# Business Environment

Standard difficulty · 20 questions · 40 marks · Time: 40 minutes

Name: _____ Date: _____ Score: ____ / 40

Show your working for Sections B and C. Answers are on the last page — try every question first!

## Section A — Choose the correct answer — 8 × 1 = 8 marks

1. The total of all individuals, institutions and forces outside a business that affect it is the:
   **(a)** business plan **(b)** management
   **(c)** business organisation **(d)** business environment

2. What is meant by “first mover advantage”?
   **(a)** the gain from being first to use an opportunity
   **(b)** new methods, inventions and techniques
   **(c)** laws, rules and court orders
   **(d)** interest rates, inflation, incomes and the like

3. Which of these is a change in the social environment?
   **(a)** Rules require warnings on packets of harmful products.
   **(b)** Prices of most goods rise faster than usual.
   **(c)** Incomes of families rise, so they spend more.
   **(d)** People become more health-conscious and want organic food.

4. The environment includes all forces outside the business taken together. Which feature of business environment does this show?
   **(a)** totality of external forces **(b)** relativity
   **(c)** inter-relatedness **(d)** uncertainty

5. A firm keeps up with fast changes in customer tastes and technology. Which importance of understanding the business environment does this show?
   **(a)** tapping useful resources
   **(b)** assisting in planning and policy formulation
   **(c)** coping with rapid changes
   **(d)** identifying opportunities

6. Which of these is a general force of the business environment?
   **(a)** Investors **(b)** Suppliers
   **(c)** Competitors **(d)** Laws and court orders

7. How does “tapping useful resources” help a business?
   **(a)** helps get inputs from the environment
   **(b)** shows what plans can work
   **(c)** firms that watch the environment do better
   **(d)** gives a first mover advantage

**8.** What does the “specific and general forces” of business environment mean?

**(a)** some forces act directly on a firm, others on all firms

**(b)** it keeps changing

**(c)** its forces are closely linked and affect each other

**(d)** its many forces are hard to understand together

## Section B — Short answer — 8 × 2 = 16 marks

**9.** What is meant by business environment?

**10.** Explain each term: (a) social environment (b) technological environment

**11.** Which dimension of the business environment does each change belong to? (a) Electric scooters reduce demand for petrol scooters. (b) Rules require warnings on packets of harmful products.

**12.** Which feature of business environment does each show? (a) Fashions in clothing keep changing every season. (b) Customers and competitors affect the firm directly; incomes and laws affect it indirectly.

**13.** How does understanding the environment help in each case? (a) A firm sees falling demand for its product early and plans a new one. (b) Knowing the environment helps managers decide future plans and policies.

**14.** Is each a specific or a general force? (a) Competitors. (b) New technology.

**15.** How might each change affect a business? Name its dimension. (a) Banks raise their rates of interest on loans. (b) Electric scooters reduce demand for petrol scooters.

**16.** Explain the feature of business environment shown in each: (a) The environment includes all forces outside the business taken together. (b) Customer tastes and technology keep shifting all the time.

## Section C — Word problems — 4 × 4 = 16 marks

**17.** Explain the features of business environment.

**18.** Match each with its meaning: (a) social environment (b) technological environment (c) specific forces. Choose from: customs, values, traditions and lifestyles; new methods, inventions and techniques; forces like customers and competitors that directly affect a firm.

**19.** Read about Shubh Footwear Ltd. (a) Digital payments replace cash in many shops. (b) A court orders a factory to stop releasing waste into a river. (c) More women take up jobs, raising demand for ready meals. Identify the dimension of business environment in each part and explain it briefly.

**20.** Read about Sunrise Foods Ltd. (a) A firm notices a foreign rival entering the market and improves its product in time. (b) A firm keeps up with fast changes in customer tastes and technology. (c) A firm studies the market to arrange finance and materials on good terms. Identify the importance of business environment in each part and explain it briefly.

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# Answer key

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| Q | Answer | Working |
|---|---|---|
| 1 | (d) business environment | — |
| 2 | (a) the gain from being first to use an opportunity | — |
| 3 | (d) People become more health-conscious and want organic food. | — |
| 4 | (a) totality of external forces | — |
| 5 | (c) coping with rapid changes | — |
| 6 | (d) Laws and court orders | — |
| 7 | (a) helps get inputs from the environment | — |
| 8 | (a) some forces act directly on a firm, others on all firms | — |
| 9 | The sum total of all individuals, institutions and other forces outside a business that may affect its performance. | — |
| 10 | (a) customs, values, traditions and lifestyles (b) new methods, inventions and techniques | — |
| 11 | (a) technological (b) legal | — |
| 12 | (a) dynamic nature (b) specific and general forces | — |
| 13 | (a) identifying threats: gives early warning signals (b) assisting in planning and policy formulation: shows what plans can work | — |
| 14 | (a) specific (b) general | — |
| 15 | (a) economic: it changes costs, demand or the cost of borrowing (b) technological: it brings new products and methods and makes old ones obsolete | economic: interest, prices, incomes; social: values and lifestyles; technological: new methods and inventions; legal: laws and court orders |
| 16 | (a) totality of external forces (b) dynamic nature | — |
| 17 | Totality of external forces, specific and general forces, inter-relatedness, dynamic nature, uncertainty, complexity and relativity. | — |

| Q | Answer | Working |
|---|---|---|
| 18 | **(a) customs, values, traditions and lifestyles (b) new methods, inventions and techniques (c) forces like customers and competitors that directly affect a firm** | — |
| 19 | **(a) technological: it brings new products and methods and makes old ones obsolete (b) legal: the firm must change its practices to obey the law (c) social: it changes what people want to buy** | — |
| 20 | **(a) identifying threats: gives early warning signals (b) coping with rapid changes: helps the firm adapt in time (c) tapping useful resources: helps get inputs from the environment** | — |