, battery-electric, and hydrogen fuel cell cars is slated only for the US market for now, as the company did not disclose any other detail for its strategy for other global markets.

Name the dimension of business environment that helped Hyundai develop:

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

26. An Indian biotechnology company headquartered in Hyderabad, Bharat Biotech International Limited is engaged in the drug discovery, drug development, manufacture of vaccines, bio-therapeutics, pharmaceuticals, and healthcare products.

In April 2020, Bharat Biotech announced that they have partnered with US-based company FluGen and the University of Wisconsin-Madison to develop a COVID-19 vaccine.

Developed by Bharat Biotech in collaboration with the Indian Council of Medical Research and the National Institute of Virology, the indigenous vaccine was granted emergency use authorisation in 'clinical trial mode'.

However, ever since the Vaccination drive began, there has been a set of people who have been against taking the vaccination for baseless reasons like it might kill them. The believers of this thought are from urban as well as rural areas, are literates and illiterates.

Name the dimensions of business environment that helped Bharat Biotech develop:

- (a) Social environment
- (b) Political Environment
- (c) Technological environment
- (d) Legal Environment

27. The economic impact of hosting the Olympics tends to be less positive than anticipated. Because most cities have ended up falling massively in debt after hosting the games, cities without the necessary infrastructure may be better off, not submitting bids.

Submitting a bid to the International Olympic Committee (IOC) to host the Olympics costs millions of dollars. Cities typically spend \$50 million to \$100 million in fees for consultants, event organizers, and travel related to hosting duties. For example, Tokyo lost approximately \$150 million on its bid for the 2016 Olympics and spent approximately \$75 million on its successful 2020 bid.

Identify the dimension of business environment mentioned in the case.

- (a) Economic environment
- (b) Political Environment
- (c) Technological environment
- (d) Legal environment

28. To combat the spread of COVID-19, companies worldwide shifted, or are shifting, to 100 percent telework, a challenging effort for organizations without the infrastructure to support extended remote work. However, as employees navigate this "new normal", smartphones have quickly filled the void of social interaction.

In a Washington Post article, reporter Travis Andrew noticed increased smartphone usage as weekly screen time reports took over internet feeds. One doctor based in Houston, Texas tweeted his screen time report showing a 185 percent increase in screen time from the week before. Popular video conferencing smartphone applications enable employees to continue working and stay connected with family and friends during social distancing.

One survey reported a 37 percent increase in texting and a 32 percent increase in video calling². Facebook alone reported a 70 percent weekly increase in group calls through the Facebook Messenger app³. Other apps such as Zoom, Google Classroom, and Microsoft Teams have also increased in popularity as a method to stay connected in the work place.

The flexibility granted by smartphone apps make these resources particularly effective for managing work and home responsibilities. During a global pandemic with increased telework and decreased social interaction, smartphone usage has adapted. They create a sense of normalcy and security, while helping us stay connected.

Name the dimensions of business environment mentioned in the case

- (a) Social and political
- (b) Technological and Social
- (c) Political and Economic
- (d) None of the above

29. When economists consider the costs of the Tokyo Olympics playing out as we speak, they naturally focus on dollars spent. Though the official figure is in the \$15 billion range, private estimates can approach double that amount. Yet the real one is what economists call “opportunity cost.” Since the moment in 2013 when then-Prime Minister Shinzo Abe scored the 2020 Games, his government had every opportunity to implement his bold-sounding plan to end deflation and recreate a little 1964 magic.

Yes, yes, these are the Tokyo Games. But you’ll notice that Tokyo Governor Yuriko Koike barely has a role in them. It’s all about the ruling Liberal Democratic Party harnessing a few weeks in the global spotlight to increase Japan’s geopolitical clout 1964-style.

Identify the dimensions of business environment in the case above.

- (a) Political and technological (b) Legal and Political
(c) Technological and legal (d) Economic and political

30. On Tuesday, 24 March 2020, Prime Minister Narendra Modi declared on national television that India would be under lockdown for twenty-one days in order to prevent the spread of the global pandemic COVID-19 (Coronavirus). The decision of the Prime Minister was made two days after he had advised the citizens of India to follow the Janta Curfew, which was a voluntary curfew.

The Ministry of Home Affairs published the official notification and invoked the lockdown under Section 6 of the Disaster Management Act. The Home Secretary issued guidelines for this lockdown under his powers in Section 10 of the Disaster Management Act, as the Chairman of the National Executive Committee constituted under Section 8 of the Act.

Identify the component of Business Environment here.

- (a) Political and Social (b) Political and Legal
(c) Social and technological (d) Technological

31. Cyrus Poonawalla was born in a family that had old ties to Indian racing circuit, through the family Poonawalla Stud Farms. At a young age, Poonawalla realized that since the horse racing had no future in a socialist nation like India, he needed to explore other avenues. He realized that creating a product for the masses than for the elite would be a smarter move. The Serum Institute of India (SII) was founded by the Poonawalla in 1966, and they launched their first therapeutic tetanus serum within two years and started producing the anti-tetanus vaccines soon after. SII is an instance of a relatively small Indian family business growing to become not just a major company, but also a global player.

The Poonawalla family represents the country’s small, shrinking, but overall wealthy and well-educated Parsi minority.

Identify the component of business environment here.

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

32. The central government has been urging the automakers present in India to develop vehicles that can run on cleaner fuels to curb pollution.

Hydrogen fuel cell technology is considered one of the cleanest among the alternative powertrain technologies because all it emits is water. Several automakers including Hyundai, Tata Motors, Toyota, Ashok Leyland, and KPIT Technologies have shown their interest in India’s maiden and ambitious initiative to run hydrogen-powered fuel cell electric cars and buses. While Toyota and Hyundai have shown interest in the hydrogen fuel cell-powered car segment, commercial vehicle manufacturers like Tata Motors and Ashok Leyland have shown their interest in the CV segment. Both Tata Motors and Ashok Leyland, two of the major CV manufacturers in India, have been working on developing hydrogen fuel cell vehicles.

Name the dimensions of business environment being discussed here:

- (a) Social environment (b) Political Environment
(c) Technological Environment (d) Legal Environment

33. Smartwatches, and especially the Apple Watch, are delivering a better product appealing to younger generations, who want to have a connection with the digital world, and older generations, looking for devices that can help them track exercise and health. Smartwatches changed the expectations of what is possible to do in a watch, from

basic synchronization with phones and their ecosystems (IOS and Android) to advanced health metrics such as performing electrocardiograms on the go. Name the dimension of business environment discussed here :

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

34. Although beauty lies in the eyes of the beholder, the global beauty industry has never happened to lose its charm. Alongside its steady growth the industry has also garnered a stream of loyal customers over generations. Despite the Indian economy having plunged to list new lows in the recent months owing to the lockdown induced by the COVID19 pandemic, there are still a number of platforms which have continued to stay steady amidst this lockdown. One of these e-commerce platforms for beauty and wellness items is Nykaa, a platform which has become the foremost option for all cosmetic lovers in the Indian nation. This is an e-commerce company which specialises in beauty and cosmetic items. Established in 2012, this platform has played an intrinsic role in overcoming the myth that e-commerce and beauty retail fails to perform in India, since their managers always understand and examine the Indian environment and develop suitable courses of action. The brand specialises in facilitating an extensive collection of cosmetics, skincare, haircare, fragrances, bath and body, luxury as well as wellness products for both women and men. The platform facilitates suitably prepared and priced branded products, claiming to receive more than 1.5 million per month across India.

Which importance of business environment has enabled Nykaa to be successful?

- (a) Helps in tapping useful resources
- (b) Helps in improving performance
- (c) Helps in coping with rapid changes
- (d) Enables the firm to identify opportunities and getting the first mover advantage

35. It all began in the year 2012 when Nykaa was established. On the lookout for a promising business opportunity in the Indian nation Falguni Nayar came across an inconsistency in the beauty items market in India which wasn't at par with the product's scope in other nations like France or Japan, in spite of the high demand, largely owing to the lack of product availability in many places.

This led to her setting up Nykaa alongside her husband Sanjay Nayar. Starting out as an online corporation in the beginning the platform gradually shifted to an omnichannel platform in the upcoming years since it continuously monitored the environment and adopted suitable business practices. Nykaa has witnessed a shift by customers towards essential categories, which also includes personal skin and hair care items.

Which importance of business environment has enabled Nykaa to be successful?

- (a) Helps in tapping useful resources
- (b) Helps in improving performance
- (c) Helps in coping with rapid changes
- (d) Enables the firm to identify opportunities and getting the first mover advantage

36. Deregulation of capital markets drive surge in primary markets through initial public offerings and rights issues is a result of _____ environment.

- (a) Technological environment
- (b) Economic environment
- (c) Social environment
- (d) Legal environment

37. IT companies have found Hyderabad to be the most hospitable due to supportive and positive attitude of the government officials is the result of _____ Environment

- (a) Technological environment
- (b) Economic environment
- (c) Social environment
- (d) Political environment

38. Literacy rates, educational levels, customs, beliefs, values are part of the _____ environment.

- (a) Technological environment
- (b) Economic environment
- (c) Social environment
- (d) Political environment

39. _____ environment includes forces relating to scientific improvements and innovations.

- (a) Technological environment
- (b) Economic environment
- (c) Social environment
- (d) Political environment

40. _____ environment includes court judgements as well as the decisions rendered by various commissions and agencies at every level of the Government-Centre, State or local.
- (a) Technological environment (b) Economic environment
(c) Social environment (d) Legal environment
41. The nature of relationship of one country with other countries, the degree of politicisation of business and economic issues are major elements of the _____ environment
- (a) Political environment (b) Economic environment
(c) Social environment (d) Legal environment
42. Educational system, literacy rates, expectations from the workforce are elements of _____ environment.
- (a) Political environment (b) Economic environment
(c) Social environment (d) Legal environment
43. Which feature of the business environment can be best suited to the above?
1. Dynamic nature 2. Complexity 3. Relativity 4. Interrelatedness
- (a) Only (i) is correct (b) Only (i) and (iii) are correct
(c) (i),(ii) and (iii) are correct (d) All are correct
44. 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
45. 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
46. ‘Danco people’ 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 ‘Danco people’ adversely.
- (a) Totality of external forces (b) Dynamic nature
(c) Interrelatedness (d) Uncertainty
47. 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
48. 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

49. Observe the picture given below:



Identify which business environment is explained above:

- | | |
|--------------------------|--------------------------|
| (a) Internal environment | (b) External environment |
| (c) Social environment | (d) None of the above |

INPUT-TEXT BASED MCQs

Read the following text and answer the following questions (50 to 55) on the basis of the same:

The Government of India, made an announcement on November 8, 2016 with profound implications for the Indian economy. The two largest denomination notes, ₹500 ₹1,000, were 'demonetised' with immediate effect, ceasing to be legal tender except for a few specified purposes such as paying utility bills. This led to eighty six per cent of the money in circulation invalid. The people of India had to deposit the invalid currency in the banks which came along with the restrictions placed on cash withdrawals. In other words, restrictions were placed on the convertibility of domestic money and bank deposits. The aim of demonetisation was to curb corruption, counterfeiting the use of high denomination notes for illegal activities; and especially the accumulation of 'black money' generated by income that has not been declared to the tax authorities. Features 1. Demonetisation is viewed as a tax administration measure. Cash holding arising from declared income was readily deposited in banks and exchanged for new notes. But those with black money had to declare their unaccounted wealth and pay taxes at a penalty rate. 2. Demonetisation is also interpreted as a shift on the part of the government indicating that tax evasion will no longer be tolerated or accepted. 3. Demonetisation also led to tax administration channelizing savings into the formal financial system. Though, much of the cash that has been deposited in the banking system is bound to be withdrawn but some of the new deposits schemes offered by the banks will continue to provide a base loans, at lower interest rates. 4. Another feature of demonetisation is to create a less-cash or cash-lite economy, i.e., channeling more savings through the formal financial system and improving tax compliance. Though there are arguments against this as digital transactions require use of cell phones for customer and Point-of-Sale (PoS) machines for merchants, which will only work if there is internet connectivity. On the contrary these disadvantages are counterbalanced by an understanding that it helps people into the formal economy,

50. 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
51. Which of the following is not a component of specific forces of business environment?
 (a) Technological conditions (b) Customers
 (c) Employees (d) Investors
52. Identify the related dimension of business environment given in above case study:
 (a) Economic dimension (b) Technological dimension
 (c) Legal environment (d) Political dimension
53. 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

54. Identify the concept being described in the above lines.
 (a) Globalisation (b) Liberalisation (c) Demonetisation (d) Privatisation
55. 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

ANSWERS

Multiple Choice Questions

- | | | | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. (d) | 2. (d) | 3. (b) | 4. (c) | 5. (b) | 6. (b) | 7. (b) | 8. (a) | 9. (b) | 10. (d) |
| 11. (b) | 12. (b) | 13. (b) | 14. (c) | 15. (c) | 16. (a) | 17. (c) | 18. (d) | 19. (d) | 20. (a) |
| 21. (d) | 22. (a) | 23. (b) | 24. (d) | 25. (c) | 26. (c) | 27. (a) | 28. (b) | 29. (d) | 30. (a) |
| 31. (d) | 32. (c) | 33. (a) | 34. (c) | 35. (b) | 36. (d) | 37. (d) | 38. (c) | 39. (a) | 40. (d) |
| 41. (a) | 42. (c) | 43. (a) | 44. (a) | 45. (c) | 46. (b) | 47. (c) | 48. (c) | 49. (a) | |

Input-Text Based MCQs

50. (d) 51. (a) 52. (c) 53. (a) 54. (c) 55. (d)

EXPLANATION TO SOME SELECTED QUESTIONS

45. (c) Interrelatedness, as the different elements or parts of business environment are closely interrelated.
46. (b) Dynamic nature as business environment is dynamic in that it keeps on changing.
47. (c) Technological dimension, as technology is facilitating recycling process.
48. (c) Technological dimension and Political dimension.
50. (i) (d) All of the above elements are a part of business environment of an enterprise.
 (ii) (a) Technological conditions is a component of general forces that affect the business environment of an enterprise.
 (iv) (a) Economic dimension and Legal dimension.

