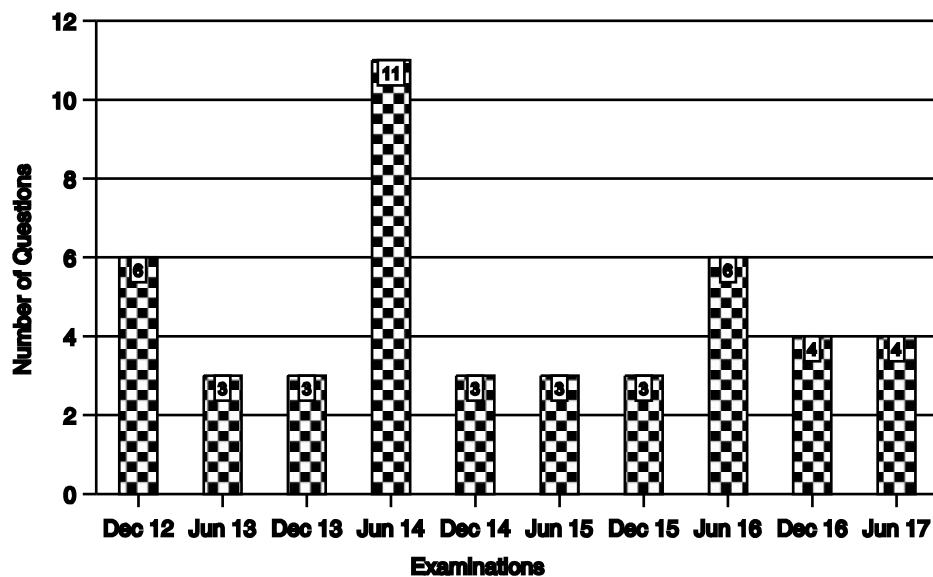


1

Business Environment

This Chapter Includes : Introduction and Features, Concepts of Vision & Mission Statements, Types of Environment, Internal to the Enterprise, Value System, Management Structure and Nature, Human Resource, Company Image and Brand Value, Physical Assets, Facilities, Research & Development, Intangibles, Competitive Advantage, External to the Enterprise, Micro- Suppliers, Customers, Market Intermediaries, Macro - Demography, Natural, Legal & Political, Technological, Economy, Competition, Socio-cultural and International, Business Environment with reference to Global Integration.



Introduction:

- ⇒ Environment is always changing.
- ⇒ According to Charles Darwin, “It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change”.
- ⇒ Each business operates in a unique environment.
- ⇒ Environment influence businesses and in turn, businesses influences environment.

Meaning of Business Environment:

- ⇒ The term ‘business is wide and is put to different usages.
- ⇒ ‘Business’ can referred as any activity consisting of purchase, sale, manufacture, processing and /or marketing of products and / or services.
- ⇒ Business is said to exist for profits.
- ⇒ However, besides earning profits, business survives for various other reasons in the society. They are -
 - (i) becoming an important institution of society
 - (ii) supplying goods and services
 - (iii) creating jobs for unemployed
 - (iv) offering better standard/quality of life
 - (v) contributing to the overall economic growth of the country.
- Both society and business cannot function without each other.
- ⇒ Business vary in size, as measured by the number of employees or by sales volume etc.
- ⇒ There is the single word that describes today’s business, it is ‘change’.
- ⇒ “Modern business is dynamic”.
- ⇒ ‘Environment’ refers to the surroundings.
- ⇒ ‘Business environment’ is the sum of several external and internal forces that affects the functioning of business.
- ⇒ “Environment factors or constraints are largely if not totally, external and beyond the control of individual industrial enterprises and their managements.”
- ⇒ There is close interaction between Business and its Environment.
- ⇒ Factors such as change in technology, factors etc., are to be considered by an organisation in order to survive in the changing business environment.

- ⇒ In order to be successful, business is required to not only recognise various elements of environment but also have to respect, adapt or manage and influence them.
- ⇒ Environment possess threat to the firm as well as offer immense opportunities for exploitation.

Features of Business Environment:

- ⇒ The following features of business environment helps a person to understand the environment within which his business has to function :-
 - (i) **Dynamic:** Business environment is always changing in nature. This is due to the various types of influences operating in the environment like needs of customers, fashion, technology, etc.
 - (ii) **Multi-faceted:** Any change occurring in the business environment are viewed differently by different persons. What form does this change takes depends upon the observer's perception. E.g. a same development may be taken as opportunity for some while it may be taken as threat for some others.
 - (iii) **Sum of external forces:** Business environment is an aggregate of various external factors.
 - (iv) **Uncertainty:** In today's world, environment is changing every moment. Thus, with such frequent changes it is difficult to predict the future happenings and non-happening.
 - (v) **Both specific and general forces:** Business environment consists of both specific and general forces. Specific forces refers to the forces that affects the individual enterprises like customers, suppliers etc. General forces refers to the forces that affects all the enterprises in an industry together like social, legal conditions etc.
 - (vi) **Relativity:** Business environment can be regarded as a relative concept as it changes from one region to another, from one country to another and even from one individual to another individual.
- ⇒ **Importance of Business Environment:** Adoption of the changes in the business environment and thereby, moving along with it, helps the business in various ways which are as follows:

- (i) **Threat Identification:** Identifying the threats operating in the environment beforehand helps the firms to take corrective and preventive measures. This is essential for the firms in order to survive competition. Eg. Microsoft keeps upgrading its product and launches new version of windows in order to be the market leader similar is the case with i-phone.
- (ii) **Performance Improvement:** By keeping a continuous check on the environment, the firms can adopt the business practices suitable for the present situation, thus improving its performance.
- (iii) **Meeting Competition:** Keeping track with the changing environment helps the firm to analyze its competitor's strengths, weaknesses and further strategies. Thus, the firm can form its own strategies accordingly. Eg. Nokia has launched its Lumia Series Phones in order to cope competition with Samsung Galaxy.
- (iv) **Advantage of first mover:** The firm can succeed its competitors only by exploiting the opportunities coming their way before their competitors.
- (v) **Able to cope with rapid changes:** All firms must understand the dynamic environment properly and must take suitable steps in order to cope up with these rapid changes taking place.
- (vi) **Continuous learning:** Business environment helps the managers to face the challenges as it requires them to update their skills and knowledge.
- (vii) **Building image:** Company's which are more sensitive to the changes in the environment are in better position than others. Thus, it helps the company to build its goodwill. Eg. Windows are frequently updated by Microsoft.

Vision Statement:

- ⇒ 'Vision Statement' is a road map of a company's future. It describes the desired future position of the company.
- ⇒ Vision Statement answers the following question:
 - (i) Who we are and where we are now ?
 - (ii) Where we are going?

Some examples of Vision Statement :

- (i) **Disney:** to make people happy.
- (ii) **ICSI:** 'to be a global leader in promoting good corporate governance'.

Mission Statement:

- ⇒ 'Mission Statement' helps defining the company's business, its objectives and its approach to reach those objectives. It broadly describes an organisation's present capabilities, customer focus, activities, and business make up.
- ⇒ When your vision is your ultimate goal, your mission is how you will get there.
- ⇒ Mission Statement answers the following questions :
 - (i) What does our company do?
 - (ii) Who do we do it for?
 - (iii) Where do we exist?
 - (iv) How does we do it?
 - (v) Why does our company do it?
- * The business vision and mission is paramount to the future growth and success of the business no matter the size of the organisation.
- * Internal factors include the vision and mission of the organization and other internal mechanism of the organization.

Some examples of mission statement:

- (i) **Reliance Industries:** 'To become major player in chemical business and grow in other growth oriented industries like infrastructure'.
- (ii) **ICSI:** To develop high caliber professionals facilitating good corporate governance.
- (iii) **Facebook:** 'To give people the power to share and make the world more open and connected'
- (iv) **Ranbaxy:** 'To become a \$1 billion research - based global pharmaceuticals'.

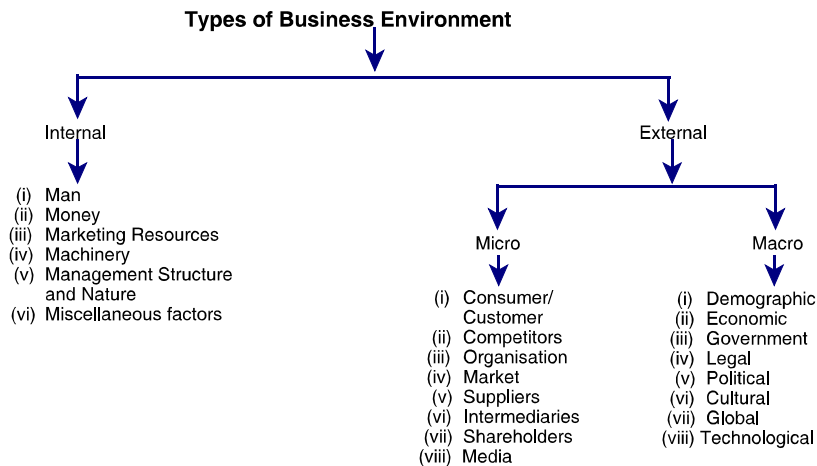
Uses of Vision And Mission Statement:

- ⇒ Vision and Mission Statement provides various uses to the organization:
Internally

- (i) Helps in defining performance standards.
- (ii) Guides the employees in decision making.
- (iii) Guides the management while planning on strategic issues.
- (iv) Inspires the employees to work more productively.
- (v) Helps establishing a framework for ethical behaviour.

Externally

- (i) Helps in better communication with customers, suppliers and alliance partners and also create closer linkage.
- (ii) Provides external support.
- (iii) Serves as a public relations tool.



⇒ **Internal Environment:** It consists of the factors that are within the control of business.

- (i) **Man i.e. Human Resources:** It is the strength and weakness of any organisation and must possess various characteristics like, skills, quality high morale, attitude etc.
- (ii) **Money i.e. Financial Resources:** Various financial factors like the financial position, financial policies and its resources affects the business functioning. The source of finance is share capital, banking & other financial institutions etc.

- (iii) **Various Marketing Resources:** Factors like brand, equity, distribution network etc. effects the marketing efficiency and performance of a company directly, thereby affecting the company's decision making.
 - (iv) **Machinery i.e. Physical Assets:** Efficient working of any organisation is possible only on proper acquisition and working of assets. Money invested in such assets must provide enough returns and profits so as to satisfy the organisation. It also depends on the technical development and government policy.
 - (v) **Management Structure:** It includes the internal structure of any organisation like the Board of Director's Composition etc. which directly affect the company's decision. It also affects the strategies undertaken by the company. The management structure must be in accordance with the business environment.
 - (vi) **Miscellaneous factors:** It includes:
 - (a) Company's brand image and goodwill
 - (b) Competitor's action it involves
 - ⇒ Identifying Competitor's
 - ⇒ Assessing their strengths, weakness etc.
 - ⇒ Selecting strategy to deal with them
 - (c) Research & Development
 - (d) Value System of Business
- ⇒ **External Environment:** It consists of the factors that are outside the company's boundaries, thus the company have no control over them. Company must adapt to such changes. External environment can be micro or macro.
- Micro Environment:**
- It is also known as task or operating environment.
 - It is the immediate environment with which the organisation interacts for its day to day operations.
 - These factors are more closely linked with the company than the macro factors.
 - It affects a particular firm only.
 - The micro environmental forces, though are external factors, still

have a direct bearing on the operations of the firms.

- It deals with the following:
 - (i) **Consumers/Customers:** The main aim of every business is to create and retain customers. Customers pay for company's product. Thus, they must be provided quality goods at most reasonable prices. Organisation survive on the basis of meeting 'customer needs & wants'.
 - (ii) **Competitors:** Before making any strategy, business must be aware of its competitor's actions to the environment changes. This will maintain and improve the company's position. The name of the game in marketing a product is differentiation. Every firm has Unique Selling Point (USP)
 - (iii) **Employees:** It includes Board of Directors, owners and employees that are considered as the backbone of the organisation. They influence the day to day functioning of organisation and should be provided with proper training and development while considering the dividend policy of the company. We can say Training & Development play important role.
 - (iv) **Suppliers:** They provide raw material for the business's production activities. They have their own bargaining power which seriously affects the industry's cost structure.
 - (v) **Shareholders:** They invest in company's capital thus are the owners of company. They affects the company's operations as they have a right to vote on all the decisions. Balance must be maintained between organisation's health and shareholder's interest.
 - (vi) **Media:** It must be organised in such a way that it promotes the positive things of organisation while reduces the impact of negative things. It helps in building image and reputation. Some organisation employ (PR) consultants to manage particular event or incident. Positive media can 'make' an organisation & negative media attention can 'break' an are required.

⇒ **Macro Environment:**

⇒ When the macro factors become uncontrollable the success of company depends upon its adaptability to the environment.

- It is also known as General or Remote environment.
- It is beyond the direct influence and control of organisation.
- These factors are more uncontrollable than micro factors.
- It covers the broader issues with which the organisation deals for long term working.
- It deals with the following: (STEEP)

(i) **Socio-Cultural and Demographics:** It consists of societal values, lifestyle and various characteristics of population. Those characteristics have to be identified which affects the further strategic competitiveness of the company. They affect directly or indirectly to the business environment. It include social factor like customs, tradition, values, beliefs, poverty, literacy, life expectancy rate etc.

(ii) **Technological:** This environment includes the methods, techniques and approaches adopted for production of goods and services and their distribution. Technology and business are highly inter related and inter-dependent. Technology influences the business operations and brings many opportunities for the business. It come in many form like medical devices etc.

(iii) **Economic:** It represents the situation of the region and nation in which the firm operates. Business obtains all its inputs from the economic environment and all its outputs are also absorbed there. It includes the following factors :

(a) Economic Conditions

- (1) Gross Domestic Product,
- (2) Per Capital Income,
- (3) Capital Availability,
- (4) Foreign Exchange Reserves etc.

(b) Economic Policies

- (1) Industrial Policy,
- (2) Fiscal Policy,

- (3) Monetary Policy,
- (4) Foreign Investment Policy,
- (5) EXIM Policy, etc.

(c) Economic System

- (1) Capitalistic Economy,
- (2) Socialistic Economy,
- (3) Mixed Economy.

(iv) Ecology and Physical Environment: These factors are important for those units which carry on production and manufacturing activities. It includes weather, climatic conditions, availability of natural resources, location aspect etc. They play an important role for those who carry out production & manufacturing activities.

(v) Political and Legal: Political environment means the political system, the government policies and their attitude towards the business community. Political groups put pressure on business for political gain by raising the sensitive issues relating to public. Legal environment means the flexibility and adaptability of law and other legal rules governing the business. Every business has to work within the framework of law. Political Environment refer three political institution viz. legislature, executive, judiciary in shaping, directing and controlling business activities.

Global Integration: There was a growth in NNP, per capita income, infrastructure etc.

- ⇒ Government has taken several steps to speed up the industrial growth and solve various economic problems.
- ⇒ Government efforts resulted in a mixed response.
- ⇒ Radical change in economic policies was brought in 1991.
- ⇒ Foreign Investment Promotion Board was set up to channelize the foreign capital investment in India.
- ⇒ It includes :
 - (1) Liberalisation
 - (2) Privatisation
 - (3) Globalisation
- ⇒ This resulted in increase in Per Capita Income, Net National Product, Infrastructure development, etc.

Features of Current Phase of Globalisation

- ⇒ Developing new financial markets
- ⇒ Growing Global Consumer Market with global brands.
- ⇒ Reducing anti-trust laws and proliferating mergers and acquisitions.
- ⇒ Growing trend of multilateral agreements
- ⇒ Conventions and agreements on the global environment

Liberalisation: refers to relaxation of previous government restrictions usually in areas of social and economic policies.

It refers to the process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises.

⇒ **Liberalisation Includes:**

- (i) Abolishing industrial licencing requirement
- (ii) Freedom in fixation of prices of goods and services.
- (iii) Reduction in tax rates.
- (iv) Freedom in deciding business scale.
- (v) Simplifying import export procedure.
- (vi) High foreign exchange reserve.

⇒ **Benefits of Liberalisation:**

- (i) Liberalisation has led to expansion of Indian Economy.
- (ii) Easy entry of foreign business organisations in India.
- (iii) Stiff competition has led to increase in efficiency.
- (iv) High growth rate.
- (v) Availability of goods at competitive prices.
- (vi) Healthy stock market
- (vii) Low inflation rate, etc.
- (viii) Good industrial relation
- (ix) Strong rupee
- (x) High foreign exchange Rate

Privatization:

- ⇒ **Privatization** refers to the transfer of assets or service functions from public to private ownership or control.

It means the withdrawal of the state from an industry or sector - partially or fully.

- ⇒ Privatization has become a universal trend. Even in communist countries it became a measure of economic rejuvenation.
- ⇒ Launching and sustaining transformation of the economy from a command to a market mode (capitalistic).
- ⇒ **Its objectives are:**
 - (i) To increase the size of private sector, distributing more widely in the population at large.
 - (ii) Improving the performance of Public Sector Units.
 - (iii) Encourage private sector investments.
 - (iv) Revenue generation.
 - (v) Reduction of administrative burden.
 - (vi) Launching & sustaining the transformation of the economy from a command to a market model.
- ⇒ **Routes of privatization/ Methods of privatization:**
 - (i) Divestiture/Privatization of ownership
 - (ii) Contracting
 - (iii) Liquidation
 - (iv) Denationalisation/Re-privatization
 - (v) Franchising
 - (vi) Leasing
 - (vii) Government withdrawal.

- (i) **Divestiture:** The partial or full disposal of an investment or asset through sale, exchange, closure or bankruptcy. Business may divest by selling of ownership stakes.
- (ii) **Contracting:** Under this, the government give contracts for services to be performed and delivered to other organisations.
- (iii) **Liquidation:** It can be formal (sale of assets and closure of entire enterprise) or informal (suspending some of its operations).
- (iv) **Denationalisation:** It means transferring something from state ownership to private ownership.
- (v) **Reprivatisation:** It refers to the process of restoring to its former owner properties seized by the government.
- (vi) **Franchising:** Government gives authorisation to someone to sell or distribute its goods or services in a certain designated area.

- (vii) **Leasing:** It is a process by which government can obtain the use of certain fixed assets for which it may pay a series of payments.
- (viii) **Government withdrawal:** Government withdraws its production from certain goods and services, leaving them completely with private enterprises.

⇒ **Benefits of privatization:**

- (i) Reducing fiscal burden
- (ii) Reviving sick units
- (iii) Reducing the size of administrative machinery
- (iv) Helps in generating funds
- (v) Enabling the government to concentrate on essential states.
- (vi) Private sector registered fast growth in the post liberalized period.

⇒ **Functions of privatization:**

- (i) Better management of enterprises
- (ii) Encourage entrepreneurship
- (iii) Accelerate pace of economic development
- (iv) Increase number of workers and common man who are shareholders.

⇒ **Problems in privatization:**

- (i) Growth of monopoly power
- (ii) Loss making units are not bought
- (iii) Lop- sided industrial development

Globalization (Became a buzzword)

- ⇒ It refers to integration of world into one huge market by removing the trade barriers among countries.

It means, the growing economic interdependence of countries worldwide through increasing volume and variety of cross border transactions in goods and services and of international capital flows, and also through the more rapid and wide spread diffusion of technology.

⇒ Globalisation is at two levels :

- (i) Macro and (ii) Micro

⇒ Reasons for globalisation :

- (i) Rapid shrinking of time and distance.

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- (ii) Domestic markets are no longer adequate and rich.
- (iii) Foreign market becomes large enough to justify foreign investment.
- (iv) Reduce high transportation cost
- (v) Political stability
- (vi) To get technology
- (vii) To secure reliable or cheaper source of raw materials.
- (viii) Generate higher sales
- (ix) Better cash flows.

US, Canada and Mexico have signed the North America Free Trade Agreement (NAFTA) to remove all trade barriers among their countries.

⇒ World Trade Organisation (WTO) has stimulated cross-border trade

Multiple Choice Questions

1. Profit is the only objective of all business firms
 - (a) True
 - (b) False
 - (c) Partly True
 - (d) Partly False

Answer: ☐
2. Modern business is
 - (a) Constant
 - (b) Profitable
 - (c) Dynamic
 - (d) Stable

Answer: ☐
3. Features of business environment does not include:
 - (a) Uncertainty
 - (b) Relativity
 - (c) Static Nature
 - (d) Specific and General forces

Answer: ☐
4. tells the purpose of business existence.
 - (a) Vision
 - (b) Mission
 - (c) Both (a) and (b)
 - (d) None of the above.

Answer:

5. Both Vision and Mission statements are commonly used to:
- (a) define measurement standards
 - (b) create wider linkages with customers, suppliers and alliance partners
 - (c) guide managements thinking on strategic issues
 - (d) enlist internal support

Answer:

6. "Where you can visualize your business in 7 years time". This is a:
- (a) Mission Statement
 - (b) Vision Statement
 - (c) Business Statement
 - (d) Statement of purpose.

Answer:

7. "To be a global leader in promoting good corporate governance" is a of ICSI
- (a) Vision
 - (b) Mission
 - (c) None of the above
 - (d) Both (a) and (b) above.

Answer:

8. Types of Business Environment includes the following:
- (a) Internal
 - (b) External
 - (c) Both (a) and (b)
 - (d) None of the above

Answer:

9. Internal business environment does not include:
- (a) Man
 - (b) Money
 - (c) Marketing Resources
 - (d) Government Policies.

Answer:

10. Environment factors which are within the control of business are known as :
- (a) Micro factors
 - (b) Internal factors
 - (c) Macro factors
 - (d) External factors

Answer:

11. is a type of external environment.
- (a) Operating
 - (b) General
 - (c) Remote
 - (d) All of the above.

Answer: ☐

12. Micro factors are the factors that are in the company's immediate environment.

- (a) True (b) False
(c) Partly True (d) None of the above

Answer: ☐

13. Micro environmental factors can be described as close to a business that have a direct impact on its strategy.

- (a) External factors (b) Internal factors
(c) Both (a) and (b) (d) Competitive factors

Answer: ☐

14. Macro environment is also known as :

- (a) Task environment (b) Remote environment
(c) Global environment (d) Operating environment

Answer: ☐

15. factors affects the economy as a whole and are not particular to any organisation.

- (a) Micro (b) Macro
(c) Internal (d) None of the above

Answer: ☐

16. Change in technology, economic conditions, political and legal factors are factors.

- (a) Internal (b) External
(c) Both (a) and (b) (d) None of the above

Answer: ☐

17. Fiscal policy, EXIM policy, Industrial policy etc. are types of policies.

- (a) Private (b) Business
(c) Government (d) Semi - Government

Answer: ☐

18. Which of the following is a type of economic system ?

- (a) Capitalistic economy (b) Socialistic economy
(c) Mixed economy (d) All of the above

Answer:

19. is a process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises.

- (a) Privatisation
- (b) Globalisation
- (c) Liberalisation
- (d) None of the above.

Answer:

20. Liberalisation does not include:

- (a) Abolishing industrial licensing requirement in most of the industries
- (b) Freedom in fixing prices of goods and services
- (c) Restriction in deciding the scale of business activities
- (d) Simplifying the procedure for imports and exports.

Answer:

21. Following is not an objective of privatisation :

- (a) Improving the performance of PSU's
- (b) Decreasing the size of private sector
- (c) Reducing administrative burden
- (d) Revenue Generation.

Answer:

22. Routes of privatisation include :

- (a) Divestiture
- (b) Contracting
- (c) Nationalisation
- (d) Both (a) and (b)

Answer:

23. NAFTA stands for :

- (a) New American Free Trade Agreement
- (b) North African Free Trade Agreement
- (c) North American Free Trade Agreement
- (d) North American Full Trade Acceptance.

Answer:

24. NAFTA was signed among following countries:

- (a) US, Canada, Mexico
- (b) India, US, Pakistan
- (c) US, Canada, UK
- (d) None of the above.

Answer:

25. _____ describes the desired future position of the company.
(a) Internal Environment (b) Mission Statement
(c) Vision Statement (d) External Environment.
Answer:
26. A Business has absolute control on the _____.
(a) Internal Environment (b) External Environment
(c) Both (a) & (b) (d) None of these.
Answer:
27. Micro and Macro Environment is the part of _____.
(a) Business Environment (b) Internal Environment
(c) External Environment (d) Both (b) & (c).
Answer:
28. Micro Environment is also known as
(a) Operating Environment (b) Task Environment
(c) Both (a) and (b) (d) Either (a) or (b).
Answer:
29. Financial Factors, Human Resource, Marketing Resource and Miscellaneous Factors are _____ Factors.
(a) Micro (b) Macro
(c) Internal (d) External.
Answer:
30. GDP, Per capital income, foreign exchange are the examples of
(a) Economic Policy (b) Economic System
(c) Economic Conditions (d) Both (a) and (b).
Answer:
31. When did Government of India introduced a change in Economic Policy
(a) 1892 (b) 1991
(c) 1895 (d) 1781.
Answer:
32. Through the _____ Process, Indian economy has opened up and started interacting with the world.
(a) Liberalisation (b) Privatisation
(c) Globalisation (d) None of these.

Answer:

33. Which process of development became a vital measure of economic rejuvenation in the communist countries:

- (a) Liberalisation
- (b) Privatisation
- (c) Globalisation
- (d) Both (a) and (b).

Answer:

34. _____ has become universal trend.

- (a) Liberalisation
- (b) Privatisation
- (c) Globalisation
- (d) None of these.

Answer:

35. High growth rate, easy availability of goods, at competitive rate, high foreign exchange reserve can be achieved by:

- (a) Liberalisation
- (b) Privatisation
- (c) Globalisation
- (d) All of the above.

Answer:

36. _____ means transferring something from state ownership to private ownership.

- (a) Decentralisation
- (b) Denationalisation
- (c) Divestiture
- (d) None of these.

Answer:

37. Problems in Privatisation are:

- (a) Growth of monopoly power
- (b) Loss making units are not bought
- (c) Lop-sided industrial development
- (d) All of the above.

Answer:

38. _____ refers to integration of world into one huge market by removing the trade barriers among countries.

- (a) Privatisation
- (b) Liberalisation
- (c) Globalisation
- (d) None of these.

Answer:

39. Benefits of Privatisation does not include

- (a) Reducing fiscal burden
- (b) Sick units reconstruction
- (c) Reducing the size of administrative machinery
- (d) Low inflation rate.

Answer: ☐

40. _____ is the process by which government can obtain the use of certain fixed assets for which it may pay a series of payments.

- (a) Franchising
- (b) Leasing
- (c) Contracting
- (d) Both (a) and (b).

Answer: ☐

41. _____ helps defining the company's business, its objectives and its approach to reach those objective.

- (a) Vision statement
- (b) Mission statement
- (c) Business statement
- (d) Statement of purpose.

Answer: ☐

42. _____ means the flexibility and adaptability of law and other legal rule governing the business.

- (a) Political Environment
- (b) Legal Environment
- (c) Technological Environment
- (d) Both (a) and (b).

Answer: ☐

43. Economic Policies are framed by

- (a) Private
- (b) Business
- (c) Government
- (d) Semi government.

Answer: ☐

44. Legislature, executive and the judiciary comes under the

- (a) Political Environment
- (b) Physical Environment
- (c) Legal Environment
- (d) Both (a) and (c).

Answer: ☐

45. A _____ statement answers the question "why do we exist"?

- (a) Vision
- (b) Mission
- (c) Both (a) and (b)
- (d) None of the above.

Answer:

46. _____ Statement defines the company's business, its objectives and its approach to reach these objectives.

- (a) Vision (b) Mission
- (c) Profitability (d) Annual Report

Answer:

47. In a mission /vision Statement, the matters relating to guiding employee decision making, establishing ethical behaviour, performance standards etc are.

- (a) Internal to organisation (b) External to organisation
- (c) Both (a) and (b) (d) Neither (a) nor (b)

Answer:

48. The matters relating to creating close linkages and letter communication with customers, suppliers and alliance partners given in a mission/ vision Statement are

- (a) Internal to organization (b) External to organization
- (c) Both (a) and (b) (d) Neither (a) nor (b)

Answer:

49. _____ is the future dream of a business.

- (a) Balance Sheet (b) Vision Statement
- (c) Mission Statement (d) None of the above

Answer:

50. The question like "Where do you exist", "How does it do it" are covered by

- (a) Vision Statement (b) Mission Statement
- (c) Both (a) and (b) (d) Neither (a) nor (b)

Answer:

51. Which of the following is not covered by the organisation's Internal Environment

- (a) Human Resource (b) R & D
- (c) Media (d) Management Structure

Answer:

52. The forces which are external but still have a direct bearing on the operations of the firm are called.

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- (a) Micro Environment (b) Macro environment
(c) Internal Environment (d) All of the above

Answer: ☐

53. Customers, shareholders, competitors, etc. are the elements of

- (a) Micro Environment (b) Internal environment
(c) Macro Environment (d) None of the above

Answer: ☐

54. Technology, Culture, Demographics etc. are the elements of

- (a) Internal Environment (b) Micro Environment
(c) Macro Environment (d) None of the above

Answer: ☐

55. The size, density, distribution and growth rate of population is called

- (a) Ecology (b) Habitat
(c) Demographics (d) None of the above

Answer: ☐

56. _____ was set up to channel foreign capital investment

- (a) SEBI
(b) Foreign Investment Promotion Board
(c) Special Economic Zone
(d) International Trade Promotion Board

Answer: ☐

57. Which of the following is an element of Political environment?

- (a) Legislature (b) judiciary
(c) Executive (d) All of the Above

Answer: ☐

58. Which of the following is a method of Privatisation

- (a) Divestiture (b) Denationalization
(c) Franchising (d) All of the above

Answer: ☐

59. The form of privatisation in which the government company retains its legal status even though some or all of its operations are suspended is called.

- (a) Controlling (b) Formal liquidation

- (c) Informal liquidation (d) Denationalisation

Answer:

60. The method of Privatisation in which the government authorises the delivery of certain services in a designated area is called .

- (a) Franchising (b) Leasing
(c) Contracting (d) Divesture

Answer:

61. Which of the following is not a use of Vision/Mission Statement?

- (a) Inspiring the Employees
(b) Defining Problems & Standards
(c) Increasing the profits and revenue
(d) Defining the Performance Standards

Answer:

62. Which of the following is not true in relation to the business environment?

- (a) It is beyond the organisational
(b) It is a sum total of internal and external control factors
(c) Organisation can remain insensitive to the business environment
(d) It is dynamic in nature

Answer:

63. USP stands for

- (a) Unique Selling Price (b) Unique Strategic Price
(c) Unique Selling Point (d) Ultimate Selling Price

Answer:

64. The partial or full disposal of an investment or asset through sale, exchange, closure or bankruptcy is called as

- (a) Divestiture (b) Environment withdrawal
(c) Denationalisation (d) Reprivatisation

Answer:

65. The process of restoring to its former properties seized by the government is called

- (a) Divestiture (b) Restoration
(c) Reprivatisation (d) Liquidation

1.24

■ **Model Solved Scanner CS FP-BE&E Paper-1 (New**

Answer:

Answer

1	(b)	2	(c)	3	(c)	4	(b)	5	(c)	6	(b)
7	(a)	8	(c)	9	(d)	10	(a)&(b)	11	(d)	12	(a)
13	(b)	14	(b)	15	(b)	16	(b)	17	(c)	18	(d)
19	(c)	20	(c)	21	(b)	22	(d)	23	(c)	24	(a)
25	(c)	26	(a)	27	(c)	28	(c)	29	(c)	30	(c)
31	(b)	32	(a)	33	(b)	34	(b)	35	(a)	36	(b)
37	(d)	38	(c)	39	(d)	40	(b)	41	(b)	42	(b)
43	(c)	44	(a)	45	(b)	46	(b)	47	(a)	48	(b)
49	(b)	50	(b)	51	(c)	52	(a)	53	(a)	54	(c)
55	(c)	56	(b)	57	(d)	58	(d)	59	(c)	60	(a)
61	(c)	62	(c)	63	(c)	64	(a)	65	(c)		

Questions of December 2012

- Which of the following is a part of liberalisation process?
 - Making industrial licensing requirement mandatory in most of the industry
 - Regulating the scale of business activities
 - Fixing of prices of goods and services
 - Simplifying the procedures for imports and exports.
- Macro factors of business environment are generally:
 - As controllable as micro factors
 - Less controllable than micro factors
 - More controllable than micro factors
 - None of the above.

3. Which one of the following is the result of product differentiation?
 - (a) Brand Equity
 - (b) Competitive Advantage
 - (c) Value System
 - (d) None of the above.
4. Which one of the following is the desired future position?
 - (a) Financial Statement
 - (b) Vision Statement
 - (c) Objectives
 - (d) All of the above.
5. Mission Statement of a company is derived from its:
 - (a) Articles of Association
 - (b) Vision Statement
 - (c) Memorandum of Association
 - (d) Prospectus.
6. There is a close and _____ interaction between the business and its environment.
 - (a) Frequent
 - (b) Continuous
 - (c) Seldom
 - (d) Occasional

Solutions of December 2012

1. (d) Liberalisation refers to the process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises.
It includes:
 - (i) Abolishing industrial licensing requirement.
 - (ii) Freedom in fixation of goods and services.
 - (iii) Reduction in tax rates.
 - (iv) Freedom in deciding business scale.
 - (v) Simplifying import export procedures.Thus, among the given options, **simplifying the procedures for**

imports and exports is right.

2. (b) Macro Environment also known as General or Remote Environment is beyond the direct control and influence of the organisation. These factors are more uncontrollable than micro factors i.e. they are **less controllable than micro factors**.
3. (b) **Competitor analysis** is a critical aspect of analyzing the internal business environment. Competitor's action affect the ability of the business to make profits, because competitors will continually seek to gain advantage over each other, by differentiating their product and service and by seeking to provide better value for money.
4. (b) **Vision Statement** is a road map of a company's future. It describes the desired future position of the company.
5. (b) Mission Statement helps defining the company's business, its objectives and its approach to reach those objectives. It broadly describes an organisation's present capabilities, customer focus, activities and business makes, thus helping an organisation to reach its desired future position as set out in its vision statement.
Thus, mission statement of a company is derived from its **Vision Statement**.
6. (b) Business environment is always changing in nature. Moreover, environment influences business and in turn, business influences environment.
Thus, it can be said that there is close and **continuous** interaction between business and its environment.

Questions of June 2013

1. Which one of the following shows a big picture of what a company wants to achieve in future?
(a) Vision statement (b) Mission statement
(c) Value statement (d) Quality statement.
2. Value system of an organisation have an impact on its:
I. Objectives
II. Policies
III. Practices
IV. Profit
The correct option is:

- (a) I and II only (b) I, II and III only
 (c) II, III and IV only (d) I, II, III and IV.
3. Which among the following are the key drivers of globalisation?
- (a) Government action, exchange rates, competition and socio-demographic factors
 (b) Market convergence, competition, exchange rates and cost advantages
 (c) Cost advantages, government action, economic cycles and competition
 (d) Market, cost, competition and government policies.

Solutions of June 2013

1. (a) Vision statement is where you want your business to reach at. It is your future dream for your business. Thus we can say that **Vision Statement** shows a big picture of what a company wants to achieve in future.
2. (b) The principles of right and wrong that are accepted by an individual or organisation are what comprise value system. The value system of the founders and those at the helm of affairs has important bearing on the choice of business, the mission and **objectives** of the organisation, business **policies** and **practices**. Thus, value system has no impact on profits of an organisation.
3. (b) Globalization may be defined as “the growing Economic interdependence of the country worldwide through increasing volume and variety of cross border transactions in goods and services. Thus, we can say that, **market convergence, competition, exchange rates and cost advantages** are the key drivers of globalization.

Questions of December 2013

1. Which one of the following is not a feature of business environment ?
- (a) Dynamic nature (b) Image building
 (c) Uncertainty (d) Totality of external forces.

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■ **Model Solved Scanner CS FP-BE&E Paper-1 (New)**

2. Which one of the following describes the desired future position of a company ?
(a) Mission statement (b) Vision Statement
(c) Competitive advantage (d) Qualitative policy.
3. The process of eliminating unnecessary controls and restrictions on the smooth functioning of a business enterprise is known as :
(a) Liberalisation (b) Globalisation
(c) Privatisation (d) None of the above.

Solutions of December 2013

1. (b) Following are the features of Business Environment :
(i) Dynamic
(ii) Multi - faceted
(iii) Sum of external forces
(iv) Uncertainty
(v) Both specific and general forces
(vi) Relativity
Therefore, image building is not a feature of business environment.
2. (b) 'Vision Statement' is a road map of a companies future. It describes the desired future position of the company.
3. (a) **Liberalisation** refers to relaxation of previous government restrictions usually in areas of social and economic policies. It refers to the process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises.

Questions of June 2014

1. Business environment consists of which element?
(a) Internal (b) External
(c) Both (a) & (b) (d) None of these
2. Which of the following is not an economic policy?
(a) Industrial Policy (b) Fiscal Policy

- (c) Exim Policy (d) Technological Policy
3. Macro environment is concerned with major issues and upcoming changes in the environment.
(a) True (b) False
(c) Partly True (d) Partly False
4. Which of the following factor is not included in micro-environment?
(a) Customers (b) Employees
(c) Suppliers (d) Technology
5. The economic environment of business in India is changing at a fast rate mainly due to economic policies:
(a) True (b) False
(c) Partly Yes (d) Partly No
6. Which of the following affects an individual enterprise ?
(a) General forces (c) Both (a) and (b)
(b) Specific forces (d) None of these
7. Which among the following is the vision of ICSI?
(a) "Promoting global excellence"
(b) "To be a global leader in promoting good corporate governance"
(c) "Partners in Nation building"
(d) "Building corporate responsibility"
8. When a state owned enterprise is given in private hands, it is known as_____.
(a) Liberalisation (b) Globalisation
(c) Privatisation (d) Transformation
9. Who started the process of liberalisation ?
(a) Yashwant Singh (b) Jashwant Singh
(c) Manmohan Singh (d) Mahatma Gandhi
10. Mission Statement is derived from –
(a) Future position of the company
(b) Company's business and its objectives
(c) Both (a) and (b)
(d) None
11. Which of the following is not an example of mission statement?
(a) NIKE - To bring inspiration and innovation to every athlete in the world.

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- (b) FACEBOOK - Power to share and make the world open & connected.
- (c) GOOGLE - To organise the world's information and make it universally accessible and useful.
- (d) ICSI - To develop high caliber professionals facilitating good corporate governance.

Solutions of June 2014

1. (c) Business environment factors is a sum of several external and internal forces that affects the functioning of the business.
Thus, it contains **both** internal and external elements.
2. (d) Economic policies are:
 - Industrial policy
 - Fiscal policy
 - EXIM policy
 - Foreign investment policyThus, **technological policy** is not an economic policy.
3. (a) It is **true** that macro environment is concerned with major issues with which the organisation deals for long term working.
4. (d) Micro economics comprises of following factors.
 - Consumer / Customers - Competitors
 - Employees - Suppliers
 - Share holders - MediaThus, in the given question, **technology** is not a factor of micro environment.
5. (b) The economic conditions of a country refer to a set of economic factors that have great influence on business organisations. Hence, the given statement that economic environment of business in India is changing at a fast rate mainly due to economic policies are **false**.
6. (b) General forces affect the enterprises or industry as a whole while the specific forces affect the individual enterprises.
Hence, **option (b)** is correct.

7. (b) Vision statement is a road map of a company's future. Following is the vision of ICSI, **"To be a global leader in promoting good corporate governance."**
8. (c) Privatization refers to the transfer of assets or service functions from public to private ownership or control.
Thus, under **privatisation** a state owned enterprise is given in private hands.
9. (c) **Manmohan Singh** started the process of liberalisation.
10. (b) **Mission statement helps defining the Company's business, its objectives and its approach to reach those objectives.** It broadly describes an organisation's present capabilities, customer focus, activities and business makes, thus helping an organisation to reach its desired future position as set out in its vision statement.
11. (d) The mission statement of ICSI is "to develop high caliber professionals facilitating good corporate governance."
Thus, **option (d)** is not an example of mission statement.

Questions of December 2014

1. Early identification of opportunities helps an enterprise to be the first to exploit them instead of losing it to competitors. The mentioned advantage can be categorised under:
 - (a) First mover advantage
 - (b) Initial identifier advantage
 - (c) Earlier advantage
 - (d) Second mover advantage.
2. Recruitment of public relations consultants are a part of _____.
 - (a) Operating Environment
 - (b) General Environment
 - (c) Macro Environment
 - (d) Competitive Environment.
3. Liberalization in India did not result in:
 - (a) A high growth rate
 - (b) A healthy and flourishing stock market
 - (c) Easy availability of goods at competitive prices

(d) Low foreign exchange reserves.

Solutions of December 2014

1. (a) Under first mover advantage, early identification of opportunities helps an enterprise to be the first to express them instead of losing them to competitors. For ex. Maruti Udyog became the leader in the small car market because it was the first to recognize the need of small cars in India.
2. (a) Public relations is a practice of managing the spread of information between an individual or an organisation the public. Public relations is the idea of creating coverage for clients, rather than marketing or advertising the aim of public relations is to inform the public, prospective customers, investors, partners, employees and other stakeholders and ultimately persuade them to maintain certain view about the organisation. So recruitment of public relation consultants is a part of **Operating Environment**.
3. (d) Benefits of liberalization includes:
 - (i) It has led to expansion of Indian Economy.
 - (ii) Easy entry of foreign business organisation in India.
 - (iii) High growth rate.
 - (iv) Availability of goods at competitive prices.
 - (v) Healthy stock market.
 - (vi) Low inflation rate.But it does not result in **low foreign exchange reserves**.

Questions of June 2015

1. Where is company's mission statement derived from?
 - (a) From the vision of the company
 - (b) From the company policies
 - (c) Memorandum of Association of the Company
 - (d) All of the above

2. Opening up of an industry that has been reserved for the public sector to the private sector is an example of:
(a) Modernisation (b) Liberalisation
(c) Globalisation (d) Privatisation
3. Mission statement is derived from
(a) Vision statement (b) Laws and statutes
(c) Company policies (d) The company's memorandum of association

Solutions of June 2015

1. (a) Elements of Mission and Vision statements are often combined to provide a statement of the purposes, goals and values of the companies. However, some times the two are used interchangeably. Where your vision is your ultimate goal, your mission is how you get there.
2. (d) Another dimension of privatization is opening up of an industry that has been reserved for the public sector of the private sector.
3. (a) The mission statement of a enterprise is derived from its vision, in some places mission and vision statements are used interchangeably.

Questions of December 2015

1. Which of these is not included in (NAFTA) North American Free Trade Agreement?
(a) US (b) India
(c) Mexico (d) Canada
2. Who started the process of liberalisation?
(a) Yashwant Singh (b) Jashwant Singh
(c) Manmohan Singh (d) Mahatma Ghandhi
3. When did Government of India introduced a change in Economic policy?
(a) 1892 (b) 1991

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(c) 1895

(d) 1781

Solutions of December 2015

1. (b) US, Canada and Mexico have signed the North American Free Trade Agreement to remove all trade barriers among these countries. **India is** not a part of NAFTA.
2. (c) **Manmohan Singh** started the process of liberalisation.
3. (b) Government of India introduced a change in Economic policy 1991. This policy abolished licensing in most of the cases, allowed private participation in most industries, disinvestment was carried out in many public sector enterprises and opened up the economy considerably.

Questions of June 2016

1. Mission statement is derived from:
 - (a) Company policies
 - (b) The Companies memorandum of association
 - (c) Vision statement
 - (d) Laws and statutes
2. Product differentiation is an example of:
 - (a) Brand loyalty
 - (b) Value statement
 - (c) Brand equity
 - (d) Competitive advantage.
3. Which of the following is correct?
 - (a) Privatisation got momentum in India after 1947
 - (b) Privatisation and liberalisation has no co-relation
 - (c) Privatisation facilitates liberalisation
 - (d) Liberalisation facilitates privatisation.
4. _____ is not part of External Environment analysis:
 - (a) Analysing financial ratio

- (b) Studying the political environment
- (c) Analysis available technologies
- (d) Analysis social, cultural, demographic and geographic forces.
- 5. Which of the following is a part of internal environment scanning:
 - (a) Political environment
 - (b) Customer preferences
 - (c) Chain of command
 - (d) Law and order.
- 6. _____ causes unnecessary delays, file backups, storage problem and the like:
 - (a) Fungus
 - (b) Bacteria
 - (c) Virus
 - (d) Protozoa.

Solutions of June 2016

- 1. (c) Mission statement is derived from the **vision statement**, as mission statement defines the company's objective, business and its approach to reach those objectives or the desired future position of the company. Thus, elements of mission and vision are often combined to provide a statement of purpose, goal & values of the company.
- 2. (d) Product differentiation is an example of **competitive advantage**. To explain it is a critical aspect of analyzing the internal business environment. Competitor's action affect the ability of the business to make profit and gain an advantage over each other; thus for seeking to provide better value for money.
- 3. (d) Liberalisation refers to the process of eliminating unnecessary controls & restrictions on the smooth functioning of business enterprises thereby facilitating privatisation showing inevitable historical reaction to the indiscriminate expansion of the state sector & the associated problems.

1.36

■ **Model Solved Scanner CS FP-BE&E Paper-1 (New)**

4. (a) The external environment of an organisation comprises of all entities that exists outside its boundaries, but have significant influence over its growth and survival. Hence, **analysing financial ratio** is not a part of external environment analysis.
5. (b) **Customer preferences** is a part of internal environment scanning as the organisation survive on the basis of meeting “customer needs and wants” and providing benefits to their customers. Failure to do so will result in a failed business strategy.
6. (c) **Virus** causes unnecessary delays, file backups, storage problems and the like. Therefore, the existing technology is not best suited every time. The connections are unstable, data transfer problems, high cost, competing standards are other constraints.

Questions of December 2016

1. Which of the following is not included in an analysis of the business environment?
 - (a) Economic trends
 - (b) Animal behaviour
 - (c) Social behaviour
 - (d) Political trends.
2. Opening up of an industry that has been reserved for the public sector to the private sector is an example of:
 - (a) Modernization
 - (b) Globalization
 - (c) Liberalization
 - (d) Privatization.
3. Which of the following is not correct?
 - (a) Identification of possible threats does not help an organization to face the competition
 - (b) Identification of possible threats helps an organization to grow even in competition
 - (c) Identification of possible threats helps in taking corrective and improving measures to survive the competition

- (d) Identification of possible threats require thorough knowledge of business environment.
4. Generally the main reason behind starting a business is:
- (a) Social service
 - (b) Earning profits
 - (c) Earning name
 - (d) Spiritual reasons.

Solutions of December 2016

1. (b) The acronym for macro analysis is STEEP. The five areas of Interest are:
- (a) Socio Cultural and Demographics
 - (b) Technology
 - (c) Economic Condition
 - (d) Ecology and Physical Environment
 - (e) Political and Legal trend
2. (d) Privatization has become a universal trend means transfer of ownership or management from public sector to private sector. It also means withdrawal of state from an industry or sector, partial or fully. Another dimension of **privatization** is opening up industry that has been reserved for public sector to private sector.
3. (a) Identification of possible threat help an organisation to face competition and even grow.
4. (b) Every business serve as a common purpose to **earn profit** all other reasons are secondary.

Questions of June 2017

1. Key goal in the firm's growth phase is:
- (a) Expansion of sales.
 - (b) Expansion of capital.
 - (c) Cutting costs.
 - (d) Expansion of profit.
2. Competitors are a part of:
- (a) External business environment.

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- (b) Internal business environment.
- (c) Both External and Internal environment.
- (d) Neither External nor Internal environment.
- 3. An activity which is related with continuous and regular production and distribution of goods and services for satisfying human wants is called:
 - (a) Production
 - (b) Distribution
 - (c) Service
 - (d) Business
- 4. The World Trade Organisation (WTO) is stimulating:
 - (a) Privatisation
 - (b) Liberalisation
 - (c) Localization
 - (d) Globalisation

Solutions of June 2017

- 1. (a) After the successful introduction of a product, the company tries to increase its market share or sales in the growth phase, which is its percentage of sales volume compared to competitors in the same category. The company focuses on additional promotional and distribution efforts to reach as many potential end users as possible.
- 2. (a) External Environment consist of the factors that are outside the company's boundaries, thus the company has no control over them. Competitors are the part of the same. Before making any strategy, business must be aware of its competitors actions to the environment changes.
- 3. (d) Business is very wide term and is put to different usages. It can be referred as the activity consisting of purchase, sale, manufacturing, processing and marketing of goods and services. It exist for profits and satisfying human wants in many ways. Therefore society and business cannot function without each other.
- 4. (d) Globalisation refers to integration of world into huge market by removing the trade barrier among countries. US, Canada and

Mexico have signed the North America Free Trade Agreement (NAFTA) to remove all the trade barrier among the countries. Thus, World Trade Organisation (WTO) has stimulated the cross borders trade.

