

Chapter-3

Business Environment

Focused Area Questions (unofficial)

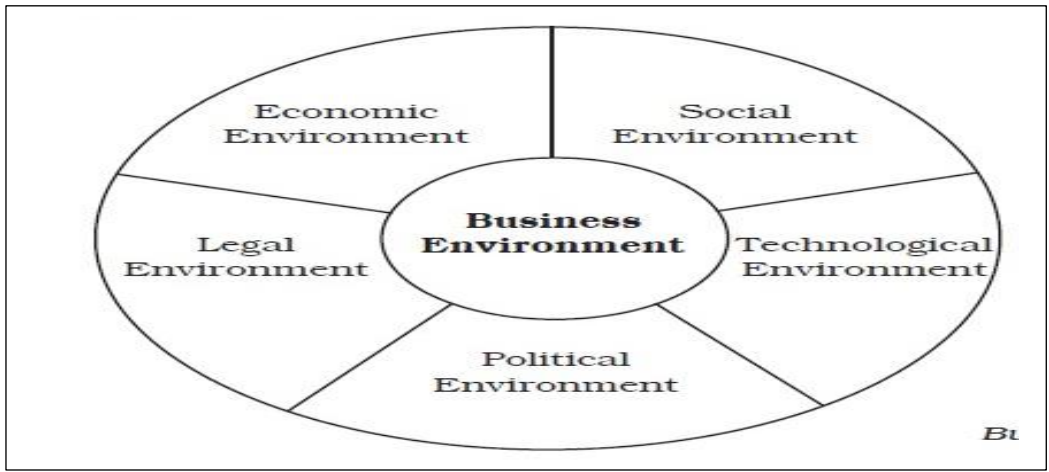
- 1. Life expectancy is one of the key elements that influences (1)
 - a. Legal Environment b. Economic Environment c. Social Environment

Ans: Social Environment

- 2. What is environmental scanning?(2)

Business environment includes economical, social, political, technological and legal factors that are directly or indirectly affects the performance of the business. The complete awareness and understanding of business environment is known as environment scanning.

- 3. State the different business environment dimensions using a diagram? (5 Score)



- 4. Classify the following items into appropriate elements of business environment (4)
 - a. Literacy Rate b. Public Debt c. Rate of savings and investments d. Birth and death rate

Ans:

Literacy Rate	Social Environment
Public Debt	Economic Environment
Rate of savings and investments	Economic Environment
Birth and death rate	Social Environment

- 5. There is heavy demand for fast food restaurants in Kerala due to life the life style of the people. Identify and describe the business environment affected here. (3)

Social Environment

It describes the characteristics of the society in which the business organization exists. Social environment consists of religious aspects, language, customs, traditions, beliefs, tastes, preference, consumption habit etc. Social trends present various opportunities and threats to business enterprises.

Examples of social environment:

- Education system and literacy rate
- Consumption habits

6. What is meant by globalization? (3 Score)

Globalisation refers to integration of various economies of world. It means the mixing of the domestic economy with the rest of the world with regard to foreign investment, trade, production and financial matters. Globalization leads to free movement of people, goods, and services across boundaries. Globalization paves the way to many MNC to Indian market. Example-Pepsi, Honda etc.

7. Fill appropriately as per hint given:

(a) Political ideology of government	Political Environment
(b) Change in life style	?
(c) Consumer Protection Act	?
(d) Stability of Government	?
(e) Change in interest rate	?
(f) Invention of driverless car	?

Ans:

(a) Political ideology of government	Political Environment
(b) Change in life style	Social Environment
(c) Consumer Protection Act	Legal Environment
(d) Stability of Government	Political Environment
(e) Change in interest rate	Economic Environment
(f) Invention of driverless car	Technological Environment

8. What is an ‘Economic Environment’ of a business? (4 Score)

Economic Environment

It consists of economic factors that influence the business of a country. It includes factors such as inflation, tax and interest rates, unemployment, competition, fiscal and monetary policies. For example, if the interest rate in a country is high, it will increase the cost of finance of the business.

Examples for changes of economic environment:

- Introduction of competitors
- Changes in demand and fashion
- Changes in price of raw material/labour costs
- Business cycles-Boom/depression
- Inflation rate
- Unemployment rate
- Interest rates

9. Classify the following environmental factors into economic, social and legal factors. Tax rates, Labour laws, Level of education, Human rights, Liberalisation, Customs and beliefs, Trademarks Act, Foreign Trade (4)

Ans:

Economic	Social	Legal
Tax rates Foreign Trade Liberalisation	Level of Education Customs and beliefs	Labour Laws Human Rights Trademark Act

10. Briefly explain the following: a. Liberalisation b. Privatisation (Score-5)

Liberalisation

It means liberating economy from unnecessary controls and regulations and making the economy more competitive. Through liberalization, in India, business system is now free from unnecessary licence, permit, quota etc. The 1991 policy introduced the following measures of liberalization:

- a) Abolishing licensing requirements in most of the industries except a short list.
- b) Freedom in deciding the scale of business activities.
- c) Simplifying the procedure for import and export.

Privatisation

Privatisation means transfer of ownership and or management of enterprise from public sector to private sector. Privatization refers to giving greater role to private sector and reducing the role of public sector. Privatization is the opposite of nationalization.

11. Match the following

A	B
Technological Environment	Unemployment rate
Legal Environment	Consumption habits
Economic Environment	Attitude of the government towards business
Political Environment	Online Purchase
Social Environment	Companies Act 2013

Ans:

A	B
Technological Environment	Online Purchase
Legal Environment	Companies Act 2013

Economic Environment	Unemployment rate
Political Environment	Attitude of the government towards business
Social Environment	Consumption habits

12. **'Business environment or environmental scanning helps in the identification of threats and early warning signals'. Explain the importance of business environment.**
(Any 4 points) (6 Score)

Importance of Understanding of Business Environment

1) It helps the firm to identify opportunities and get the first mover advantage:

Early identification of opportunities helps an enterprise to exploit them, otherwise it will be exploited by our rivals/competitors.

2) It helps a firm to identify threats and early warning signals

Environmental awareness can help managers to identify various threats on time and serve as an early warning signal.

3) It helps in assisting in planning and policy formulation

Since business environment provides both opportunities and threats for the firm, its understanding and analysis can be the basis for planning and policy formulation.

4) Coping with changes

If the business is aware of these changes then it can take possible measures to exploit the situation or it can take remedial measures to survive.

5) It helps in improving performance

With continuous scan of business environment firms can easily improve their performance.

13. **Explain with example, various dimensions of business environment.** (8 Score)

1. Economic Environment

It consists of economic factors that influence the business of a country. It includes factors such as inflation, tax and interest rates, unemployment, competition, fiscal and monetary policies. For example if the interest rate in a country is high, it will increase the cost of finance of the business

Examples for economic environment:

- Introduction of competitors
- Changes in demand and fashion
- Changes in price of raw material
- Unemployment rate

- Interest rates

2. Social Environment

It describes the characteristics of the society in which the business organization exists. Social environment consists of religious aspects, language, customs, traditions, beliefs, tastes, preference, consumption habit etc

Examples for social environment:

- Education system and literacy rate
- Consumption habits

3. Political Environment

It is the outcome of a combination of various ideologies advocated by various political parties. It includes political conditions such as general stability and peace in the country and the political attitude of the elected government towards business etc.

Example for political environment changes:

- Political stability
- Ideology of political parties
- Attitude of the government towards business.

4. Technological environment

It includes forces relating to scientific improvements and innovations, which provide new products, new production method and new style of operation of a business etc

Example for changes in technological environment:

- New inventions
- New distribution systems like online market
- New payment system like net banking

5. Legal environment

Legal environment consists of the legal frame work within which the business has to function. It consists of legislation passed by the government, administration orders, court judgment etc..

Examples of legal environmental changes: -

- Consumer Protection Act-1986
- Competition Act 2002
- Companies Act 2013

Chapter-4

Planning

Focused Area Questions (unofficial)

1. 'No Smoking' in the factory is an example of :
a. Rule b. Method c. Policy d. Procedure **ANS: Rule**
2. A company needs a detailed plan for its new project 'Construction of shopping mall'.
What types of plan is it? **Ans: Programme**
3. The last steps in the planning process is:
a. Choice of alternative b. developing premises c. Follow-up action d.
Implementing the plan
Ans: Follow-up action

4. What is planning? Features of planning? (4)

Planning means thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done. Planning is the process of thinking before doing. Features of planning are:

1) Planning focus on achieving objectives

Planning involves setting up of objectives and developing strategies to achieve these objectives.

2) Planning is a primary function of management

Planning provides the basis of all other managerial functions.

3) Planning is pervasive

Planning is required at all levels of management. It is not an exclusive function of top management or of any particular department.

4) Planning is continuous

Planning is a never ending or continuous process.

5. Planning is futuristic (Forward-looking)

Planning essentially involves looking ahead and preparing for the future. Planning is thinking in advance what is to be done, when it is to be done, where it is to be done, and who is to be done. In other words, planning relates to future.

5. Explain briefly the steps in the process of planning?

Planning means deciding in advance what is to be done, when it is to be done, how it is to be done etc. It involves certain logical steps. They are as follows.

1) Setting Objectives

The first and foremost step is setting objectives. Objective must be specific and clear.

2) Developing premises

Planning is concerned with the future which is uncertain and every planner is using assumptions about future. These assumptions are called premises. Premises are the base on which plans are made.

3) Identifying various alternative courses of action

There are alternative ways to achieve the stated objectives. All the alternative courses of action should be identified.

4) Evaluating alternative courses of action

In this stage, management will evaluate the merits and demerits of various alternatives in the light of various objectives of the business and planning premises.

5) Selecting an alternative

After analyzing the merits and demerits, the most appropriate alternative is selected. This is the real point of decision making.

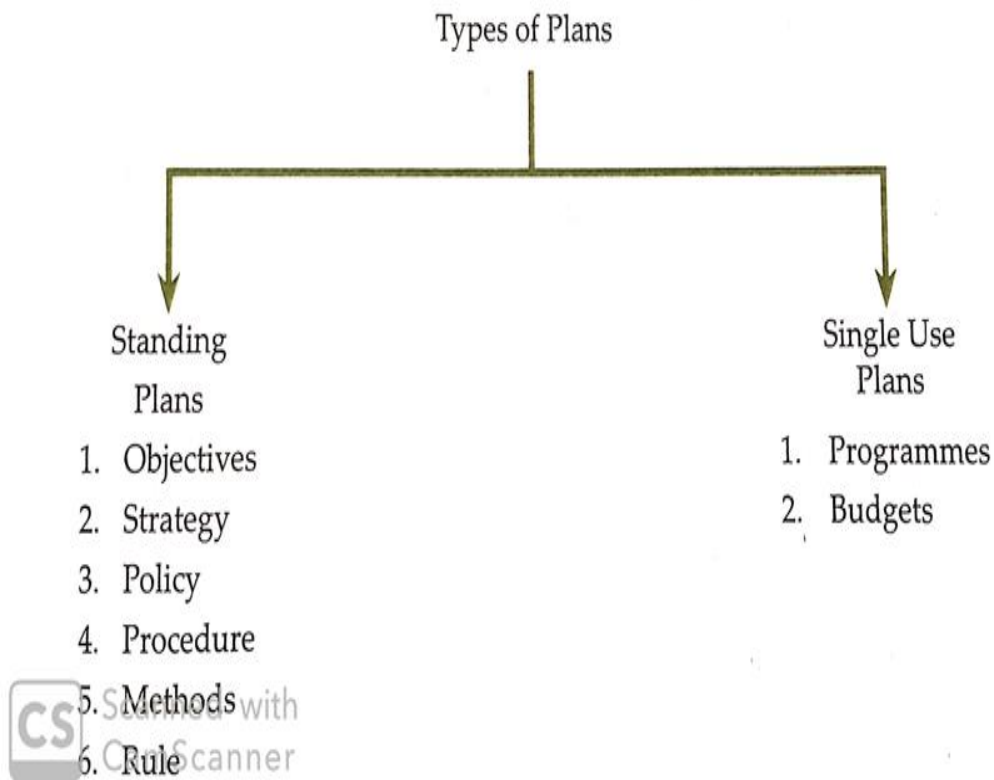
6) Implementing the plan

Implementing is the stage at which the best selected alternative is put into action

7) Follow-up

To see whether plans are being implemented and activities are performed according to schedule is also part of the planning process. During follow up many adjustments are made in the plan. Monitoring the plans is equally important to ensure that objectives are achieved

6. List out different types of standing plans and single use plans on a diagram.



7. What is a single use plan? Explain about different types of single use plans? (3)

Single-use Plan

A single-use plan, otherwise known as a specific plan, is used for non-recurring, one-time situations in business. The single-use plan becomes obsolete after its intended and specific use. Programs and budget are example for single use plan.

Example: Plan for organising an event or a seminar or conference, Plan for construction of a shopping complex

Types of single use plans

1) Programmes

Programmes are detailed statements about a project. Programme is the combination of objectives, policies, procedures, rules, tasks, human and physical resources required, budgets etc to carry out a given work.

Example: Programmes for construction of shopping mall

2) Budget

Budget is a recorded plan of action expressed in quantitative terms. A budget is a statement of expected results expressed in numerical terms. It may be expressed in time, money or physical units.

Example-Cash budget, sales budget

8. What is standing plans? Explain briefly about different types of standing plans?

A standing plan is a business plan that is intended to be used many times It is used over a long period, sometimes indefinitely, and is altered as circumstances change. Standing plans include objectives, strategies, policies, procedures, methods and rules.

Types of Standing Plans

1) Objectives

It is the desired **future position** that the management would like to reach. Objectives are set by top management and serve as a guide for overall business planning

Examples:

1. An organization may have an objective of increasing sales by 10%
2. An organization may have an objective of increasing its profit by 10%

2) Strategy

A business strategy can be defined as the combination of all the decisions taken and actions performed by the business to accomplish the business goals.

Example: Objective is to increase company's profit by 10%. To achieve this objective, company can adopt strategies like create and launch new products or models, introduce new distribution channels like online sale, select new advertisement media like internet marketing, implement new sales promotion techniques etc.

3) Policy

Policies are the general guidelines for conducting an action. Policies define boundaries within which decisions can be made.

Example: The management of Union Bank of India decided to promote employees on the basis of merit only. Sales Policy (Selling product only on cash basis or only wholesale)

4) Procedure

They are step by step instructions, which explain how activities are carried out in an orderly way. It describes the exact manner in which the work is to be performed. Procedures are rigid; there is no possibility for deviation.

Example- Procedure for selection of employees, procedure to produce a product

5) Method

A method is the prescribed way in which a task has to be performed considering the objectives. It deals with the best way to perform a particular task.

Example: Method of wage payment-Time wage system or piece wage system, methods of production etc.

6) Rule

Rules are specific statements that inform what is to be done and what is not to be done. They do not allow any deviations/ flexibility.

Example: No smoking, no admission without permission,

9. Match the following

A	B
Selection Process of Employees	Policy
Promotion based on seniority only	Programme
Casual leave o 2 per month for employees	Method
Coference for managers	Rule
Time wage system	Procedure

Ans:

A	B
Selection Process of Employees	Procedure
Promotion based on seniority only	Policy
Casual leave o 2 per month for employees	Rule
Coference for managers	Programme
Time wage system	Method

Important questions with answers.....

രണ്ടാം വർഷ ബിസിനസ്സ് സർട്ടിഫിക്കറ്റ് പരീക്ഷ ജയിക്കാൻ മുഖ്യമുദ്രയുടേതായ വിദ്യാർത്ഥികൾക്കായി

10. Match the following

A	B
Objective	Prescribed ways or manner
Policy	Base for interpreting strategy
Strategy	Quantifies future facts and figures
Budget	Desired future positions
Method	Comprehensive plans

Ans:

A	B
Objective	Desired future positions
Policy	Base for interpreting strategy
Strategy	Comprehensive plans
Budget	Quantifies future facts and figures
Method	Prescribed ways or manner

11. Match the Following

A	B
Single use plan	Simplest type of plan
Standing Plan	Routine steps
Rules	Entire range of activities
Procedure	Budgets
Programme	Methods

Ans:

A	B
Single use plan	Budgets
Standing Plan	Methods
Rules	Simplest type of plan
Procedure	Routine steps
Programme	Entire range of activities

12. Plans which are final and not allowed to change-----

a. Policy b. Rule c. Method d. Procedure **Ans: Rule**

13. Assumptions about the future upon which planning is formulated is -----

Ans: Planning premises

14. Identify the following:

a. Comprehensive plan for accomplishing an organizational goal in long run

b. Plan used for activities that occur regularly over a period of time

Ans: a. Strategy b. Standing Plan

Important questions with answers.....

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15. Match the Following

A	B
Objective	Steps in selecting employees
Policy	Implement new sales promotion techniques
Strategy	Make a profit of 30%on capital invested
Procedure	Different payment options in online trade
Method	No credit, only cash sales

Ans:

A	B
Objective	Make a profit of 30%on capital invested
Policy	No credit, only cash sales
Strategy	Implement new sales promotion techniques
Procedure	Steps in selecting employees
Method	Different payment options in online trade

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