

Application-based Questions

[1 mark]

Q.1. “The understanding of business environment helps the managers to identify ‘threats’.” What is meant by ‘threats’ here? [CBSE 2011]

Ans. Threats refer to the negative changes that occurred in the business environment and hinder the performance of an organisation.

Q.2. “The understanding of Business Environment enables the firm to identify opportunities.” What is meant by ‘opportunities’ here? [CBSE 2011]

Ans. Opportunities refer to the positive changes that occurred in the business environment and help the organisation to improve its performance.

Q.3. Write any one effect of economic environment on business.

Ans. After reforms were introduced in the banking sector, the bank loans were allowed on easy terms.

Q.4. Write any one effect of legal-regulatory environment on business.

Ans. By removing control on the capital market, a huge amount of capital was collected by issuing various new issues in the primary market.

[3 marks]

Q.1. How ‘first mover advantage’ is made available by the business environment? Give an example.

Ans. 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. For example, the **ASIAN PAINTS** a leading company of the paint industry, at one stage lagged behind because of technology. This was smartly understood by another company, **GOODLASS NEROLAC (GN)**. In order to exploit this situation, the latter company entered with a contract with a foreign company named **KANSAI PAINTS (KP)** with the purpose of acquiring latest technology. The **KP** made available to the **GN** the **Cathodic Electro Deposition (CED)** technology. On this very basis, the **GN** was able to obtain the contract for the entire paint requirements of the **MARUTI UDYOG**. In this way, the **GN** earned huge profits by entering the market with the latest technology. It was a first mover advantage of the company.

Q.2. Write three impact of political environment on business.

Ans. Impact of Political Environment on Business: The following are some of the examples of the impact of the political environment on business:

- i. In the year 1977, the Janta Government adopted a stringent attitude towards the multinational companies. As a result of this attitude, the multinational companies like the IBM and the Coca-Cola had to quit India.
- ii. The new government encouraged the multinational companies for investment in India. This led to the opening of the doors of the Indian market for the multinational companies. Consequently, the Coca-cola, entered the Indian market once again.
- iii. It was only because of the political interest that Hyderabad came to be known as Cyberabad. In other words, it came to be recognised as the centre of Information Technology (IT). As a result of it, many I.T. companies came to be established.

Q.3. Write three impacts of technological environment on business.

Ans. The following are the examples of impact of technological environment on business:

- i. With the advent of television in the market, the cinema and the radio industry were adversely affected.
- ii. With the arrival of the photostat machines in the market, the carbon paper industry suffered a setback.
- iii. With the entry of synthetic thread in the market, the cotton cloth industry was badly affected.

Q.4. Explain 'Increasing competition' and 'More demanding customers' as impact of Government policy changes on Business and Industry.
[CBSE 2011]

Ans. The impacts of government policy changes on Business and Industry in India are the following:

- i. **Increasing Competition:** Today, business is facing all round competition. The competition for Indian companies has increased especially in service industries like: Telecommunication, Airlines, Banking, insurance, etc. Competition has crossed the national boundaries and assumed a global shape. The following are the chief competitors:
(a) New and old Indian companies, (b) Multinational Companies, (c) Import. Increasing competition has adversely affected many companies. For example, once a popular Western Coloured Television has lost much ground in the TV market and its contribution to the market is almost negligible.
- ii. **More Demanding Customers:** As a result of the economic reforms, the customers have complete information about the goods available in the market. Earlier, they used to purchase goods and services without much inquiry because of the lack of information. But these days because of the availability of enough information the area of customers' demand has increased considerably. Now, they have started buying good quality goods and services.

Q.5. Write three impact of privatisation on industry and business in India.

Ans.

- i. **Increase in Competition:** Owing Privatisation of the Business Units of Public Sector, there has taken place an increase in competition. For example, the privatisation in telecommunication has resulted in a lot of increase in competition. Consequently, telecommunication services have become cheaper and of better quality.
- ii. **Reduction in Political Interference:** Privatisation results in freedom from political interference. Consequently, there is no unnecessary delay in taking decisions and the work is done at a fast speed.
- iii. **Increase in Responsibility:** Privatisation has led to the development of the sense of responsibility in the employees. The employees who used to be careless while working in Public Sector have now become honest in discharges their duties. Now, they are apprehensive of being fired from the company in case of non-performance. Such a change in the attitude/ approach of the employees has resulted in a positive impact on industry and business.

[4/5 marks]

Q.1. Explain any five impacts of Government Policy changes on Business and Industry in India.

Ans. The impacts of government policy changes on Business and Industry in India are the following:

Refer to Points (i) to (ii) of Q. 4 (Application-based Questions—3 marks).

(iii) Rapidly Changing Technological Environment: Rapid changes are taking place in the technological environment as compared to other factors in respect of business environment. The reason is increase in competition. These days only that particular company can remain steadfast in the market which markets, products of better convenience. This is possible only by using latest technology. Latest technology makes modern machinery and production process available. Big firms are grappling with this environment but for the smaller firms it is an alarm bell.

(iv) Necessity for Change: Before the implementation of economic reforms (before 1991) the businesses were more stable. Policies once laid down used to continue for a long time. However, these days because of the free economic environment the various factors of business environment are undergoing rapid changes. Consequently, the businesses have become unstable and the policies have to be changed quickly.

(v) Need for Developing Human Resource: It is a big challenge to achieve success in business these days. It is not easy for the ordinary employees to face this challenge. It needs a thoroughly accomplished human resource equipped with the latest information. There has been a shortage of trained human resource in India. That is the reason that their demand is now rapidly increasing.