

(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 7110**Roll No.**

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M.B.A.

(SEM II) EVEN SEMESTER THEORY EXAMINATION, 2009-2010

BUSINESS ENVIRONMENT

Time : 3 Hours

Total Marks : 100

- Note :** (i) Question paper contains *three parts*.
(ii) *All questions are compulsory*.
(iii) *Figures given at the side of question indicate marks.*

PART - I**(20x1=20)**

- Which among the following is a factor affecting business environment ?
(a) Human Resource (b) Management Structure
(c) Suppliers (d) All the above
- Competitors, customers, and public are the part of _____.
(a) Macro environment (b) Micro environment
(c) Business environment (d) None of these
- M RTP Act is replaced by competition act on the recommendation of :
(a) S.V.S. Raghavan Committee (b) M. Patel Committee
(c) Hota Committee (d) Narsimha Committee
- FEMA comes into operation from :
(a) Dec. 1, 1999 (b) May 1, 2002
(c) June 1, 2002 (d) March 1, 2002
- The Industrial Policy Resolution of 1948 aimed at :
(a) Acceleration of the industrial development
(b) Growth of Agriculture
(c) Development of Service sector
(d) Development of Infrastructure

The process of convincing the various powerful elements of the environment to act in the favour of the organization is known as :

- (a) Buffering (b) Lobbying (c) Coalescing (d) Agreements

7. The _____ is the market where new securities, i.e. shares or bonds that have never been previously issued are offered.
8. Registration and licensing are the _____ provisions provided in IRDA.
9. Monetary policy is formulated by :
(a) SEBI (b) RBI (c) CLB (d) Finance Ministry
10. _____ ensures liquidity of investment by ready marketability of securities.

Match the following :

- | | |
|------------------------------|--|
| 11. Product Differentiation | (i) Controlled or Consumerism |
| 12. Social Discrimination | (ii) Capitalism |
| 13. Consumer Protection Act, | (iii) Competitive structure of Industries |
| 14. Socialism | (iv) 1986 |
| 15. Economies of Scale | (v) Powerful barriers for entry in markets |

State True or False :

16. In a capitalist economy factors of production (land, labour, and capital) are privately owned and production takes place at the initiative of private enterprise.
17. Economic planning in a country is under taken by a Central Authority which is entrusted with the power of formulating, implementing and reviewing the national plan.
18. Industrial policy refers to the government policy towards the establishment, working and management of industries in the country.
19. A corporation that produces in home country and markets these products globally is known as International Corporation.
20. Arbitrageurs force the price to stock index future contract to remain close to the underlying index.

PART - II

The public sector Indian Oil Corporation (IOC), the major oil refining and marketing company which was also the canalizing agency for oil imports and the only Indian company in the Fortune 500, in terms of sales, planned to make a foray in to the foreign market by acquiring a substantial stake in the Balal Oil field in Iran of the Premier Oil. The project was estimated to have recoverable oil reserves of about 11 million tonnes and IOC was supposed to get nearly four million tonnes.

When IOC started talking to the Iranian company for the acquisition in October 1998, oil prices were at rock bottom (\$ 11 per barrel) and most refining companies were closing shop due to falling margins. Indeed, a number of good oil properties in the Middle East were up for sale. Using this opportunity, several developing countries "made a killing by acquiring oil equities abroad."

IOC needed Government's permission to invest abroad. Application by Indian company for investing abroad is to be scrutinized by a special committee represented by the Reserve Bank of India and the finance and commerce ministries. By the time the government gave the clearance for the acquisition in December 1999 (i.e., more than a year after the application was made), the prices had bounced back to \$ 24 per barrel. And the Elf of France had virtually taken away the deal from under IOC's nose by acquiring the Premier Oil. The RBI, which gave IOC the approval for \$ 15 million investment, took more than a year for clearing the deal because the structure for such investments were not in place, it was reported.

Questions :

(3x10=30)

1. Discuss internal, domestic and global environments of business revealed by this case.
2. Discuss whether it is the domestic or global environment that hinders the globalization of India business.
3. What would have been the significance of the foreign acquisition to IOC ?

OR

The Economic Times, 22 October 2000, reported that Reliance Industries entered into a swap deal for the export and import of 36 cargoes of naphtha over the next six months. Accordingly, three cargoes of 50,000 tonnes each were to be exported every month from Reliance Petroleum's Jamnagar refinery and three cargoes of the same amount were to be imported to the Reliance Industries, Hazira facility. The deal was done through Japanese traders Mitsubishi, Marubeni Itochu, IdCmistsu and Shell. The export was done at around Arabian Gulf price plus \$22.

Reliance, needs petrochemical grade naphtha for its Hazira facility which is not being produced at Jamnagar. Therefore, its cracker at Hazira gets petrochemical grade naphtha from the international markets in return for Reliance Petroleum selling another grade of naphtha from its Jamnagar refinery to the international oil trade.

It RIL imports naphtha for Hazira petrochemical plant, the company does not have to pay the 24 percent sales tax, which it will have to pay on a local purchase, even if it exports naphtha from the refinery at Jamnagar. The export of naphtha with Japanese traders is being looked as a coup for Reliance as it gives the company an entry into the large Japanese market. Indian refineries have a freight advantage over the Singapore market and can quote better prices.

Questions :

(3×10=30)

1. Examine the internal and external factors behind Reliance's decision for the swap deal.
2. What environmental changes could make swap deal unattractive in future ?
3. Could there be any strategic reason behind the decision to import and export naphtha ?

PART - III

(4×12.5=50)

1. Discuss the various sources of Environmental scanning and sketch out the process of environmental scanning.

OR

Write short notes **any two** of the following :

- (a) Characteristics of Mixed Economy.
 - (b) "Capitalism cannot survive without war". Comment.
 - (c) How international environment affects the Domestic environment ?
2. What guidelines have been issued by SEBI for the protection of the interest of debenture holders ?

OR

Explain the role of MRTP act in preventing concentration of economic power ?

3. Write short notes on **any two** of the following :

- (a) RBI
- (b) Stock Exchange
- (c) Small Scale Industries

OR

What are the objectives of Monetary policy in India? Also examine critically the working conditions of monetary system in India.

4. Examine the obstacles to Globalization in India. Also explain the factors favouring Globalization in our country.

OR

Bring out the redeeming features of India's FDI policy. Press whether the policy has been able to serve the basic purpose of attracting FDI in India ?