



केन्द्रीय विद्यालय संगठन

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हर बच्चे को उच्च गुणवत्ता वाली शिक्षा

शिक्षा एवं प्रशिक्षण का आंचलिक संस्थान, चंडीगढ़

ZONAL INSTITUTE OF EDUCATION AND TRAINING, CHANDIGARH

अध्ययन सामग्री / STUDY MATERIAL

शैक्षिक सत्र / SESSION – 2023-24

कक्षा / CLASS – बारहवीं / XII

विषय / SUBJECT – व्यवसायिक अध्ययन / BUSINESS STUDIES

विषय कोड / SUBJECT CODE - 054

तैयारकर्ता - रवि कुमार, सह-प्रशिक्षक (वाणिज्य)

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**SYLLABUS**  
**BUSINESS STUDIES**  
**CLASS–XII (2023-24)**

**Theory: 80 Marks**

**3 Hours**

**Project: 20 Marks**

Units		Periods	Marks
<b>Part A</b>	<b>Principles and Functions of Management</b>		
1.	Nature and Significance of Management	12	16
2	Principles of Management	14	
3	Business Environment	12	
4	Planning	14	14
5	Organising	15	
6	Staffing	16	20
7	Directing	15	
8	Controlling	12	
	<b>Total</b>	<b>110</b>	<b>50</b>
<b>Part B</b>	<b>Business Finance and Marketing</b>		
9	Financial Management	20	15
10	Financial Markets	18	
11	Marketing Management	30	15
12	Consumer Protection	12	
	<b>Total</b>	<b>80</b>	<b>30</b>
<b>Part C</b>	<b>Project Work (One)</b>	<b>30</b>	<b>20</b>

## Part A: Principles and Functions of Management

### Unit 1: Nature and Significance of Management

Concept	After going through this unit, the student/ learner would be able to:
Management - concept, objectives, and importance	<ul style="list-style-type: none"> <li>Understand the concept of management.</li> <li>Explain the meaning of 'Effectiveness and Efficiency.</li> <li>Discuss the objectives of management.</li> <li>Describe the importance of management.</li> </ul>
Management as Science, Art and Profession	<ul style="list-style-type: none"> <li>Examine the nature of management as a science, art and profession.</li> </ul>
Levels of Management	<ul style="list-style-type: none"> <li>Understand the role of top, middle and lower levels of management</li> </ul>
Management functions - planning, organizing, staffing, directing & controlling	<ul style="list-style-type: none"> <li>Explain the functions of management</li> </ul>
Coordination- concept and importance	<ul style="list-style-type: none"> <li>Discuss the concept and characteristics of coordination.</li> <li>Explain the importance of Coordination.</li> </ul>

### Unit 2: Principles of Management

Principles of Management- concept and significance	<ul style="list-style-type: none"> <li>Understand the concept of principles of management.</li> <li>Explain the significance of management principles.</li> </ul>
Fayol's principles of management	<ul style="list-style-type: none"> <li>Discuss the principles of management developed by Fayol.</li> </ul>
Taylor's Scientific management- principles and techniques	<ul style="list-style-type: none"> <li>Explain the principles and techniques of 'Scientific Management'.</li> <li>Compare the contributions of Fayol &amp; Taylor.</li> </ul>

### Unit 3: Business Environment

Business Environment- concept and importance	<ul style="list-style-type: none"> <li>Understand the concept of 'Business Environment'.</li> <li>Describe the importance of business environment</li> </ul>
Dimensions of Business Environment- Economic, Social, Technological, Political and Legal. Demonetization - concept and features	<ul style="list-style-type: none"> <li>Describe the various dimensions of 'Business Environment'.</li> <li>Understand the concept of demonetization</li> </ul>

### Unit 4: Planning

Planning: Concept, importance and limitation	<ul style="list-style-type: none"> <li>Understand the concept of planning.</li> <li>Describe the importance of planning.</li> <li>Understand the limitations of planning.</li> </ul>
Planning process	<ul style="list-style-type: none"> <li>Describe the steps in the process of planning.</li> </ul>
Single use and Standing plans. Objectives, Strategy, Policy, Procedure, Method, Rule, Budget and Programme	<ul style="list-style-type: none"> <li>Develop an understanding of single use &amp; standing plans.</li> <li>Describe objectives, policies, strategy, procedure, method, rule, budget and programme as types of plans.</li> </ul>

### Unit 5: Organising

Organising: Concept and importance	<ul style="list-style-type: none"> <li>• Understand the concept of organising as a structure and as a process.</li> <li>• Explain the importance of organising.</li> </ul>
Organising Process	<ul style="list-style-type: none"> <li>• Describe the steps in the process of organising</li> </ul>
Structure of organisation- functional and divisional concept. Formal and informal organisation- concept	<ul style="list-style-type: none"> <li>• Describe functional and divisional structures of organisation.</li> <li>• Explain the advantages, disadvantages and suitability of functional &amp; divisional structure.</li> <li>• Understand the concept of formal &amp; informal organisation.</li> <li>• Discuss the advantages, disadvantages of formal and informal organisation.</li> </ul>
Delegation: concept, elements & importance	<ul style="list-style-type: none"> <li>• Understand the concept of delegation.</li> <li>• Describe the elements of delegation.</li> <li>• Appreciate the importance of Delegation.</li> </ul>
Decentralization: concept and importance	<ul style="list-style-type: none"> <li>• Understand the concept of decentralisation.</li> <li>• Explain the importance of decentralisation.</li> <li>• Differentiate between delegation &amp; decentralisation.</li> </ul>

### Unit 6: Staffing

Staffing: Concept and importance of staffing	<ul style="list-style-type: none"> <li>• Understand the concept of staffing.</li> <li>• Explain the importance of staffing</li> </ul>
Staffing as a part of Human Resource Management concept	<ul style="list-style-type: none"> <li>• Understand the specialized duties &amp; activities performed by Human Resource Management.</li> </ul>
Staffing process	<ul style="list-style-type: none"> <li>• Describe the steps in the process of staffing.</li> </ul>
Recruitment process	<ul style="list-style-type: none"> <li>• Understand the meaning of recruitment.</li> <li>• Discuss the sources of recruitment.</li> <li>• Explain the merits and demerits of internal and external sources of recruitment.</li> </ul>
Selection – process	<ul style="list-style-type: none"> <li>• Understand the meaning of selection.</li> <li>• Describe the steps involved in the process of selection.</li> </ul>
Training and Development - Concept and importance, Methods of training – on the job and off the job - vestibule training, apprenticeship training and internship training	<ul style="list-style-type: none"> <li>• Understand the concept of training and development.</li> <li>• Appreciate the importance of training to the organisation and to the employees.</li> <li>• Discuss the meaning of induction training, vestibule training, apprenticeship training and internship training.</li> <li>• Differentiate between training &amp; development.</li> <li>• Discuss on the job and off the job methods of training.</li> </ul>

### Unit 7: Directing

Directing: Concept and importance	<ul style="list-style-type: none"> <li>• Describe the concept of directing.</li> <li>• Discuss the importance of directing</li> </ul>
Elements of Directing	<ul style="list-style-type: none"> <li>• Describe the various elements of directing</li> </ul>
Motivation - concept, Maslow's hierarchy of needs, Financial and non-financial incentives	<ul style="list-style-type: none"> <li>• Understand the concept of motivation.</li> <li>• Develop an understanding of Maslow's Hierarchy of needs.</li> <li>• Discuss the various financial and non-financial incentives.</li> </ul>

Leadership - concept, styles - authoritative, democratic & laissez faire	<ul style="list-style-type: none"> <li>• Understand the concept of leadership.</li> <li>• Understand the various styles of leadership.</li> </ul>
Communication - concept, formal and informal communication; barriers to effective communication, how to overcome the barriers?	<ul style="list-style-type: none"> <li>• Understand the concept of communication</li> <li>• Understand the elements of the communication process.</li> <li>• Discuss the concept of formal &amp; informal communication.</li> <li>• Discuss the various barriers to effective communication.</li> <li>• Suggest measures to overcome barriers to communication.</li> </ul>

### **Unit 8: Controlling**

Controlling - Concept and importance	<ul style="list-style-type: none"> <li>• Understand the concept of controlling.</li> <li>• Explain the importance of controlling.</li> </ul>
Relationship between planning and controlling	<ul style="list-style-type: none"> <li>• Describe the relationship between planning and controlling</li> </ul>
Steps in process of control	<ul style="list-style-type: none"> <li>• Discuss the steps in the process of controlling.</li> </ul>

## **Part B: Business Finance and Marketing**

### **Unit 9: Financial Management**

Financial Management: Concept, role and objectives	<ul style="list-style-type: none"> <li>• Understand the concept of financial management.</li> <li>• Explain the role of financial management in an organisation.</li> <li>• Discuss the objectives of financial management</li> </ul>
Financial decisions: investment, financing and dividend- Meaning and factors affecting	<ul style="list-style-type: none"> <li>• Discuss the three financial decisions and the factors affecting them.</li> </ul>
Financial Planning - concept and importance	<ul style="list-style-type: none"> <li>• Describe the concept of financial planning &amp; its objectives.</li> <li>• Explain the importance of financial planning.</li> </ul>
Capital Structure – concept and factors affecting capital structure	<ul style="list-style-type: none"> <li>• Understand the concept of capital structure.</li> <li>• Describe the factors determining the choice of an appropriate capital structure of a company.</li> </ul>
Fixed and Working Capital - Concept and factors affecting their requirements	<ul style="list-style-type: none"> <li>• Understand the concept of fixed and working capital.</li> <li>• Describe the factors determining the requirement of fixed and working capital.</li> </ul>

### **Unit 10: Financial Markets**

Financial Markets: Concept	<ul style="list-style-type: none"> <li>• Understand the concept of financial market.</li> </ul>
Money Market: Concept	<ul style="list-style-type: none"> <li>• Understand the concept of money market.</li> </ul>
Capital market and its types (primary and secondary)	<ul style="list-style-type: none"> <li>• Discuss the concept of capital market.</li> <li>• Explain primary &amp; secondary markets as types of capital market.</li> <li>• Differentiate between capital market &amp; money market.</li> <li>• Distinguish between primary &amp; secondary markets.</li> </ul>
Stock Exchange - Functions and trading procedure	<ul style="list-style-type: none"> <li>• Give the meaning of a stock exchange.</li> <li>• Explain the functions of a stock exchange.</li> <li>• Discuss the trading procedure in a stock exchange.</li> <li>• Give the meaning of depository services and demat account as used in the trading procedure of securities.</li> </ul>
Securities and Exchange Board of India (SEBI) - objectives and functions	<ul style="list-style-type: none"> <li>• State the objectives of SEBI.</li> <li>• Explain the functions of SEBI.</li> </ul>

### Unit 11: Marketing

Marketing – Concept, functions and philosophies	<ul style="list-style-type: none"><li>• Understand the concept of marketing.</li><li>• Explain the features of marketing.</li><li>• Discuss the functions of marketing.</li><li>• Explain the marketing philosophies.</li></ul>
Marketing Mix – Concept and elements	<ul style="list-style-type: none"><li>• Understand the concept of marketing mix.</li><li>• Describe the elements of marketing mix.</li></ul>
Product - branding, labelling and packaging – Concept	<ul style="list-style-type: none"><li>• Understand the concept of product as an element of marketing mix.</li><li>• Understand the concept of branding, labelling and packaging.</li></ul>
Price - Concept, Factors determining price	<ul style="list-style-type: none"><li>• Understand the concept of price as an element of marketing mix.</li><li>• Describe the factors determining price of a product.</li></ul>
Physical Distribution – concept, components and channels of distribution	<ul style="list-style-type: none"><li>• Understand the concept of physical distribution.</li><li>• Explain the components of physical distribution.</li><li>• Describe the various channels of distribution.</li></ul>
Promotion – Concept and elements; Advertising, Personal Selling, Sales Promotion and Public Relations	<ul style="list-style-type: none"><li>• Understand the concept of promotion as an element of marketing mix.</li><li>• Describe the elements of promotion mix.</li><li>• Understand the concept of advertising.</li><li>• Understand the concept of sales promotion.</li><li>• Discuss the concept of public relations.</li></ul>

### Unit 12: Consumer Protection

Concept and importance of consumer protection	<ul style="list-style-type: none"><li>• Understand the concept of consumer protection.</li><li>• Describe the importance of consumer protection.</li><li>• Discuss the scope of Consumer Protection Act, 2019</li></ul>
The Consumer Protection Act, 2019: <i>Source:</i> <a href="http://egazette.nic.in/WriteReadData/2019/210422.pdf">http://egazette.nic.in/WriteReadData/2019/210422.pdf</a> Meaning of consumer Rights and responsibilities of consumers Who can file a complaint? Redressal machinery Remedies available	<ul style="list-style-type: none"><li>• Understand the concept of a consumer according to the Consumer Protection Act, 2019.</li><li>• Explain the consumer rights</li><li>• Understand the responsibilities of consumers</li><li>• Understand who can file a complaint &amp; against whom?</li><li>• Discuss the legal redressal machinery under Consumer Protection Act, 2019.</li><li>• Examine the remedies available to the consumer under Consumer Protection Act, 2019.</li></ul>
Consumer awareness - Role of consumer organizations and Non-Governmental Organizations (NGOs)	<ul style="list-style-type: none"><li>• Describe the role of consumer organizations and NGOs in protecting consumers' interests.</li></ul>

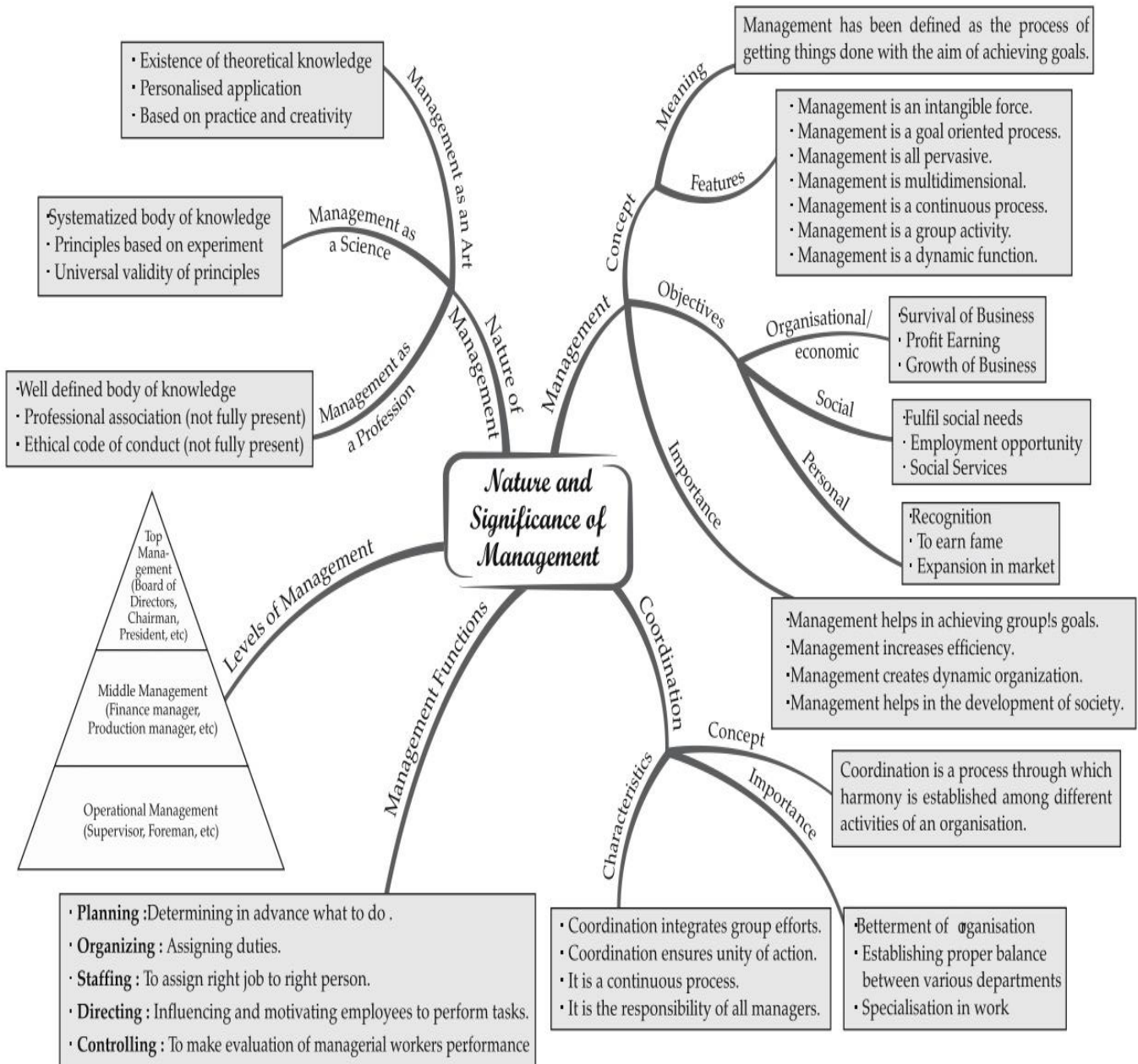
### Unit 13: Project Work

# PART - A

## (PRINCIPLES AND FUNCTIONS OF MANAGEMENT)

(Mind Map)

### CHAPTER - 1 NATURE AND SIGNIFICANCE OF MANAGEMENT





## UNIT-1: NATURE AND SIGNIFICANCE OF MANAGEMENT

### **Meaning/Concept of Management:**

Management is the process of getting things done with the aim of achieving goals effectively & efficiently.

*Effectiveness:* means completing the right task to achieve the goal within time.

*Efficiency:* means completion of task using minimum resources

### **Characteristics/Features of Management**

- (a) Management is Goal oriented
- (b) Management is Pervasive
- (c) Management is Multidimensional -  
Management of Work, Management of people & Management of Operation
- (d) Management is Continuous process
- (e) Management is Group activity
- (f) Management is Dynamic function
- (g) Management is Intangible.

### **Functions of Management:**

- (a) *Planning* - Setting objectives and targets and formulating an action plan of what is to be done, how to be done and when to do it
- (b) *Organising* - Assignment of duties, task, establishment of authority and responsibility Relationship, allocating the resource required to perform the planned task.
- (c) *Staffing*- Finding and placing the right person at the right job at the right time.
- (d) *Directing* - Leading, influencing, and motivating the staff chosen to perform the assigned task efficiently & effectively.
- (f) *Controlling* - Ensuring/Monitoring the activities in an organisation are performed as per the plan.

### **Objectives of Management**

#### **Organisational Objectives:-**

- (a) **Survival:** - Ensure that the organization survives and exists in the future.
- (b) **Profitability:** - Earning adequate profit in order to survive and grow.
- (c) **Growth:** - Growth indicates how well it exploits the potential opportunities.

#### **Social Objectives:**

Supply of quality products at reasonable rates, generating employment opportunities, contribution toward desirable civic activities, using environmental friendly methods of production.

#### **Personal Objectives:**

Meeting the Financial needs like competitive salaries & perks, Peer recognition like self-respect, etc., good & healthy working conditions for safety of employees, Promotion, training personal growth of employees.

## **Importance of Management**

1. Helps in achieving Group Goals
2. Creates a dynamic organization
3. Helps in achieving Personal objectives
4. Increases efficiency
5. Helps in development of society facilitate changes

## **Levels of Management-**

The levels of management denote a demarcation between various position in an organization on the basis of the irresponsibility, authority and status .These are–

**Top Level Management** - Ex- CEO, Board of directors, MD, President & Chairman.

### **Functions of Top Level Management:-**

- (a) Decide overall objectives of the organization.
- (b) To make plan.
- (c) Provide various resources
- (d) Decide policies

**Middle Level Management** – For eg.- Departmental heads such as purchase manager, Operations manager, Production manager, Marketing manager, Divisional heads & Plant superintendent etc.

### **Functions of Middle Level Management:-**

- (a) To implement plan and policies to assist top management.
- (b) To assign job to subordinates.
- (c) To recruit employees for their respective departments

**Lower level Management** –For eg.- Foremen, Inspectors, Supervisors etc.

### **Functions of Lower level Management:-**

- (a) To arrange raw materials, tools and other facilities.
- b) To ensure about the performance of workers
- (c) To ensure safety and security of workers

## **Nature of Management:-**

### **Management as a Science:**

- (a) Universal validity
- (b) Arranged, organized systematic body of knowledge
- (c) Principles arrived after experimentation.

### **Management as an Art:-**

- (a) Based on practice and creativity
- (b) Personalised Application
- (c) Existence of Theoretical knowledge.

### **Management as a Profession:**

- (a) Well defined body of knowledge.
- (b) Existence of code of conduct
- (c) Professional association (AIMA)
- (d) Restricted entry
- (e) Fees as remuneration for their services.

### **Coordination:-**

It is the synchronization of various activities & efforts in an organization providing the required amount of quality, timing & sequence; thus ensuring the achievement of the planned goal with minimum content.

### **Features of coordination:**

1. Integrates Group Effort:
2. Ensures unity of action
3. It is a Continuous Process
4. It remains the function and responsibility of every manager

### **Importance of coordination**

1. Ensures unity of action
2. Erases interdepartmental conflicts Promotes harmonious implementation of plans
3. Helps in maintaining a high degree of morale amongst employees.

### **Case studies**

#### **Question 1:**

Jay is working as Head Relationship Manager in the wealth management division of a private sector bank. He has created an internal environment which is conducive to an effective and efficient performance of his team of ten relationship management executive. Typical days at work in Jay's life consists of a series of interrelated and continue functions. He decides the targets for his department which are in line with the objectives of the organization as a whole. The future course of action for his team members is laid out well in advance. The various resources required by the relationship managers like an iPad with GPS system, account opening forms, brochures, details of accountholders etc. are made readily available to them. The executives are given sufficient authority to carry out the work assigned to them. Jay works in close coordination with the Human Resource Manager in order to ensure that he is able to create and maintain a satisfactory and satisfied workforce in his department. Through constant guidance and motivation, Jay inspires them to realise their full potential. He offers them various types of incentives fromtime to time keeping in view their diverse individual needs. Moreover, he keeps a close watch on their individual performances in order to ensure that they are in accordance with the standards set and takes corrective actions whenever needed. In context of the above case:

Identify the concept being referred to in the following line, "He has created an internal environment which is conducive to an effective and efficient performance of his team of ten relationship management executives."

Identify and describe the various functions of the concept as identified in part (a) of the question by quoting lines from the paragraph.

**Answer:**

The concept of management is being referred to in the following line, “He has created an internal environment which is conducive to an effective and efficient performance of his team often relationship management executives.”

The various functions of the management concept mentioned in the above paragraph are listed below:

**1. Planning:** It is the function of determining in advance what is to be done and who is to do it. “He decides the targets for his department which are in line with the objectives of the organization as a whole. The future course of actions for the team members are laid out well in advance.”

**2. Organising:** Organising is the process of bringing together human, physical and financial resources and establishing productive relations among them for the purpose of achieving the desired goals efficiently and effectively. “The various resources required by the relationship managers like an iPad with GPS system, account opening forms, brochures, details of account holders etc. are made readily available to them. The executives are given sufficient authority to carry out the work assigned to them.”

**3. Staffing:** The managerial function of staffing involves manning the organisational structure in order to fill in the roles designed into the structure. “Jay works in close coordination with the human resource manager in order to ensure that he is able to create and maintain satisfactory and satisfied workforce in his department.”

**4. Directing:** Directing involves leading, influencing and motivating employees to perform the tasks assigned to them. “Through constant guidance and motivation, Jay inspires them to realise their full potential. He offers them various types of incentives from time to time keeping in view their diverse individual needs.”

**5. Controlling:** Controlling is the management’s function of ensuring that events conform to plans”. Moreover, he keeps a close watch on their individual performances in order to ensure that they are in accordance with the standards set and takes corrective actions whenever needed.”

**Question 2:**

Anju and Manju are good friends. Considering the fact that the activities involved in managing an enterprise are common to all organizations, after completing their masters in business management, both of them take up a job at managerial level in different organizations as per their individual areas of interest. Anju takes up a marketing job in a retail company and strives to increase sales whereas Manju joins an NGO and works diligently to realize its objective related to providing employment to especially abled persons. Both of them have to perform a series of continuous, composite, but separate functions. On some days, Anju may spend more time in planning a future display layout and on another day, she may spend time in sorting out an employee’s problem. Both Anju and Manju make conscious efforts to build a feeling of team spirit and coordination among diverse individuals with different needs who work under them. The effect of their management is noticeable in their respective departments as the targets are met according to plans, employees are happy and satisfied, and there is orderliness in its functioning rather than chaos.

In context of the above case:

Identify the various features of management highlighted in the above paragraph by quoting lines from it.

**Answer:**

The various features of management highlighted in the above paragraph are stated below:

**1. Management is all pervasive:** “Considering the fact that the activities involved in managing an enterprise are common to all organizations, after completing their masters in business management, both of them take up a job at managerial level in different organizations as per their individual areas of interest.”

**2. Management is a goal-oriented process:** “Anju takes up a marketing job in a retail company and strives to increase sales whereas Manju joins an NGO and works diligently to realize its objective related to providing employment to specially abled persons.”

**3. Management is a continuous process:** “Both of them have to perform a series of continuous, composite, but separate functions. Like on some days, Anju may spend more time in planning a future display layout and on another day, she may spend time in sorting out an employee’s problem.”

**4. Management is a group activity:** “Both Anju and Manju make conscious efforts to build a feeling of team spirit and coordination among diverse individuals with different needs who work under them.”

**5. Management is an intangible force:** “The effect of their management is noticeable in their respective departments as the targets are met according to plans, employees are happy and satisfied, and there is orderliness in its functioning rather than chaos.”

**Question 3:**

Management of Alpha Ltd. has installed a special recycling plant to recycle the waste instead of dumping the waste in ground. It is also providing employment opportunities to local residents. Company started a school nearby for the children of their employees.

- (i) Identify the Objectives company is fulfilling.
- (ii) Quote the lines from above Para which indicate those objectives.

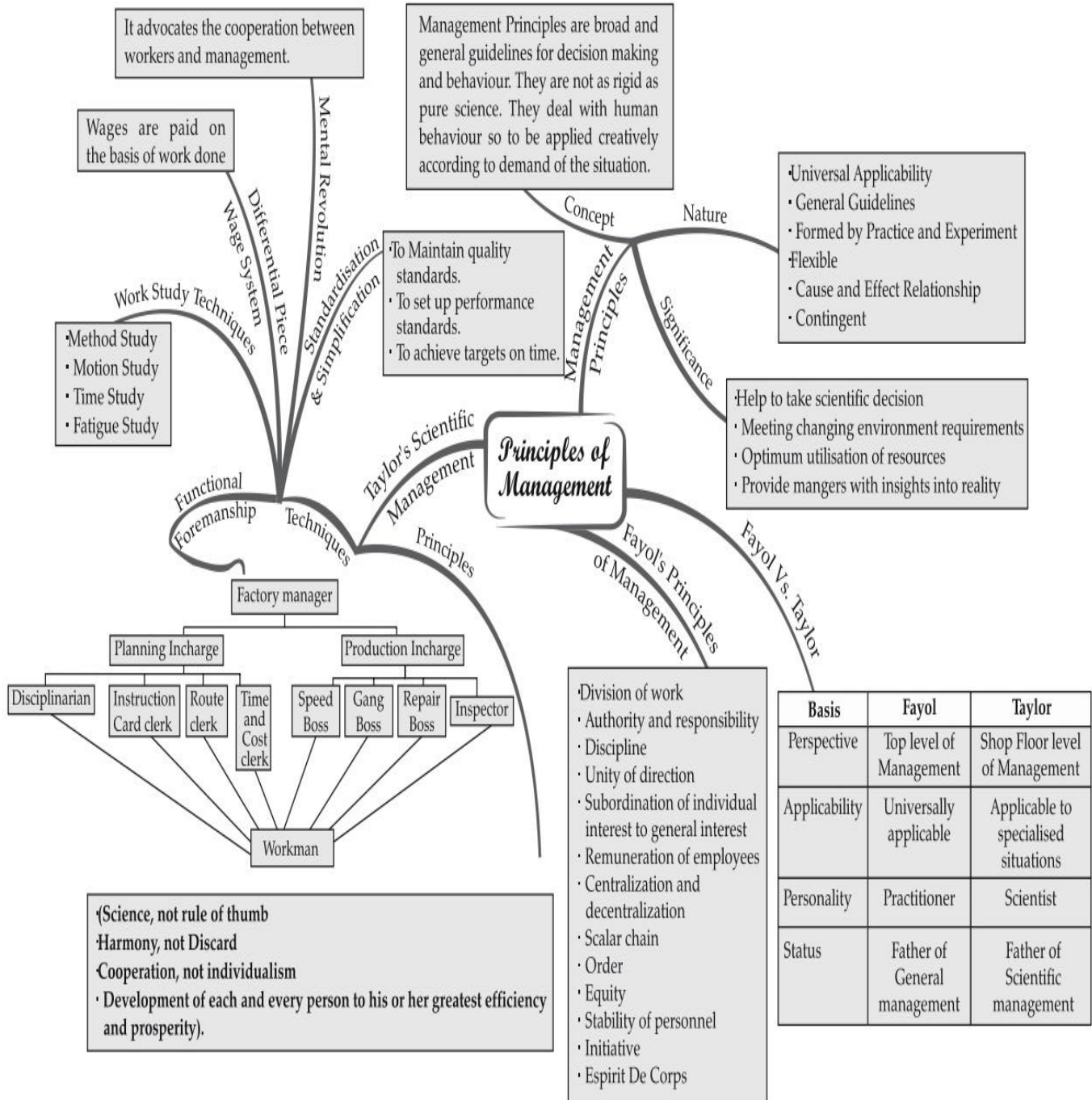
Ans. (i) Social and Personal Objectives.

(ii) “ Installed a recycle plant”. Social Objective.

“ Started a school for children of their employees”. Personal Objectives.

(Mind Map)

## CHAPTER - 2 PRINCIPLES OF MANAGEMENT



## **UNIT- 2: PRINCIPLES OF MANAGEMENT**

**Meaning:** Principles of management are broad & general guidelines for managerial decision- making.

### **Nature/Features/ Characteristics of Management Principles:-**

- (a) They have universal applicability in all types of organisations. They are formed by practice & experimentation.
- (b) They are flexible and can be modified by the manager when the situation so demands.
- (c) They are aimed at influencing human behaviour; so they are mainly behavioural in nature.
- (d) The applications of the principles of management is contingent or dependent upon the prevailing situation at a particular point of time.

### **Significance/ Importance of Management Principles:-**

- (a) They provide the managers with useful insights into reality.
- (b) They help in optimum utilization of resources and effective administration.
- (c) They help to take scientific decisions.
- (d) They help in meeting changing environment requirements. They help in fulfilling social responsibility.
- (e) They are use data basis for management training, education & research.

### **Fayol's Principles of Management-**

- (1) **Division of Work:** - Whole work should be divided into small tasks / units; each task should be assigned to one person according to the capability, qualification and experience of the person.
- (2) **Authority and Responsibility:** - 'Authority' means the power to take decisions. 'Responsibility' means obligation to complete the job assigned on time. Fayol suggested that there must be a balance between authority and responsibility.
- (3) **Discipline:**-It means obedience to organizational rules and employment agreement.
- (4) **Unity of Command:**-An employee should receive orders /instructions from one and only one boss/ superior and should be accountable to one superior only.
- (5) **Unity of Direction:**-All the units of an organisation should be moving towards the same objectives through coordinated and focused efforts. (*One unit means one plan*).
- (6) **Subordination of Individual Interest to General Interest:**- The interest of the organisation must supersede the interest of individuals or employees.
- (7) **Remuneration of Employees:** - Remuneration of employees should be just and equitable to provide maximum satisfaction to the employees as well as employer.
- (8) **Centralisation and Decentralisation:**-Centralisation refers to concentration of authority or power in few hands at the top level. Decentralisation means evenly distribution of power at every level of management. There must be combination of both depending upon the nature and size of the organisation.
- (9) **Scalar Chain:**- The formal line of authority from highest to lowest rank are known as 'scalar chain' suggests that communication from top to bottom should follow the official lines of command. Gang plank is a shorter route and has been provided so that communication has not delayed.

**(10) Order:** - It means there should be a fix place for every person and everything in the organization and each person and everything should be at its definite place i.e. material and social order.

**(11) Equity:** - Equity means no discrimination on account of sex, religion, language, caste, belief or nationality etc.

**(12) Stability of Tenure of Personnel:** - It refers to no frequent termination and transfer. Employees should not be moved from their positions frequently, they should be given reasonable time to show results.

**(13) Initiative:** - Initiative refers to taking the first step with self-motivation. The employees in the organisation must be given an opportunity to take some initiative in making and executing a plan.

**(14) Esprit De Corps:**-Fayol emphasises the need for team work, spirit of unity and harmony among employees. A manager should replace “I” with “We”.

### **Scientific Management: Principles and Techniques**

Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way.

#### **Scientific Principles:-**

**(1) Science, not rule of thumb:** Taylor believed that there was only one best method to maximize efficiency, which can be developed through scientific study.

**(2) Harmony, not discard:** Taylor insists that there is need for both the groups i.e. workers group and management group to change their attitudes for each other. He insists on mental revolution which means complete change of attitude and outlook for each other.

**(3) Cooperation, not individualism:** Taylor insists work must be carried on in co-operation with each other, with mutual confidence and understanding for each other.

**(4) Development of each and every person to his/her greatest efficiency and prosperity:** Each person should be scientifically selected. They should be given required training to learn best method.

#### **Taylor's techniques of scientific management:-**

**(1) Functional foremanship:-**Taylor suggested activities of factory workers should be observed by eight type of specialised foremen.He divided the work of factory in two departments:

*Planning Department:-*Instruction card clerk, route clerk, timeand cost clerk and discipline officer

*Production Department:-* Gang boss, speed boss, repair boss and Inspector.

**(2) Standardisation and Simplification of work:** - It refers to the process of setting standards for various business activities whereas Simplification means to put an end to unnecessary types, qualities, size/weight etc. of products.

**(3) Method study:** – Objective of method study is to find out one best way of doing the job.

**(4) Motion study:** - It refers to the study of movements so that unproductive movements may be eliminated.

**(5) Time study:** – It determines standard time taken to perform a well-defined job.

**(6) Fatigue study:** – It seeks to determine the amount and frequency of rest intervals in completing a task.



**(7) Differential Piece Wage System:** - It emphasises on paying different rates of wages for efficient and inefficient employees. It rewards the efficient employees and motivates the inefficient ones to perform better.

### **Case studies**

#### **Question 1.**

Sanchit, after completing his entrepreneurship course from Sweden returned to India and start a coffee shop 'Aroma Coffee Can' in a famous mall in New Delhi. The speciality of the coffee shop was the special aroma of coffee and a wide variety of flavours to choose from. Somehow, the business was neither profitable nor popular. Sanchit was keen to find out the reason. He appointed Sandhya, an MBA from a reputed college, as a Manager to find out the causes for the same. Sandhya took feedback from the clients and found out that though they loved the special unique aroma of coffee but were not happy with the long waiting time being taken to process the order. She analysed & found out that there were many unnecessary in obstructions between which could be eliminated. She fixed a standard time for processing the order. She also realised that there were some flavours whose demand was not enough. So, she also decided to stop the sale of such flavours. As a result within a short period Sandhya was able to attract the customers.

Identify & explain any two techniques of scientific management used by Sandhya to solve the problem.

#### **Answer:**

The two techniques of scientific management used by Sandhya to solve the problem are: (any two)

(a) *Time study:* It seeks to determine the standard time taken to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs. By using time measuring devices for each element of task the standard time is fixed for the whole of the task by taking several readings.

(b) *Simplification (Standardisation and Simplification):* Simplification aims at eliminating superfluous diversity of products in terms of varieties, sizes and dimensions. It not only helps to reduce inventories but also save cost of labour, machines and tools. Thus it helps to increase turnover by ensuring optimum utilisation of resources.

(c) *Motion study:* Motion study refers to the study of movements of limbs of a worker while doing a particular task. It seeks to divide all such movements into three categories namely; Motions which are required Motions which are unnecessary Motions which are incidental. Thus, motion study helps to eliminate unnecessary movements of a work and enables him to complete the given task efficiently.

#### **Question 2.**

Nutan Tiffin Box service was started in Mumbai by the Mumbai Dabbawalas. The Dabbawalas who are the soul of entire Mumbai aim to provide prompt and efficient services by providing tasty home-made tiffin to all office goers at the right time and place. The service is uninterrupted even on the days of bad weather, political unrest and social disturbances. Recently, they have started online booking system through their website 'mydabbawala.com'. Owing to their tremendous popularity amongst the happy and satisfied customers and members, the Dabbawalas were invited as guest lecturer by top business schools. The Dabbawalas operate in a group of 25-30 people along with a group leader. Each group teams up with other groups in order to deliver the tiffins on time. They are not transferred on frequent basis as they have to remember the addresses of their customers. They follow certain rules while doing trade—no alcohol during working hours; no leaves without permission; wearing white caps and carrying ID cards during business hours.

Recently, on the suggestion of a few self-motivated fellow men, the dabbawalas thought out and executed a plan of providing food left in tiffins by customers to slum children. They have instructed their customers to place red sticker if food is left in the tiffin, to be fed to poor children later.

State any one principle of management given by Fayol & one characteristic of management mentioned in the above case. Give any two values which the Dabbawalas want to communicate to society.

**Answer:**

The relevant principle of management given by Fayol is:-

*Stability of Personnel:* The employee turnover should be minimized to maintain organizational efficiency. Personnel should be selected and appointed after due and rigorous procedure. After placement, they should be kept at their post for a minimum fixed tenure so that they get time to show results. Any adhocism in this regard will create instability/insecurity among employees. They would tend to leave the organisation. (The other correct answers are principle of Discipline / Initiative / *Espirit de corps*). The characteristic of management mentioned in the above case is:

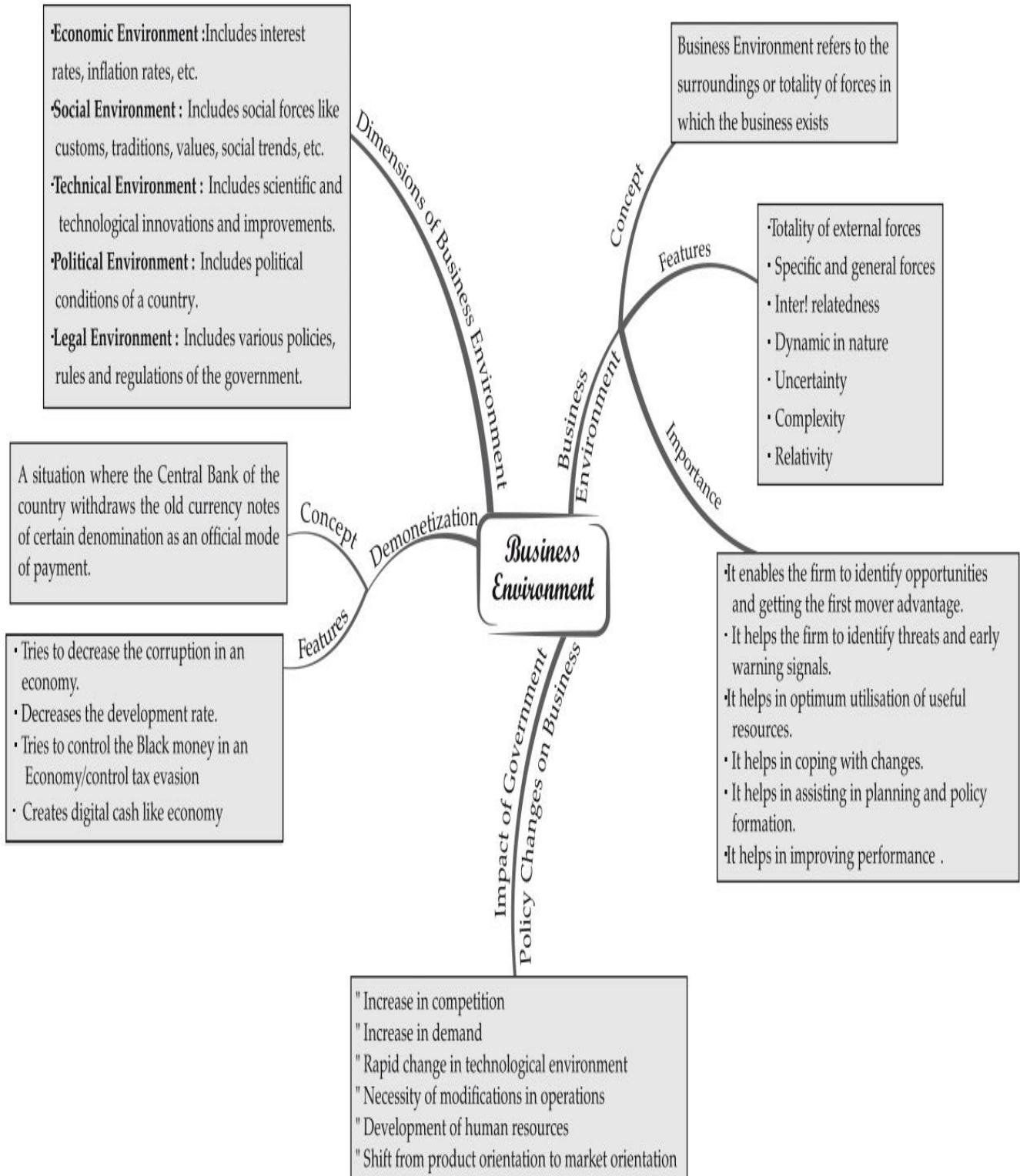
*Management is goal oriented as it seeks to integrate the efforts of different individuals towards the accomplishment of both organizational and individual goals.*

(The other correct answers are management is intangible/ group activity/dynamic)

The two values that Dabbawalas want to communicate to society are:

Concern for poor/ Humanity Responsibility.

## CHAPTER - 3 BUSINESS ENVIRONMENT



## **UNIT-3: BUSINESS ENVIRONMENT**

**Meaning** -The sum total of individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.

### **Features/ Characteristics/ Nature of Business Environment-**

D-Dynamic Nature

I-Inter-relatedness

S-Specific and general forces

T-Totality of external forces

U-Uncertainty

R-Relativity

C-Complexity

### **Importance of Business Environment-**

- (a) It enables the firm to identify opportunities and getting the first mover advantage.
- (b) It helps the firm to identify threats and early warning signals.
- (c) It helps in tapping useful resources.
- (d) It helps in coping with rapid changes.
- (e) It helps in assisting in planning and policy formulation.
- (f) It helps in improving performance.

### **Elements or Dimensions of Business Environment**

#### **S- Social Environment:**

The social environment of business includes the social forces like customs & traditions, values, social trends, society's expectations from business etc. Traditions define social practices that have lasted for centuries.

*For Example:-Diwali, Id, Christmas and Guru Parv in India.*

#### **T- Technological Environment:**

Technological environment includes forces relating to scientific improvements & innovations which provide new ways of producing goods & services and new methods & techniques of operating a business.

*For Example: - Recent technological, advances in computers and electronics have modified the ways in which companies advertise their product.*

#### **E-Economic Environment:**

Interest rates, inflation rates, change in income of the people, stock market and the value of rupee are some of the economic factors that can affect management practices in a business enterprise.

#### **P-Political Environment:**

Political environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.

#### **L-Legal Environment:**

Legal environment includes various legislations passed by the government administrative orders issued by government authorities, court judgments as well as the decisions rendered by the various commissions and agencies at every level of the government centre, state or local.

#### **Very Short Answer Questions (1 mark)**

Q1. Which environment prohibits the advertisement of alcoholic beverages?

*Ans.Legal Environment.*

Q2. Banking sector reforms have led to easier credit terms and better services. This is an example of a key component of the "Business Environment" name this component?

*Ans: Economic Environment.*

Q3. 'Demand for reservation in jobs for minorities refers to an example of key component of general environment of business. Name this component.

*Ans: Social Environment.*

Q4. "The understanding of business environment enables the firm to identify opportunities". What is meant by opportunities here?

*Ans: Opportunities here refer to the favorable condition in the organization environment.*

Q5. In the year 2006, Centre for Science and Environment (CSE) claimed to have found pesticides in Pepsi Co. and Coco Cola soft drink 50 times more than permissible health limit. These companies sales being adversely affected in that year". This is the effect of which environment?

*Ans. This is the effect of Legal environment.*

### **Case studies**

#### **Question 1:**

On 8<sup>th</sup> November, 2016 the Government of India announced the demonetisation making all Rs.500 and Rs. 1,000 banknotes of the Mahatma Gandhi Series invalid past midnight. The government claimed that the action would curtail the use of illicit and counterfeit cash to fund illegal activity and terrorism. The BSE SENSEX and NIFTY 50 stock indices fell over 6% on the day after the announcement. The decision was heavily criticised by members of the opposition parties, leading to debates in both houses of parliament and triggering organised protests against the government in several places across India. People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked to the inconveniences caused due to the rush to exchange cash. After demonetisation the demand for point of sales (POS) or card swipe machines has increased. E-payment options like Paytm has also seen a rise. In context of the above case:

Identify & explain the various dimensions of business environment which relate to the above mentioned case.

List any through two values that the government seeks to promote through demonetisation.

**Answer:** The various dimensions of business environment which relate to the above mentioned case are outlined below:

(a) *Political Environment:* Political Environment includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.

(b) *Technological environment:* Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.

(c) *Legal environment:* Legal Environment includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government— centre, state or local.

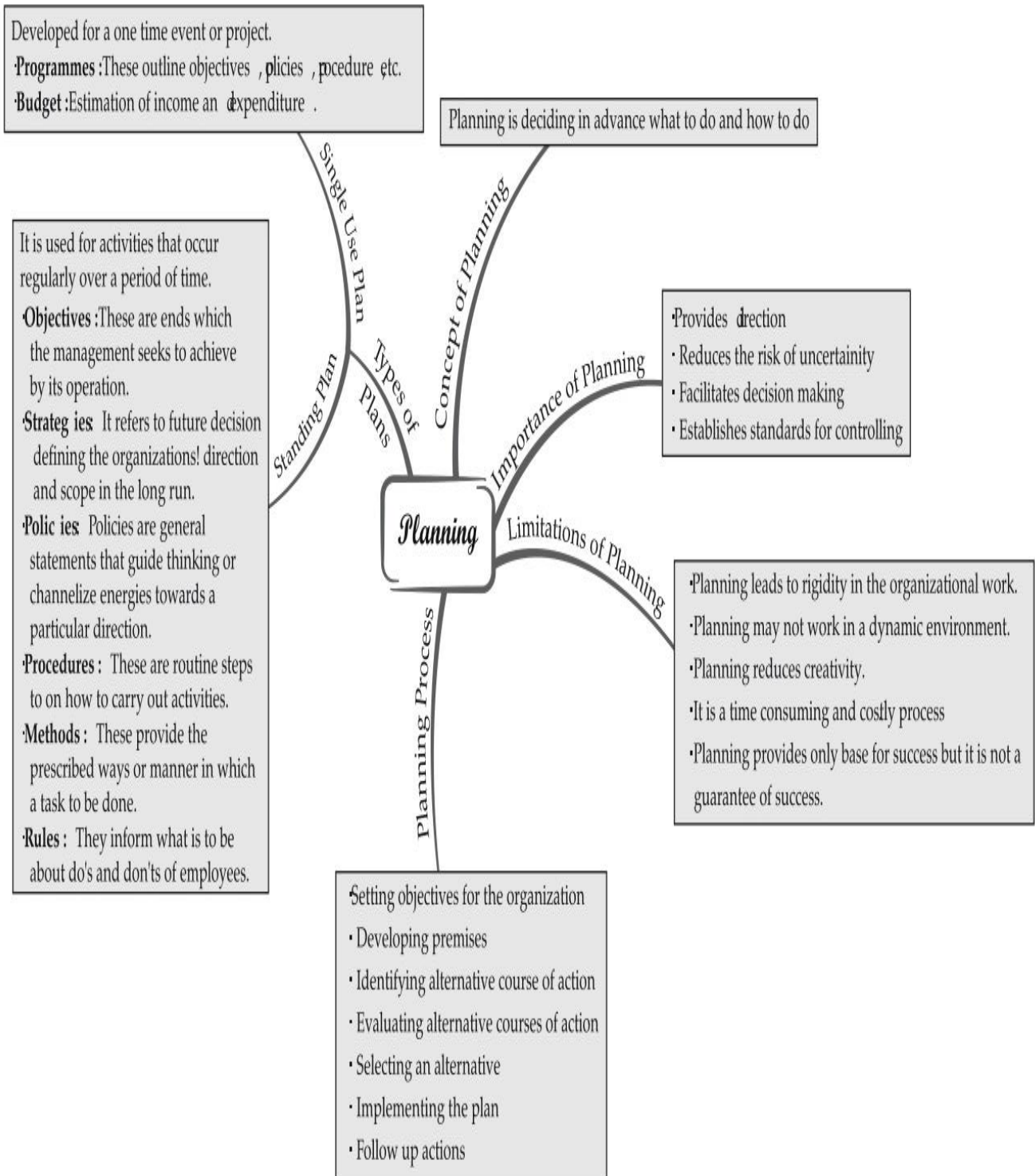
(d) *Social environment:* Social Environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc.

(e) *Economic Environment:* Economic Environment comprises of factors that can affect management practices in a business enterprise includes interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee etc.

The two values that the government seeks to promote through demonetisation are:

Transparency in dealings. Promote well-being of people-year plans, annual budgets, and so on.

## CHAPTER - 4 PLANNING



## UNIT- 4: PLANNING

**Meaning:** - Planning is deciding in advance what is to do, when and where is to do, how is to do & by whom it should be done. It bridges the gap between where we are standing and where we want to go.

Features of Planning	Importance/Significance of Planning
Decision making	Planning provides direction
Planning is pervasive	Planning reduces the risk of uncertainties
Objective achievement	Planning reduces overlapping and wasteful activities
Planning is Futuristic	Planning promotes innovative ideas
Planning is a mental exercise	Planning facilitates decision-making
Planning is Primary function	Planning establishes standard for controlling.

### **Planning Process/Steps involved in Planning:-**

1. **S- Setting Objectives**
2. **P-Developing Premises**
3. **I-Identifying alternative courses of Action**
4. **C-Evaluating alternative Courses**
5. **S-Selecting an Alternative**
6. **I-Implementing the Plan**
7. **F-Follow-up Action.**

### **Limitations of Planning:**

(a) **No guarantee of success:** For achieving success management has to properly draw and implement plans. Plans are required to be put into action. There is no guarantee that previously tried and tested plans will lead to success.

(b) **Planning involves huge cost:** When plans are drawn, costs are involved in their formation in terms of effort, time and money. The cost incurred sometimes may not justify the benefits derived from the plans.

(c) **Planning leads to rigidity:** The plans are well defined and decide future course of action. Thus managers may not be in a position to change them. Hence, there is rigidity and blind following of plans.

(d) **Planning may not work in a dynamic environment:** Business environment is dynamic and constantly adopt itself to these changes. It becomes difficult to make plans where policies of a country and economic conditions are not stable.

(e) **Time consuming process:** planning is a blessing in facing a definite situation but because of its long process, it cannot face sudden emergencies. Thus planning is time consuming and it delay action.

(f) **Planning reduces creativity:** Middle level managers are not allowed to deviate from plans or act on their own. They only carry out order which leads to reduction of creativity and new ideas in the manager.

### **External Limitations of Planning**

- (a) Natural calamity
- (b) Change in competitors policies
- (c) Change in taste/fashion & trend in the market
- (d) Change in technologies

(e) Change in government/ economic policy.

**Plans:** - Plans is a document that outlines how goals are going to be met. It is a specific action proposed to help the organization to achieve its objectives.

**(i) Single use plan:-** These are one time use plan. These are designed to achieve a particular goal that once achieved will not reoccur in future.

**(ii) Standing plan:-** These plans are also known as Repeat Use Plans. These plans focus on situations which occur repeatedly.

**Types of plan:-**

**(a) Objectives:** Objectives are the end towards which the activities are directed. They are the end result of every activity.

**(b) Strategy:** It is a comprehensive plan to achieve the organizational objectives.

**(c) Policy:** It can be defined as organization's general response to a particular problem or situation. In simple words, it is the organization's own way of handling the problems.

**(d) Procedures:** Procedures are required steps established in advance to handle future conditions.

**(e) Rules:** Rules are norms regarding actions and non-actions of employees.

**(f) Programme:** Programmes are the combination of goals, policies, procedures and rules. All these plans together form a programme.

**(g) Methods:** Methods are formalized way of doing routine and repetitive jobs.

**(h) Budgets:** It is the statement of expected result expressed in numerical terms.

**Case Studies:**

**Question 1.** Super Fine Rice Ltd. has the largest share of 55% in the market. The company's policy is to sell only for cash. In 2015, for the first time company's number one position in the industry has been threatened because other companies started selling rice on credit\* also. But the managers of Super Fine Rice Ltd. continued to rely on its previously tried and tested successful plans which didn't work because the environment is not static. This led to decline in sales of Super Fine Rice Ltd.

The above situation is indicating two limitations of planning which led to decline in it sales. Identify these limitations.

**Answer:**

The two limitations of planning which led to decline in it sales are:

- \* Planning does not guarantee success.
- \* Planning may not work in dynamic environment.

**Question 2.**

Suhasini, a home science graduate from a reputed college, has recently done a cookery course. She wished to start her own venture with a goal to provide 'health food' at reasonable prices. She discussed her idea with her teacher (mentor) who encouraged her. After analysing various options for starting her business venture, they short listed the option to sell readymade and 'ready to make' vegetable shakes and sattu milk shakes. Then, they weighed the pros and cons of both the short listed options.

1. Name the function of management being discussed above and give any one of its characteristics.
2. Also briefly discuss any three limitations of the function discussed in the case.



**Answer:**

1. Planning is the function of management which is being discussed above.

Planning involves decision-making: Planning essentially involves application of rational thinking to choose the best alternative among the various available alternatives in order to achieve the desired goals efficiently and effectively.

**2. The limitations of planning are described below:**

*(a) Planning may not work in a dynamic environment:* The business environment is dynamic in nature. Every organisation has to constantly adapt itself to changes in its environment in order to survive and grow. However, it is difficult to anticipate all the likely future changes in the environment with utmost accuracy. Hence, even with planning, everything cannot be foreseen.

*(b) Planning reduces creativity:* The top management undertakes planning of various activities whereas the other members are expected to merely implement these plans. This restricts the creativity of the middle level managers as they are neither allowed to deviate from plans nor are they permitted to act on their own.

*(c) Planning involves huge costs:* The process of planning involves huge cost in terms of time and money as detailed planning is based on a series of scientific calculations. Moreover, it may include a number of related costs as well, like expenses on boardroom meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan. As a result, the expenses on planning may turn out to be much more than benefits derived from it.

**Question 3.**

Two years ago, Madhu completed her degree in food technology. She worked for some time in a company that manufactured chutneys, pickles and murabbas. She was not happy in the company and decided to have her own organic food processing unit for the same. She set the objectives and the targets and formulated an action plan to achieve the same.

One of her objectives was to earn 10% profit on the amount invested in the first year. It was decided that raw materials like fruits, vegetables, spices, etc. will be purchased on three months credit from farmers cultivating only organic crops.

She also decided to follow the steps required for marketing of the products through her own outlets. She appointed Mohan as the Production Manager who decided the exact manner in which the production activities were to be carried out. Mohan also prepared a statement showing the number of workers that will be required in the factory throughout the year.

Madhu informed Mohan about her area wise sales target for different products for the forthcoming quarter. While working on the production table, a penalty of ₹ 100 per day for not wearing caps, gloves and apron was announced.

Quoting lines from the above paragraph identify and explain the different types of plans discussed.

**Answer:**

The different types of plans discussed above are listed below:

**(a) Objectives:**

Objectives are the end results of the activities that an organisation seeks to achieve through its existence. All other activities within the organisation are directed towards achieving these objectives. "One of her objectives was to earn 10% profit on the amount invested in the first year."

**(b) Policy:**

A policy is a set of general guidelines that helps in managerial decision making and action.

"It was decided that the raw materials like fruits, vegetables, spices, etc. will be purchased on three months credit from farmers cultivating only organic crops."

**(c) Procedure:**

A procedure contains a series of specific steps to be performed in a chronological order to carry out the routine activities.

“She also decided to follow the steps required for marketing of the products through her own outlets.”

“The exact manner in which the production activities are to be carried out.”

**(d) Rule:** A rule is a specific statement relating to the general norms in terms of Do’s and Don’ts that guide the behaviour of people. It commands strict obedience and a penalty is likely to be imposed on its violation.

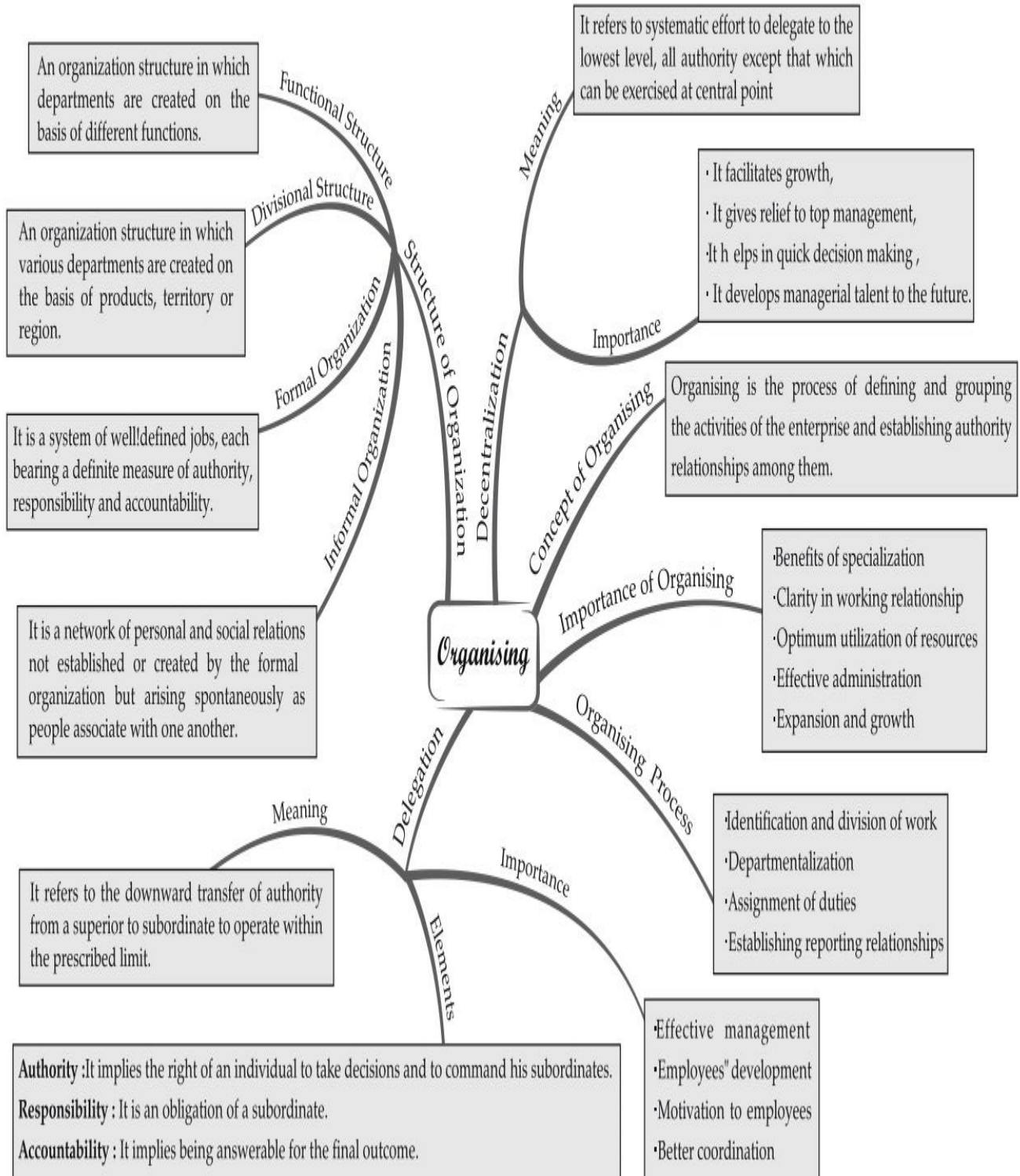
“While working on the production table, a penalty of? 100 per day for not wearing caps, gloves and aprons were announced.”

**(e) Budget:**

A budget refers to a financial plan that is expressed in numerical terms.

“Mohan also prepared a statement showing the number of workers different products for the forthcoming quarter.”

# CHAPTER - 5 ORGANISING



## **UNIT- 5: ORGANISING**

**Meaning-** It refers to the process of defining and grouping the activities of an enterprise and establishing authority relationship among them.

### **Organising Process (IDEA)**

**I** - Identification and division of Work

**D** - Departmentation

**A** - Assignment of duties

**E** - Establishing reporting relationship.

### **Importance/Significance of Organising BADO**

**B** - Benefits of specialization

**A** - Adaptation to changes

**D** - Development of Personnel

**O** - Optimum utilisation of resources.

### **Organisation Structures-**

It is a network of job positions, responsibilities and authority at different levels.

*Span of management* means how many employees or subordinates can be effectively managed by one manager or how many subordinates can be effectively controlled by one superior.

### **Types of Organisational Structure:**

**(i) Functional Structure and, (ii) Divisional Structure.**

**Functional Structure**—When the activities or jobs are grouped keeping in mind the functions or the job then it is called functional structure.

#### **Advantages of functional structure:-**

- (a) Occupational specialisation
- (b) Promotes control and coordination within department
- (c) Increase managerial and operational efficiency
- (d) Due attention to different functions.

#### **Disadvantages of functional structure:-**

- (a) Problem of coordination
- (b) Conflicts of interest
- (c) Less emphasis to overall objectives of organisation.
- (d) Difficult to fix accountability.

**Divisional Structure** – Created on the basis of different products produced by business.

#### **Advantages of Divisional Structure:-**

- (a) Product specialization
- (b) Easy to fix accountability
- (c) Fast decision making
- (d) It facilitate Expansion and Growth.

### **Disadvantages of Divisional Structure:-**

- (a) Increase in cost
- (b) Ignore organizational interests.
- (c) Product focus department
- (d) Conflict.

**Delegation of Authority:-** Transfer of authority from superiors to his subordinates.

*Elements- 1. Responsibility 2. Authority and 3. Accountability.*

**1. Responsibility:** It means the work assigned to an individual. It includes all the physical & mental activities to be performed by the employees at a particular job position.

**2. Authority:** It means power to take decision. To carry on the responsibilities, every employee needs to have some authorities.

**3. Accountability:** To make sure that the employees or subordinate perform their responsibilities in their expected manner, the accountability is created.

### **Importance of Delegation:-**

- (a) Effective management
- (b) Employees development
- (c) Motivation of employees
- (d) Facilitates organisational growth
- (e) Better Coordination
- (f) Reduces the work load of managers.

**Decentralisation-** It refers to the systematic transfer of authority throughout the organisation on permanent basis.

### **Importance of Decentralisation:**

- (a) Relief to top management
- (b) Develops initiative among subordinates
- (c) Develops managerial talent for the future
- (d) Facilitates growth
- (e) Quick decision making
- (f) Better control

## **Case Studies**

### **Question 1.**

Aman Chadha started 'Bulls Eye' a company for providing cyber security solutions to businesses. Its objective is to prevent, detect and respond to cyber-attacks and protect critical data. He was a hardworking software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was not only a person of integrity but also did his work with utmost honesty and sincerity. The business started growing day by day. He was delighted when he was offered a big project by the Ministry of Defence. While working on the project, he found that the volume of work made it impractical for him to handle all the work by himself. He decided to expand the team. The company maintained a close liaison with a local engineering college. During a campus placement, Ishan and Vrinda were appointed to work for the new project. He found the new employees capable, enthusiastic and trustworthy. Aman Chadha was thus, able to focus on objectives and with the help of Ishan and Vrinda, the project was completed on time. Not only this Aman Chadha was also able to

extend his area of operations. On the other hand Ishan and Vrinda also got opportunities to develop and exercise initiative.

Identify and briefly explain the concept used by Aman Chadha in the above case which helped him in focusing on objectives. Also, state any four points of importance of the concept identified in (i) above.

**Answer:** Delegation of authority is the concept used by Aman Chadha in the above case which helped him in focusing on objectives. Delegation of authority is the process of granting of authority to the subordinates to operate within prescribed limits.

The four points of importance of delegation of authority are described below:

(a) *Effective management:* It helps the managers to function more efficiently as they get more time to concentrate on important matters. Freedom from doing routine work provides them with opportunities to excel in new areas.

(b) *Employee development:* By empowering the employees, they are given more opportunities to utilise their talent and this may help them to become better leaders and decision makers in future.

(c) *Motivation of employees:* Delegation also has psychological benefits as helps in building the self-esteem of an employee and improves his confidence and work performance. When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of the subordinate. Thus, delegation may give rise to latent abilities in the subordinates.

(d) *Facilitation of growth:* With the increase in the competence of the employees, an organisation tends to gain in many ways. The growth and expansion of the firm becomes easy as the capable workforce is ready to take greater responsibilities.

## **Question 2.**

Ramdas, aged 49 is working in an aviation company. He is the senior most employees in his division. He is even senior to the division manager, Kanaputti. Ramdas is considered one of the most committed, capable and hard-working employees. As a result of his abilities and seniority, he generally received the work assignments of his choice. Although there was no formal designation of various „special' projects assigned to Ramada's, he handled them as a matter of routine. A problem developed when an able and intelligent person Nagarjuna, aged 33, was appointed by Kanaputti. Nagarjun's previous three years' experience in the closely related work, made it possible for him to catch on to the routine work of his new job more rapidly than was customary for a new employee. On several occasions, Kanaputti noticed the tension developing between the two employees.

However, he didn't want to get involved in their personal issues as long as the work was completed effectively and efficiently by them. One day, the tension between them reached the boiling point and Rumbas complained to Kanaputti stating that his duties were being largely taken over by Nagarjun. Kanaputti issued the order stating the clear allocation of the jobs and related duties between the two. He further clarified the working relationship between them by specifying who was to report to whom. This helped in reducing the workload, enhancing productivity and removing ambiguity.

1. Identify and state the step of organizing process which has not been carried out properly and contributed to this problem.
2. State the two steps of the organizing process which have been taken by Kanaputti to respond to the complaint of Ramdas.
3. Also state two points of importance of organizing as reflected in the above case.

### **Answer:**

The step of organizing process which has not been carried out properly and contributed to this problem is Assignment of duties.

**1. Assignment of Duties:** Once departments have been created each of them is placed under the charge of an individual and then jobs are allocated to the members as per their job positions.

2. The two steps of the organizing process which have been taken by Kanaputti to respond to the complaint of Ramdas are listed below:

- \* Assigning the duties
- \* Establishing reporting relationship.

3. The two points of importance of organizing as reflected in the above case are described below:

**(a) Optimum utilization of resources:** Organising ensures best possible use of all forms of resources i.e. physical, financial and human resource. It ensures systematic assignment of jobs thereby curbing overlapping of work and avoiding possibilities of duplication of work. This helps in preventing confusion and minimising the wastage of resources and efforts.

**(b) Adaptation to change:** The process of organising provides stability to the enterprise as it can then continue to survive and grow inspite of changes in the business environment. It enables the organisation structure to be suitably modified and the revision of inter-relationships amongst managerial levels to pave the way for a smooth transition.

### Question 3.

Kiran Industries is a company dealing in office furniture. The company chose to diversify its operations to improve its growth potential and increase market share. As the project was important, many alternatives were generated for the purpose and were thoroughly discussed amongst the members of the organisation. After evaluating the various alternatives, Sukhvinder, the Managing Director of the company, decided that they should add 'Home Interiors and Furnishings' as a new line of business activity.

(a) Name the framework, which the diversified organisation should adopt, to enable it to cope with the emerging complexity? Give one reason in support of your answer.

(b) State any two limitations of this framework.

#### Answer:

(a) Divisional structure should be adopted by the diversified organisation to enable it to cope with the emerging complexity.

Reason: It leads to faster decision making, promotes flexibility and initiative because each division functions as an autonomous unit.

(b) The two limitations of divisional structure are as follows:

- \* There may be conflicts among the different division's heads as in pursuit of higher profits; each of them may seek maximum allocation of resources at the cost of other divisions.

- \* The cost is high as each division is provided with separate set of similar functions.

### Question 4.

Ishita works as a corporate event coordinator in an event management company. She has been made an overall official incharge for organizing a painting exhibition for one of the clients of the company. For ensuring that the exhibition takes place successfully, she identifies the various activities involved and divides the whole work into various task groups like marketing committee, decoration committee and reception committee. In order to facilitate coordination within and among committees, she appoints a supervisor of each group. Each member in the group is asked to report to their respective supervisors and all the supervisors are expected to work as per Ishita's orders.

In context of the above case:

(a) Identify the function of management being performed by Ishita.

(b) Describe briefly the various steps involved in the performance of the function of management as identified in part (1) of the question.

#### Answer:

(a) The Organising function of management is being performed by Ishita.

(b) The steps involved in the process of organizing are as follows:

**1. Identification and Division of Work:** The first step in the process of organising relates to identification and division of the work that has to be performed in accordance with predetermined plans. This helps to avoid duplication of activities and makes the work manageable. It also ensures that the burden of work is being shared among the employees.

**2. Departmentalisation:** The next step in the process involves grouping of similar activities into departments, units, sections etc. using several criteria as a basis. This facilitates specialization.

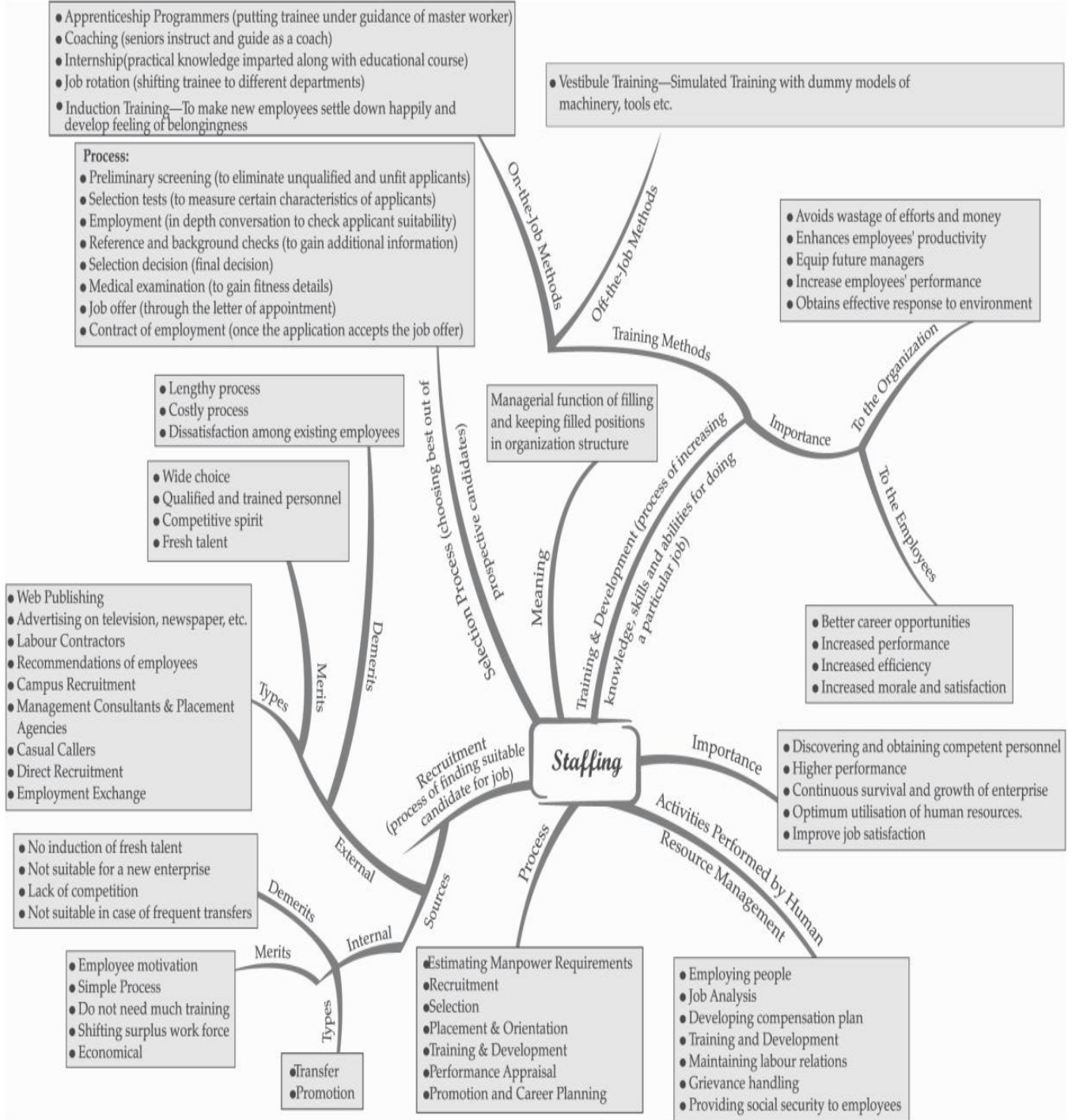
**3. Assignment of Duties:** Once departments have been created each of them is placed under the charge of an individual and then jobs are allocated to the members as per their job positions.

**4. Establishing Reporting Relationship:** While assigning jobs each member is told that from whom he/she has to take orders and to whom he/she will be accountable. The establishment of such clear reporting relationships help to create a well-defined hierarchical structure. It also facilitates coordination amongst various departments.



(Mind Map)

# CHAPTER - 6 STAFFING



## UNIT- 6: STAFFING

**Meaning-** Staffing is the process of management which is concerned with obtaining, utilising & maintaining a satisfactory and satisfied workforce.

### **Importance of staffing**

- (a) Helpful in Discovering Competent personnel
- (b) Helpful in better performance
- (c) Helpful in Growth of organization
- (d) Optimum utilization of human resources.

### **Staffing Process:-**

- (1) Estimating manpower requirements
- (2) Recruitment
- (3) Selection
- (4) Placement and orientation
- (5) Training and Development
- (6) Performance Appraisal
- (7) Promotion and career planning
- (8) Compensation

### **Element of staffing-**

**Recruitment + Selection + Training = Staffing**

**Recruitment:** - It means searching for prospective candidates & stimulating them to apply for jobs in the organization.

### **Sources of recruitment:-**

- (a) **Internal source of Recruitment:** –Transfer and Promotion.  
(b) **External Source of Recruitment:**– Direct recruitment, Casual callers, Employee recommendation, Campus placement, Employment exchanges, Private placement agencies and Web publishing.

**Selection:**-It refers to discovering most promising and most suitable candidate to fill up the vacant job position in the organisation.

### **Selection Process:-**

- (1) Preliminary Screening
- (2) Selection Tests:- Intelligence test, Aptitude test, Personality test, Trade test & Interest test are conducted in it.
- (3) Employment Interview
- (4) Checking references and background
- (5) Selection Decision
- (6) Medical Examination.
- (7) Job offer
- (8) Contract of employment

### **Training and Development:-**

*Training* means equipping the employees with the required skill to perform the job. The candidates are sent to training so that they can perform the job in the expected manner.

*Development* refers to overall growth of the employee. It focuses on personal growth and successful employees' development.

### **Need for Training and Development:-**

- (a) Reduced learning time
- (b) Better performance
- (c) Attitude formation
- (d) Aids in or help in solving operational problems
- (e) Managing manpower need
- (f) Helps to adopt changes.

### **Methods of training:-**

**a) On-the-job Training:-** When the employees are trained while they are performing the job then it is known as on the job training. Under this method the employees learn by doing.

**b) Off-the-job Training:-** Means Training given to the employees by taking them away from their work position which means employees are given a break from the job and sent for training.

**(i) Apprenticeship training-** It refers to that training method where the trainee is put under the guidance of an expert to acquire higher level of skill. Generally electricians, plumbers and iron workers are required to undergo this training.

**(ii) Vestibule Training:** Under this method, with a view to imparting training to new employees, a separate training centre is set up. An experienced and trained trainer is appointed as an in-charge of this centre. Machines, tools and other equipments are so arranged in this centre as to present a look of a workshop.

**(iii) Internship:** It is a practical training of theoretical knowledge. Selected candidates carry on regular studies for prescribed period & also work in some factory or office to acquire practical knowledge.

**(iv) Induction:** It means introducing the selected employees to his superiors, subordinates and colleagues and familiarizing him with the rules and policies of the organization.

### **Case Studies:**

#### **Question 1.**

Alpha Enterprises is a company manufacturing water geysers. The company has a functional structure with four main functions-Production, Marketing, Finance and Human Resource. As the demand for the product grew, the company decided to hire more employees.

Identify the concept which will help the Human Resource Manager in deciding the actual number of persons required in each department.

#### **Answer:**

Workload analysis is the concept which will help the Human Resource Manager in deciding the actual number of persons required in each department.

#### **Question 2.**

Resolutions Pvt. Ltd. is a publishing company. Its book on Business Studies for class XII is in great demand. As a result, the employees in the marketing department are always racing against time. The employees have to work overtime and on holidays to cater to the demand.

Managers in the marketing department are under stress as they have to handle more than two territories. The work stress has led to dissatisfaction among the employees and managers.

1. Name and explain the step of staffing process which has not been performed properly.
2. State the next two stages immediately following the step identified in part 'a'.

**Answer:**

1. The step of staffing process which has not been performed properly is:

Estimation of manpower requirements: It is the first step in the staffing process and is carried out with the help of workload analysis (assessment of the number and types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives) and work force analysis (assessment of the number and type available).

2. The next two stages immediately following the step Estimation of manpower requirement are as follows:

(a) *Recruitment*: Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.

(b) *Selection*: Selection is the process of choosing the best candidate from a pool of applicants.

**Question 3.**

Joseph Bros is a firm manufacturing jute lampshades. It uses leftover jute pieces from various jute factories to manufacture economical lampshades which are supplied to various hotels in nearby towns. It employs men and women from nearby villages as workers for creating good lampshade designs. Joseph Bros, is not able to meet its targets. Namish, the supervisor of the company, was told to analyse the reasons for the poor performance. Namish found the following problems and suggested certain solutions in the working of the business. The number of workers employed was less than what was required for the work. As a result, the existing workers were overburdened. The firm decided to search for new workers and it asked the present employees to introduce candidates or recommend their friends and relatives to the firm. This enabled the firm to 'put people to jobs' and assured the attainment of objectives according to plans.

1. Identify the functions of management being performed by the firm in the above situation.

2. Name the concept and its source used by the firm to attract more workers for the firm.

3. State any two values being followed by Jacob Bros.

**Answer:**

1. The 'Staffing' function of management is being performed by the firm.

2. Recruitment is the concept used by the firm to attract more workers to the firm.

The firm is planning to use the external source of recruitment i.e 'Recommendation of present employees' to attract more workers to the firm.

3. The two values that are being followed by Jacob Bros are:

(a) Generating employment

(b) Optimum utilisation of resources.

**Question 4.**

Aakansha, Nikita and Parishma are the owners of a handicraft unit in the urban area of Dibrugarh in Assam, which is involved in the manufacturing and marketing of Sital Pati, traditional mats and Jappi (the traditional headgear). They decided to shift this manufacturing unit to a rural area with an objective of reducing the cost and providing job opportunities to the locals.

They followed the functional structure in this organisation with a view to increasing managerial and operational efficiency.

They assessed and analysed the type and number of employees required, keeping in mind that they had to encourage the women and the people with special needs belonging to the rural area.

State the next three steps that they will have to undertake for obtaining a satisfied workforce for their handicraft unit.

**Answer:**

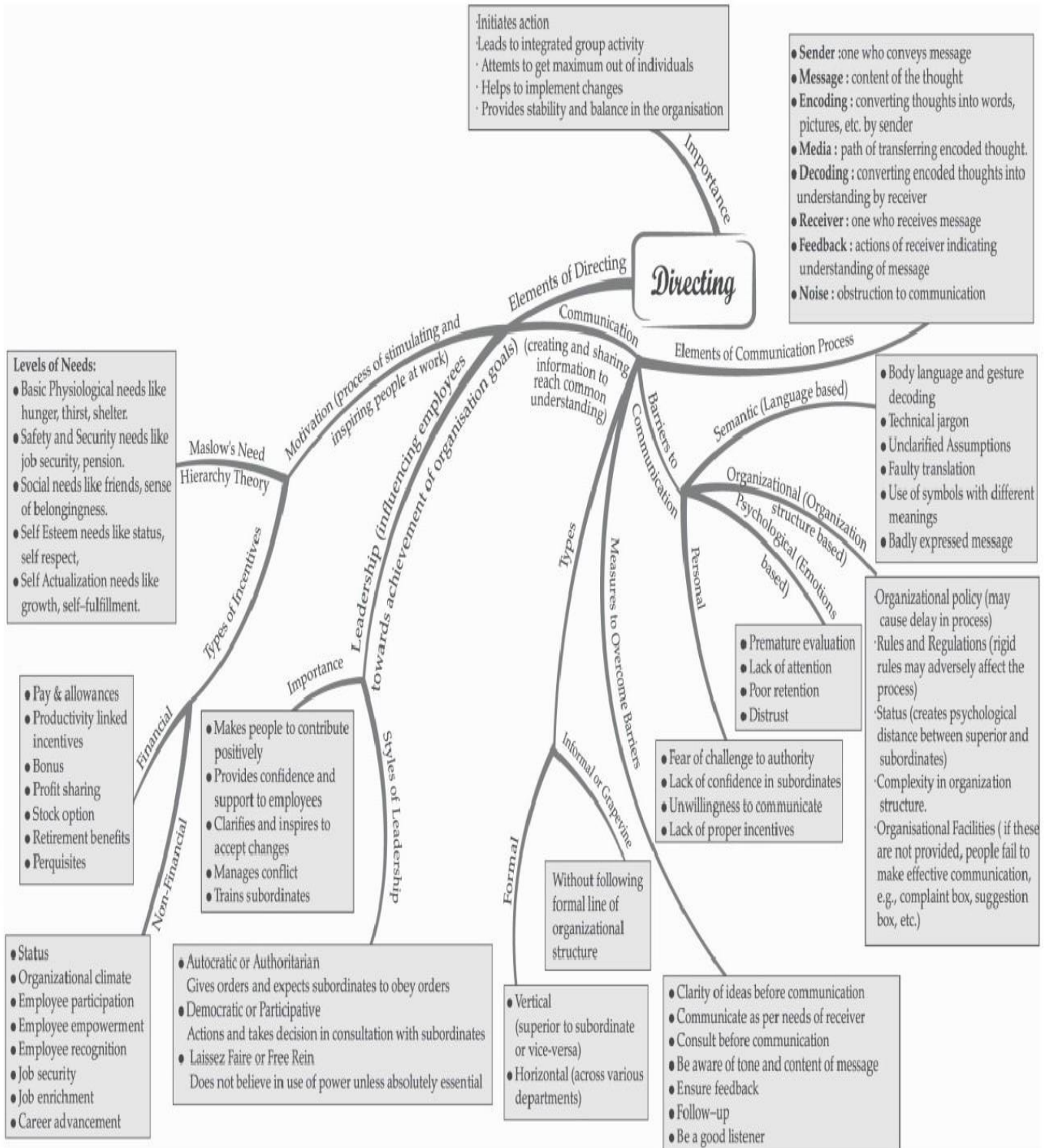
The next three steps that they will have to undertake for obtaining a satisfied workforce for their handicraft unit are as follows:

- **Recruitment:** Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation.
- **Selection:** Selection is the process of choosing the best candidate from a pool of applicants.

**Placement and Orientation:** Placement refers to the process of giving the charge of the job for which the employees have been appointed. Orientation may involve a series of activities related to introducing the new employee to other employees and familiarising him with the rules and policies of the organisation. Moreover, he is taken around the workplace and made aware of the fire safety policy, canteen, conference room etc.

(Mind Map)

**CHAPTER - 7 DIRECTING**



## UNIT-7: DIRECTING

**Meaning-**It refers to instructing, guiding, inspiring and motivating the employees in the organisation so that their efforts result in achievement of organisational goals.

### **Features/Characteristics of Directing function:-**

- (a) Directing initiates action
- (b) Continuing function
- (c) Directing takes place at every level
- (d) Directing flows from top to bottom
- (e) Performance oriented.

### **Importance of Directing Function:-**

- (a) To initiate action
- (b) To integrate employees effort
- (c) Means of motivation
- (d) Bring stability and balance in the organisation
- (e) To facilitate change.

### **Elements of Directing.**

**1. Supervision 2. Motivation 3. Communication and 4. Leadership.**

**Supervision:-**Supervision refers to the direct and immediate guidance and control of subordinates in the performance of their task or to watch over the routine activities of workers.

**Motivation:** - It refers to that process which encourages people to work for the attainment of a desired objective.

### **Features/Characteristics/Nature of Motivation:-**

- (a) Motivation is a psychological phenomenon.
- (b) Motivation produces goal-directed behaviours.
- (c) Motivators can be positive as well as negative.
- (d) Motivation is a complex process.

### **Maslow's Need Hierarchy Theory-**

1. *Physiological need.*
2. *Safety and security needs:- includes two categories - Physical Security and Economic security.*
3. *Social needs affiliation/belonging need*
4. *Esteem needs*
5. *Self Actualization needs*

**Incentives:-** It can be defined as monetary or non-monetary reward offered to the employees for contributing more efficiently.

### **Types of incentives-**

(i) *Financial Incentives and (ii) Non-Financial Incentives*

(i) *Financial Incentives:-*The reward or incentive which can be calculated in terms of money.

Like - Pay & allowances, Profit sharing, Co-partnership, Bonus, Commission and Retirement benefits etc.

(ii) *Non-Financial Incentives:-* The incentives which cannot be calculated in terms of money.

Like - Status, Organisational Climate, Career advancement, Employees recognition, Job security etc.

**Leadership**-It refers to influence others in a manner to do what the leader wants them to do.

**Leadership Styles-**

- (1) **Autocratic or Authoritative Leadership:** - Leader exercise complete control over the subordinates.  
eg:- Adolf Hitler.
- (2) **Democratic or Participative leadership:-** Leader takes decisions in consultation and participation with employees. eg:-Narayan Murthy.
- (3) **Free lien or Laissez Faire Leadership:-**This style involves complete delegation of authority so that subordinates themselves take decision.

**Communication-**

It refers to transmission or exchange of ideas, views, message, information or instructions between two or more persons by different means.

**Type of Communications:**

**(a) Formal Communication and, (b) Informal Communications**

- (a) **Formal Communication:** - It refers to official communication at official peace between the people who are officially related to each other.
- (b) **Informal Communications:-**It is between different members of organisation who are not officially attached to each other.

**Barriers of effective communications:-**

**Semantic Barriers:** This barrier is related with the words, signs and figures used in the communication. Sometimes they cannot convey the same message which they want to. It can be

- (i) Badly expressed message
- (ii) Symbols and words with different meaning
- (iii) Faulty translation and soon
- (iv) Unclarified assumptions.

**Psychological or Emotional barriers:-** The importance of communication depends on the mental condition of both the parties . A mentally disturbed party can be a hinder in communication. It can be

- (i) Premature evaluation
- (ii) Lack of attention
- (iii) Distrust
- (iv) Loss by transmission and poor retention.

**Organizational barriers:** Factors related to organisational structure, authority relationship, rules and regulations may act as barriers to effective communication.

- (i) Organizational policies
- (ii) Rules and regulations
- (iii) Complex organization
- (iv) Organisational facilities.

**Personal barriers:** Certain personal factors of sender and receiver may influence the free flow of information.

- (a) Fear of authority,
- (b) Lack of confidence of superior in his subordinates
- (c) Lack of incentive.
- (d) Unwillingness to communicate.



## Case Studies:

### Question 1.

Alfa Ltd. was dealing in renewable energy services. To get the business, the team leader and his team used to travel to different states to give presentations to the clients. As per the policy of the company, the team leader used to travel by air whereas his team travelled by road/train. It was not only time-consuming but also forced the female team members to travel alone at times.

As a result, the subordinates were not acting in a desired manner to achieve the organisational goals. The CEO of the company came to know about it. He called the team leader, discussed the matter with him and decided to change the travel policy of the company. It was decided that in future, all the members including the leader would travel together and usefully utilise the travelling time in discussion about the presentation to be given to the clients. This made a positive impact and every member of the team started acting in a manner as desired by the team leader.

State the features of the element of the function of management used by the CEO.

#### Answer:

The CEO Alfa Ltd. has used Motivation, which is an element of directing function of management in order to deal with the situation effectively.

The features of motivation are explained below:

- **Motivation is an internal feeling:** An urge, drives, or needs of human being, which are internal, but likely to influence human behaviour.
- **Motivation produces goal directed behaviour:** A motivated employees is likely to act in a desired manner and contribute effectively.
- **Motivation can be either positive or negative:** Positive motivation can be provided through rewards like increase in pay, promotion, recognition etc. Negative motivation involves use of negative means like punishment, stopping increments, threatening etc. which also may prompt a person to act in the desired way.

### Question 2.

Samita had been working as an assistant manager with Johnson Enterprises for the last ten years. She was very popular amongst her colleagues because of her commitment and dedication towards work. When the senior manager retired, all her colleagues thought that now Samita would be promoted. But to everyone's surprise, the vacant post was filled by an outsider, Mrs. Rita. Samita felt demoralised and her performance started declining. She would absent herself often and could not meet her targets.

Mrs. Rita was a good leader who would not only instruct her subordinates but would also guide and inspire them. She notices Samita's behaviour and felt that her performance could be improved. She started involving Samita in the decision-making issues related to the organisation and made her a part of a high level joint-management committee. Samita was now punctual in office and her performance started improving.

1. Identify the function of management being performed by Mrs. Rita.
2. Name the element of the above function of management which helped Rita improve Samita's behaviour.
3. State any three features of the element identified in (2) above.

#### Answer:

1. Mrs. Rita has performed the directing function of management.
2. Mrs. Rita has been able to improve Samita's behaviour with the help of motivation which is an element of directing.

3. The features of motivation are explained below:

- **Motivation is an internal feeling:** An urge, drives, or needs of human being, which are internal, but are likely to influence human behaviour.
- Motivation produces goal directed behaviour.
- **Motivation can be either positive or negative:** Positive motivation can be provided through rewards like increase in pay, promotion, recognition etc., Negative motivation involves use of negative means like punishment, stopping increments, threatening etc. which also may prompt a person to act in the desired way.

### Question 3.

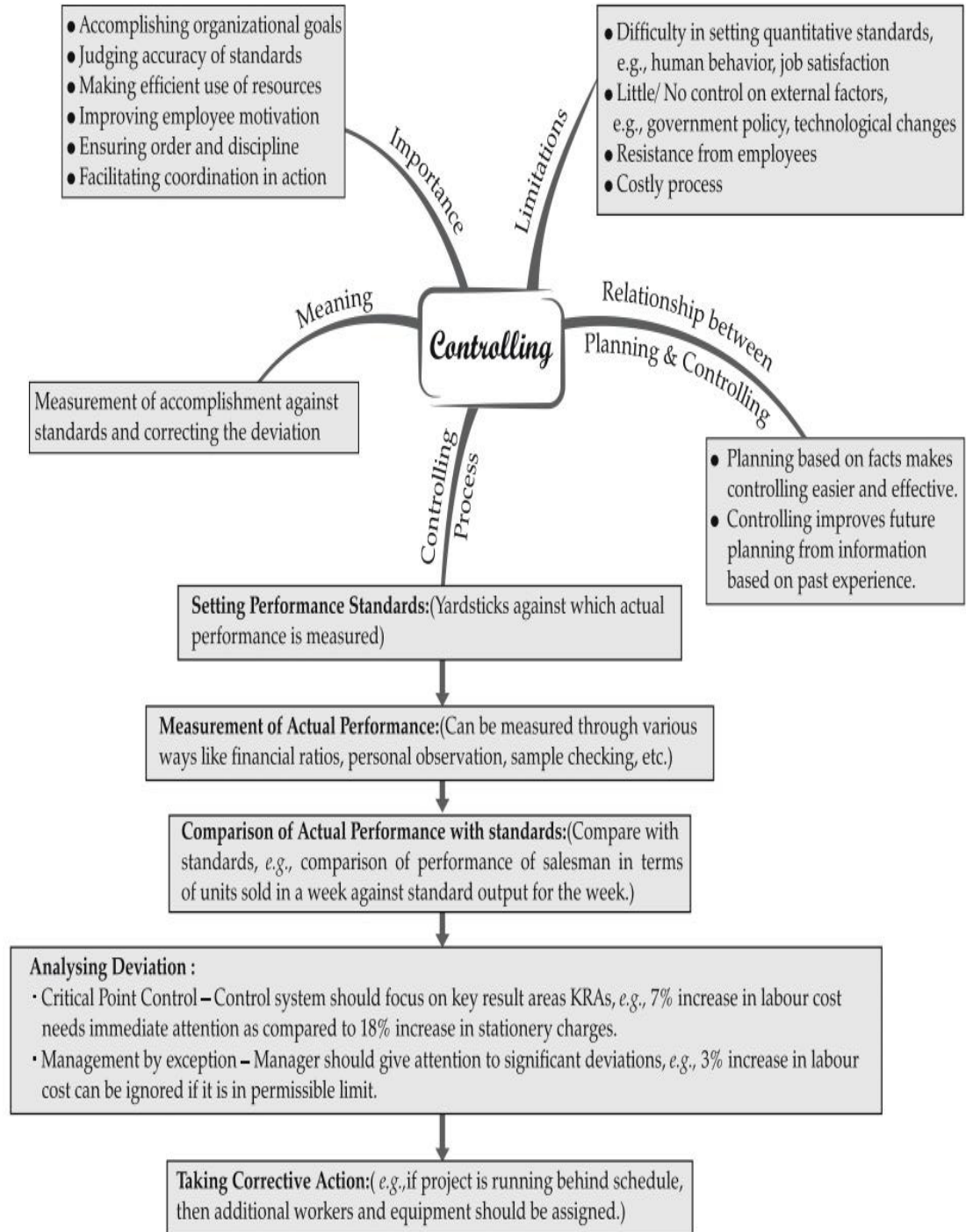
Jaideep recently joined as the Managing Director of Tivori Ltd., an apparel designing company. He observed that the company had a number of experienced fashion designers on its payroll. They regularly offered useful suggestions which were neither appreciated nor rewarded by the company. Instead, the company outsourced its services to some renowned fashion designers and paid them a good compensation for their services. Because of this, the employees felt disheartened and stopped giving useful suggestions.

1. Identify the communication barrier discussed above.
2. State the category of this communication barrier.
3. Explain any other communication barriers of the same category.

### Answer:

1. The communication barrier discussed in the above paragraph is Lack of proper incentives
2. It is a type of personal barrier.
3. Some of the types of personal barriers are described below:
  - **Fear of challenge to authority:** If a superior may withhold or suppress the communication which he perceives is likely to adversely affect his authority..
  - **Lack of confidence of superior on his subordinates:** A superior may not seek the advice or opinions of their subordinates if he / she do not have confidence on their competency.
  - **Unwillingness to communicate:** Sometimes, subordinates may deliberately withhold any communication with their superiors, if they perceive that it may adversely affect their personal interests.

## CHAPTER - 8 CONTROLLING



## UNIT-8: CONTROLLING

**Meaning:** - Comparing actual performance with standards & finding deviations if any and taking corrective action.

**Actual Performance = Standards = No deviation**

### **Nature of Controlling:-**

- (a) Controlling is a goal-oriented function.
- (b) Controlling is an all pervasive.
- (c) Controlling is both backward looking as well forward looking function.
- (d) Controlling is a continuous function.

### **Importance of controlling:-**

- (a) Helps in achieving organisational goals.
- (b) Judging accuracy of standards.
- (c) Making efficient use of resources.
- (d) Improves employee's motivation.
- (f) Ensures order and discipline.

### **Process of Controlling:-**

1. *Setting performance standards:* Standards are the Criteria against which actual performance would be measured. Standards serve as bench marks. They can be set in both quantitative as well as qualitative.

2. *Measurement of actual performance:* Performance should be measured in an objective and reliable manner.

3. *Comparing actual performance with standards:* in this step actual performance is compare with the set standards and deviations are being found.

4. *Analyzing deviations:* Major deviation or minor deviation and analyzing the causes of deviation.

*Critical point control: Focus only on Key Result Areas (KRAs).*

*Management by Exception: Concentrate only on major deviations only.*

5. *Taking corrective action:* When deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished.

6. *Feedback in controlling*

### **Relationship between Planning and Controlling:**

Planning and controlling are inseparable twins of management. Planning initiates the process of management and controlling completes the process. Plans are the basis of control and without control the best laid plans may go astray. Planning is clearly a prerequisite for controlling. It is utterly foolish to think that controlling could be accomplished without planning.

### **Case Studies:-**

#### **Question 1.**

Hina Sweets is a renowned name for quality sweets since 1935. Harsh the owner of Hina Sweets was worried as the sales had declined during the last three months. When he enquired from the Sales Manager, the Sales Manager reported that there were some complaints about the quality of sweets. Therefore Harsh ordered for sample checking of sweets.

Identify the step taken by Harsh that is related to one of the functions of management.

**Answer:**

Measurement of actual performance is the step in controlling process being described.

**Question 2.**

State the steps in the process of controlling.

**Answer:**

The various steps involved in the controlling process are described below:

*1. Setting performance standards:* The first step in the controlling process involves setting standards in clear, specific and measurable terms. Standards can be set in both quantitative as well as qualitative terms. It is important that standards should be flexible enough to be modified with the changes taking place in the internal and external business environment.

*2. Measurement of actual performance:* The next step relates to the measurement of actual performance. Performance should be measured in an objective and reliable manner. As far as possible, performance should be measured in the same units in which standards are set as this would make their comparison easier. Depending upon the nature of work various techniques for measurement of performance like personal observation, sample checking, performance reports, etc. may be used.

*3. Comparison of actual performance with standards:* This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation and noting deviations if any. If the actual performance is more than planned performance deviations are said to be positive or vice-versa.

*4. Analysing deviations:* Once the deviations are identified it is important to analyse them through:

*(a) Critical point control:* All the deviations may not be significant. Moreover, it may not be either economical nor easy to monitor each and every activity in the organisation. Therefore, every organisation identifies and states its specific key result areas (KRAs) or critical points which require tight control are likely to have a significant effect on the working of the business. Any deviations on these points are attended to urgently by the management. Like if the expenditure on refreshment of workers goes up by 10% it can be ignored but if the production cost goes up by 5% it may call for managerial action.

*(b) Management by exception:* Management by exception is the principle of management control which is based on the belief that if you try to control everything, you may end up controlling nothing. Therefore, only significant deviations which go beyond the permissible limits should be brought to the notice of the management. Like the output defects upto 2% may be considered acceptable but if goes up by 5% it may call for managerial action.

*5. Taking corrective action:* This is the final step involved in the controlling process. When the deviations are within acceptable limits no corrective action is required. However, when the deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished. Corrective action might involve training of employees, buying new machinery, increasing supervision and so on.

**Question 3.**

How does controlling help in “Judging accuracy of standards” and “Ensuring order and discipline”?

**Answer:**

Controlling helps in “Judging accuracy of standards” and “Ensuring order and discipline” as explained below:

*(a) Judging accuracy of standards:* An efficient control system enables management to determine whether the standards set are accurate and objective. This is because it helps to review and revise the standards in light the changes taking place in the organisation and in the environment.

*(b) Ensuring order and discipline:* Controlling helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities. Thus, it creates an atmosphere of order and discipline in the organisation.

**Question 4.**

K&K Co. Ltd. is engaged in manufacturing of machine components. The target of production is 200 units daily. The company had been successfully attaining this target until two months ago. Over the last two months it has been observed that daily production varies between 150-170 units. Identify the possible causes for the decline in production and the steps to be taken to achieve the desire targets.

Answer:

The possible causes for decline in production are listed below:

- The workers are not well versed with the production process.
- The working environment is not conducive to efficient working.
- The raw materials and other equipment are not available on time.
- The machinery is defective or has become obsolete.

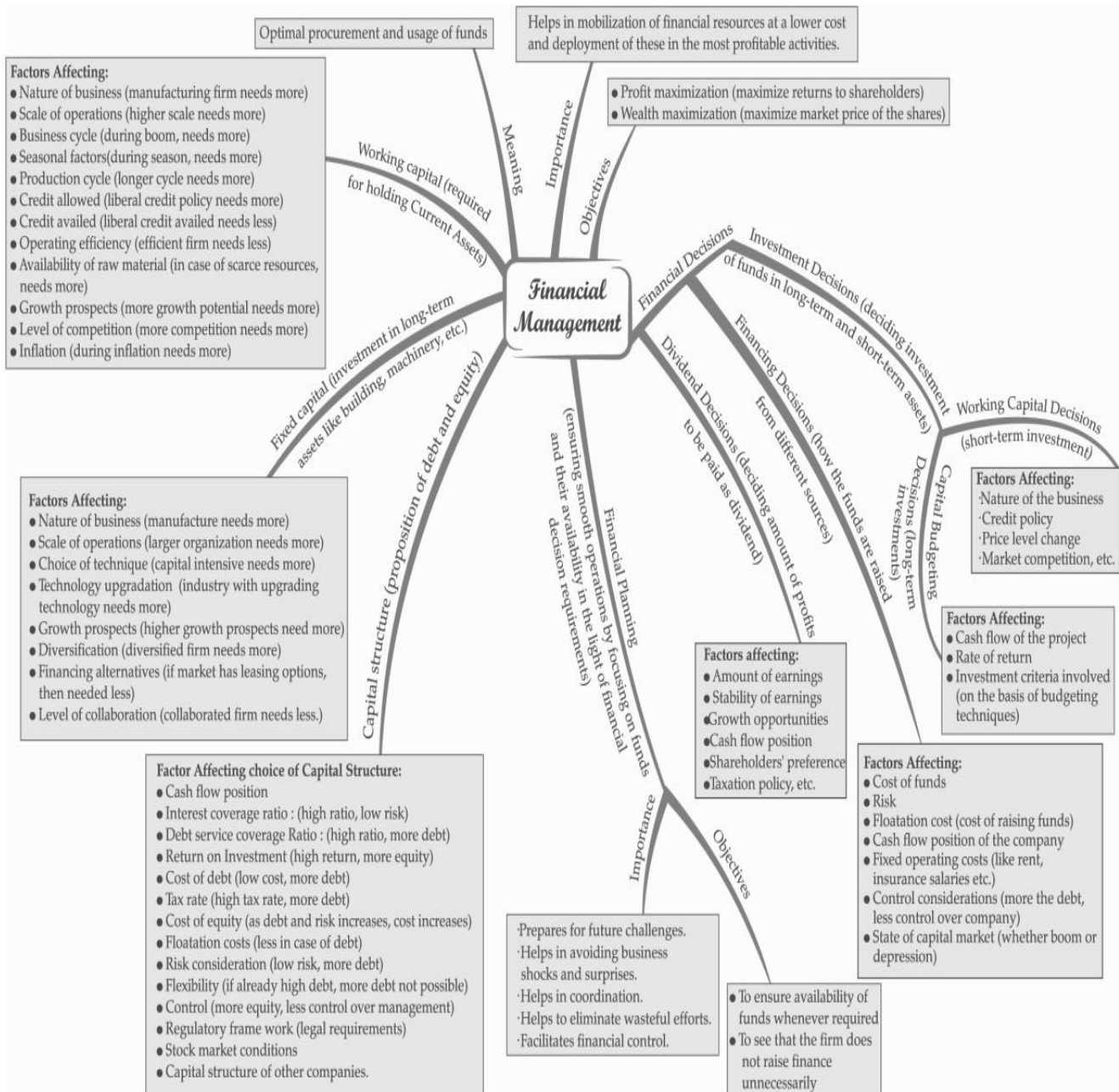
The deviations require immediate management attention so that- they do not reoccur in future. Therefore, the manager should take appropriate corrective action after analyzing the situation like providing training to workers, improving the work environment, ensuring timely availability of the raw materials and other equipment or replacing the machinery.

# PART - B

## (BUSINESS FINANCE AND MARKETING)

(Mind Map)

### CHAPTER - 9 FINANCIAL MANAGEMENT



## UNIT- 9: FINANCIAL MANAGEMENT

**Business Finance:**-It refers to funds required for carrying out business activities.

**Financial Management:**- It includes decisions relating to procurement of funds, investment of funds in long term and short term assets and distribution of earning to the owner.

**Role of Financial Management:-**

1. Size and Composition of Fixed Assets.
2. Amount and Composition of Current Assets.
3. The Amount of Long-term and Short-term Funds.
4. Break up of Long Term Financing into Debt, Equity etc.
5. All Items in Profit and Loss Account.

**Objective of Financial Management:**-Maximize wealth of equity shareholders which means maximizing the market price of Equity shares.

**Financial Decisions:-**

The finance functions relate to three major decisions which every finance manager has to take:

- A. *Investment decision*      B. *Financing decision and*      C. *Dividend decision.*

**Importance or Scope of Capital Budgeting Decision/ Investment Decision:-**

1. Long term growth
2. Large amount of funds involved
3. Risk involved
4. Irreversible decision.

**A. Investment decision (Capital Budgeting Decision):-** This decision relates to careful selection of assets in which funds will be invested by the firms.

**Factors Affecting Investment/ Capital budgeting decision:-**

**1. Cash flows of the project:-**Before considering an investment option, business must carefully analyse the net cash flow expected from the investment during the life of the investment. Investment should be made if net cash flow is more.

**2. The rate of return:-**Investment should be done in the projects which earn the higher rate of return. It should be calculated on the basis of expected return of the projects.

**3. Investment criteria involved:-**Before taking decision, each investment opportunity must be compared by using the various capital budgeting techniques. These techniques involve calculation of rate of return, cash flow during the life of investment, cost of capital etc.

**B. Financing decision:-**It deals with determination of sources of finance i.e. amount to be raised from each source.

**Factors Affecting Financing decision:-**

**1. Cost of raising finance: -** The cost of raising finance from various sources is different and finance managers always prefer the source with minimum cost.

**2. Risk involved:-**The risk associated with each of the sources is different.



**3. Flotation costs:**- Higher the floatation cost, less attractive the source.

**4. Cash flow position of the company:** - A strong cash flow position may make debt financing more viable than funding through equity.

**5. Fixed Operating Costs:** - If a company is having high fixed operating cost then they must prefer owner's fund because due to high fixed operational cost, the company may not be able to pay interest on debt securities.

**6. Control consideration:** - If existing shareholders want to retain the complete control of business then they prefer borrowed fund securities to raise further fund.

**C. Dividend decisions:**- It refers decisions related to amount of profit/surplus to be distributed among shareholders and how much amount of profit/surplus keep aside as retained earnings.

**Factors Affecting Dividend decisions:-**

**1. Amount of Earning:** - Dividends are paid out of current and past earning.

**2. Stability of earning:** - Companies having stable or smooth earning prefer to give high rate of dividend.

**3. Stability of dividend:** - Some companies follow a stable dividend policy as it has better impact on shareholder and improves the reputation of company in the share market.

**4. Growth opportunities:** - If companies have no investment or growth plans then it would be better to distribute more in the form of dividend. Generally mature companies declare more dividends whereas growing companies keep aside more retained earnings.

**5. Cash Flow Position:**-Paying dividend means outflow of cash. Companies declare high rate of dividend only when they have surplus cash.

**6. Taxation Policy:** - If tax rate is higher, then company prefers to pay less in the form of dividend whereas if tax rate is low then company may declare higher dividend.

**Financial planning-** It is the process of estimating the funds requirement, specifying the sources of fund and utilizing them in an optimum manner.

**Objective of financial Planning-**

- (a) To ensure availability of funds whenever these are required.
- (b) To see that firm does not raise resources unnecessarily.

**Importance of financial Planning-**

- (a) Makes the firm better prepared to face the future.
- (b) Helps in avoiding Business Shocks and Surprises.
- (c) Coordinate various functions.
- (d) Proper utilization of finance.
- (e) Link present with future.
- (f) Link between Investment and Financing Decisions.

**Capital Structure:-** Refers to proportion of debt and equity used for financing the operations of business.

### **Factors Affecting Capital Structure: –**

**1. Cash flow positions:** - A company employs more of debt securities in its capital structure if company is sure generating enough cash inflow whereas if there is shortage of cash then it must employ more of equity in its capital structure.

**2. Interest coverage ratio (ICR):-** High ICR means companies can have more of borrowed fund securities whereas lower ICR means less borrowed fund securities.

**3. Return on investment:** - If return on investment is more than rate of interest then company must prefer debt in its capital structure otherwise equity.

**4. Tax rate:** - High tax rate makes debt cheaper as interest paid to debt security holders is subtracted from income before calculating tax.

**5. Cost of Debts:** - If firm can arrange borrowed fund at low rate of interest then it will prefer more of debt as compared to equity.

**6. Risk consideration:** - If firm's business risk is low then it can raise more capital by issue of debt securities whereas at the time of high business risk it should depend upon equity.

**Fixed Capital:**–It refers to money invested in the fixed assets, which is to be used over a long period of time.

### **Factors Affecting Fixed Capital: –**

**1) Nature of business:** - A manufacturing company needs more fixed capital as compared to a trading company.

**2) Scale of operations:-** A large scale company require more fixed capital as they need more machineries and other assets.

**3) Techniques of production:-**Companies using capital-intensive technique require more fixed capital whereas companies using labour intensive technique require less capital.

**4) Technology upgradation:-**Industries in which technology upgradation is fast need more amount of fixed capital as when new technology is invented old machines become obsolete.

**5) Growth prospectus:** - Companies which are expanding and have higher growth plan require more fixed capital as to expand their production capacity.

**6) Diversification:** - Companies which have plan to diversify their activities by including more range of products require more fixed capital as to produce more products.

**Working Capital:-** refers to the amount which is invested in current assets. This fund also needed for payment of daily expenses, payment of current liabilities etc. this investment facilitate smooth business operation.

### **Factors affecting the requirement of working capital:-**

**1) Nature of business:-**the requirement of working capital depends on the nature of business. Manufacturing business requires more amount of working capital because it takes lot of time in converting raw material into finished goods while trading business requires less amount of working capital.

**2) Scale of operation:-**Business operating on larger scale requires more funds to maintain the high quantum of inventory & debtors to meet day to day expenses as compared to small scale business.

**3) Business Cycle fluctuation:-**Different phases of business cycle affect the requirement of working capital by a firm. In case of boom, there is increase in production and scales leading to the increased requirement for working capital whereas the requirements for working capital reduce during depression.

**4) Seasonal factors:** - Many businesses may have high level of activity during specific period of time which may be referred as season time. Therefore, during peak season the level of activity is high, leading to increased need of working capital as compared to the capital during lean period.

**5) Technology and production cycle:-** If a company is using labour intensive technique of production then more working capital is required because company needs to maintain enough cash flow for making payments to labour.

**6) Inflation:** - If there is increase or rise in price then the price of raw material and cost of labour will rise, it will result in an increase in working capital requirement.

### Case Studies:

#### Question 1.

Somnath Ltd. is engaged in the business of export of garments. In the past, the performance of the company had been upto the expectations. In line with the latest technology, the company decided to upgrade its machinery. For this, the Finance Manager, Dalmia estimated the amount of funds required and the timings. This will help the company in linking the investment and the financing decisions on a continuous basis. Dalmia therefore, began with the preparation of a sales forecast for the next four years. He also collected the relevant data about the profit estimates in the coming years. By doing this, he wanted to be sure about the availability of funds from the internal sources of the business. For the remaining funds he is trying to find out alternative sources from outside.

- (a) Identify the financial concept discussed in the above para.
- (b) Also state the objectives to be achieved by the use of financial concept, so identified.

#### Answer:

(a) Financial planning is the financial concept discussed in the above paragraph. The process of estimating the fund requirements of a business and specifying the sources of funds is called financial planning. It relates to the preparation of a financial blueprint of an organisation's future operations.

(b) The objectives to be achieved by the use of financial concept are stated below:

- \* To ensure availability of funds whenever required which involves estimation of the funds required, the time at which these funds are to be made available and the sources of these funds.
- \* To see that the firm does not raise resources unnecessarily as excess funding is almost as bad as inadequate funding. Financial planning ensures that enough funds are available at right time.

**Question 2.** Explain briefly any four factors which affect the choice of capital structure of a company.

#### Answer:

The four factors which affect the choice of capital structure of a company are described below:

- **Risk:** Financial risk refers to a situation when a company is unable to meet its fixed financial charges. Financial risk of the company increases with the higher use of debt. This is because issue of debt involves fixed commitment in terms of payment of interest and repayment of capital.
- **Flexibility:** Too much dependence on debt reduces the firm's ability to raise debt during unexpected situations. Therefore, it should maintain flexibility by not using debt to its full potential.
- **Interest Coverage ratio (ICR):** The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation. This may be calculated as follows:  
$$\text{ICR} = \text{EBIT} / \text{Interest}.$$

If the ratio is higher, lower is the risk of company failing to meet its interest payment obligations hence debt may be issued or vice versa. But besides interest payment related repayment obligations should also be considered.

- **Cash flow position:** The issue of debt involves a fixed commitment in the form of payment of interest and repayment of capital. Therefore if the cash flow position of the company is weak it cannot meet the fixed obligations involved in issue of debt it is likely to issue equity or vice versa.

**Question 3.** Explain briefly any four factors that affect the working capital requirement of a company.

**Answer:**

The four factors that affect the working capital requirements of a company are explained below:

- 1. Credit availed:** In case the suppliers from whom the firm procures the raw material needed for production or finished goods follow a liberal credit policy, the business can be operated on minimum working capital or vice versa.
- 2. Credit allowed:** The credit terms may vary from firm to firm. However, if the level of competition is high or credit worthiness of its clients is good the firm is likely to follow a liberal credit policy and grant credit to its clients it results in higher amount of debtors, increasing the requirement of working capital or vice versa.
- 3. Scale of operations:** The amount of working capital required by a business varies directly in proportion to its scale of business. For organisations which operate on a higher scale of operation, the quantum of inventory, debtors required is generally high. Such organisations, therefore, require large amount of working capital as compared to the organisations which operate on a lower scale.
- 4. Growth prospects:** The business firms who wish to take advantage of a forthcoming business opportunity or plan to expand its operations will require higher amount of working capital so that is able to meet higher production and sales target whenever required or vice versa .

**Question 4.** Explain briefly any four factors that affect the fixed capital requirements of a company.

**Answer:**

The four factors that affect the fixed capital requirements of a company are explained below:

- **Nature of business:** The kind of activities a business is engaged in has an important bearing on its fixed capital requirements. On one hand a trading concern does not require to purchase plant and machinery etc. and needs lower investment in fixed assets. Whereas on the other hand a manufacturing organisation is likely to invest heavily in fixed assets like land, building, machinery and needs more fixed capital.
- **Scale of operations:** The amount of fixed capital required by a business varies directly in proportion to its scale of business. A larger organisation operating at a higher scale needs bigger plant, more space etc. and therefore, requires higher investment in fixed assets when compared with the small organisation.
- **Diversification:** If a business enterprise plans to diversify into new product lines, its requirement of fixed capital will increase as compared to an organisation which does not have any such plans.
- **Growth prospects:** If a business enterprise plans to expand its current business operations in the anticipation of higher demand, its requirement of fixed capital will be more as compared to an organisation which doesn't plan to pursue any such plans.

**Question 5.**

Vivo Ltd. is a company manufacturing textiles. It has a share capital of Rs. 60 lakhs. The earnings per share in the previous year was Rs. 0.50. For diversification, the company requires an additional capital of Rs. 40 lakhs. The company raised funds by issuing 10% debentures for the same. During the current year, the company earned a profit of Rs. 8 lakhs on the capital employed. It paid tax @ 40%.

State whether the shareholders gained a lost, in respect of earning per share on diversification. Show your calculations clearly. Also, state any three factors that favour the issue of debentures by the company as part of its capital structure.

**Answer:**

Let us presume that the share capital of Rs. 60 lakh is made up of Rs. 6 lakh equity shares assuming that the face value of each share is Rs.10.

Sources	Situation -1 (Amt. (in Rs.))	Situation -2 (Amt. (in Rs.))
Equity shares	60,00,000	60,00,000
10 % Debentures	NIL	40,00,000
Total Capital	60,00,000	1,00,00,000
EBIT	—	8,00,000
Less: Interest	—	– (4,00,000)
EBT	—	4,00,000
Less: Tax @ 40%	—	– (1,60,000)
EAT	*3,00,000	2,40,000
No. of shares of Rs. 10 each	6,00,000	6,00,000
EPS	0.50	2,40,000/ 6,00,000 = 0.40

\*0.50 x 6,00,000 = 3,00,000

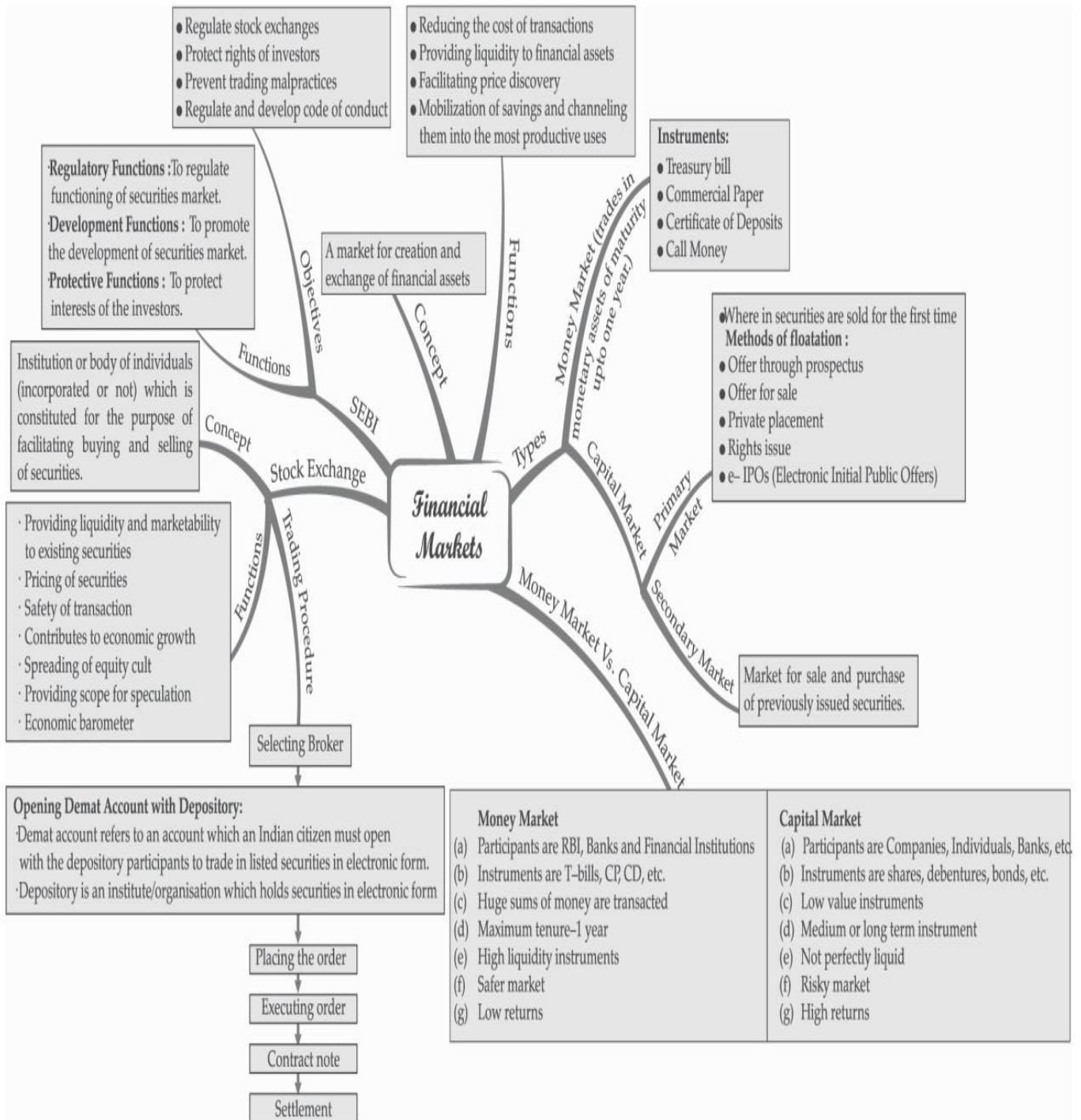
Consequently EBT/EBIT in situation 1 = Rs. 5,00,000.

Thus, on diversification, the earning per share fell down from Rs. 0.50 to Rs. 0.40.

The three factors that favour the issue of debentures by the company as part of its capital structure are as follows:

- (a) **Tax deductibility:** Debt is considered to be a relatively cheaper source of finance as the amount of interest paid on debt is treated as a tax deductible expense.
- (b) **Flotation cost:** The money spent by the company on raising capital through debentures is less than that spent on equity.
- (c) **Control:** The issue of debentures doesn't affect the control of the equity shareholders over the business as the debenture holders do not have the right to participate in the management of the business.

## CHAPTER - 10 FINANCIAL MARKETS



## UNIT-10: FINANCIAL MARKET

**Financial Market:** - This market refers to that market where financial securities are exchanged.

### Functions of Financial Market:-

- (a) Mobilise savings and channelize them into most productive uses
- (b) Facilitates Price Discovery
- (c) Provides Liquidity Financial Assets
- (d) Reduce the cost of transactions.

### Types of Financial Market:-

#### A. Money Market and B. Capital Market

**A. Money Market:-**It is a Market which deals in short term securities i.e. whose maturity period is less than 01 year.

#### Instruments of Money Market:-

- a) Call Money:-** The money borrowed or lend on demand for a short period which is generally one day.
- b) Treasury Bill (T.Bills):-** It is issued by Reserve Bank of India on behalf of the Government of India, to get short term borrowing as these are sold to bank and general public.
- c) Commercial Bills:-**These bills are drawn by a business firm on another business firm.
- d) Commercial Paper (C.P.):-** It is an unsecured promissory note issued by public or private sector companies with a fixed maturity period which varies from 15 days to one year.
- e) Certificate of Deposits (C.D.):-** It is a time or deposit which can be sold in the secondary market. Only a bank can issue C.D.

**B. Capital Market:-**Where long term securities are sold and purchased.

#### Types of capital market-

(a) Primary Market and (b) Secondary Market.

(a) Primary or new issue market Secondary Market (Stock Exchange):-It refers to that market in which securities are sold for the first time for collecting long term capital.

#### Various methods of Flotation of Securities in Primary Market:-

- (i) Public Issue through prospectus:** - Under this method, the company issues a prospectus and invites the general public to purchase shares or debentures.
- (ii) Offer for Sale:-**Under this method, Firstly the new securities are offered to an intermediary at a fixed price. They further resell the same to the general public.
- (iii) Private Placement:-**The Company sell securities to the institutional investors or brokers instead of selling them to the general public.
- (iv) Right Issue:** – When an existing company issues new securities, first of all it invites its existing shareholders.
- (v) Electronic Initial Public offer(e-IPO's):-** Under this method, companies issue their securities through the electronic medium(i.e. internet).

(b) Secondary Market:- Where already issued securities are sale and purchase.

**Stock exchange:** - The stock exchange is a market in which existing securities are bought and sold.

## **Functions of stock exchange**

- (a) Providing Liquidity and Marketability to Existing Securities
- (b) Pricing of Securities
- (c) Safety of Transactions
- (d) Contributes to Economic Growth
- (e) Spreading of Equity Cult
- (f) Providing Scope for Speculation.

## **Trading procedure in the stock exchange:-**

- (1) Selection of broker and signing of broker:** - Client agreement, submitting other details including PAN (mandatory).
- (2) Opening demat account or 'beneficial owner' (BO) account with depository participant(DP)**
- (3) Placing the order** with broker and confirmation slip issued to investor by broker.
- (4) Match the share and Best price:-**Broker will on-line match the share and best price available.
- (5) Executing order:** - When the price will match order will be executed electronically and a trade confirmation slip will be issued to the investor.
- (6) Issue of Contract Note:** - Within 24 hours, contract Note will be issued by the broker containing details of the transaction. It is legally enforceable and helps to settle disputes.
- (7) Delivery of shares and making payment:-** Investor has to deliver the shares or pay cash for the shares. This is called the **pay- in-day**.
- (8) Settlement Cycle:** - Cash is paid or securities are delivered on pay-in-day, which is before T+2 day.
- (9) On T+2 day,** exchange will deliver shares or make payment to the other broker. This is called **pay-out day**. The broker will makepayment to the investor within 24 hours of pay-out day.
- (10) The broker can deliver directly to demat account.**

**D'MAT/ Demat Account:-**D'Mat Account refers to that account which is opened by the investors with depository participant to facilitate trading in shares.

## **Constituents of Depository System:-**

### **1. The depository and 2. The depository participants.**

**1. Depository:-**A Depository is an institution which holds the shares of an investor in electronic form. It acts as bank where investors can open a securities account and deposit the electronic form of securities. At present, there are two depository institutions in India:-

- a) NSDL: – National Securities Depository Limited &
- b) CDSL – Central Depository Services Limited.

**2. The Depository Participant (DP):-** Depository participant is an agent of the depository. An investor has to interact only with a DP and not with the depository for all his dealings in share in electronic form.

## **Stock Exchange Indices:-**

**(i) Sensex:** - This is Bombay Stock Exchange Index. It is calculated by taking prices of 30 stocks across key sectors of BSE.

**(ii) Nifty:** - This is a National Stock Exchange Index. It is calculated by taking prices of 50% key stocks listed in NSEI.



**Demutualisation:-** It refers to separation of ownership and control of stock exchange from the trading rights of members. Through demutualisation there is reduction of chances of brokers using stock exchange for personal gains.

**SEBI (The Securities Exchange Board of India):-**The Securities Exchange Board of India was established in 1992 to protect the interest of investors and to regulate and control the trading of financial securities.

**Objectives of SEBI:-**

- (a) **Regulation of stock exchange:-** It regulates stock exchanges so that efficient services may be provided to all the parties operating there.
- (b) **Protection to the Investors:-** SEBI protects interest of investors from wrong information given by the company and reducing the risk of delivery and payment etc.
- (c) To prevent fraudulent and malpractices by having balance between self-regulation of business.

**Functions of SEBI:-**

**(a)Regulatory Functions:-**

- (i) Registration of brokers and sub-brokers and other players in the market.
- (ii) Registration of collective investment schemes and Mutual Funds.
- (iii) Regulation of Stock Brokers, portfolio exchanges, underwriters and merchant bankers.

**(b) Development Function:**

- (i) Training of intermediaries of the securities market.
- (ii) Conducting research and publishing information useful to all market participants.
- (iii) Undertaking measures to develop the capital markets by adapting a flexible approach.

**c) Protective Functions:-**

- (i) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulation, price rigging etc.
- (ii) Controlling insider trading and imposing penalties for such practices.
- (iii) Undertaking steps for investor protection.

**Case Studies:-**

**Question1.**

Supriya's grandmother who was unwell, called her and gave her a gift packet. Supriya opened the packet and saw many crumpled share certificate s inside. Her grandmother told her that they had been left behind by her late grandfather.

As no trading is now done in physical form, Supriya want to know the process by adopting which she is in a portion to deal with these certificates.

- (a) Identify and state the process.
- (b) Also, give two reasons to Supriya why dealing with shares in physical form had been stooped.

**Ans:** Dematerlisation. It is a process where securities held by the investor in physical form are cancelled and the investor gives an electronic entry or number so that she/he can hold it as an electronic balance in an account.

(b) Problems with dealing in physical form: (any two)

- (i) Theft
- (ii) Fake/Forged transfers
- (iii) Transfer delays

(iv) Paper work associated with share certificate or debentures held in physical form.

**Question 2.**

Charu is a chartered accountant in Prakash Ltd. During the course of meeting with directors she came to know that as against the previous years, this year company is going to declare handsome dividend offer. It is observed that when such news becomes public then the share market jumps up. Considering it, Charu purchased large number of company's shares before this news reached the public.

1. Identify the type of malpractice used by Charu.
2. Name the authority which regulates such behaviours. Write any three other functions of this authority.

**Ans:** 1. Insider Trading

2. Authority is Securities and Exchange Board of India (SEBI).

Their functions are:

(i) Protective functions, (ii) Developmental functions, (iii) Regulatory functions.

**Question 3.**

Identify the markets highlighted in following statements:

- (i) This market directly contributes to capital market.
- (ii) This market deals in instrument whose maturity is up to one year.
- (iii) It deals in medium and long term securities.
- (iv) It is also known as Stock Exchange and deals in sale and purchase of previously issued securities.
- (v) It requires less investment as value of securities is generally low.

**Ans:-** (i) Primary

(ii) Money Market

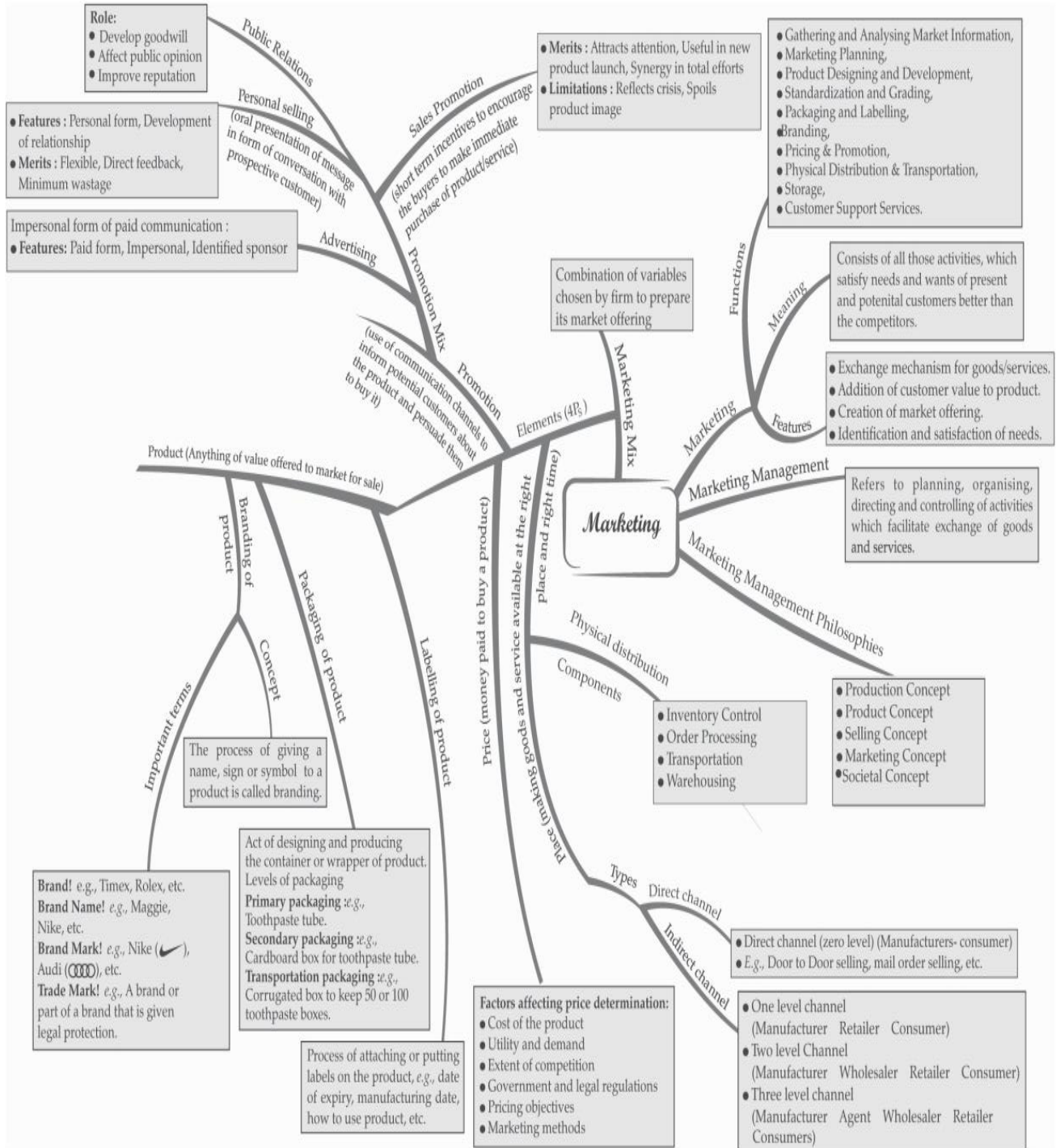
(iii) Capital Market

(iv) Secondary Market

(v) Stock Exchange.

(Mind Map)

**CHAPTER - 11 MARKETING**



## **UNIT- 11: MARKETING MANAGEMENT**

**Marketing Management:** - It deals with planning, organizing and controlling the activities related to the marketing of goods and services to satisfy the consumer's wants. Its aim to achieve the organizational goals at minimum cost by: -Analysing and planning marketing activities, implementing the marketing plans, setting control mechanism, marketing management philosophy/Concept, product concept, production concept, selling concept, marketing concept and social concept.

### **Marketing Management philosophies:-**

**1. Production Concept:** - Some companies believe that it is easy to sell the products when products are inexpensive and are easily available. So the firms following production concept focus on lowering the cost of production by means of mass production and distribution but the drawback of this concept is that customers don't always buy products which are inexpensive and available.

**Main Focus:** *Large-scale production to decrease the cost.*

**2. Product concept:-** Product concept stresses on quality of production rather than quantity of production. Product improvement is considered the key to success under it.

**Main Focus:** *Good quality, added features in product.*

**3. Selling Concept:-** Selling concept believes that in order to make a customer buy a product he or she need to be convinced and customers can be convinced by undertaking some aggressive selling and promotional efforts.

**Main Focus:** *To sell whatever is produced by using intensive promotional technique.*

**4. Marketing Concept:** - Marketing concept concentrates on the need of the customers. The concept says that product should be designed and produced keeping in mind the need of the customer and try to satisfy the need better than the competitor's product.

**Main Focus:** *Customer satisfaction.*

**5. Societal concept:** - Marketing concept is satisfying the needs of customers in the best possible manner but then also it has attracted criticism from people who are concerned about society and environment. They argue that companies should not blindly follow the goal of customer satisfaction.

**Main Focus:** *Customer satisfaction with in ethical and ecological boundaries of our society.*

### **Functions of Marketing:-**

- (a) Gathering and analysing market information (market research)
- (b) Marketing planning
- (c) Product planning development
- (d) Standardization and grading
- (e) Packaging and labelling
- (f) Branding
- (g) Customer support services
- (h) Pricing of products
- (i) Promotion & Selling
- (j) Physical distribution
- (k) Transportation
- (l) Storage and warehousing.

## **Marketing Mix**

**Marketing mix** refers to the ingredients or the tools or the variables which the marketer mixes in order to interact with a particular market.

### **Elements of Marketing Mix:**

*Product + Price + Place + Promotion = Marketing Mix.*

**A. Product:** - The product element of the marketing mix signifies the tangible or intangible product offered to the customer which is the satisfier of the need. Product is a bundle of utilities.

**Product Mix:-**Product mix includes all those decisions related to the product such as quality, design, packaging of product etc.

### **Important components of Product Mix:-**

**(i) Branding:** - Branding is the process of giving a name of or a sign or a symbol to a product. Such as Polo, LG, Nike, Sony etc.

### **Qualities of a good brand name:-**

- (a) Brand name should be short & Simple, so that anyone can remember, spell it.
- (b) Brand name should be easy to pronounce.
- (c) Brand name should be suggestive i.e. must suggest the utility of the product eg, Hazmola
- (d) Brand name should be unique and distinctive.
- (e) Brand name should be selected after considering its meaning in other languages and cultures.

### **Advantages of branding:**

- (a) It helps in product differentiation.
- (b) It helps in advertising the product.
- (c) It helps in differential pricing.
- (d) It helps in introducing a new product.

**Packaging:-** Packaging is a set of tasks or activities which are concerned with the designing, production of an appropriate wrapper, container or bag for the product.

### **Levels of Packaging:-**

- (a) *Primary Packaging:-*It refers to the product's immediate container, Like-toothpaste tube.
- (b) *Secondary Packaging:* - It refers to the additional package, which provides additional layer protection to the product. Like- Card board box for toothpaste.
- (c) *Transportation Packaging:-*These are packaging's used for storing or transporting the goods. Like-corrugated boxes used to shift Ruffle Lays etc.

**Functions of packaging:-** It helps in Product identification, Product protection, Facilitating use of the product, Product promotion, Convenient to store, Rising standard of health and sanitation etc.

**Labelling:** - Labelling means putting identification marks on the package. Label is the carrier of information.

### **Label performs following functions:-**

- (a) It helps in describing the product and specify its contents.
- (b) It helps in identify the product among all products.
- (c) It helps in grading the product.
- (d) It helps in promoting sales
- (f) It helps in providing information required by law/legal requirement.

**B. Price:** - Price is the value which a buyer passes on to the seller in lieu of the product or service provided.

**Price Mix:**—It includes all those factors which are considered while fixing the price of a product.

*The factors kept in mind while fixing the price of a commodity or services:-*

1. *Pricing objective:*—What is the objective of firm as a very important factor which helps in deciding the price.

Apart from profit maximisation, the pricing objective of a firm may include:

- a) Price Maximization      b) Obtaining market shares      c) Surviving in a competitive market etc.
2. *Product cost:*—The price of the product must be able to cover the total cost of product.
3. *Extend of competition in the market:* - A firm fixes price of a product as per the competition faced by them.
4. *Customer's demand and utility:* - When demand of the product is inelastic i.e. no or very less substitutes are available then company can fix up high price.
5. *Government and legal regulations:* - To protect the interest of general public, the government has all the right to control the prices of various products and services by including the products in the category of essential commodities.
6. *Marketing methods used:*—The price of the product also gets affected by various techniques of method of marketing used to promote the products.

**C. Place:**— Place refers to the set of decisions that need to be taken in order to make the products available.

**Place Mix:**—It includes those activities which are related to movement of goods from the manufactures to the consumers and thus creates place utility.

**D. Promotion:**—It is concerned with activities that are undertaken to communicate with customers & distribution channels to enhance the sales of the firm.

**Promotion Mix:** - Promotional techniques are used to create product awareness amongst the potential target customers and persuade them to purchase the product. *Like- advertising, personal selling, publicity and sales promotion etc.*

**Elements of Promotion Mix-**

*1-Advertising, 2-Personal Selling, 3- Sales Promotion and, 4-Public relations.*

1. **Advertising:**— It is defined as any paid form of non-personal presentation and promotion of ideas, goods or services by an *Identified Sponsor*.

*Merits of Advertising:-*

- a) Mass Reach
- b) Expressiveness
- c) Economical
- d) Enhancing customer satisfaction & confidence.

- 2. Personal Selling:** - It means selling personally. This involves face-to-face interaction between seller and buyer for the purpose of sale.
- 3. Sales promotion:** - It refers to short term use of incentives or other promotional activities that stimulate the customer to buy the product.
- 4. Public relations:** - Public relations means maintaining public relations with public. By maintaining public relations companies create goodwill.

### **Case Studies:**

#### **Question 1.**

Shyam bought a pain relieving ointment after seeing it being displayed in the chemist's shop. The ointment tube was packed in card board box. Identify the different levels of packaging of the pain relieving medicine, when it was purchased by Shyam. Also state the functions of packaging.

**Ans:-**

Different levels of packaging of the pain relieving medicine are:

Ointment tube; Primary packaging

Cardboard box: Secondary packaging

Functions of Packaging (any Three)

- (i) It helps in product identification.
- (ii) It helps in protection of the product from spoilage, breakage, leakage, damage etc.
- (iii) It facilitates use of the product to the consumers through appropriate sizes and shapes.
- (iv) It helps in promotion of the product as a good package attracts the attention of the people at the time of purchase.

#### **Question 2.**

“An important task in the marketing of goods relates to designing the label as it provides useful and detailed information about the products”. In the light of this statement, draw a label for “Tea” and highlight the important information to be provided on it.

**Ans:** Student must give information such as- MRP, Date of manufacturing, Date of expiry, Brand name, Batch no., Contents, etc. on label.

#### **Question 3.**

Various tools of communication are used by the marketers to promote their products.’

- (i) Why do companies use all tools at the same time?
- (ii) Name and explain the most commonly used non-personal tool of promotion which is paid for by the marketer.
- (iii) Which tool of promotion will primarily be used for the following?
  - (a) To promote or protect a company's image or its individual products.
  - (b) An existing product meant for mass usage by literate people.
  - (c) To introduce a new product to a particular class of people through door-to-door visits.

(d) To attract attention of the people by using incentives.

**Ans:**

(i) Synergy in Total Promotion Efforts.

(ii) Advertisement.

(ii) (a) Public Relation

(b) Advertisement

(c) Personal Selling

(d) Sales Promotion

**Question 4.** ITC started its business with Jobaico industry, later on it entered in hotel industry, consumer goods industry, stationery, etc. ITC assured quality to customer and kept company's name as its identity. This helps the customers in product identification and hence ensure quality it also built up their confidence and help in increasing their level of satisfaction.

(i) Name the element of marketing mix referred in above para.

(ii) Name the other element of marketing mix.

(iii) Name the concept which assure quality and help in identification of product.

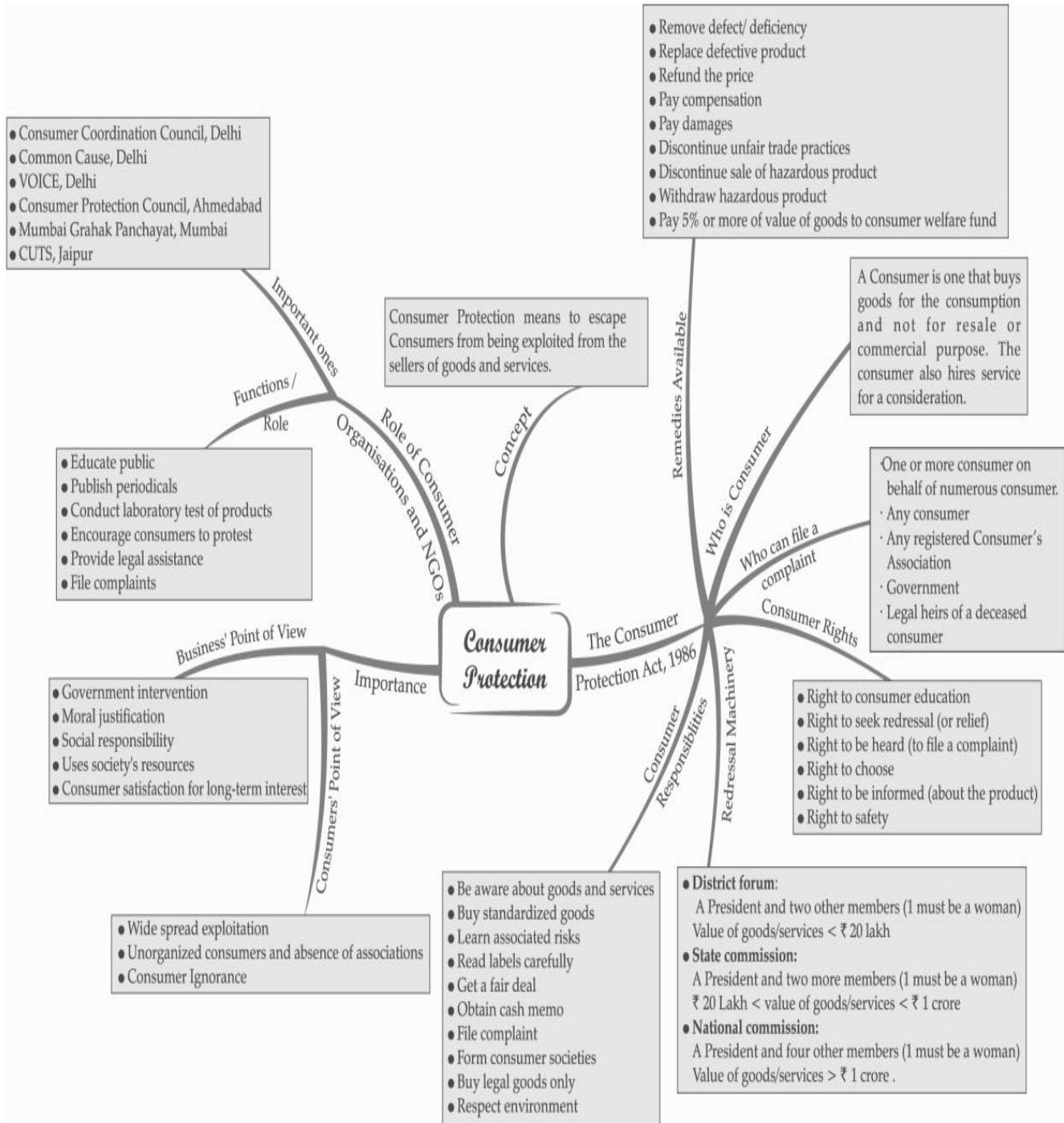
**Ans:** (i) Product Mix

(ii) Other element: Price mix, Place mix.

(iii) Concept which helps in identifying the product and assures quality is branding.



## CHAPTER - 12 CONSUMER PROTECTION



## UNIT- 12: CONSUMER PROTECTION

**Meaning:** - Consumer protection means protecting the interest of consumers from unfair trade practices and exploitation from manufacturers and intermediaries.

### **Importance of Consumer Protection:-**

*From Consumers point of view:-*

- (a) Consumer Ignorance
- (b) Unorganised sector
- (c) Widespread Exploitation of consumers.

*From Businessmen's point of view:-*

- (a) Long –term Interest of Business
- (b) Business Uses Society's Resources
- (c) Social Responsibilities
- (d) Moral/Ethical Justification
- (e) Government Intervention
- (f) Consumer is the Purpose of Business.

### **Rights of Consumers:-**

The Consumer Protection Act provides six rights to consumers. They are as follows:

**(1) Right to safety:-**The consumer has a right to be protected against marketing of goods and services which are hazardous to life and property, e.g., sometimes the manufacturing defects in pressure cookers, gas cylinders & other electrical appliances may cause loss to life, health and property of customers.

**(2) Right to be Informed:-**According to this right the consumer has the right to get information about the its ingredients, date of manufacture, quality, quantity, purity, standard and price of goods or services so as to protect himself against the abusive and unfair practices.

**(3) Right to Choose:-**The consumer has the freedom to choose from a variety of products. The marketers should offer a wide variety of product and allow the consumer to make a choice and choose the product which is most suitable for him/her.

**(4) Right to be Heard:-** The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. It is because of this reason that many enlightened business firms have set up their own consumer service and grievance cells.

**(5) Right to Seek Redressal:-**The Consumer Protection Act provides a number of reliefs to the consumer including replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer etc.

**(6) Right to Consumer Education:-**The consumer has a right to acquire knowledge about products. He should be aware about his rights and the reliefs available to him in case of a product/service falling short of his expectations. Many consumer organisations and some enlightened businesses are taking an active part in educating consumers in this respect.

### **Responsibility of consumers:-**

- (a) Consumer must exercise his Rights.
- (b) Insist for Cash Memo on purchase of goods and services. This would serve as a proof purchase made.
- (c) Filing Complaints for the Redressal of Genuine Grievances.

- (d) Consumer must be Quality-Conscious.
- (e) Respect the environment. Avoid waste, littering and contributing to pollution
- (f) Do not carried Away by Advertisement.
- (g) Discourage black marketing, hoarding and choose only legal goods and services.
- (h) Form consumer societies which could play an active part in educating consumers and safeguarding their interest.

### **Case Studies:-**

#### **Question 1.**

Indian Youth Organisation (IYO) organised a visit of its members to an old age home to inculcate the habit of social work among them. The visit revealed that the living conditions of the inmates of the old age home were not hygienic. So, the IYO members decided to clean the premises. During their cleanliness drive, they realised that the old age home also required pest control. But some of the inmates of old age home were reluctant for it because they believed that the pest control may create health problems for them. IYO, therefore decided to provide ethical, safe and odourless pest control. They showed to the inmates of old age home a pamphlet of the proposed pest control product which promised easy, inexpensive and long lasting pest control. The inmates happily agreed and the pest control was carried out. It worked for a fortnight but to their dismay the effect started wearing off. IYO contacted the pest control company which kept on postponing their visit. After waiting for a month, IYO filed a case in the consumer court.

The consumer court was satisfied about genuineness of the complaint and issued necessary directions to the pest control company.

1. State the six directions that might have been issued by the court.
2. Also identify any two values that are being communicated by IYO to the society.

#### **Answer:**

1. The six directions that might have been issued by the court are as follows:

Reliefs available to a consumer

- (a) To remove the deficiency in service.
- (b) To refund the charges paid for the service.
- (c) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the opposite party.
- (d) To discontinue the unfair/restrictive trade practice and not to repeat it in the future.
- (e) To pay any amount (not less than 5% of the value of the defective goods or deficient services provided), to be credited to the Consumer Welfare Fund or any other organisation/person, to be utilised in the prescribed manner.
- (f) To issue corrective advertisement to neutralise the effect of a misleading advertisements.

2. The two values that are being communicated by IYO to the society are:

- (a) Social service
- (b) Promoting health and hygiene

#### **Question 2.**

Aman, a degree holder in Entrepreneurship came to know about Piplantri Village located in Rajasthan, where in 2006 an initiative was started in which 111 trees are planted every time a girl child is born. To keep termites away from the trees the villagers have planted 2.5 million Aloe Vera plants around the

trees. This has turned the village into an oasis, as the planting of trees led to higher water levels. Aman decided to visit the village to start a business unit, for the processing and marketing of Aloe Vera into juices, gels and other products.

However, on visiting the village Aman found that the villagers were suffering exploitation at the hands of local merchants who were engaged in unscrupulous, exploitative trade practices like hoarding and black marketing of food products and also selling unsafe and adulterated products to the villagers.

After looking at their plight, instead of a business organisation, he decided to set up an organisation for the protection and promotion of the consumer interest of the villagers.

State the functions that the organisation established by Aman will be performing. (Any six points).

**Answer:**

Aman has set up an NGO or consumer organisation in the village for the protection and promotion of the consumer interests.

The key functions highlighting the role of a consumer association are listed below:

- Educating the general public about consumer rights by conducting training programmes, conferences and workshops.
- Publishing periodicals and other publications to give knowledge about consumer problems, legal reporting, reliefs available and other matters of interest.
- Carrying out comparative testing of consumer products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers.
- Encouraging consumers to strongly protest and take an action against unscrupulous, exploitative and unfair trade practices of sellers.
- Providing legal assistance to consumers by way of providing aid, legal advice etc. in seeking legal remedy.
- Filing complaints in appropriate consumer courts on behalf of the consumers. .

**Question 3.**

Prakhar purchased an ISI mark electric iron from Bharat Electricals. While using it, he found that it was not working properly. He approached the seller and complained about the same. The seller satisfies Prakhar by saying that he will ask the manufacturer to replace the iron. The manufacturer refused to replace and Bharat Electricals decided to file a complaint in the consumer court.

Can Bharat Electricals do this? Why? Also explain who is a consumer as per Consumer Protection Act, 1986.

**Answer:**

No, Bharat Electricals will not be able to file a complaint under Consumer Protection Act 1986 because according to this act a person is not deemed to be a customer if he buys goods for resale or commercial purpose.

Under the Consumer Protection Act 1986, a consumer is defined as:

- Any person who buys any goods for a consideration, which has been paid or promised, or partly paid and partly promised or under any scheme of deferred payment. It includes any uses of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for re-sale or any commercial purpose.

Any person who hires or avails of any service, for a consideration which has been paid or promised or partly paid and partly promised or under any system of deferred payment. It includes any beneficiary of services when such services are avails of such services for any commercial purposes

**Question 4.**

Anita purchased a book from Satish Book Store. While reading the book, she found that sixteen pages were missing. She approached the seller of the book and complained about the missing pages. The seller promised that if the publisher was ready to change the book he would change the same. After a week, the seller informed Anita that the publisher had refused to change the book.

Where can Anita file a complaint against the seller of the book? Give reason in support of your answer. Also explain who is a consumer as per “Consumer Protection Act 1986”.

**Answer:**

Since, the value of the goods or services in question, along with the compensation claimed, does not exceed Rs. 20 lakhs she will file a case in the District Forum.

A ‘consumer’ is generally understood as a person who uses or consumes goods or avails of any service. A person who buys goods for commercial purpose or resale will not be considered to be a consumer.

**Question 5.**

Reena purchased one litre of pure desi ghee from a shopkeeper. After using it, she had doubts that it was adulterated. She sent it for a laboratory test which confirmed that the ghee was adulterated. State any six reliefs available to Reena if she complains and the consumer court is satisfied about the genuineness of the complaint.

**Answer:**

The six reliefs available to Reena are listed below:

- To withdraw the hazardous goods from sale.
- To provide replacement for the defective product.
- To refund the price paid for the product, or the charges paid for the service.
- To pay a reasonable amount of compensation for any loss or injury suffered by the consumer due to the negligence of the marketer.
- Not to offer hazardous goods for sale.
- To issue corrective advertisement to neutralise the effect of a misleading advertisement.

➤ **KEY WORDS OF BUSINESS STUDIES**      **CLASS:-XII**

***Ch-01:NATURE AND SIGNIFICANCE OF MANAGEMENT***

<b>1</b>	<b>Management</b>	Process of designing and maintaining an environment, Process of working together and through others to effectively and efficiently.
<b>2</b>	<b>Efficiency</b>	Doing the task correctly and with minimum cost; Costbenefit analysis involved; Doing things right.
<b>3</b>	<b>Effectiveness</b>	Finishing the given task, Doing the right task, it is concerned with end result; Doing the right things.
<b>4</b>	<b>Organisational Objectives</b>	Profit, survival growth.
<b>5</b>	<b>Social Objectives</b>	Creation of benefit to society, Fulfilling social obligation, Using environmental friendly methods of production, Giving employment opportunities to disadvantaged group of the society, Providing basic amenities like schools and crèches to employees.
<b>6</b>	<b>Personal Objectives</b>	Competitive salaries and perks, social needs such as peer recognition, personal growth and development.
<b>7</b>	<b>Management as a science</b>	Systematised body of knowledge, principles based on experimentation, universal validity.
<b>8</b>	<b>Management as an art</b>	Existence of theoretical knowledge; personalised application; based on practice and creativity.
<b>9</b>	<b>Management as a profession</b>	Well-defined body of knowledge, restricted entry, professional association, ethical code of conduct, servicemotive.
<b>10</b>	<b>Top Level</b>	Chairman, CEO, Chief Financial officer, Chief operating officer. Integrate diverse elements and coordinate the activities of different department, responsible for welfare and survival of the organisation, analysing the business environment, formulation of overall organisational goals and strategies.
<b>11</b>	<b>Middle Level</b>	Department Heads, Marketing Manager, Finance Manager, Plant Superintendent. Interpret the policies framed by top management; ensure that their department has the necessary personnel, assigning necessary duties and responsibilities personnel of respective departments.
<b>12</b>	<b>Supervisory Level</b>	Supervisors, Superintendent, Foremen, Clerk, Sub-department heads. Interact with actual workforce, pass on instructions of the middle level management to the workers, quality of output is maintained, wastage of materials is minimised, and safety standards are maintained.
<b>13</b>	<b>Coordination</b>	Synchronisation, Harmonious relationship.

## ***Ch-02: PRINCIPLES OF MANAGEMENT***

<b>1</b>	<b>Principle</b>	General guideline, Fundamental truth.
<b>2</b>	<b>Division of Work</b>	Specialisation.
<b>3</b>	<b>Centralisation</b>	Concentration of power.
<b>4</b>	<b>Decentralisation</b>	Dispersal of authority.
<b>5</b>	<b>Discipline</b>	Obedience to a set of rules and regulations.
<b>6</b>	<b>Unity of Command</b>	Receiving order from any one senior at a time.
<b>7</b>	<b>Unity of Direction</b>	One head and one plan, one unit and one plan.
<b>8</b>	<b>Order</b>	A place for everything and everything in its place.
<b>9</b>	<b>Gang plank</b>	Direct contact.
<b>10</b>	<b>Initiative</b>	Taking first step with self-motivation.
<b>11</b>	<b>Espirit de corps</b>	Team spirit, spirit of cooperation, replacing 'I' with 'We'.
<b>12</b>	<b>Scalar Chain</b>	Chain of command.
<b>13</b>	<b>Subordination of Individual Interest to General Interest</b>	The interest of an organisation should take priority over individual.
<b>14</b>	<b>Remuneration of employees</b>	The employees should be paid fair wages.
<b>15</b>	<b>Equity</b>	Kindliness and justice in the behaviour of manager towards workers, no discrimination.
<b>16</b>	<b>Stability of Personnel</b>	Employee turnover should be minimised.
<b>17</b>	<b>Science not rule of thumb</b>	Introduction of the method of scientific inquiry, replacing trial and error method, replacing hit and miss method.
<b>18</b>	<b>Harmony not discord</b>	Complete mental revolution on the part of both management & worker; Japanese work culture (Paternalistic style of management).
<b>19</b>	<b>Cooperation not individualism</b>	Extension of harmony not discord; competition should be replaced by cooperation.
<b>20</b>	<b>Development of each and every person to his or her greatest efficiency and prosperity</b>	Workers training; each person should be scientifically selected.
<b>21</b>	<b>Functional Foremanship</b>	Separation of planning and execution functions.
<b>22</b>	<b>Standardisation</b>	To reduce a given line or product to fixed types, sizes and characteristics; to establish interchangeability of manufactured parts and products; to establish

		excellence and quality of standards and performance.
23	<b>Simplification</b>	Eliminating unnecessary varieties sizes & dimensions.
24	<b>Method Study</b>	Best way of doing a job.
25	<b>Motion Study</b>	Unnecessary movements are eliminated.
26	<b>Time Study</b>	Standard time taken; time measuring devices.
27	<b>Fatigue Study</b>	To determine the amount and frequency of rest intervals in completing a task.
28	<b>Differential Piece Wage System</b>	Differentiates between efficient and inefficient.
29	<b>Mental Revolution</b>	Change in the attitude.

### ***Ch-03: BUSINESS ENVIRONMENT***

1	<b>Business Environment</b>	Sum total of all activities, individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.
2	<b>Specific forces</b>	Forces affecting individual performance directly and immediately in their day to day performance.
3	<b>General forces</b>	Forces having impact on all business enterprises and thus may affect an individual firm only indirectly.
4	<b>Dynamic</b>	Keeps on changing.
5	<b>Inter-relatedness</b>	Different elements or parts of business environment are closely interrelated.
6	<b>Uncertain</b>	Difficult to predict future happenings.
7	<b>Opportunities</b>	Positive external trends or changes that will help a firm to improve its performance.
8	<b>First mover advantage</b>	Early identification of opportunities helps an enterprise to be the first to exploit them instead of losing them to competitors.
9	<b>Threats</b>	External environment trends and changes that will hinder a firm's performance.
10	<b>Economic Environment</b>	Interest rates, inflation rates, changes in disposable income of people, stock market indices and the value of rupee.
11	<b>Social Environment</b>	Environment of business including forces like customs and traditions, values, social trends, society's expectations from business etc.
12	<b>Technological Environment</b>	Forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.



13	<b>Political Environment</b>	Conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.
14	<b>Legal Environment</b>	Various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government.
15	<b>Demonetisation</b>	Ceasing to be legal tender.

#### *Ch-04: PLANNING*

1	<b>Planning</b>	Deciding in advance what to do and how to do.
2	<b>Planning</b>	It seeks to bridge the gap between where we are and where we want to go.
3	<b>Planning</b>	Setting objectives and developing appropriate courses of action to achieve these objectives.
4	<b>Planning provides directions</b>	It ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction.
5	<b>Planning reduces the risks of uncertainty</b>	By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain events.
6	<b>Planning reduces overlapping and wasteful activities</b>	Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions. Useless and redundant activities are minimised or eliminated.
7	<b>Planning promotes innovative ideas</b>	New ideas can take the shape of concrete plans.
8	<b>Planning facilitates decision making</b>	Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action.
9	<b>Planning is a primary function of management</b>	Planning lays down the base for other functions of management.
10	<b>Planning is pervasive</b>	Planning is required at all levels of management as well as in all departments of the organisation.
11	<b>Planning is continuous</b>	A plan is framed, it is implemented and is followed by another plan.
12	<b>Planning is futuristic</b>	Planning essentially involves looking ahead and preparing for the future.
13	<b>Planning involves decision making</b>	Planning involves thorough examination and evaluation of each alternative and choosing the most appropriate one.
14	<b>Planning is a mental exercise</b>	Planning requires application of the mind involving foresight, Intelligent imagination and sound judgment.
15	<b>Planning leads to rigidity</b>	Plans decide the future course of action and managers may not be in a

		position to change it.
16	<b>Planning may not work in a dynamic environment</b>	Planning cannot foresee everything and thus, there may be obstacles to effective planning.
17	<b>Planning reduces creativity</b>	Decision makers are neither allowed to deviate from plans nor are they permitted to act on their own.
18	<b>Planning is a time consuming process</b>	Sometimes plans to be drawn up take so much of time that there is not much time left for their implementation.
19	<b>Planning does not guarantee success</b>	It is not always true that just because a plan has worked before it will work again.
20	<b>Developing Premises</b>	The manager is required to make certain assumptions about the future.
21	<b>Evaluating Alternative Courses</b>	To weigh the pros and cons of each alternative.
22	<b>Identifying Alternative Courses of Action</b>	There may be many ways to act and achieve objectives
23	<b>Selecting an Alternative</b>	The best plan has to be adopted and implemented.
24	<b>Implementing the Plan</b>	Putting the plan into action.
25	<b>Follow-up Action</b>	To see whether plans are being implemented and activities are performed according to schedule.
26	<b>Single-use Plan</b>	A plan that is developed for a one-time event or project.
27	<b>Standing Plan</b>	A plan that is used for activities that occur regularly over a period of time.
28	<b>Objectives</b>	The desired future position that the management would like to reach.
29	<b>Strategy</b>	Future decisions defining the organizations direction and scope in the long run.
30	<b>Policy</b>	These are general statements that guide thinking or channelize energies towards a particular direction.
31	<b>Procedure</b>	These are routine steps on how to carry out activities.
32	<b>Method</b>	These provide the prescribed ways or manner in which a task has to be performed considering the objective.
33	<b>Rule</b>	Specific statements that inform what is to be done.
34	<b>Programme</b>	Detailed statements about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action.
35	<b>Budget</b>	A statement of expected results expressed in numerical terms.

**Ch- 5: ORGANISING**

<b>1</b>	<b>Organising</b>	Process that initiates implementation of plans by clarifying jobs.
		Working relationships and effectively deploying resources for attainment of identified and desired results.
		Which coordinates human efforts, assembles resources
		Series of steps that need to be taken in order to achieve the desired goal.
		Identification and division of work.
		Assignment of duties.
		Establishing authority and reporting relationships.
		Departmentalisation.
<b>2</b>	<b>Functional Structure</b>	Grouping of jobs of similar nature.
		All departments report to a coordinating head.
		A manufacturing concern division of work into key functions will include production, purchase, marketing, accounts and personnel.
		Structure is an organisational design that groups similar or related jobs together.
		It is most suitable when the size of the organisation is large.
		Diversified activities and operations require a high degree of specialisation.
<b>3</b>	<b>Divisional Structure</b>	This is particularly true of those enterprises which have more than one category of products to offer.
		It diversifies into varied product categories.
		Each division is multifunctional.
		It promotes flexibility and initiative.
		It facilitates expansion and growth as new divisions.
		Structure is suitable for those business enterprises where a large variety of products are manufactured using different productive resources.
<b>4</b>	<b>Formal organisation</b>	Organisation structure which is designed by the management to accomplish a particular task.
		It specifies the relationships among various job positions.
		It is a means to achieve the objectives specified in the plans.
		It is deliberately designed by the top management.

<b>5</b>	<b>Informal Organisation</b>	Interaction among people at work.
		Network of social relationships among employees.
		Emerges from within the formal organisation when people interact beyond their officially defined roles.
		Prescribed lines of communication are not followed.
<b>6</b>	<b>Delegation</b>	Onward transfer of authority from a superior to a subordinate.
		It is a pre-requisite to the efficient functioning of an organisation.
		Helps a manager to extend his area of operations.
<b>7</b>	<b>Responsibility</b>	Obligation of a subordinate to properly perform the assigned duty.
		Arises from a superior-subordinate relationship.
<b>8</b>	<b>Accountability</b>	Implies being answerable for the final outcome.
		It cannot be delegated and flows upwards.

<b>9</b>	<b>Decentralisation</b>	Explains the manner in which decision making responsibilities are divided among hierarchical levels.
		Decision making authority is shared with lower levels.
		Decision making authority is pushed down the chain of command.
<b>10</b>	<b>Centralisation</b>	When decision-making authority is retained by higher management.
		Such a scenario would obviate the need for a management hierarchy.
		It is a process followed to share tasks.
<b>11</b>	<b>Organisation Structure</b>	Is the outcome of the organising process.
		Framework within which managerial and operating tasks are performed.
		It specifies the relationships between people, work and resources.
		It allows correlation.
		And coordination among human, physical and financial resources.
<b>12</b>	<b>Span of Management</b>	Refers to the number of subordinates that can be effectively managed by a superior.
		This determines the levels of management in the structure.
<b>13</b>	<b>Authority</b>	To the right of an individual to command his subordinates.
		Take action within the scope of his position.

		Arises from the established scalar chain.
		Right to take decisions inherent in a managerial position to tell people what to do and expect them to do it.
14	<b>Importance of Delegation</b>	Effective management.
		Employee development.
		Facilitation of growth.
15	<b>Departmentalisation</b>	Work has been divided into small and manageable activities.
		Which are similar in nature are grouped together.

### ***Ch-06: STAFFING***

1	<b>Staffing</b>	Managerial function of filling and keeping filled the positions in the organization structure.
		Identifying requirement of work force.
		Recruitment, selection, placement, promotion, appraisal and development of personnel.
		To fill the roles designed into the organisation structure.
		Right persons in the right positions.
		‘Putting people to jobs.
		Concerned with obtaining, utilising and maintaining a satisfactory and Satisfied work force.
2	<b>Recruitment</b>	Process of searching for prospective employees.
		Attract potential employees with the necessary characteristics or qualification.
		Attract suitable applicants to apply for available jobs.
		Stimulating them to apply for jobs in the organization.
		Choosing the most suitable source.
		Inviting applications from the prospective candidates, for the vacancies.
3	<b>Selection</b>	Choosing from among the pool of the prospective job candidates developed at the stage of recruitment.
		Start right from the screening of the applications.
4	<b>Intelligence Tests</b>	To measure the level of intelligence quotient of an individual.

		It is an indicator of a person's learning ability.
		The ability to make decisions and judgments.
5	<b>Aptitude Test</b>	Measure of individual's potential for learning new skills.
		Person's capacity to develop.
		Such tests are good indices of a person's future success score.
6	<b>Personality Tests</b>	Clues to a person's emotions, her reactions, maturity and value system.
		Probe the overall personality.
		These are difficult to design and implement.
7	<b>Trade Test</b>	These tests measure the existing skills of the individual.
		Measure the level of knowledge.
		Measure the proficiency in the area of professions or technical training.
8	<b>Interest Tests</b>	Used to know the pattern of interests or involvement of a person.
9	<b>Training</b>	The aptitudes, skills and abilities of employees to perform specific jobs are increased.
		Learning new skills and application of knowledge.
		It attempts to improve their performance on the current job or prepare them for any intended job.
10	<b>Education</b>	Increasing the knowledge and understanding of employees.
		Understanding and interpretation of knowledge.
		It is broader in scope than training.
11	<b>Development</b>	Learning opportunities designed to help employees grow.
		Growth of the personality.
		Help individuals in the progress towards maturity and actualisation of their potential.
12	<b>Job Rotation</b>	Shifting the trainee from one department to another.
		Allows trainees to interact with other employees facilitating future cooperation among departments.
		The trainee gets fully involved in the departments operations.
13	<b>Internship Training</b>	They also work in some factory or office to acquire practical knowledge and skills.
		Selected candidates carry on regular studies for the prescribed period.

<b>14</b>	<b>Computer Modeling</b>	It simulates the work environment by programming a computer to imitate some of the realities of the job.
<b>15</b>	<b>Vestibule Training</b>	His is usually done when employees are required to handle sophisticated machinery and equipment.
		Actual work environments are created in a class room.
		Employees use the same materials, files and equipment.
		Help individuals in the progress towards maturity and actualisation of their potential.

***Ch-07: DIRECTING***

<b>1</b>	<b>Directing</b>	Instruction and directing people in doing work.
<b>2</b>	<b>Supervision</b>	Overseen what is being done by subordinate.
<b>3</b>	<b>Motive</b>	Inner state that direct behaviour towards goal.
<b>4</b>	<b>Motivator</b>	Technique used to motivate people and worker.
<b>5</b>	<b>Motivation</b>	Process of stimulating people to action to achievedesired goal.
<b>6</b>	<b>Basic psychological needs</b>	Satisfy basic needs first.
<b>7</b>	<b>Safety or Security needs</b>	Provide security and protection from physical andemotional harm.
<b>8</b>	<b>Affiliation or belonging needs</b>	Refers to a faction belongingness and friendship.
<b>9</b>	<b>Esteem needs</b>	Include self-respect recognition and attention.
<b>10</b>	<b>Self-actualization need</b>	Highest level of need such as growth self-fulfillment.
<b>11</b>	<b>Incentive</b>	Measures used to motivate people.
<b>12</b>	<b>Financial</b>	Measures to motivate people in monetary term.
<b>13</b>	<b>Non-financial</b>	Measures to motivate people other than monetary terms.
<b>14</b>	<b>Leadership</b>	Activity influencing the behaviour of people.
<b>15</b>	<b>Communication</b>	Transfer of information from sender to receiver with understanding.
<b>16</b>	<b>Formal Communication</b>	Communication flow through official channel.
<b>17</b>	<b>Vertical Communication</b>	Flow formally upward and downward.
<b>18</b>	<b>Horizontal Communication</b>	Flow formally at same division or department.
<b>19</b>	<b>Grapevine Network</b>	Communication flow at different type of network.
<b>20</b>	<b>Informal communication</b>	Without any formal line.

**Ch-08: CONTROLLING**

1	<b>Controlling</b>	Comparison of standard performance with actual performance.
2	<b>Critical Point Control</b>	Focus on areas which are critical to result of the organisation.
3	<b>Management by Exception</b>	Control by Exception.
4	<b>Budgetary Control</b>	Control in the form of Budget.
5	<b>Break Even Analysis</b>	Technique to study the relationship among cost volume profit
6	<b>Return on Investment</b>	$\frac{\text{Net Income before interest and tax}}{\text{Capital Employed}} \times 100\%$
7	<b>Ratio Analysis</b>	Analysis of financial ratio.
8	<b>Responsibility Accounting</b>	Comparison by responsibility centre which are different in division.
9	<b>Management Audit</b>	Systematic appraisal of overall performance.
10	<b>PERT</b>	Program evaluation and review technique.
11	<b>CPM</b>	Critical Path Method.

**Ch-09: FINANCIAL MANAGEMENT**

1	<b>Financial Management</b>	Financial Management is concerned with optimal procurement as well as the usage of finance. For optimal procurement, different available sources of finance.
2	<b>Meaning of Business Finance</b>	Money required for carrying out business activities is called business finance.
3	<b>Objective of Financial Management</b>	To maximise shareholders' wealth.
4	<b>Financial Decision</b>	It means the selection of best financing alternative or best investment alternative.
5	<b>Investment Decision</b>	The investment decision, therefore, relates to how the firm's funds are invested in different assets.
6	<b>Financing Decision</b>	This decision is about the quantum of finance to be raised from various long-term sources. Short-term sources are studied under the 'working capital management'.
7	<b>Dividend Decision</b>	The decision involved here is how much of the profit earned by company (after paying tax) is to be distributed to the shareholders and how much of it should be retained in the business.



8	<b>Financial Planning</b>	The objective of financial planning is to ensure that enough funds are available at right time. If adequate funds are not available the firm will not be able to honour its commitments and carry out its plans.
9	<b>Capital Structure</b>	On the basis of ownership, the sources of business finance can be broadly classified into two categories viz., 'owners' funds' and 'borrowed funds'.
10	<b>Interest Coverage Ratio (ICR)</b>	The interest coverage ratio refers to the number of times earnings before interest and taxes of a company covers the interest obligation.
11	<b>Fixed and Working Capital Meaning</b>	Every company needs funds to finance its assets and activities. Investment is required to be made in fixed assets and current assets. Fixed assets are those which remains in the business for more than one year, usually for much longer, e.g., plant and machinery, furniture and fixture, land and building, vehicles, etc.
12	<b>Working Capital</b>	Apart from the investment in fixed assets every business organisation needs to invest in current assets. This investment facilitates smooth day-to-day operations of the business. Current assets are usually more liquid but contribute less to the profits than fixed assets.

### ***Ch- 10: FINANCIAL MARKET***

1	<b>Capital Market</b>	The capital market deals in medium and long term securities such as equity shares and debentures.
2	<b>Commercial Bill</b>	A commercial bill is a bill of exchange used to finance the working capital requirements of business firms.
3	<b>Certificate of Deposit</b>	Short-term instruments in bearer form, issued by commercial banks and development financial institutions.
4	<b>Commercial Paper</b>	Commercial paper is a short-term unsecured promissory note.
5	<b>Treasury Bill</b>	A Treasury bill is basically an instrument of short-term borrowing by the Government of India maturing in less than one year. They are also known as Zero Coupon Bonds issued by the Reserve Bank of India on behalf of the Central Government.
6	<b>Financial Market</b>	Market for creation and exchange of financial assets. It helps in mobilisation and channelising the savings into most productive uses. Financial markets also help in price discovery and provide liquidity to financial assets.
7	<b>Money Market</b>	Market for short term funds which deals in monetary assets whose period of maturity is upto one year.
8	<b>Treasury Bill</b>	Instrument short-term borrowing by the Government of India maturing in less than one year. They are also known as Zero Coupon Bonds issued by the Reserve Bank of India.
9	<b>Primary Market</b>	Deals with new securities to the public.
10	<b>Secondary Market</b>	Existing securities are bought and sold.

11	<b>The Instruments of MoneyMarket</b>	Treasury bills, commercial paper, call money, Certificate of deposit, commercial bills.
12	<b>Stock Exchanges</b>	Buying and selling of existing securities.
13	<b>SEBI</b>	Established in 1988 and was given statutory status through an Act in 1992. To protect the interests of investors, development and regulation of securities market.
14	<b>e-IPOs</b>	A company proposing to issue capital to the public through the on-line system of the stock exchange.
15	<b>Rights Issue</b>	This is a privilege given to existing shareholders.
16	<b>Private Placement</b>	Private placement is the allotment of securities by a company to institutional investors and some selected individuals.
17	<b>Offer for Sale</b>	Under this method securities are not issued directly to the public but are offered for sale through intermediaries like issuing houses or stock brokers.
18	<b>e-IPOs</b>	A company proposing to issue capital to the public through the on-line system of the stock exchange.

### ***Ch-11: MARKETING MANAGEMENT***

1	<b>Marketing</b>	Social process of freely exchange of goods or services at value.
2	<b>Marketing Management</b>	Managing activities related to marketing.
3	<b>Marketing mix</b>	Set of marketing tools.
4	<b>Product</b>	A good which focus on its quality.
5	<b>Production</b>	Improving efficiency of product (quantity).
6	<b>Selling</b>	Promotional efforts to attract the buyers.
7	<b>Societal</b>	Producing goods for welfare of society.
8	<b>Standardisation</b>	Producing goods of predetermined specification.
9	<b>Branding</b>	Identification of product from others.
10	<b>Labelling</b>	Informations to be put on a package.
11	<b>Packaging</b>	Designing the package of product.
12	<b>Price</b>	Amount of money paid by a customer for buying a product.
13	<b>Physical distribution</b>	Movement of goods from a place to another.
14	<b>Promotion</b>	Strategies to increase the sale of products.

**Ch-12: CONSUMER PROTECTION**

<b>1</b>	<b>Consumer</b>	Person who consume the product.
<b>2</b>	<b>Consumer rights</b>	Actions in favour of consumer.
<b>3</b>	<b>Right to Safety</b>	Protect against harmful goods or services.
<b>4</b>	<b>Right to be Heard</b>	To listen the complaint of consumer.
<b>5</b>	<b>Right to Choose</b>	Choice of consumer to buy the product.
<b>6</b>	<b>Right to Information</b>	Giving information about product.
<b>7</b>	<b>Right to Seek Redressal</b>	Place to put the complaint against harmful product.
<b>8</b>	<b>Right to Education</b>	Giving information about rights of consumer.
<b>9</b>	<b>Redressal Machinery</b>	Place to complain- District Commission, State Commission, National Commission
<b>10</b>	<b>Remedies</b>	Reliefs against the complaint.
<b>11</b>	<b>Responsibilities</b>	Actions to be taken by consumers.

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