

Remembering-based Questions

[1 mark]

Q.1. What is meant by business environment?

[CBSE 2015]

Ans. It refers to the sum total of those factors which influence the business and over which the business has no control.

Q.2. What is internal environment?

Ans. It refers to all those factors which influence the business and present within the business itself and are under the control of the business.

Q.3. What is external environment?

Ans. It refers to all those factors which influence business, exist outside the business and business has no control over these factors.

Q.4. What is micro environment?

Ans. It refers to all those external factors which are closely related with business and influence each industrial unit differently.

Q.5. What is macro environment?

Ans. It refers to all those external factors which have a distant relation with business and influence all business units almost in the same way.

Q.6. What is meant by Liberalisation?

Ans. It refers to unshackle the economy from bureaucratic cobweb to make it more competitive.

Q.7. What is meant by Globalisation?

Ans. It refers to integrate the economy with the rest of the world.

Q.8. What is meant by Privatisation?

Ans. It refers to such an economic process through which some public sector undertaking is brought either partially or completely under private ownership.

Q.9. What is Price Control?

Ans. It means that companies will sell goods at the prices determined by the government.

Q.10. What is Market Orientation Concept?

Ans. Under this concept, first of all market is surveyed and then production is undertaken.

Q.11. What is demonetisation?

Ans. Withdrawal of the status of 'legal tender' to the currency in circulation is called demonetisation.

[3 marks]

Q.1. What are the components of internal environment? Write any six.

Ans. Internal environment includes all those factors which influence business and which are present within the business itself. These factors are usually under the control of business. The study of internal factors is really important for the study of internal environment. These factors are:

- i. Objectives of Business,
- ii. Policies of Business,
- iii. Production Capacity,
- iv. Production Methods,
- v. Management Information System,
- vi. Participation in Management.

Q.2. What do you mean by external environment?

Ans. External environment includes all those factors which influence business and exist outside the business. Business has no control over these factors. The information about these factors is important for the study of the external environment. Some of these factors are those with which a particular company has very close relationship, e.g. customers, suppliers, competitors, etc. However, there are some other factors which influence the entire business community. e.g., political environment, economic environment, etc.

Q.3. What is meant by 'political environment' of business?

Ans. Political environment refers to political conditions in the country and attitude of the government towards business.

Major Elements of Political Environment

- i. Political stability in the country.
- ii. Peace in the country.
- iii. Attitude of the government towards business.
- iv. Type of government, i.e., single party government or multi-party government.
- v. Ideologies of various political parties.

Q.4. Explain the concept of demonetisation.

Ans. A currency note of ₹ 2,000 is just a piece of paper unless the government declares it as a legal tender. It carries the exchange value of ₹ 2,000 because the government imparts this value to it. When the government withdraws the value imparted to a currency note, it no longer remains a legal tender. It is reduced to a piece of paper. Withdrawal of the status of 'legal tender' to the currency in circulation is called demonetisation. After demonetisation, the exchange value imparted to the currency ceases to exist. Demonetised currency is no longer accepted as a medium of exchange. Its purchasing power is reduced to zero. Thus, demonetisation of ₹ 1,000 and ₹ 500 notes on Nov. 8, 2016 by the Government of India implied that these notes lost their status of legal tender. These notes were no longer to be accepted as a medium of exchange. Their purchasing power was reduced to zero. These notes were reduced to pieces of paper.

[4/5 marks]

Q.1. Explain the concept of 'Business Environment' and any three features of it.

[CBSE 2014]

Ans. Meaning of Business Environment: It refers to the sum total of those factors which influence the business and over which business has no control.

Features of Business Environment:

- i. **Totality of external forces:** Business environment is the sum total of all those factors/forces which are available outside the business and over which the business has no control. It is the group of many such forces, that is why, its nature is of totality.
- ii. **Specific and general forces:** The forces present outside the business can be divided into two parts—specific and general.
 - a. **Specific:** These forces affect the firms of an industry separately, e.g., customers, suppliers, competitive firms, investors, etc.
 - b. **General:** These forces affect all the firms of an industry equally, e.g., social, political, legal and technical situations.
- iii. **Dynamic Nature:** As is clear that environment is a mixture of many factors and changes in some or the other factors continue to take place. Therefore, it is said that business environment is dynamic.

Q.2. What is meant by 'Business environment'? State any three points of its importance.

Ans. Meaning of Business Environment:

Business environment means the sum total of those factor which influence the business and over which the business has no control.

Importance of Business Environment:

The importance of business environment is highlighted by the following facts:

- i. **First Mover Advantage:** The study of business environment enables us to know about the opportunities available. A company which is more conscious about the changes taking place in the business environment is the first mover. It takes advantage of it by becoming the first supplier. In other words, a company which has the capacity to know the possibilities of the opportunities available can be the greatest beneficiary.
- ii. **Warning Signal:** Along with the availability of opportunities provided by the study of business environment, we also come to know about the threats accompanying them. If the knowledge about the threats is available in time, efforts can easily be made to face or surmount them. This is possible only by regularly studying the changes taking place in the business environment.
- iii. **Tapping Useful Resources:** An organisation needs a number of resources to carry on its business (e.g., material, machine, man, money, etc.). With the help of these resources goods and services are produced. A business gets resources from the environment and provides goods and services to the same environment. A study of business environment tells a business the requirements of the environment and what can it make available to get its needs fulfilled. Therefore, it is possible to get useful resources from the business environment.

Q.3. What is micro environment? Explain any four components of it.

Ans. Micro Environment: Micro environment means that environment which includes those factors with which business is closely related. These factors influence every industrial unit differently. These factors are as under:

- i. **Customers:** Customers of an industrial unit can be of different types. They include household, government industry, commercial enterprises, etc. The number of different types of customers highly influences a firm. For example, a firm supplies goods only to the government. It means that firm has only one customer. If because of some reason their relations get soured, the supply of goods will stop and in that case the closure of that firm is certain. This clearly indicates that the customers do influence business. Therefore, a firm should make efforts to have different kinds of customers.
- ii. **Suppliers:** Like the customers, the suppliers also influence business. If a business has only one supplier and he gets annoyed because of some reason, the supply of goods can be stopped and the very existence of the business can be threatened or endangered. Hence, efforts should be made to have various suppliers.
- iii. **Competitors:** The competing firms can influence business in a number of ways. They can do so by bringing new and cheap products in the market or by launching some sale promotion scheme, etc.
- iv. **Public:** Public has different constituents like the local public, press or media, etc. The attitude or behaviour of these constituents can affect business units. For example, the local population can oppose some established firm whose business

is excessively noisy. Similarly, if the media gives some favourable report about a particular company, the price of its share can register an increase on this count.