

**School of Finance and Commerce**

**Master of Business Administration in Financial Management  
Semester End Examination - Jul 2024**

**Duration : 180 Minutes  
Max Marks : 100**

**Sem II - H1PE206T - Business Environment***General Instructions*

*Answer to the specific question asked*

*Draw neat, labelled diagrams wherever necessary*

*Approved data hand books are allowed subject to verification by the Invigilator*

- 1) State the need to study International business environment. K1(2)
- 2) Explain the advantages and disadvantages of privatization. K2(4)
- 3) Explain cash reserve ratio. When does Central bank increases cash reserve ratio of commercial bank and why? K2(6)
- 4) Discuss the impact of differences in the language on business. K3(9)
- 5) Describe the functions and objectives of the World Trade Organization (WTO). K3(9)
- 6) Evaluate the benefits of liberalization, privatization, and globalization for Indian businesses. K5(10)
- 7) Analyze the significance of FEMA (Foreign Exchange Management Act) 1998 in regulating foreign exchange transactions in India. How does FEMA facilitate external trade and payments? K4(12)
- 8) Apple is one of the world's most recognisable and prominent brands. Founded by Steve Jobs and Steve Wozniak, the company has introduced revolutionary products in personal computing and smartphones. Today, it is the world's largest mobile phone manufacturer with 1,23,000 employees (in 2017), with a revenue of \$215.49 billion (as of 2018). The company's CEO is Timothy Donald 'Tim' Cook. Its main competitors are Samsung, Google, Cisco, HP and Lenovo. The main products of the company are iPhone, iPod, iPad, Mac, Apple TV and iOS applications. The larger revenue share of the company is from outside the US (\$113.8 billion) as compared to within the US (\$68.8 billion). Thus, the company's position is highly vulnerable to any political disturbance in these countries. Some political disturbances which affected Apple's business are as follows: Foxconn, a Taiwanese company, is a major supplier of Apple. In May 2010, the company was held responsible for the suicide of two employees. Lawsuits were filed against the company for forcing employees to work for long hours. In another case, 16 workers were injured in an explosion in a supplier's facility. Apple highly depends on the cheap labour of China. However, the political unrest in China, which erupts from

time to time, may disrupt its manufacturing facilities. The Trump administration has imposed tariffs of \$250 billion on Chinese goods. China responded by imposing a tariff of \$110 billion on US goods. Although no tariffs are imposed on iPhones, there is a cause to worry as China may retaliate in ways that could harm Apple. The growing nationalism in China can also lead to reduced market share for its products in China. Due to its premium pricing policies, Apple is more vulnerable to recession and other economic crises. Some economic crises which affected Apple's growth are as follows: Apple had a slow growth in 2013-14 due to the global recession, Europe's declining economy decreased revenue of Apple by 16% in 2012 (3rd quarter), as compared to 2011 Q3. Apple is particularly vulnerable to the rising inflation in the US, as it has large cash reserves. The rising labour cost in China is bad news for the company. The exchange rates are increasing due to increase in the value of the US dollar. The increased exchange rates impact Apple products, as the increased difference between the US \$ and other currencies (e.g., Euro and Yuan) will make it more expensive for Apple to do business in Europe and China. Some of the socio-cultural factors which might affect Apple's operations are as follows: Apple products are regarded as symbols of social status due to their premium prices. In the coming years, Apple is likely to witness a growing market for its products in Africa and other third world countries. Some critics have pointed out the moral obligation of Apple to create job opportunities in the US as against manufacturing in China. To fulfil its customer's needs, Apple has made some major acquisitions and alliances with Sony, Motorola, Phillips and AT&T. The social background of these brands affects Apple's operations. Apple has reinvented itself with time and thus, has the potential to keep growing as a major technology company. Some of the technological changes which Apple made in order to increase its business are as follows: In 2013, Apple disclosed a deal with China Mobile to introduce iPhone to the Chinese market, which was dominated by low-cost Android smartphones. This deal gave Apple advantage to enter China in a major way through China Mobile's 760 subscribers. Under this deal, iPhone 5 and iPhone 5S were available at China Mobile and Apple retail stores in China. Apple's competitors, Samsung and Google, are also offering similar products and services as Apple. Google took less than a year to build the payment app Google Pay just as Apple Pay. Thus, their ability to replicate Apple's products has considerably increased the risk for Apple brand. Apple has limited markets and restricted customer bases where it can launch its new products. Apple is vulnerable to several legal factors as follows: With Apple Pay, Apple entered the highly regulated financial sector. As a result, the company could face a potentially high level of litigation. Apple has invested \$6.04 billion for R&D on the manufacturing of electric vehicles. However, the company is facing tremendous pressure to return the money to its shareholders. A lawsuit has also been filed. Thus, Tim Cook has

announced that the company will start production of electric vehicles by 2020. Apple's revenues can be impacted by various environmental factors as follows: Discarding of junk devices has become a massive problem for Apple, as the effective disposal of lithium batteries is a costly venture. Otherwise, it is a major environmental issue. The pollution and environmental side effects in Apple's factories in China have raised environmental concerns. To minimise th environmental issues, Apple has to pay a large amount of money. China's initiative to reduce greenhouse gases and limit fossil fuels could potentially increase the manufacturing costs for Apple. QUESTIONS 1 Analyze the political factors, legal enviornment factors that affected Apple? 2. Highlight the socio-cultural factors impacted Apple?

- 9) Examine the impact of technology on the globalization of Indian businesses? Provide examples of technological advancements that have facilitated globalization. K5(15)
- 10) Analyze the role of privatization in the Indian economy. Provide examples of privatization initiatives in India. K6(18)