

## Higher Order Thinking Skills (HOTS)

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**[1 mark]**

**Q.1. 'Business environment includes both 'specific and general forces.' List any four specific forces.**

[CBSE 2011]

**Ans.** Customers, Suppliers, Competitors and Investors.

**Q.2. 'Nothing can be said with any amount of certainty about the factors of the business environment.' Why?**

**Ans.** Because they continue to change quickly.

**Q.3. Is the effect of various factors of business environment on business can be recognised separately?**

**Ans.** No, as all the factors of business environment are related to each other.

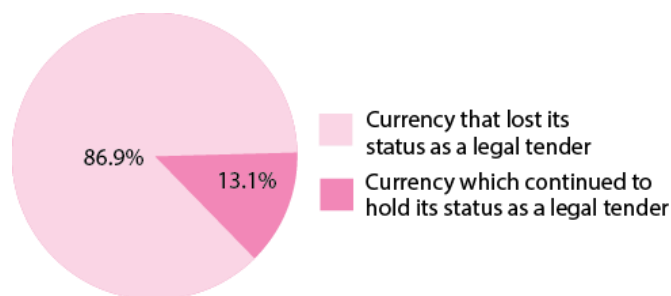
**Q.4. Business Environment includes both 'specific and general forces'. List any four general forces.**

[CBSE 2011]

**Ans.** Social, Political, Economic and Legal.

**Q.5. What is the extent of demonetisation?**

**Ans.** According to RBI Report, demonetised currency (on Nov. 8, 2016) valued at ` 15.4 trillion. It amounted to 86.9% of the value of total currency in circulation.



**[4 marks]**

**Q.1.** *A recent rate cut in the interest on loans announced by the Banks encouraged Amit, a science student of Progressive School to take a loan from State Bank of India to experiment and develop cars to be powered by fuel produced from garbage. He developed such a car and exhibited it in the Science Fair organised by Directorate of Education. He was awarded first prize for his invention.*

**Identify and explain the dimensions of business environment discussed in the above case.**

[CBSE 2016]

**Ans. Dimensions of Business Environment discussed in the above case:**

- i. **Economic Environment**  
Economic environment refers to the combination of economic systems, economic policies and economic conditions of a country.
- ii. **Technological Environment**  
Technological environment refers to innovations relating to various business activities.

**Q.2.** *With change in the consumption habits of people, Neelesh, who was running a sweets shop shifted to chocolate business. On the eve of Diwali he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chcolove.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.**

[CBSE 2016]

**Ans. Dimensions of Business Environment discussed in the above case:**

- i. **Social Environment:** It refers to the combination of all the characteristics of the society in which the organisation exists.
- ii. **Technological Environment:** It refers to innovations relating to various business activities.

**[6 marks]**

**Q.1. Highlight the management response to changes in business environment.**

**Ans. Business Environment:** Business environment means the sum total of those factors which influence the business and over which the business has no control.

**Changes:** A prominent feature of business environment is its being dynamic. It means that business environment undergoes continuous changes, for example,

- i. Change in the taste of the customers.
- ii. Change in the attitude or conduct of the suppliers (for example, laying down the condition of advance payment).
- iii. Change in the form or nature of competition because of the entry of many competitors in the market.

- iv. Change in the attitude of the general public (for example, opposing the pollution spread firm).
- v. Change in the expectation of the people from business.
- vi. Change in the political structure.
- vii. Change in the economic policies.
- viii. Change in the legal regulations.

**Managerial Response:** After having clarified that there are compulsory changes going on in the business environment, the major question about the managerial response to these changes remains to be tackled. In other words, whether the managers give them any importance or not. In response to this question it would be appropriate to say that if the managers want that their business should continue to exist for a long time and that it should continue developing, giving importance to these changes is absolutely essential, otherwise not. It is obvious that all the managers would like to see their business to continue for a long time and flourish. Consequently, they would give importance to changes.

**Q.2.** *'A good understanding of environment by business managers enables them not only to identify and evaluate but also to react to the forces external to their firm.'*

**In the light of the above statement explain any four points of importance of understanding business environment by a manager.** [CBSE Sample Paper 2016]

**Ans. Importance of Understanding Business Environment:**

**Refer to Points (1) to (3) of Q. 2 (Remembering-based Questions—4/5 marks)**

**(4) Coping with Rapid Changes:** These days business is being run in a rapidly changing environment. Various factors connected with business, e.g., competition, fashion, number of customers, technology, etc. are changing quickly. Changes do not affect business as much as the rapidity of the changes. It means that if the speed of the change is a little less it can be faced with comparative ease but to face the rapidity of change is a very difficult task. This can be possible only by constant vigil over the business environment and studying it simultaneously.

**Q.3. Explain the impacts of privatisation on industry and business in India.**

**Ans. Refer to Points (i) to (iii) of Q. 5 (Application-based Questions—3 marks).**

**(iv) Increase in Efficiency:** Privatisation of industries in Public Sector has resulted in increase in their efficiency. Now all the industries know that without effecting increase in their efficiency, they won't be made to survive in the market. As a result, there is an increase in the profitability of industry and business.

**(v) Increase in Rate of Industrial Growth:** Prior to Privatisation, several industries lay inactive in the Public Sector, because of which the rate of Industrial Development/Growth of the country was slow. But after Privatisation, there has taken

place an increase in the rate of growth of these industries. Consequently, the rate of the Industrial Growth of the country has increased.

**(vi) Freedom in Management:** Prior to Privatisation, the industrial units, which were victims of bureaucracy and red-tapism, have now begun to be managed by professional managers. Now the managers can take decisions freely, without any political pressure. Consequently now there has taken place an increase in the rate of performance and quality of work.

**Q.4. What are the main impacts of demonetisation?**

**Ans.**

1.	<b>Money/Interest Rates</b>	i. Decline in cash transactions. ii. Bank deposits increased. iii. Increase in financial savings.
2.	<b>Private Wealth</b>	Declined since some high demonetised notes were not returned and real estate prices fell.
3.	<b>Public Sector Wealth</b>	No effect.
4.	<b>Digitisation</b>	Digital transactions amongst new users (RuPay/AEPS) increased.
5.	<b>Real Estate</b>	Prices declined.
6.	<b>Tax Collection</b>	Rise in income tax collection because of increased disclosure.