



# ST. LAWRENCE HIGH SCHOOL

A JESUIT CHRISTIAN MINORITY INSTITUTION



## Study Material No. 5

**Sub: Business Studies**

**Class XII**

**Date: 26.06.2020**

**Topic: Business Environment**

**Chapter – 3**

### **Q 1- Explain what is Business Environment?**

**Ans-** Business environment means all those external forces which affect the performance of a business organisation. These forces can be political, social, economic, technological or legal. From consumers to government, they all impact the smooth functioning of an enterprise; hence it is important for an organisation to understand the nature of these external forces.

### **Q2- Discuss why it is important for business enterprises to understand their environment?**

**Ans-** Check the following points which are important to understand the business environment.

- **Adjusting to Changes:** The business environment has a dynamic nature. Adjustment to various changes in technology, consumers' taste, and preference, government policies is important for an enterprise.
- **Threat Identification:** Aside from the positive opportunities, it is important to identify the threat that the enterprise might face in the future.
- **Accumulation of useful resources:** Outer environment provides resources to the enterprises. It becomes important that the output provided by the organization is credible and desired in the local region.
- **Performance improvement:** The continuous analysis of the business environment helps the enterprise in understanding the ongoing demands. The moderation of policies can also take place with this.

### **Q3- What are the impacts of demonetization on real estate, private wealth and real estate.**

Demonetisation is the withdrawal of the status of legal tender to the currency in circulation.

Demonetisation was announced in India from the midnight of November 8, 2016. The government announced the Demonetization of ₹ 500 and ₹ 1,000 currency notes. Its impact is mentioned in the points below:

- **Private Wealth:** It leads to the decline of private wealth since high demonetized notes were not returned due to demonetization.
- **Interest Rate-** There was an increase in the bank deposits leading to the increased number of financial savings. There was a tremendous decline in cash transactions.
- **Real Estate-** The prices of the real estate were also reduced

### **Q4- Mention the benefits of understanding the business environment?**

**Ans-** Take a look at the benefits of understanding the business environment:

- Gathering useful resources
- Identifying threats in prior
- Help in the formulation of planning and policies
- Identifying opportunities and getting a perfect advantage out of it
- Accommodating and adjusting to rapid changes

**Q5- What economic changes were made by the Government under the Industrial Policy, 1991? Mention the impact these changes have made on business and industry?**

**Ans-** The Industrial Policy liberated the industries from the complications of the licensing system (liberalisation), encouraged foreign private participation in India's industrial growth (globalisation) and reduced the role of the public sector (privatization).

**Q6- Discuss the various dimensions of the business environment.**

- **Social Environment:** It means social forces such as traditions, cultures, social values, social trend
- **Political Environment:** Political environment means political conditions such as law & order, changing policies and government etc.
- **Legal Environment:** Legal Environment means the legislation and rules which are passed by the government such as the Trade union Act, Companies Act, etc.
- **Economic Environment:** This one involves the economic variables such as stock market, income, interest rates that directly impacts the functioning of the enterprises.
- **Technological Environment:** It means alterations in technological changes, improvements, and advances.

**Q7- Discuss the impact of the changing Government policy on all kinds of business and industry.**

**Ans-** Policies like liberalisation, privatization, and globalisation by the government directly affects the functioning of the enterprises. Check a few of the changes in points:

- **Alteration in business Policies:** Government policies directly affect the functioning of all forms of business enterprises.
- **Market Orientation:** Increased competition will make production market-oriented. Meaning, the business will be producing as per the demand market.
- **Changes in technology:** With the rise in competition firms are inclined to find innovative ways to survive in the market successfully.

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