



BUDDHA SERIES

(Unit Wise Solved Question & Answers)

Course – MBA

COLLEGE – BUDDHA INSTITUTE OF MANAGEMENT

(AKTU Code-1212)

Department: Business Administration (PG)

Subject: BUSINESS ENV. & LEGAL ASPECT OF BUSINESS

Sub. Code: BMB 201

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Q. No. 1 - Explain the Importance of business Environment in recent Economic Scenario.

Ans: It is sum total of all external forces and factors that influence a company operations, performance, decision-making and long term survival.

These Economic conditions, political and legal factors, socio-cultural trends, technological changes, Environmental aspects and global dynamics. Often summarize as PESTLE (Political, Economic, Social, Technological, Legal, Environmental)

In 2025-26, The business Environment has become exceptionally volatility, fragmented and consequently, understand and actively monitoring it is no longer exception.

It is critical stage capabilities for companies.

① Geopolitical fragmentation and trade disruption.

② AI and Tech disruption.

③ Macro and Policy uncertainty require constant scenario-planning

④ Sustainability Energy transition

⑤ Energy and climate.

Q.N.2

Explain PEST Analysis with example of company.

ANS:-

In today dynamic business environment, organization do not operate in isolation. Their performance influenced not only by External macro-Environmental forces. One of the most widely accepted tool for External Analysis is → PEST Analysis.

It helps managers understand the broader factors that can affect business decisions, long-term planning and competitive position.

P = Political factors

E = Economic factors

S = Social factors

T = Technological factors.

① Political factors :- Government stability, Tax Policies, trade restrictions, labour laws, Environmental regulations, licensing Policy.

Ex:- Tata Motors operate in Auto-sector, influenced by Govt. Policy.

② Economic factors :- Inflation rate, Interest rate, Economic growth, Fuel Price.

Ex:- Economic conditions greatly impact automobile demand.

③ Social factors :- Population growth, age distribution, lifestyle change.

Ex:- Social trend strongly shape the automobile market.

④ Technological factors :- Automation, R&D, AI, IOT, Production tech.

Ex:- Tata play crucial role in Automobile manufacturing.

Q. N. 3 :-

Explain SWOT Analysis with Example &

Answer:- Every organization operates in competitive and changing environment. To survive and grow, a company should operate understand both its internal capabilities and external capabilities.

S = Strength W = Weaknesses O = Opportunities T = Threats

Internal factors

Strength

Weaknesses

External factors.

opportunities

Threats.

It helps in:-

- ① Strategic Planning
- ② Decision Making
- ③ Identifying competitive advantage
- ④ Improve Performance

① ~~Strategic~~ Strength :- Strong Brand Image ② Skilled workforce
Advance technology, large customer base, efficient supply chain.
Ex:- Amul in India largest dairy brand.

② Weaknesses :- Internal limitation, high Employee turnover, lack of funds, outdated technology, inefficient process.

③ Opportunities :- External factors that the organization can use to grow and succeed. Ex. of - Grow Mkt. demand, New technology, govt. support,

④ Threat (T) - External challenges or risks that can harm organization.
Strong competition, Economic recession, Rising Cost, technological change.

Q. N. a: Define Business Environment. Explain key factors of Business Environment alongwith importance.

Ans: Business Environment refers to the total of all external and internal factors that influence business operation

It is the sum of all conditions, forces, and institutions that affect the functioning of an organization.

Feature:-

a. Totality of external forces	c. Uncertainty
b. Dynamic in nature	d. Complex & Relative.

Importance: →

- ① Business Environment helps in identifying opportunities.

- ② B.E helps in threat detection

- ③ Improve planning and decision making

- ④ It helps in adaption to change

- ⑤ Ensure long-term survival.

Ex:- Growth of digital payment created opportunity for fintech companies.

Q. No. 5 :-

Discuss the various types of Business organization

Ans:- Business organization are classified based on ownership and legal structure.

- (A) Sole Proprietorship (B) Partnership firm
 (C) Joint Hindu family (D) Company (Joint stock company)
 (E) Co-operative society

(A) Sole proprietorship:- Owned and managed by one person.

Features:- (1) Easy to start (2) Full control (3) Unlimited liability

Adv:- (1) quick decision & secrecy (2)

Disadvantages:- Limited capital, high risk

(B) Partnership firm:- Owned by two or more person who share profits

Features:- Partnership deed, Mutual agency, Unlimited liability.

(C) Joint Hindu Family Business:- Owned by family members under Hindu law. Features:- Managed by Karta.

(D) Company (Joint Stock Company) - Artificial legal person created by law.

Types - Private Company, Public Company.

Features:- Separate legal entity, limited liability

(E) Co-operative society:- Formed by some members

Features:- Democratic control, Service motive.

Q.N: ⑥ Explain the features of Internal Environment of Enterprise.

A.N: ① Value System :- Ethics, Belief, Culture.

② Management Structure :- Hierarchy, leadership style

③ Human Resource :- Skills, Motivation, Experience.

④ Company Image & Brand Value :- Public Perception.

⑤ Physical Assets :- Machinery, Land, Building

⑥ Facilities :- Infrastructure support.

⑦ Research & Development (R & D)
Innovation Capacity.

⑧ Intangible :- Goodwill Patents

⑨ Competition advantages for Internal Environment of Enterprise.

Unique Strength over Competitors.

Q.N:- 7

Discuss the nature of External Environment of Enterprise.

Answer: An enterprise does not operate in isolation. External Environment refers to all factors outside the organization that affect its functioning, growth, long term success but are beyond its direct control. Broadly classified into:-

- ① Micro Environmental
 - a. Suppliers:- Raw Materials, Component, machine, service
 - b. Customer:- Individuals, Business, government, international buyers.
 - c. Market Intermediaries
 - Wholesaler, Retailers
 - Transport Companies
 - Advertising agency
 - Financial institution.
 - d. Competitors:-
 - ① Brand Competition
 - ② Product Competitor
 - ③ Generic Competitor

- ② Macro Environment
 - A. Demographic Env. The study of population characteristics such as age, gender, income, Education, population growth.
 - B. Natural Environment: Natural Resource, climate, geography, Envi. factors.
 - ③ Legal Environment:- It includes govt. policies, laws, regulation, political stability.
 - ④ Technological Environment: Refers to innovation, invention, technological advancement
 - ⑤ Economic Env: Growth, inflation, interest rates, income level.

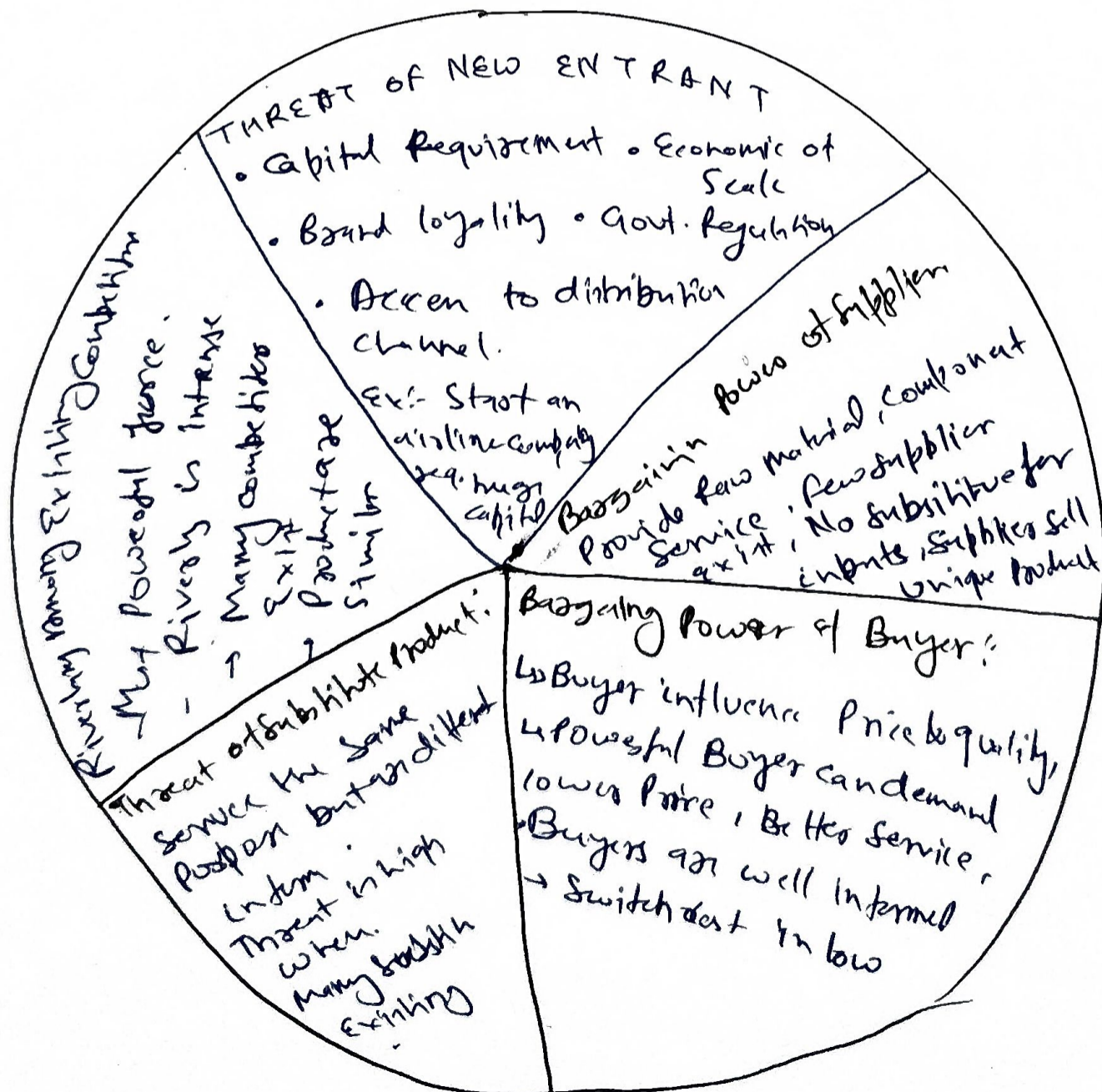
Q. No. 8

Why Michael Porter Five Forces model is important for analyzing industry?

Answer: Developed by Michael E. Porter of Harvard Business School

It is tool to analyze 5 competition forces that determine the intensity of competition and attractiveness of an industry.

- ① Threat of New Entrant
- ② Bargaining Power of Suppliers
- ③ Bargaining power of Buyers
- ④ Threat of Substitute Product
- ⑤ Rivalry among Existing Competitors



Q. No. 9

Illuminate Competitive Strategy. Discuss the types of Competitive Strategies in detail.

Ans: - Michael Porter proposed Business can achieve competitive advantage through three generic competitive strategies:

① Cost Leadership Strategy: A firm aims to become the lowest cost producer in the industry.

The company focuses on reducing cost through

- ① Efficient Production & Economies of Scale & Cost Control
- ② Use of technology
- ③ Low marketing and overhead cost.

② Differentiation Strategy: A firm offers unique products or services that customers perceive as different and superior.

Differentiation may be based on: ① quality ② Brand image

③ Technology ④ Customer Service ⑤ Design ⑥ Innovation

features: - Strong Brand image, Continuous innovation, Emphasis on quality.

③ Focus Strategy: Target a specific segment or niche market instead of whole market.

→ firm focus on: - Particular customer group → Specific geographic area
→ Special product line.

→ The object is - To serve limited market better than competitors, Deep understanding, Specialized Product
→ Limited market scope.

Q. No. 10

Compare and contrast between Cost leadership, Differentiation, Focus group.

Aspect	Cost leadership	Diff.	Focus.
Objective	lowest Cost	Unique product	Some Niche
Market Scope	Broad	Broad	Narrow
Customer loyalty	low (Price-based)	high (Brand Based)	Very high (Specialized)
Profit Margin	low Margin	High	Moderate
Production	High volume	Moderate	(Low-Moderate)
Innovation level	low to Moderate	High	Moderate (Specific)

- Similarity!-
- ① Aim to achieve competitive advantage
 - ② Focus on Customer Satisfaction
 - ③ Require efficient management
 - ④ Need understanding of competitors
 - ⑤ used for long term success