Q. 1: Short questions (15 marks)

i. What is meant by Exim policy?

Exim policy refers to the export and import policy of a country. It outlines the regulations, guidelines, and incentives designed to govern international trade, particularly with regard to imports and exports of goods and services. This policy aims to promote trade, balance the country's trade deficit, and enhance economic growth.

ii. Identify the types of non-economic environment in the following cases:

(a) **Demand for new clothes increases during festive seasons.**
This is an example of **socio-cultural** factors, as it reflects cultural practices and consumer behavior driven by social occasions.

(b) **Computers have outdated typewriters.**
This refers to **technological** factors, as the advancement of technology has made older products, like typewriters, obsolete.

(c) **Sugar factories are being set up where sugarcane is grown abundantly.**
This is an example of **geographical** factors, as the proximity to raw materials (sugarcane) influences the location of industries (sugar factories).

(d) **Availability of skilled labour in a particular region.**
This refers to **human resources** or **labor market** factors, as it highlights the availability of qualified workers in a specific area.

iii. How does the demographic environment of business influence the business activities?

The **demographic environment** refers to the population characteristics, such as age, gender, education, income, and population growth rates. These factors influence the demand for products and services, labor availability, and marketing strategies. For example, a business may target products or services suited for a specific age group or adjust its offerings based on the income levels and preferences of a population.

iv. Describe the importance of business environment for a business firm.

The **business environment** is crucial as it helps firms adapt and make informed decisions. A favorable business environment can lead to higher profits, growth, and sustainability, while an unfavorable one can impede progress. It provides insights into market trends, regulatory changes, competition, and consumer behavior. By understanding the business environment, a firm can identify opportunities, mitigate risks, and ensure long-term success.

v. Explain the social responsibility of business towards different groups.

The **social responsibility of business** includes actions that ensure businesses contribute to societal welfare beyond profit-making. Key groups involved are:

- **Employees:** Fair wages, safe working conditions, and career development opportunities.
- **Customers:** Providing high-quality, safe, and ethical products or services.
- **Investors/Shareholders:** Ensuring profitability and long-term growth.
- **Community/Society:** Contributing to social causes, environmental sustainability, and corporate philanthropy.
- **Government:** Compliance with laws, tax payments, and support for public policies.

Q. 2. Legal environment and business (7 marks)

The **legal environment** of a business includes the rules, regulations, and laws that govern business operations. Adhering to legal requirements is essential for businesses to avoid penalties, lawsuits, and maintain ethical standards. It covers areas such as:

- **Business formation** (e.g., choosing the right business structure),
- **Intellectual property** (patents, trademarks),
- **Employment law** (employee rights, compensation),
- **Consumer protection laws** (product safety, fair advertising), and
- **Environmental regulations** (sustainable practices).

Understanding and complying with the legal environment can help businesses minimize legal risks, ensure smooth operations, and build trust with stakeholders.

Case Study (8 marks)

1. Using examples from the case study or from your own knowledge, explain the meaning of:

a) Limited liability company

A **limited liability company (LLC)** is a business structure where the owners' liability is limited to their investment in the company. This means that if the company incurs debts or legal issues, the personal assets of the owners (shareholders) are protected. For example, if William Simpson had set up his news agency as an LLC, his personal assets would have been protected in case the business faced financial difficulties.

b) Partnership

A **partnership** is a business structure where two or more individuals share ownership and management responsibilities. Each partner contributes to the business, whether through capital, skills, or labor, and shares in the profits and losses. For instance, if William had entered into a partnership with another individual instead of starting his business alone, both would share the risks and rewards of running the news agency.

2. Describe the advantages of being a sole trader.

Being a **sole trader** offers several advantages:

- **Complete control** over business decisions.
- **Simplicity in setup and management** without the need for formal documentation or complex regulations.
- **Direct claim to profits** and flexibility in how the business is run.
- **Minimal financial reporting requirements**, making it easier to manage finances.
- **Lower costs** compared to other business structures such as corporations or partnerships.

3. Point out the reasons why a third of sole traders cease trading within their first year of trading.

Several factors contribute to the high failure rate of sole traders:

- **Insufficient capital** to sustain the business in its early stages.
- **Poor cash flow management**, making it difficult to pay bills and suppliers.
- **Lack of business experience** or skills in managing a business effectively.
- **High competition**, which makes it hard to secure a customer base.
- **Unforeseen personal issues**, such as health problems (like William Simpson's wife falling ill), which can strain resources and time.
- **Market demand** may not meet expectations, leading to financial loss.