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Business Studies

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2026-27

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Student Support Material

केन्द्रीय विद्यालय संगठन~Kendriya Vidyalaya Sangathan

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संदेश

शिक्षा केवल पुस्तकों तक सीमित ज्ञान नहीं है; यह स्वयं को पहचानने, अपने विचारों को विस्तार देने और जीवन की चुनौतियों का आत्मविश्वास से सामना करने की सतत् यात्रा है। केन्द्रीय विद्यालय संगठन का सदैव यह प्रयास रहा है कि प्रत्येक विद्यार्थी के लिए ऐसा शिक्षण वातावरण हो, जहाँ जिज्ञासा को प्रोत्साहन मिले, सीखना आनंददायी बने और प्रत्येक बालक अपनी अंतर्निहित क्षमताओं को पहचानकर उन्हें विकसित कर सके।

राष्ट्रीय शिक्षा नीति 2020 ने शिक्षा को सिर्फ रटने से समझने, सूचना से ज्ञान और ज्ञान से जीवनोपयोगी दक्षताओं की ओर अग्रसर किया है। आज का समय कृत्रिम बुद्धिमत्ता (Artificial Intelligence – AI), डिजिटल नवाचार और निरंतर बदलती तकनीकों का है। ऐसे युग में केवल तथ्यों का ज्ञान पर्याप्त नहीं है; आवश्यक है कि विद्यार्थी मनन- चिंतन करना सीखें, प्रश्न पूछें, समस्याओं का समाधान खोजें और नए विचारों के साथ आगे बढ़ें। यही क्षमताएँ उन्हें भविष्य के लिए तैयार करेंगी।

इन्हीं उद्देश्यों को ध्यान में रखते हुए केन्द्रीय विद्यालय संगठन के पाँचों आंचलिक शिक्षा एवं प्रशिक्षण संस्थानों (ZIETs) के माध्यम से, समर्पित एवं अनुभवी शिक्षकों द्वारा कक्षा 9 से 12 के विद्यार्थियों के लिए यह विद्यार्थी सहायक सामग्री तैयार की गई है। यह केवल परीक्षा की तैयारी की संकलन सामग्री नहीं है, बल्कि विषयों को सरलता से समझने, अवधारणाओं को स्पष्ट करने, नियमित अभ्यास करने और आत्मविश्वास के साथ आगे बढ़ने का एक विश्वसनीय साथी है।

इस सामग्री में विषय-वस्तु को विद्यार्थियों की आवश्यकताओं के अनुरूप सरल, व्यवस्थित एवं दक्षता-आधारित दृष्टिकोण से प्रस्तुत किया गया है। मुझे प्रसन्नता है कि इसे हमारे शिक्षकों के अनुभव, नवाचार और विद्यार्थियों के प्रति उनकी प्रतिबद्धता ने समृद्ध बनाया है। मुझे विश्वास है कि यह सामग्री विद्यार्थियों की सीखने की यात्रा को अधिक सहज, रोचक और प्रभावी बनाएगी तथा उन्हें बोर्ड परीक्षाओं के साथ-साथ जीवन की व्यापक चुनौतियों के लिए भी तैयार करेगी।

मेरा विश्वास है कि जब एक जिज्ञासु विद्यार्थी, प्रेरित शिक्षक और सार्थक शिक्षण संसाधन एक साथ आते हैं, तब शिक्षा केवल उपलब्धि का माध्यम नहीं रहती, बल्कि व्यक्तित्व निर्माण की एक सशक्त प्रक्रिया बन जाती है। यही भावना इस विद्यार्थी सहायक सामग्री के केंद्र में है।

मेरी हार्दिक शुभकामनाएँ हैं कि आप सभी सीखने की इस यात्रा में निरंतर आगे बढ़ें, अपने सपनों को नए आयाम दें और ज्ञान, संवेदनशीलता तथा नवाचार के साथ राष्ट्र निर्माण में अपना महत्वपूर्ण योगदान दें।

शुभकामनाओं सहित।

(विकास गुप्ता)

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BUSINESS STUDIES (054)

Theory: 80 Marks **3 Hours**
Project: 20 Marks

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11.	Marketing Management	15
12.	Consumer Protection	
	Total	**30**
Part C	**Project Work (One)**	**20**

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	Understand the concept of management. Explain the meaning of 'Effectiveness and Efficiency. Discuss the objectives of management. Describe the importance of management.
Management as Science, Art and Profession	Examine the nature of management as a science, art and profession.
Levels of Management	Understand the role of top, middle and lower levels of management
Management functions- planning, organizing, staffing, directing and controlling	Explain the functions of management
Coordination- concept and importance	Discuss the concept and characteristics of coordination. Explain the importance of coordination

Unit 2: Principles of Management

Principles of Management - concept and significance	Understand the concept of principles of management. Explain the significance of management principles.
Fayol's principles of management	Discuss the principles of management developed by Fayol.
Taylor's Scientific management - principles and techniques	Explain the principles and techniques of 'Scientific Management'. Compare the contributions of Fayol and Taylor.

Unit 3: Business Environment

Business Environment- concept and importance	Understand the concept of 'Business Environment'. Describe the importance of business environment
Dimensions of Business Environment - Economic, Social, Technological, Political and Legal Demonetization - concept and features	Describe the various dimensions of 'Business Environment'. Understand the concept of demonetization

Unit 4: Planning

Planning: Concept, importance and limitation	Understand the concept of planning. Describe the importance of planning. Understand the limitations of planning.
Planning process	Describe the steps in the process of planning.
Single use and Standing Plans. Objectives, Strategy, Policy, Procedure, Method, Rule, Budget and Programme	Develop an understanding of single use and standing plans Describe objectives, policies, strategy, procedure, method, rule, budget and programme as types of plans.

Unit 5: Organising

Organising: Concept and importance	Understand the concept of organizing as a structure and as a process.
	Explain the importance of organising.
Organising Process	Describe the steps in the process of organizing
Structure of organisation- functional and divisional concept. Formal and informal organization - concept	Describe functional and divisional structures of organisation. Explain the advantages, disadvantages and suitability of functional and divisional structure. Understand the concept of formal and informal organisation. Discuss the advantages, disadvantages of formal and informal organisation.
Delegation: concept, elements and importance	Understand the concept of delegation. Describe the elements of delegation. Appreciate the importance of Delegation.
Decentralization: concept and importance	Understand the concept of decentralisation. Explain the importance of decentralisation. Differentiate between delegation and decentralisation.

Unit 6: Staffing

Staffing: Concept and importance of staffing	Understand the concept of staffing. Explain the importance of staffing
Staffing as a part of Human Resource Management concept	Understand the specialized duties and activities performed by Human Resource Management
Staffing process	Describe the steps in the process of staffing
Recruitment process	Understand the meaning of recruitment. Discuss the sources of recruitment. Explain the merits and demerits of internal and external sources of recruitment.

Selection – process	Understand the meaning of selection. Describe the steps involved in the process of selection.
Training and Development - Concept and importance, Methods of training - on the	Understand the concept of training and development.
job and off the job - vestibule training, apprenticeship training and internship training	Appreciate the importance of training to the organisation and to the employees. Discuss the meaning of induction training, vestibule training, apprenticeship training and internship training. Differentiate between training and development. Discuss on the job and off the job methods of training.

Unit 7: Directing

Directing: Concept and importance	Describe the concept of directing. Discuss the importance of directing
Elements of Directing	Describe the various elements of directing
Motivation - concept, Maslow's hierarchy of needs, Financial and non-financial incentives	Understand the concept of motivation. Develop an understanding of Maslow's Hierarchy of needs. Discuss the various financial and non-financial incentives.
Leadership - concept, styles - authoritative, democratic and laissez faire	Understand the concept of leadership. Understand the various styles of Leadership.
Communication - concept, formal and informal communication; barriers to effective communication, how to overcome the barriers?	Understand the concept of communication Understand the elements of the communication process. Discuss the concept of formal and informal communication. Discuss the various barriers to effective communication. Suggest measures to overcome barriers to communication.

Unit 8: Controlling

Controlling - Concept and importance	Understand the concept of controlling. Explain the importance of controlling.
Relationship between planning and controlling	Describe the relationship between planning and controlling
Steps in process of control	Discuss the steps in the process of controlling.

Part B: Business Finance and Marketing

Unit 9: Financial Management

Financial Management: Concept, role and objectives	Understand the concept of financial management. Explain the role of financial management in an organisation. Discuss the objectives of financial management
Financial decisions: investment, financing and dividend - Meaning and factors affecting	Discuss the three financial decisions and the factors affecting them.
Financial Planning - concept and importance	Describe the concept of financial planning and its objectives. Explain the importance of financial planning.

Capital Structure – concept and factors affecting capital structure	Understand the concept of capital structure. Describe the factors determining the choice of an appropriate capital structure of a company.
Fixed and Working Capital - Concept and factors affecting their requirements	Understand the concept of fixed and working capital. Describe the factors determining the requirements of fixed & working capital.

Unit 10: Financial Markets

Financial Markets: Concept	Understand the concept of financial market.
Money Market: Concept	Understand the concept of money market.
Capital market and its types (primary and secondary)	Discuss the concept of capital market. Explain primary and secondary markets as types of capital market. Differentiate between capital market and money market. Distinguish between primary and secondary markets.
Stock Exchange - Functions and trading procedure	Give the meaning of a stock exchange. Explain the functions of a stock exchange. Discuss the trading procedure in a stock exchange.
	Give the meaning of depository services and demat account as used in the trading procedure of securities.
Securities and Exchange Board of India (SEBI) - objectives and functions	State the objectives of SEBI. Explain the functions of SEBI.

Unit 11: Marketing

Marketing – Concept, functions and philosophies	Understand the concept of marketing. Explain the features of marketing. Discuss the functions of marketing. Explain the marketing philosophies.
Marketing Mix – Concept and elements	Understand the concept of marketing mix. Describe the elements of marketing mix.
Product – branding, labelling and packaging – Concept	Understand the concept of product as an element of marketing mix. Understand the concept of branding, labelling and packaging.
Price - Concept, Factors determining price	Understand the concept of price as an element of marketing mix. Describe the factors determining price of a product.
Physical Distribution – concept, components and channels of distribution	Understand the concept of physical distribution. Explain the components of physical distribution. Describe the various channels of distribution.
Promotion – Concept and elements; Advertising, Personal Selling, Sales Promotion and Public Relations	Understand the concept of promotion as an element of marketing mix. Describe the elements of promotion mix. Understand the concept of advertising. Understand the concept of sales promotion. Discuss the concept of public relations.

Unit 12: Consumer Protection

Consumer Protection: Concept and importance	Understand the concept of consumer protection. Describe the importance of consumer protection. characteristics of coordination. Explain the importance of coordination
The Consumer Protection Act, 2019: *Source:* http://egazette.nic.in/WriteReadData/2019/210422.pdf Meaning of consumer Rights and responsibilities of consumers Who can file a complaint? Redressal machinery Remedies available	Understand the concept of a consumer according to the Consumer Protection Act, 2019. Explain the consumer rights Understand the responsibilities of consumers Understand who can file a complaint and against whom? Discuss the legal redressal machinery under Consumer Protection Act, 2019. Examine the remedies available to the consumer under Consumer Protection Act, 2019.
Consumer awareness - Role of consumer organizations and Non-Governmental Organizations (NGOs)	Describe the role of consumer organizations and NGOs in protecting consumers' interests.

Unit 13: Project Work

S. No.	Assessment Criteria	Marks
1	Initiative, cooperativeness and participation	2 Marks
2	Creativity in presentation	2 Marks
3	Content, observation and research work	4 Marks
4	Analysis of situations	4 Marks
5	Viva	8 Marks
	Total	**20 Marks**

Suggested Question Paper Design
Business Studies (Subject Code 054) Class XII (2026-27)

Marks: 80 **Duration: 3 Hours**

S.N.	Typology of Questions	Marks	Percentage
1	**Remembering and Understanding:**• Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers.• Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas.	32	40%
2	**Applying:**• Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way.	24	30%
3	**Analysing, Evaluating and Creating:**• Examine and break information into parts by identifying motives or causes.• Make inferences and find evidence to support generalizations.• Present and defend opinions by making judgments about information, validity of ideas, or quality of work based on a set of criteria.• Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions.	24	30%
	Total	**80**	**100%**

CHAPTER 1

NATURE AND SIGNIFICANCE 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	✓**Understand the concept of management.** ✓**Explain the meaning of 'Effectiveness and Efficiency.** ✓**Discuss the objectives of management.** ✓**Describe the importance of management.**
Management as Science, Art and Profession	✓**Examine the nature of management as a science, art and profession.**
Levels of Management	✓**Understand the role of top, middle and lower levels of management**
Management functions- planning, organizing, staffing, directing and controlling	✓**Explain the functions of management**
Coordination- concept and importance	✓**Discuss the concept and** ✓Explain the importance of coordination.

Meaning of Management

Management is the process of planning, organizing, staffing, directing, and controlling the efforts of people to achieve organizational goals efficiently and effectively.

Efficiency: Doing the task correctly at minimum cost.

Effectiveness: Completing tasks on time to achieve goals

Characteristics of Management-

{ Mnemonic:- "Good People Make Continuous Growth During Innovation." }

1) **Goal-oriented**-Management aims to achieve organizational goals efficiently and effectively.
2) **Pervasive** -Management is required in all types of organizations (business or non-business) and at all levels.
3) **Multidimensional** – It involves managing work, people, and operations.
4) **Continuous Process** -Management is an ongoing process; it's not a one-time activity.
5) **Group Activity**-It involves coordinating the efforts of a group of people to achieve common goals.
6) **Dynamic Function**-It adapts to changes in the business environment like technology, markets, and trends.
7) **Intangible Force**-Management cannot be seen but its presence is felt through results like better productivity, employee satisfaction, etc.

Case Study (Short Answer Type 3 or 4 marks)

Q. Josh Enterprises decides to have a meeting of all the key employees of different departments in the organisation. The main motive is to inform the employees to keep the target of 20% increase in sales as the main objective when they work throughout the year. The meeting is full of ideas regarding the employees and processes involved. Various plans are made to harness the potential of the employees and streamline the processes. However, with the passage of a few days the external business environment checks the capability of the organisation to adapt to the situations. The company successfully comes out at the end of the year with flying colours. What are the various characteristics of management you can find highlighted here? Also identify the lines in which these characteristics have been highlighted**.**

Ans: The various characteristics of management involved here are:
i. **Goal Oriented.** The main motive is to tell the employees to keep the target of 20%increase in sales as the main objective when they work throughout the year.

ii. **Multidimensional.** Various plans are made to harness the potential of the employees and streamline the processes. Employees—People and Streamline the process—Operations.

iii. **Dynamic.** However, with the passage of a few days the external business environment checks the capability of the organisation to adapt to the situations.

Objectives of Management: - (Mnemonic-OPS)

Organizational Objectives	Personal Objectives	Social Objectives
• Survival • Profit • Growth	• Fair remuneration • Good working conditions • Growth and development of employees	• Providing quality products at reasonable prices • Environmental protection • Employment generation

<u>Case Study (Long Answer Type 6 marks)</u>

Q. Ice Air Manufacturers are the leading AC manufacturers. On meeting a record target they decided to give prize to the best worker of the year. Rajesh who is a very devoted worker wins the prize of the best worker. He is very happy. Mr. Kulkarni who is the CEO of the company gives a heart-touching speech. He tells all the workers present that the company should reach new heights this year. Their contribution will be immense. He tells them that the revenue this year should exceed cost so much so as to reduce the business risk. So that in the coming years company could show increase in the number of workers, number of products produced and also the sales turnover. The speech ends with the promise made by the labour union head that the company will get the full support from the workers.

a) In the above case which type of objectives are discussed by Mr. Kulkarni in the speech?
b) What is the other term used for this category of objectives?
c) At which level of management does Rajesh work in the company?

Ans: a) The type of objectives discussed are Organizational Objectives
b) (i) Profit—revenue this year should exceed cost so much so as to reduce the business risk;
(ii) Growth—increases in the number of workers, number of products produced and also the sales turnover is discussed here.
c) The level at which Rajesh works is the non-managerial level since all the workers work at this level and he is a worker (Rajesh who is a very devoted worker).

Importance of Management {Mnemonic:- All Intelligent Companies Help Development"}

Achieves group goals- Management integrates the efforts of individuals to achieve common objectives efficiently. **Increases efficiency-** It ensures optimum use of resources to reduce costs and improve productivity. **Creates a dynamic organization**- Management helps organizations adapt to changing environments. **Helps in achieving personal objectives-**It helps employees achieve their personal goals while working towards organizational goals. **Development of society-** Effective management contributes to societal growth by creating jobs, offering good products, and improving living standards

Case Study (Short Answer Type 3 or 4 marks)

Q. Ashim is a floor manager of a mall. He applies all necessary principle and techniques of management to minimize cost of maintenance of his floor and enhance sale. He directs all the staff members under him to follow the targets and advises them to put their efforts in the direction of achievement of these targets. Under his guidance the employees admit that they learn a lot and are not only able to meet their targets but every time set a bigger target than earlier. This has led to the increase in their salaries. Identify the importance of management highlighted above.

Ans: The importance of management highlighted here are:

i. Management increases efficiency: Ashim is a very good manager because of which he is able to increase the sales with good cooperation from his subordinates.

ii. Management helps in achieving group goals: Ashim directs all the staff members under him to follow the targets and advises them to put their efforts in the direction of achievement of these targets and which is effectively accomplished.

iii. Management helps in achieving personal objectives: This has led to the increase in the salaries of the employees and they are learning a lot.

Nature of Management {Mnemonic:- SAP)

1. **As a Science** – Has principles, cause-effect relationships, and can be tested 2. **As an Art** – Involves creativity, personalized application, and practice 3. **As a Profession** – Requires formal education, ethical code, and service motive (Partially fulfills criteria as it has only well-defined body of knowledge and Professional associations)

Case Study (Short Answer Type 3 or 4 marks)

Q. Dheeraj, Neeraj and Suraj are three friends. They work in the same company. They are managers but they belong to three different levels of management. Every day they meet and discuss their work with each other. One day they were having a conversation. Dheeraj said, "These days I am having a lot of problems motivating the people at Shop Floor. I have decided to purchase two new machines. I know I will have to set an example by being the best leader." Neeraj said, "I am having problem with knowing the exact requirement of people in my department. Different polices have to be informed to the employees so that they become aware of our company's goals. I also have to coordinate with other departmental heads to know their requirements." Suraj said, "I have to decide for long term. I know I will be ultimately responsible for every activity. All the policies and strategies require a lot of planning before formulation." In the above case identify the different levels of management these three friends belong to.

Ans: i. Dheeraj belongs to lower level of management. Lower-level manager works at the Shop

Floor level. Shop Floor is the place where workers work, & machines are kept.
ii. Neeraj belongs to middle level management. Middle level manager decides the number of employees to be required in his department. He also has to coordinate with other departmental heads though at the same level.
iii. Suraj belongs to the Top level of management. Top level manager is required to plan for long term basis. He is responsible for all the activities in the organisation. Policies and strategies are formulated by the Top management.

Functions of Management **{Mnemonics- POSDCo}**

1. Planning – Setting goals and deciding how to achieve them
2. Organizing – Assigning tasks, grouping activities, allocating resources
3. Staffing – Recruiting, selecting, training, and developing employees
4. Directing – Guiding and motivating employees
5. Controlling – Measuring performance and taking corrective action

Case Study (Short Answer Type 3 or 4 marks)

Q. Alpha Beta Inc. decided to go for perfect coordination in the various aspects of the company. They focus on synchronization of all the activities of the organisation. For this they know coordination will be the key. At the stage of thinking of what is to be done throughout the year they decide to take into consideration the harmony between the goals of the organisation and those of the individual departments. When they hire employees, they pay them only after evaluating their worth in terms of how efficient they are. Finally when the last month of production comes they, time and again check the deviation between the set targets and the actual production done. In the above paragraph the main focus is on coordination. However various functions of management also come into picture. You have to identify the three functions of management highlighted above in which coordination can be seen.

Answer: The various functions of management highlighted above are:

i. Planning. At the stage of thinking of what is to be done throughout the year they decide to take into consideration the harmony between the goals of the organisation and those of the individual departments.

ii. Staffing. When they hire employees, they pay them only after evaluating their worth in terms of how efficient they are.

iii. Controlling. Finally, when the last month of production came, they were time and again checking the deviation between the set targets and the actual production done.

Functions of Levels of Management: **{Mnemonic:- TML}**

Top-level **Strategy formulation** **(e.g., CEO, MD)**	**Middle-level** **Departmental heads** **(e.g., Sales Manager)**	**Lower-level** **Supervisors, Foremen** **(Operational execution)**
• Lays down the vision, mission, and policies of the organization.	• Acts as a link between top and lower levels.	• Directly oversees the day-to-day activities of workers.

• Sets long-term goals and strategies. • Organizes resources for implementation. • Responsible for the overall success and survival of the company. • Maintains relations with external stakeholders (like government, investors).	• Implements policies and plans made by top management. • Prepares departmental plans. • Assigns duties and supervises junior managers. • Motivates employees to achieve targets.	• Ensures quality and quantity of work. • Provides feedback to middle management. • Maintains discipline and builds team spirit. • Ensures proper use of resources.

Case Study (Short Answer Type 3 or 4 marks)

Q. Dinesh is a versatile manager. However due to the nature of his job most of the time of his day is occupied with planning. One day his friend who runs an advertising company calls him for a lunch. Dinesh finds his friend very busy as his friend tells him that the company, he is working in is very busy these days in finding the right person for the right job. Soon Dinesh leaves after having a detailed discussion with his friend. During that lunch he learnt many things from his friend and applied the things learnt in his company the best outcome was the adaptable nature of the company that turned out to be after application of this learning. The company earned more revenue by the end of the year. Which level of management Dinesh belongs to? What function was performed by his friend's company? Which particular characteristic of management was achieved by Dinesh for his company? Also identify the concerned lines.

Ans: (i) The level at which Dinesh is working is Top level of management (most of the time of his day is occupied with planning).

(ii) The function performed by his friend's company is Staffing. The company he is working in is very busy these days in finding the right person for the right job.

(iii) The characteristic of management achieved by Dinesh is Dynamic Function. The best outcome was the adaptable nature of the company that turned out to be after application of this learning.

Coordination: The Essence of Management.

Meaning: The synchronization of activities and efforts of different units

Importance of coordination {Mnemonic:- Unity Eliminates Problems"}

1. Ensures unity of action with the increase in the size of organisation.
2. Eliminates interdepartmental conflicts
3. Promotes harmonious implementation of plans by different specialists.

<u>Features of Coordination</u>

(**Mnemonic:- UICDRP or Upar India Chale, Discipline Rakho Properly")**

1. Unity of Action: Ensures all departments and individuals work toward common goals.

2. Integrity: Harmonizes individual efforts and departmental activities.

3. Continuity: Coordination is a continuous and ongoing process.

4. Deliberate Effort: It requires conscious planning and communication, not automatic.

5. Responsibility of Managers: Though everyone contributes, it's primarily a managerial function

6. Pervasive Function: Present at all levels and in all departments of an organization

<u>Case Study (Short Answer Type 3 or 4 marks)</u>

Q. ABC Engineering is a company involves in construction of Roads, Dams, and Bridges. There are different departments in this company like Human Resources, Marketing, Finance, Research & Development and Operations. The top management of the company tries its level best to synchronize the activities of different departments in the best possible manner. The result is the increased efficiency and attainment of goals. However with the passing of time the size of the company has grown and now there are many branches of this company. The synchronization has turned more important with the increase in the size of the company and the number of employees. The Departmental Heads of the company are specialists in their respective areas and the top management tries to work with them not with authority but by respecting their views on the subject. Their ego clashes are avoided to ensure smooth functioning of the organization.

a) Identify the concept of management highlighted above.

b) Write two importance's highlighted in the above paragraph of this concept.

Ans: a) The concept of management highlighted above is that of Coordination. The top management of company tries its level best to synchronize the activities of different departments in the best possible manner.

b) The importance of coordination:

i**. Growth in size.** When the organisation grows in size coordination plays an important role in synchronizing all the activities as the number of employees and branches increases. The synchronization has turned more important with the increase in the size of the company and the number of employees.

ii. Specialisation. The specialists like the departmental heads cannot be tackled just by unity of command. They have their own egos. Here the best way to tackle them is to ensure coordination among them. Their ego clashes are avoided to ensure smooth functioning of the organisation.

MULTIPLE CHOICE QUESTIONS (MCQs)

1. How does a manager want to achieve his objectives?
   (a) Efficiently (b) Effectively (c) Efficiently and effectively (d) None of the above

2. A manager obtains the required capital at 12% interest while the prevailing rate of interest happens to be 10%. How would you describe such a manager?
   (a) Efficient (b) Effective (c) Efficient and Effective (d) Inefficient

3. What type of power management is?
   (a) Visible (b) Invisible (c) Separate (d) Collective

4. By evaluating results what does management try to find out and then takes corrective action.
   (a) Profit (b) Loss (c) Deviations (d) None of these

5. In the context of business what does research refer to?
   (a) Finding out new products (b) Finding out new markets
   (c) Finding out new methods of distribution (d) All the above

6. What happens when the management of an Organisation gets weakened?
   (a) Organisation progresses (b) Production increases
   (c) Profit increases (d) Organisation faces heavy loss

7. Which one of the following sequences of process of management is correct:
   (a) Planning, Controlling, Organising, Staffing (b) Staffing, Planning, Organising, Controlling
   (c) Planning, Organising, Staffing, Controlling (d) Organising, Planning, Staffing, Controlling

8. Management is:
   (a) An Activity (b) A process (c) A Tradition (d) An Illusion

9. Management ensure:

(a) Providing employment opportunities (b) Maintaining profit

(c) Ensuring maximum utilisation of resources (d) Control on cost

10. Management is important because:

(a) It helps in achieving group goals (b) It helps in development of society

(c) It increases efficiency (d) All of the above

ANSWER	1. c	2. b	3. b	4. c	5. d	6.d.	7.c	8. b	9. c	10. d

Assertion and Reasoning Questions:-

Instructions: For each question, choose the correct option:

(a) Both Assertion (A) and Reason (R) are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Q.1 **Assertion (A):** Management is concerned with efficient use of resources.
Reason (R): For management both efficiency and effectiveness need to be balanced.

Q.2 **Assertion (A):** Management is multidimensional.
Reason (R): The effect of management is noticeable in an organisation where targets are met, employees are happy and satisfied, and there is orderliness instead of chaos.

Q.3 **Assertion (A):** Two dancers, two speakers, two actors, or two writers will always differ in demonstrating their art based on practice and creativity.
Reason (R): Art is a much personalised concept.

Q4. **Assertion** (A): Management aims to achieve organizational goals efficiently and effectively.
Reason (R): Efficiency in management refers to doing the right tasks to achieve goals.

Q5. **Assertion (A)**: Through management, the personal objectives can be achieved.
Reason (R): Management helps to provide good quality products, create employment opportunities and adapt new technologies.

Answers	1.b	2.b	3.a	4.c	5.b

Long Answer Type (6 marks)

1. Clean Sanity ware is a big company. Managing many employees at the same moment is a challenge which this company always faces. Since the company has many departments it is necessary for the company to ensure unity of action among various departments. The various departments are human resources, marketing, finance, operations and sales. The employees are always concerned about the company and are a useful resource to their organisation. Though they have diverse interests and have to perform different activities the management ensures that the efforts of the employees should be given a focus so as to achieve the organisation goals. The different departments have their own interests but due to proper coordination the conflicts of interest in the departments is minimized to a nil. When it comes to the employees the organisation shows its concern. The career of employees is shown a developmental path through proper training modules and job enrichment. Rajeev is a manager who takes care of all the duties and responsibilities to be assigned to his employees in the department. He uses all sources to develop a proper

communication with them and leaves no attempt to motivate them. This year the company has decided to give the best manager award to Rajeev for his contribution to the organisation.

(a) Which characteristics of coordination have been highlighted in the above case?
(b) Which type of objective is fulfilled here?
(c) At which level of management does Rajeev work?
(d) Which function of management does he perform here?

Ans: (a) The characteristics of coordination involved above are:
(i) Coordination ensures unity of action (characteristic of coordination). Since the company has many departments it is necessary for the company to ensure unity of action among various departments.

(ii) Coordination integrates group efforts (characteristic of coordination). Though they have diverse interests and have to perform different activities the management ensures that the efforts of the employees should be given a focus so as to achieve the organisation goals.

(iii) Functional Differentiation (Importance of coordination). The different departments have their own interests but due to proper coordination the conflicts of interest in the departments is minimized to a nil.

(b) The objective which is fulfilled here is the Personal Objective. The career of employees is shown a developmental path through proper training modules and job enrichment.

(c) Rajeev works at the middle level of management. Rajeev is a manager who takes care of all the duties and responsibilities to be assigned to his employees in the department.

(d) Rajeev is following the Directing function of management. He uses all sources to develop a proper communication with them and leaves no attempt to motivate them.

2. Eco value ltd. is a company which has improved its functioning by proper management. The company has been good in fixing and completing targets. The main reason for its success has been the involvement of all of the employees. The company tries to keep its targets in front of the employees so that each one of them can contribute to the completion of goals. Though their activities may be different yet they contribute to the common targets or goals of the organisation. The company has won the prize for the best organisational climate. This has been possible due to the impact of great managerial discipline which might not be visible to an outsider in the first look but he realises it when he stays in the organisation. Gradually the organisation has developed itself into a very successful company. It has produced different types of radios according to the needs of the customers. During last decade it has adapted to the requirements of the market and produced different type of radios suiting the needs of the customers. The management of three components is always significant to the company i.e. the employees, the process and the amount of work to be done. Controlling these three areas is always a top priority to the company. Recently a meeting was held which laid stress on the need of taking good management to all levels and departments of the organisation. In the above case find all the characteristics of management and highlight the lines which help you identify them.
Ans: The following characteristics of Management have been highlighted:
(i) Management is a goal-oriented process: The company has been good in fixing and completing targets.

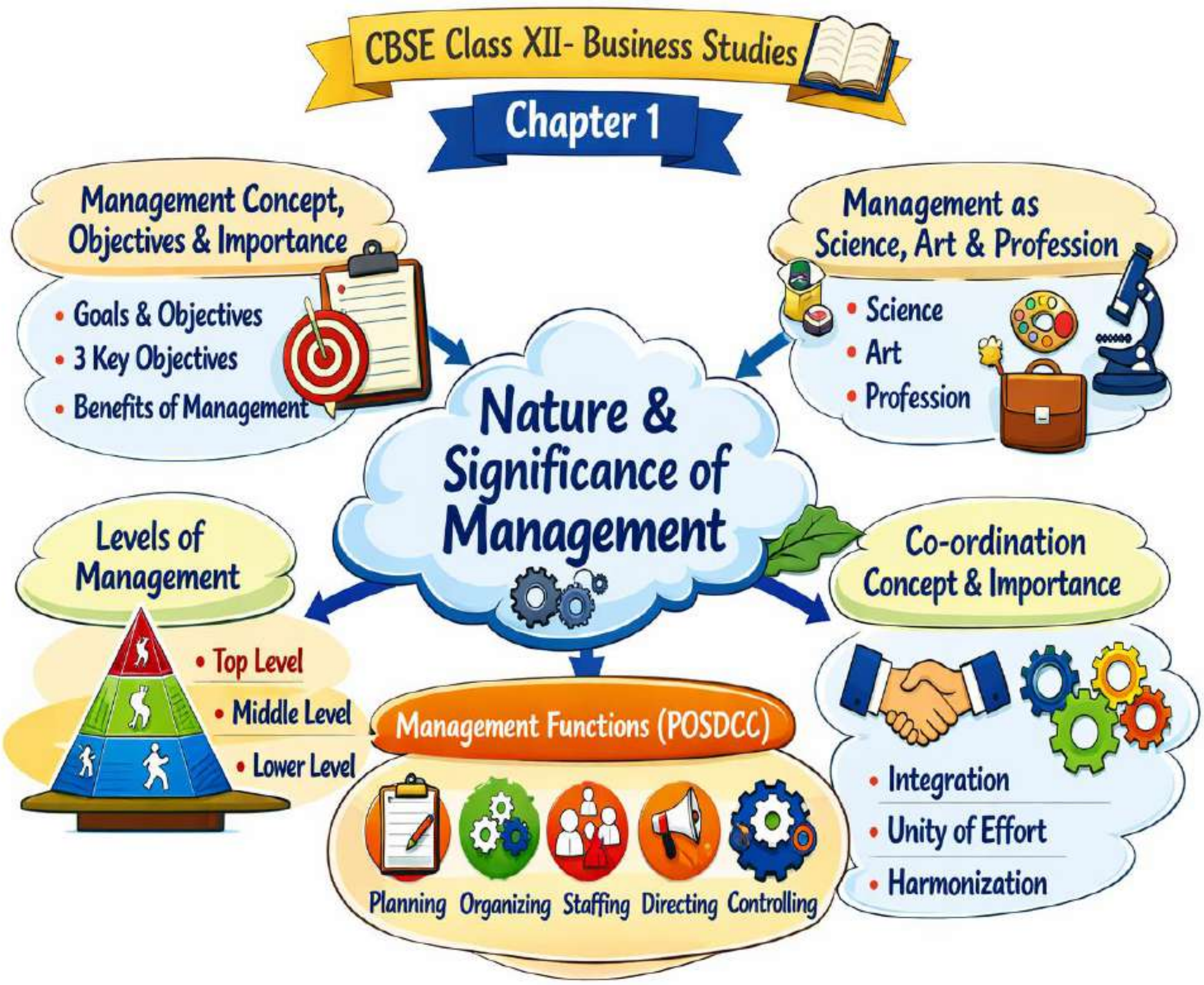
(ii) Management is a group activity: Though their activities may be different yet they contribute to the common targets or goals of the organisation.

(iii) Management is an intangible force: This has been possible due to the impact of great managerial discipline which might not be visible to an outsider in the first look but he realises it when he stays in the organisation.

(iv) Management is a dynamic function: During last decade it has adapted to the requirements of the market and produced different type of radios suiting the needs of the customers.

(v) Management is multidimensional: The management of three components is always significant to the company—employees, process and amount of work to be done.

(vi) Management is all pervasive. Recently a meeting was held which laid stress on the need of taking good management to all levels and departments of the organisation.



CHAPTER 2
PRINCIPLES OF MANAGEMENT

Concept	After going through this unit, the student/ learner would be able to:
Principles of Management – concept and significance	• Understand the concept of principles of management. • Explain the significance of management principles.
Fayol's principles of management	• Discuss the principles of management developed by Fayol.
Taylor's Scientific management - principles and techniques	• Explain the principles and techniques of 'Scientific Management'. • Compare the contributions of Fayol and Taylor.

Principles of management are general guidelines, which can be used for conduct in work places under certain situations. It also helps managers to take and implement thoughtful decisions.   Features of Principles of Management

{Mnemonic- "Understanding Good Friends Feels More Comfortable"}

Q. Mohan Lal Energy Ltd. is a company engaged in manufacturing energy-efficient home appliances. The company was facing several challenges due to changing customer preferences, technological advancements, and increasing competition. The Managing Director, Mr. Tanishq Paliwal, organized a meeting with all departmental heads. During the discussion, he emphasized that management principles cannot be applied rigidly and should be modified according to changing business situations. For example, during a sudden increase in online sales, the company changed its marketing strategy and adopted digital promotion methods. He also pointed out that principles such as division of work, unity of direction, and coordination are useful not only in manufacturing companies but also in hospitals, schools, banks, and government organizations. While implementing these principles, managers observed that different employees reacted differently to the same motivational techniques. Therefore, managers had to understand employee behaviour before taking decisions. The company regularly conducted training programs and studied successful business practices to improve its management techniques. As a result, productivity increased, employee satisfaction improved, and organizational goals were achieved efficiently.

1. Identify and explain the feature of management principles highlighted by the statement.
2. Which feature is reflected by the company's shift to digital promotion methods due to increasing online sales?
3. Which feature is highlighted by the statement that management principles are useful in hospitals, schools, banks, and manufacturing companies?
4. Why are management principles said to influence human behaviour? Explain with reference to the case.
5. Which feature is reflected by the company's training programs and study of successful business practices?

Ans:

1. Flexibility of Principles: - Principles are flexible, not absolute. They must be
adapted to suit dynamic business environments.
2. Contingent Nature
3. Universal Applicability
4. Behavioral in Nature: Principles influence human behavior. Managers must understand employee psychology and adapt decisions accordingly.
5. Formed by Practice & Experimentation.

IMPORTANCE OF MANAGEMENT PRINCIPLES:-

{Mnemonic "Please Study On Monday, Score Tomorrow"}

Q1. Pintu, the production manager of a Laptop company, noticed that workers were wasting raw materials due to improper handling. He studied previous management experiences and introduced standard operating procedures and training programs. As a result, wastage reduced and productivity increased.

1. Which importance of management principles is highlighted in the above case?
2. How did management principles help the manager?

Ans. 1: Providing managers with useful insights into reality.

2: Management principles guided the manager in identifying the problem and taking corrective action based on past experiences and systematic knowledge.

Q2. With the increasing demand for online shopping, Jaya Mart Retailers noticed a decline in footfall at their physical stores. The management adapted to changing market conditions by launching an e-commerce platform and training employees in digital operations.

1. Which importance of management principles is highlighted?
2. Why did the company introduce an e-commerce platform?
3. What would have happened if the company had ignored these changes?

Ans **1:** Meeting changing environmental requirements.
2: To adapt to changing consumer preferences and technological developments.
3: It could have lost customers and market share.

Q3. 'Good Life' Foods ensured that all its products met quality standards. It also adopted environmentally friendly packaging and organized health awareness programs in nearby communities.

a). Which importance of management principles is reflected in this case?
b). How did the company fulfill its responsibility towards society?
c). Why is social responsibility important for businesses?

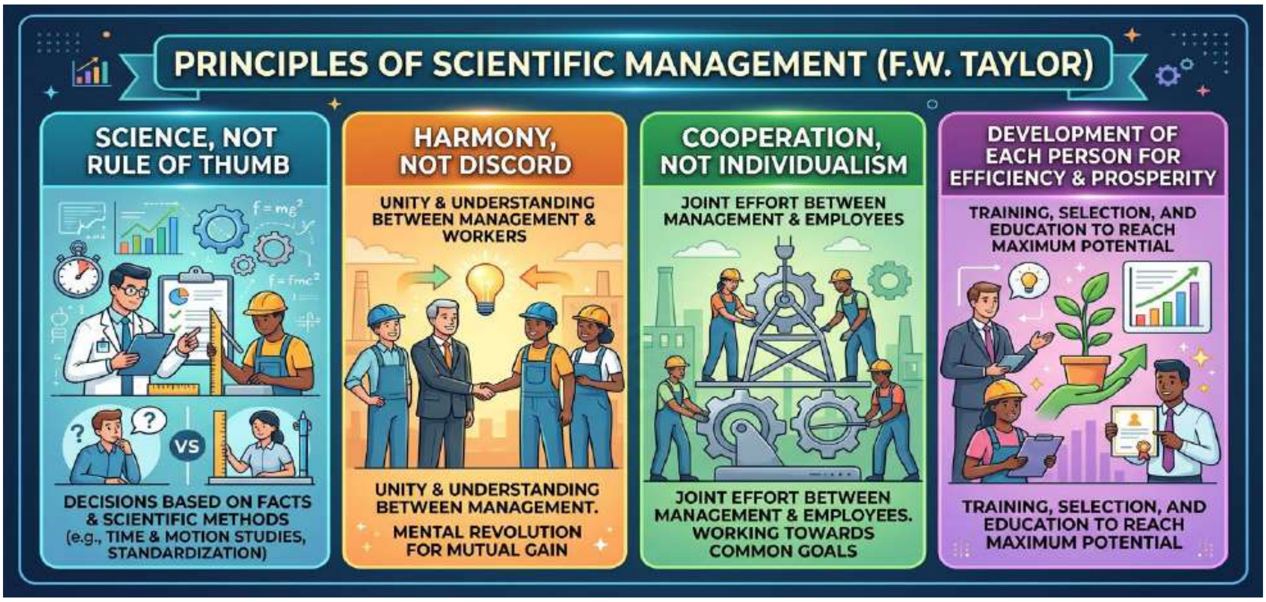
Ans **a:** Fulfilling social responsibility.
b: By providing quality products, using eco-friendly packaging, and conducting awareness programs.
c: It builds goodwill and contributes to the welfare of society.

Q 4. Prateek Power Industries Ltd regularly organized management development programs for its managers. The company also collaborated with educational institutions to conduct research on workplace productivity and employee motivation.

1. Which importance of management principles is highlighted in the above paragraph?
2. How do management principles help in training managers?
3. State one benefit of management research.

Ans **1:** Management training, education, and research.
2: They provide a systematic body of knowledge for learning and applying Management concepts.
3: It helps develop new techniques and improve organizational performance.

PRINCIPLES OF SCIENTIFIC MANAGEMENT:
{Mnemonic;- Smart Humans Create Development"}

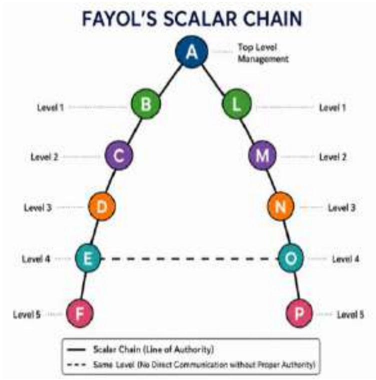


➢ **Taylor's Scientific Principles of Management (Mnemonic SHCoD)**	
1.Science, Not rule of thumb	✓ Method of Scientific enquiry ✓ One best method developed through study and analysis ✓ Investigation of traditional methods
2.Harmony, Not Discord	✓ Get work done' from the workers ✓ Kind of class conflict ✓ Mental Revolution ✓ Prosperity for employer accompanied by prosperity of employees
3.Co-operation, Not Individualism	✓ Complete co-operation b/w workers and management ✓ Competition replaced by co-operation ✓ Reward for suggestions ✓ Paternalistic style of management
4.Development of Each and Every Person to His or Her Greatest Efficiency & Prosperity	✓ Workers' training ✓ Scientific selection of workers ✓ Work assigned should suit capabilities.
➢ **Techniques of Scientific Management(Mnemonic: Funny Students Make Time For Dance" or (FM F(DIRT SIRG)M TDS)**	
1. Functional Foremanship	✓ Improving factory set up. ✓ Separation of Planning and Execution. ✓ Shop Floor. ✓ Extension of Principle of Division of Work and Specialisation. ✓ Eight specialists.
2.Standardisation	✓ Process of setting standards. ✓ Benchmarks. ✓ To reduce a given line or product to fixed types. ✓ To establish interchangeability.
3.Simplification	✓ Eliminating superfluous varieties, sizes and dimensions ✓ Eliminating unnecessary diversity of products. ✓ Results in saving of cost of labour, reduced inventories, fuller utilization and increased turnover.
4.Method Study	✓ Find one best way of doing the job. ✓ Concept of assembly line. ✓ Objective is to minimize the cost of production and maximize the quality and satisfaction of customers.
5.Motion Study	✓ Study movements like lifting, putting objects, sitting and changing positions. ✓ Eliminating unnecessary movements. ✓ Use of stop watches, symbols, colours to identify different motions.
6.Time study	✓ Standard time for tasks. ✓ Objective is to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs.

7.Fatigue study	✓ Rest while working. ✓ Regain stamina. ✓ Objective is to determine the amount and frequency of rest intervals.
8.Differential Piece Wage System	✓ Differentiate efficient and inefficient workers.
9.Mental Revolution	✓ Change in the attitude of workers and management. ✓ Aim to increase the size of the surplus.

➢ **Fayol's Principles of Management. (Mnemonic;- DADU IS SO SECURE or "DAD Uses Rules Carefully So Order Ensures Stability & Initiative with Esprit")**

1. Division of Work	✓ Work is divided into small tasks. ✓ Competent specialist is required. ✓ Leads to specialization. ✓ Increase in efficiency and effective output. ✓ his principle is all pervasive.
2. Authority and Responsibility	✓ Balance b/w authority and responsibility. ✓ Managers have the right to punish for willfully not obeying a legitimate order.
3. Discipline	✓ Obedience to organizational rules. ✓ Employment agreement. ✓ Good superiors at all levels. ✓ Clear and fair agreements. ✓ Judicious application of penalties. ✓ Honor commitments without prejudice.
4.Unity of Command	✓ One boss for every employee. ✓ Order from one superior. ✓ Dual subordination should be avoided.
5. Unity of Direction	✓ Common objectives through coordinated and focused efforts. ✓ One head, one plan. ✓ Unity of action and co-ordination. ✓ Each division should have its own incharge.
6. Subordination of individual interest to General Interest	✓ Larger interests of workers and stakeholders are more important than the interests of any one person. ✓ Manager should not misuse his power for any individual.
7. Remuneration of employees	✓ Fair pay and compensation. ✓ Giving a reasonable standard of living. ✓ Just and equitable remuneration. ✓ Helps in congenial atmosphere and good relations.
8. Centralization and Decentralisation	✓ Concentration of authority is centralization. ✓ Managers' retention of final authority through centralization. ✓ Dispersal of authority among more than one person is Decentralisation. ✓ Balance subordinate involvement through decentralisation.

9. Scalar chain	✓ A formal line of authority from highest to lowest ranks is called Scalar Chain. ✓ Chain of authority and communication. ✓ **Gang plank** (shorter route for communication) in case of emergency. 
10. Order	✓ A place for everything and everything in place. ✓ Helps in increased production and efficiency. ✓ People and Materials at right place. ✓ Orderliness
11. Equity	✓ Fair and equal treatment with all employees. ✓ Kindliness and justice in the behaviour of manager. ✓ Increase in loyalty and devotion. ✓ No discrimination on the basis of caste, creed, age etc.
12. Stability of Personnel	✓ Minimise employee turnover. ✓ Selection of employees after due and rigorous process. ✓ Stability of tenure. ✓ No adhocism. ✓ High cost of recruitment, selection and training.
13. Initiative	✓ Taking first step with self-motivation. ✓ Thinking out and executing the plan. ✓ Employee suggestion system resulting in decrease in cost and time. ✓ Rewards to employee for suggestion.
14. Espirit De Corps	✓ Team spirit of unity and harmony. ✓ Replace 'I' with 'we'. ✓ Mutual trust and belongingness.

Q1. Karan Nath took over 'D' North Motor Company' from his ailing father three months ago. In the past, the company was not performing well. Karan was determined to improve the company's performance. He observed that the methods of production as well as selection of employees in the company were not scientific. He believed that there was only one best method to maximize efficiency. He also felt that once the method is developed, the workers of the company should be trained to learn that 'best method'. He asked the Production Manager to develop the best method and carry out the necessary training. The Production Manager developed this method using several parameters right from deciding the sequence of operations, place for men, machines and raw materials till the delivery of the product to the customers. This method was implemented throughout the organization. It helped in increasing the output, improving the quality and reducing the cost and wastage. Identify and explain the principles and the technique of scientific management followed by the Production Manager in the above case. (**CBSE 2021)**

Ans: Principle of Scientific Management Followed:

- Science, Not Rule of Thumb

- Nath rejected old, traditional methods and insisted on developing a *scientific, best method* for production.
- This principle emphasizes replacing guesswork with scientific study and analysis to improve efficiency.

Technique of Scientific Management Used:

- Method Study
  - The Production Manager analyzed every step of production: sequence of operations, placement of men, machines, and raw materials, up to delivery.
  - Method study aims to find the *best way of doing a job* to minimize cost, time, and wastage while maximizing efficiency.

Q2. Vaibhav Sharma was working as the Production Manager in Merigo Pharma Pvt. Ltd. To get his son admitted in school he wanted to take leave from the office but on the same day, an important meeting with the Chief Executive Officer (CEO) of the company was scheduled to discuss some new medicines to be manufactured. Considering the significance of the meeting, he did not take leave. The CEO appreciated his exemplary behaviour as he gave priority to the organizational interest over his personal interest. Name and explain the principle of management being followed by Vaibhav Sharma in the above case.(CBSE 2018)

Ans: The Principle of Management being followed by Vaibhav Sharma is **"Subordination of Individual Interest to General Interest"**.

According to **Henri Fayol**, the interest of the organization should take precedence over the interest of any individual employee. Personal interests should not be allowed to interfere with organizational goals and objectives.

In the given case, Vaibhav Sharma wanted to take leave for his son's school admission, which was his **personal interest**. However, he chose to attend the important meeting with the CEO regarding the manufacturing of new medicines, thereby giving priority to the **organizational interest**. His action reflects the principle of **Subordination of Individual Interest to General Interest**.

Q3. **Dharti Dhanya Ltd.** is a leading manufacturer of smart furniture for industries. The company was facing several management problems. Employees often received instructions from multiple supervisors, leading to confusion and delays in work. Different departments worked independently without coordinating their efforts, resulting in duplication of activities and wastage of resources.

The Managing Director, Mr. Mayoor Vora, decided to bring reforms. He ensured that every employee reported to only one supervisor. He also introduced a single integrated plan for all departments to achieve the company's overall objectives. To encourage employees, he provided handsome remuneration and recognized outstanding performance through rewards and appreciation.

As a result, employee morale improved, conflicts reduced, and organizational efficiency increased significantly.

Answer the following questions:-

1. Identify the principle of management applied when each employee was made accountable to only one supervisor.
2. Which principle is reflected by introducing a single integrated plan for all Departments?
3. Which principle is followed by providing fair remuneration to employees?
4. Which principle is reflected by rewarding and appreciating outstanding performance?
5. Differentiate between Unity of Command and Unity of Direction.
6. If employees continue to receive instructions from multiple supervisors, what

problems may arise in the organization?

Answer 1: **Unity of Command**: According to Fayol, an employee should receive orders from only one superior to avoid confusion and conflict.

2: **Unity of Direction**: Activities having the same objective should be directed under one plan and one manager.

3: **Remuneration of Employees**: Employees should receive fair and reasonable compensation for their services.

4: **Esprit de Corps (or promoting team spirit and morale)**: Encouraging and appreciating employees develops harmony, loyalty, and team spirit.

5. **Difference between Unity of Command and Unity of Direction**

Basis	Unity of Command	Unity of Direction
Meaning	One employee should receive orders from one boss only.	One plan and one head for activities with the same objective.
Focus	Individual employee	Entire organization/group activities
Purpose	Avoid confusion in reporting	Ensure coordination and common direction

6**:** If employees continue to receive instructions from multiple supervisors, following problems may arise in the organization

✓ Confusion among employees ✓ Conflict in instructions ✓ Reduced efficiency	✓ Lack of accountability ✓ Delay in decision-making ✓ Poor employee morale

Q4. Paliwal Manufacturing Ltd. distributed the supervisory work among specialists. One supervisor gives instructions; another decides the route of production, another checks quality, while another ensures machinery is repaired. Workers receive guidance from multiple experts according to their area of specialization.

1. Identify the technique of Scientific Management used in the above case.
2. Who propounded this technique?
3. Name any four specialists under Functional Foremanship.
4. State one advantage of Functional Foremanship.

Ans **1:** Functional Foremanship. **2:** Frederick Winslow Taylor.
3: Instruction Card Clerk, Route Clerk, Speed Boss, Inspector.
4: It promotes specialization and increases efficiency by assigning expert supervisors for different functions.

Multiple Choice Questions (MCQ) (1 MARK EACH)

1 The objective of which of the following techniques of scientific management is to determine the number of workers to be employed in an organization? **(CBSE 2016)**
(a) Method study (b) Motion study (c) Time study (d) Differential piece wage system

2. Identify the principle of management given by Fayol according to which "The intent of this principle is to produce more and better work with the same effort". **(CBSE 2017)**
(a) Division of work (b) Unity of direction (c) Scalar chain (d) Equity

3. '**Flavor of South**' is a famous chain of South Indian restaurants. It believes in complete cooperation between the labor and management. Its management encourages the employees for their constructive suggestions. They take their employees into confidence for all important decisions. Which principle of scientific management has been followed by 'Flavors of South'? **(CBSE 2020)**

(a) Science, not rule of thumb (b) Harmony, not discord
(c) Co-operation, not individualism
(d) Development of each and every person to his or her greatest efficiency and prosperity

4. 'Farmers Solutions', a fast-growing agri-tech company, was facing a problem of employees leaving the organisation frequently. As a result, work suffered and time and money were spent repeatedly on recruitment and training. On investigation, it was found that the problem was due to employees not getting sufficient time to settle into their new roles. So the company decided to keep their employees at the same position for a minimum tenure and give them sufficient time to show results. This led to a significant reduction in employee turnover and improvement in organisational efficiency.
The principle of management highlighted in the above case is: **(CBSE 2026)**
(a) Order (b) Stability of Personnel (c) Division of Work (d) Authority and Responsibility

5. The principle violated when an employee receives orders from two different managers is:
(a) Equity (b) Unity of Direction (c) Unity of Command (d) Scalar Chain

6. A company changes its production process after studying market trends and technological developments. Which importance of management principles is reflected?
(a) Scientific decisions only (b) Meeting changing environmental requirements
(c) Social responsibility (d) Unity of command

7. A company observes workers while performing a task and removes unnecessary hand and body movements to improve efficiency. Which technique is being used?
(a) Time Study (b) Motion Study (c) Functional Foremanship (d) Standardisation

8. Which technique helps in reducing physical and mental fatigue of workers?
(a) Standardisation (b) Fatigue Study (c) Functional Foremanship (d) Method Study

9. Under Taylor's Differential Piece Wage System:
(a) All workers receive the same wages. (b) Workers are paid according to seniority.
(c) Efficient workers receive higher wages than inefficient workers.
(d) Workers receive only fixed salaries.

10. Which technique focuses on eliminating unnecessary movements of workers to increase efficiency?
(a) Motion Study (b) Time Study (c) Differential Piece Wage System (d) Simplification

Answers	**1.c**	**2.a**	**3.c**	**4.b**	**5.c**	**6.b**	**7.b**	**8.b**	**9.c**	**10.a**

Assertion and Reasoning Questions:-

Instructions: For each question, choose the correct option:
(a) Both Assertion (A) and Reason (R) are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

1. **Assertion** (A)**:** An employee should receive orders from only one superior.
Reason (R): Receiving orders from multiple bosses may create confusion and conflict.

2. **Assertion** (A)**:** Scalar Chain refers to the chain of authority from top management to the lowest level.
Reason (R): Scalar Chain encourages employees to bypass their immediate superiors in normal situations.

3. **Assertion** (A)**:** Managers should treat employees with kindness and fairness.
   Reason (R): Fair treatment increases employee loyalty and commitment.
4. **Assertion** (A)**:** Frequent employee turnover is beneficial for organizational efficiency.
   Reason (R): Employees need sufficient time to learn and perform their jobs effectively.
5. **Assertion** (A)**:** Team spirit should be promoted among employees.
   Reason (R): Team spirit improves unity, cooperation, and organizational performance.

Answer	1. a	2. c	3 . a	4. d	5.a

Answer the following questions (3/4 marks) PYQs

1. Explain the following features of principles of management: **(CBSE 2026)**
   i) Cause and effect relationship. ii) Contingent
2. Explain the following techniques of scientific management **(CBSE 2026)**
   (i) Motion Study ii) Differential Piece Wage System.
3. Explain the following points of importance of business environment: **(CBSE 2026)**
   (i) Helps in tapping useful resources (ii) Helps in coping with rapid changes
4. Explain the following techniques of Scientific Management: **(CBSE 2026)**
   (i) Method study (ii) Standardisation and simplification of work

Answers:

1. **(i) Cause and Effect Relationship**: - Management principles establish a relationship between actions and their results. They indicate that a particular managerial action is likely to produce a specific outcome. For example, proper division of work leads to increased efficiency and productivity.

(ii) Contingent: - Management principles are contingent or situation-based. Their application depends on the prevailing circumstances and conditions

2. **(i) Motion Study: -** Motion Study refers to the study of movements of workers and machines involved in performing a job. It aims to eliminate unnecessary movements and identify the best method of doing work, thereby increasing efficiency and reducing fatigue.

(ii) Differential Piece Wage System: - Under this system, workers are paid according to their level of performance. Efficient workers who meet or exceed the standard output receive higher wages, while inefficient workers receive lower wages. This motivates workers to increase productivity.

3. **(i) Helps in Tapping Useful Resources: -** Business firms depend on the environment for various resources such as finance, labour, raw materials, and technology. Understanding the business environment helps managers identify and obtain these resources effectively.

(ii) Helps in Coping with Rapid Changes: - The business environment is dynamic and constantly changing. By studying environmental changes, businesses can anticipate future trends, adapt quickly, and reduce the risk arising from uncertainty.

4. (i) Method Study: - Method Study is the systematic study of various methods of performing a job to determine the best and most efficient method. It helps reduce costs, save time, and improve productivity.

(ii)Standardisation and Simplification of Work: - Standardisation means setting standards for processes, materials, tools, and working conditions to ensure uniformity and efficiency.
Simplification means eliminating unnecessary varieties, sizes, and dimensions of products to reduce complexity and increase efficiency in production.

CHAPTER 3
BUSINESS ENVIRONMENT

Content	Learning Outcomes
Business Environment – Concept and Importance	• Understand the concept of Business Environment• Describe the importance of Business Environment.
Dimensions of Business Environment – Economic, Social, Technological, Political and Legal	• Describe the various dimensions of Business Environment.
Demonetization – Concept and Features	• Understand the concept of Demonetization.

Meaning of Business Environment

Business Environment: The **sum total of all external forces** that affect the business operations.

It includes economic, social, political, legal, and technological factors**.**

<u>Features of Business Environment</u>

1. Dynamic nature: Keeps changing frequently. **2. Inter-relatedness**: All forces are connected. **3. Specific and general forces**: *Specific*: Direct impact (e.g., customers, competitors) *General*: Indirect impact (e.g., social, political) **4.Totality of external forces**: Includes all external factors. **5. Uncertainty**: Difficult to predict changes. **6. Relativity**: Varies from region to region and country to country. **7. Complexity**: Difficult to understand its impact fully	**{MNEMONICS – DISTURB-C}** **D- D**ynamic nature **I- I**nter-relatedness **S- S**pecific and general forces **T- T**otality of external forces **U- U**ncertainty **R- R**elativity **C- C**omplexity

Case study (Short Answer Type)

Q.1 'Konark Ltd.' is an electric goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, 'Nova Ltd.' situated in Mumbai. Both Konark's and Nova's operations are affected directly by the investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual forms of this field are affected indirectly by the factors like the money supply in the economy, composition of the families, the technological changes, etc.

(a) Identify and state the features of the concept discussed in the above paragraph.

(b) Also, state any three points of importance of this concept.

Ans:- (a) Specific and General Forces

(b) Importance of business environment:

(i) It helps to identify opportunities and getting the first mover advantage instead of losing them to the competitors.

(ii) It helps to identify threats on time which serves as an early warning signal.

(iii) It helps in tapping useful resources so that it can convert them into output that the environment desires.

Importance of Business Environment

1. Identification of business opportunities and getting the **first** mover advantage **–**Identify opportunities at an early stage which helps the firm to be able to exploit them without losing them to competitors. **2. Identifying** threats and early warning signals **–** Environmental awareness helps the managers to identify various threats; it provides the business early warning signals to plan its future course of action. **3. Tapping** useful resources **–** Environment provides various resources to the business-like materials, machinery, water, finance, electricity, labour etc. **4. Coping** with rapid changes **–** Business environment is highly dynamic such as change in market condition, technology, competition etc. **5. Assisting** in planning and policy **formulation –** Environment scanning gives vital information which can be taken as the basis for deciding future course of action (planning) or framing guidelines for decision making (policy formulation)	**{MNEMONICS –** **FI**rst Tigers **Tap Co**ol **A**pples} **I**dentification of business opportunities & getting the **first** mover advantage **I**dentifying **t**hreats and early warning signals **Tap**ping useful resources **Co**ping with rapid changes **A**ssisting in planning and policy formulation

Case Study (Long Anwer Type**)**

Q. Naman and Govind after finishing their graduation under vocational stream decided to start their own travel agency which will book Rail Tickets and Air Tickets on commission basis. They also thought of providing tickets within ten minutes through the use of internet. They discussed the idea with their Professor Mr. Mehta who liked the idea and suggested them to first analyse the business environment which consists of investors‘, competitors and other forces like social, political etc. that may affect their business directly or indirectly. He further told them about the technological improvements and shifts in consumer preferences that were taking place and hence they should be aware of the environmental trends and changes which may hinder their business performance. He emphasised on making plans keeping in mind the threat posed by the competitors, so that they can deal with the situation effectively. This alignment of business operations with the business environment will result in better performance.

a. Identify and state the component of business environment highlighted in the above Para.
b. State any two features of business environment as discussed by Professor Mehta with Naman and Govind.
c. Also state two points of importance of business environment as stated by Professor Mehta in the above situation.

Ans:(a) Technological Environment is the component of business environment highlighted in the above Para. 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. (b) The two features of business environment as discussed by Professor Mehta with Naman and Govind are as follows:

(i) Dynamic nature: It is dynamic in nature and keeps on changing due to technological upgradations, shifts in consumer preferences or increase in competition in the market.

(ii) Inter-relatedness: All the elements of business environment are closely interrelated. Therefore, any change is one element may necessitate corresponding changes in the other elements as well.

(c) The two points of importance of business environment as stated by Professor Mehta in the above situation are described below:

(i) It enables the firm to identify opportunities and getting the first mover advantage: The dynamic business environment provides numerous opportunities for a business to evolve as per the changing needs. Therefore, early identification of the forthcoming opportunities helps an enterprise to be the first to exploit them instead of losing them to the competitors.

(ii) It helps the firm to identify threats and early warning signals: Sometimes the changes in the external environment may pose as a threat and hinder a firm‘s performance. An awareness about the business environment helps the managers to identify such threats on time and take necessary decisions and action.

<u>Dimensions of Business Environment</u>

1. Social Environment Refers to social trends, values, customs, lifestyle, education levels, and demographics. Businesses must adapt to changing social preferences and cultural norms. **2. Technological Environment** Involves advancements in technology, innovation, automation, and R&D. Helps improve efficiency and create new products/services. **3. Economic Environment** Includes factors like inflation rate, interest rates, economic policies, income levels, etc. These affect purchasing power and demand for products. **4. Political Environment** Includes the political stability, government policies, and attitude towards business. A stable and supportive political climate is good for business growth. **5. Legal Environment** Refers to laws, regulations, and legal frameworks like labour laws, consumer protection laws, etc.	**{MNEMONICS – STEPL}** **S- S**ocial Environment **T- T**echnological Environment **E- E**conomic Environment **P- P**olitical Environment **L- L**egal Environment

Case Study (Short Answer Type)

Q. The court passed an order to ban polythene bags as: These bags create many environmental problems which affect the life of people. Society at large is more concerned about the quality of life. The government decided to give a subsidy to the jute industry in order to promote this business. As a result, — Innovative techniques are being developed to manufacture jute bags at low rates. Incomes are rising and people can afford to buy these bags. Identify the different dimensions of business environment by quoting lines from the above particulars.

Ans: The various dimensions of business environment being referred to in the above case are as follows:

a. Legal Environment: —The court passed an order to ban polythene bags.

b. Social Environment: —The bags create many environmental problems which affect the life of people and society at large is more concerned about the, quality of life.

c. Political Environment: —The government decided to give a subsidy to the jute industry in order to promote this business.

d. Technological environment: —Innovative techniques are being developed to manufacture jute bags at low rate.
e. Economic Environment: —Incomes are rising and people can afford to buy these bags.
Demonetisation- the withdrawal of a currency of a certain denomination from its use as legal tender.

Features:

1. Demonetisation also indicates that tax evasion will no longer be tolerated or accepted.
2. Demonetisation also led to tax administration channelizing savings into the formal financial system.
3. Another feature of demonetisation is to create a less-cash or cash-lite economy, i.e., channelling more savings through the formal financial system and improving tax compliance.

KEYWORDS

Business Environment	-Sum total of all individuals and forces.
First mover advantage	-Early identification of opportunities. · First to exploit opportunities.
Identify threats and early warning signals	-Threats refer to external environment trends and changes that hinder firm's performance. · Environmental awareness.
Tapping useful resources	-Assemble various resources. · Convert input resources into output.
Coping with rapid changes	-Turbulent market conditions, Less brand loyalty, Fragmentation (division) of markets. · Increasing dynamic environment. · Examine environment and develop suitable course of action.
Assisting in planning and policy formulation	-Deciding future course of action (planning). · Training guidelines for decision making (policy). · Think afresh about how to deal with situation.
Improving performance	-Continuous monitoring of environment. · Understanding business environment to make a difference in performance.
Economic	-Interest rates, price, income, rate of growth.
Social	-Life expectancy, birth rate/death rate, quality of life, population shifts, family, habits, traditions, values, education, literacy rate.
Technological	-New methods/techniques, new ways of production, scientific improvements and innovations.
Legal	-Legal Act, Court order, legal regulations, statutory warning on products like cigarettes or tobacco etc.
political	-Government policies, elected government decisions, political conditions, attitude of government etc.
Demonetisation	-The Government of India, made an announcement on November 8, 2016. The two largest denomination notes, Rs.500 and Rs.1,000 were 'demonetised'. Ceasing to be legal tender except for a few specified purposes such as paying utility bills.

Aim	-The aim of demonetisation was to curb—corruption ,counterfeiting the use of high denomination notes for illegal activities; Accumulation of 'black money' generated by income that has not been declared to the tax authorities.
Features	-Demonetisation is viewed as a tax administration measure. Demonetisation also indicates that tax evasion will no longer be tolerated or accepted.
Impact of demonetisation	-Decline in cash transactions. Bank deposits increased. Increase in financial savings.
Private wealth	-Declined since some high demonetized notes were not returned and real estate prices fell.
Public sector wealth	-No effect
Digitisation	Digital transactions amongst new users (RuPay/AEPS) increased
Real estate	-Prices declined
Tax collection	-Rise in income tax collection because of increased disclosure

MULTIPLE CHOICE QUESTIONS (MCQs)

Q1. Reserve Bank of India has reduced the REPO rate for providing cheaper loans to the industries during COVID-19 pandemic. Which dimension of business environment is being discussed here?

a) Political b) Economic c) Technological d) Social

Q2. Which of the following headings does not highlight the importance of business environment?

a) Tapping useful resources b) Coping with rapid changes
c) Improving performance d) Promoting innovative ideas

Q3. Which of the following is a component of economic environment?

a) Concern with quality-of-life b) Rates of saving and investment
c) Extent of government intervention in business d) Birth and death rates

Q4. Match the various characteristics of Business environment given in Column I with their respective explanations in Column II :

Column I	Column II
A. Dynamic nature	(i) Environment is a phenomenon that is relatively easier to understand in parts but difficult to grasp in its totality
B. Complexity	(ii) Business environment differs from country to country and even region to region.
C. Relativity	(iii) Business environment keeps on changing, whether in terms of technological improvement or shifts in consumer preferences.

(a) A (iii), B (ii), C (i) (b) A (ii), B (iii), C (i)
(c) A (iii), B (i), C (ii) (d) A (i), B (ii), C (iii)

Q5. As per Plastic Waste Management Rule 2022, single use plastic items were prohibited in Delhi from 1st July, 2022. The dimension of business environment referred to here is:

(a) Economic environment (b) Legal environment
(c) Technological environment (d) Political environment

Q6. Business environment is said to be uncertain as:

Different elements or parts of business environment are closely inter-related.

(a) It differs from country to country.

(b) It is difficult to predict future happenings especially when environment changes are taking place too frequently.
(c) It consists of numerous inter-related forces which arise from different sources.

Q7. Business environment is the sum total of all the factors and forces ______ to a business.
a) Internal b) Specific c) External d) All of these

Q8. The trend of Yoga as a result of COVID-19 relates to ________
a) Social b) Political c) Technological d) Legal

Q9. As a foreign tourist visited India, he noticed that Indian markets, tastes, trends and regulations were different from that of his country. Which feature of business environment is reflected here?
a) Uncertainty b) Dynamic c) Relative concept d) All of the above

Ans	**1. b**	**2. d**	**3. b**	**4. c**	**5. b**	**6. c**	**7. c**	**8.a**	**9.c**

ASSERTION & REASON QUESTIONS

Options to be based on the below mentioned criteria for all the questions

a) Both Assertion(A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
c) Assertion (A) is true but Reason (R) is false
d) Assertion (A) is false but Reason (R) is true

Q1. Assertion (A): Business Environment is aggregative in nature.
Reason (R): Business environment is the sum total of all things which are external to business.

Q2. Assertion (A): Early identification of opportunities helps the enterprise in getting first mover advantage.
Reason (R): Environmental awareness helps managers to identify threats on time.

Q3. Assertion (A): Political factors play a major role in shaping the environment in which business firms operate.
Reason (R): Political instability builds up confidence among the business people to invest in the long-term projects.

Q4. Assertion (A): Entry of new firms in the market may make an enterprise think afresh about how to deal with the situations**.**
Reason (R): Business environment assists in planning and policy formulation.

Q5. Assertion (A): Reservation of jobs for backward classes as per the constitution of India affects the business environment.
Reason (R): Various elements of legal dimension affect the business environment.

Ans	**1-a**	**2-b**	**3-c**	**4-a**	**5-b**

CASE STUDIES

Q1.'Konark Ltd.' is an electric goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, 'Nova Ltd.' situated in Mumbai. Both Konark's and Nova's operations are affected directly by the investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual forms of this field are affected indirectly by the factors like the money supply in the economy, composition of the families, the technological changes, etc.

a) Identify and state the features of the concept discussed in the above paragraph.

Also, state any four points of importance of this concept**.**

Ans:- (a) Specific and General Forces

Importance of business environment:

(i) It helps to identify opportunities and getting the first mover advantage instead of losing them to the competitors.

(ii)It helps to identify threats on time which serves as an early warning signal.

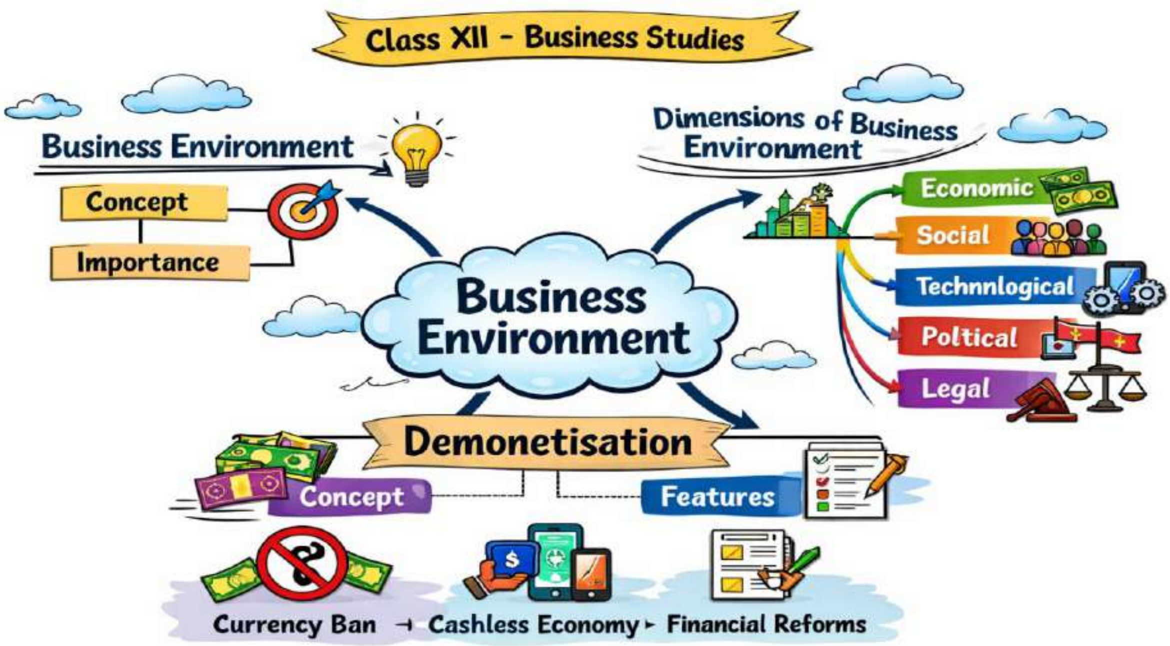
(iii) It helps in tapping useful resources so that it can convert them into output that the environment desires.

Q2. With change in the consumption habits of people, Neelesh, who was running a sweets shop shifted to chocolate business. On the eve of Diwali, he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got lot of orders online and earned huge profit by selling chocolates.

Identify and explain the dimensions of business environment discussed in the above case.

Ans:- **(i) Social Environment-** Social Environment includes social forces like custom and traditions, values, social trends and society’s expectation from business.

(ii) Technological environment -Technological Environment of business 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.



CHAPTER 4
PLANNING

Content	Learning Outcomes
Planning: Concept, Importance and Limitations	• Understand the concept of planning.• Describe the importance of planning.• Understand the limitations of planning.
Planning Process	• Describe the steps in the process of planning.
Single Use and Standing Plans: Objectives, Strategy, Policy, Procedure, Method, Rule, Budget and Programme	• Develop an understanding of single-use and standing plans.• Describe objectives, policies, strategy, procedure, method, rule, budget and programme as types of plans.

Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. It bridges the gap between where we are and where we want to go.

Features of Planning

1. Helps in Decision Making-Planning helps to take decision **2. Continuous process** – Planning is an ongoing process. **3. Pervasive** – Required at all levels of management. **4. Focuses on achieving objectives** – Planning starts with determining goals. **5. Futuristic** – Looks ahead and prepares for the future. **6. Mental Exercise –** It is a thinking process **7. Primary function of management** – Precedes all other functions.	**{MNEMONICS – DCP OF MP}** **D- D**ecision making **C- C**ontinuous process **P- P**ervasive **O-** focuses on achieving **O**bjectives **F-F**uturistic **M- M**ental Exercise **P- P**rimary function

Case Study (Short Answer Type)

Q. Richa, 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 healthy food' at reasonable prices. She discussed her idea with her teacher (mentor) who encouraged her. After analysing various options for starting her business venture, she 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.

a. Name the function of management being discussed above and give any one of its characteristics.

Ans: a. Planning is the function of management which is being discussed above.

One Characteristics of 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.

Importance of Planning

1. Provides direction – Guides employees towards objectives. **2. Reduces risk of uncertainty** – Anticipates changes and prepares accordingly.	**{MNEMONICS – DRSODI}** **D** – it provides direction **R** – Reduce the risk of uncertainty

3. Establishes standards for controlling – objectives help in measuring actual performance. **4. Reduces overlapping and wasteful activities** – by coordinating efforts and activities of different individuals, departments and divisions. **5. Facilitates decision-making** – Provides clear guidelines **6. Promotes innovative ideas** – Encourages creative thinking.	**S** – Establishes standard of controlling **O** – Reduces overlapping **D** – Decision Making **I** – Promotes Innovative Ideas

Case Study (Short Answer Type)

Q. After completing a diploma in Bakery and Patisserie, Payal sets up a small outlet at Goa Airport to provide a healthy food option to the travellers. To begin with, she has decided to sell five types of patties, three types of pizzas and low sugar muffins in four flavours. Thus, by deciding in advance what to do and how to do, she is able to reduce the risk of uncertainty and avoid overlapping and wasteful activities. But sometimes her planning does not work due to some unavoidable circumstances like cancellation of flights due to bad weather condition, government alert etc. which adversely affects her clientele.

In context of the above case;

a. Identify and explain the points highlighting the importance of planning mentioned in the above paragraph.

b. Describe briefly the limitation of planning which adversely affects Payal's business

Ans: a. The importance of planning mentioned in the paragraph are described below:

i. Planning Reduces the risk of uncertainty: Planning relates to deciding in advance about the tasks to be performed in future. This enables a manager to anticipate changes and devise the ways to deal with changes and uncertain events effectively.

ii. Avoiding overlapping and wasteful activities: Planning ensures clarity in thought and action and serves as the basis of coordinating the activities and efforts of different individuals and departments. Therefore, by curtailing useless and redundant activities, it helps in the smooth working of the organization without interruptions. Moreover, it makes detection of inefficiencies easier

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 difficult to anticipate all the likely future changes in the environment with utmost accuracy. Hence, even with planning, everything cannot be foreseen.

Limitations of Planning:

1. Does not guarantee success – Planning inspire of lot of efforts does not guarantee success. **2. Huge cost** – Planning is a very expensive and time-consuming process which involves the collection of data, analysis, interpretation etc. **3. Rigidity –** May not allow flexibility in decision-making **4. May not work in dynamic environment-**External factors can disrupt plans. **5. Time consuming –** Involves huge cost and is a time-consuming process	**{MNEMONICS – NCR DTC}** **N –** No guarantee of success **C –** Involves huge cost **R –** It creates rigidity **D –** Does not work in dynamic environment **T –** Time consuming

6. Reduces creativity – Limits initiative by employees as they are restricted to follow plans only.	Process **C –** Reduces Creativity

Case Study (Short Answer Type)

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 it‘s 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 its sales. Identify three limitations.

Ans: The two limitations of planning which led to decline in it sales are: (any two of the following)

a. Planning does not guarantee success.

b. Planning may not work in dynamic environment.

c. Planning leads to rigidity.

Planning Process (Steps in Planning)

1. Setting Objectives – The first step in planning is the establishment of objectives. **2. Developing Premises** – Planning is done for the future which is uncertain, certain assumptions are made about the future environment. **3. Identify alternate course of action**- There are alternative ways for achieving the same goal. **4. Evaluating alternative courses**- The positive and negative aspects of each alternative should be evaluated based on their feasibility and consequences **5. Selecting an alternative**- After analysing the merits and demerits of each alternative, the most appropriate one is to be selected by evaluating cost, risk, benefit to organization etc. **6. Formulation of derivative plans** **7. Implementation of Plan**- Implementation means putting plans into action to achieve the objective **8. Follow up action-** Plans are to be evaluated regularly to check whether they are proceeding in right way, shortfalls can be located and remedial actions can be taken well in advance.	**{MNEMONICS – SP-ICS-F}** **S – Setting Objectives** **P – developing Premises** **I – Identify alternate course of action** **C – Evaluating alternative courses** **S – Selecting an alternative** **D – Formulation of derivative plans** **I – Implementation of plan** **F – Follow up action**

Case Study (Long Answer Type)

Q. Agile Ltd.‘ is a well-known automobile manufacturing company in India. The company plans to increase the sale of its sedan cars by 20% in the next quarter. In order to achieve the desired target, the marketing team of the company considers the impact of policy of the government towards diesel vehicles and the level of competition in this segment of cars. They explore the various available options like offering more discounts to dealers and customers, providing more customer friendly finance options, lucky draws on test drive, increasing advertising, offering more of free accessories on the purchase of the car, etc. A thorough analysis of the various available options is done keeping in view the relative viability of each option. The company decides to pursue the option of offering more discounts to dealers and customers in order to boost the sale of sedan cars. In order to implement the plan, they determine the various discount packages and communicate the same to their product dealers. To make the prospective consumers aware about the new available benefits, advertisements are made through various sources of print and electronic media. The market analysts of the company keep a close watch on the revenue from the sedan cars to study the effect of new initiatives by the company to promote its sales.

In context of the above case:

(a) Name the function of management described in the above paragraph.

(b) Identify and explain the various steps involved in process the function of management as identified in part (a) by quoting lines from the paragraph.

Ans: (a) Planning is the function of management which is being described in the above paragraph.

(b) The various steps involved in the planning process are explained below:

i. Setting objectives: The planning process is initiated by setting the objectives in clear, specific and measurable terms. The objectives may be set for the organization as a whole and for each department or unit within the organization. ―The company plans to increase the sale of its sedan cars by 20% in next quarter.

ii. Developing Premises: Planning process is carried out keeping in view the assumptions related to the future, which is uncertain. These assumptions are called premises and may relate to government policy, interest rate, inflation, etc. Accurate forecasts are therefore essential for successful planning. ―In order to achieve the desired target, the marketing team of the company considers the impact of policy of the government towards diesel vehicles and level of competition in this segment of cars.

iii. Identifying alternative courses of action: The next step in the planning process involves identification of the various ways in which the goals can be achieved. ―They explore the various available options like offering more discount to dealers and customers, providing more customer friendly finance options, lucky draws on test drives, increasing advertising, offering more of free accessories on the purchase of the car, etc.

iv. Evaluating alternative courses: In order to select the best option, the relative positive and negative aspects of each alternative should be evaluated in the light of their feasibility and consequences. ―A thorough analysis of the various available options is done keeping in view the relative viability of each option.

v. Selecting an alternative: The best plan is adopted to achieve the desired goals. Sometimes, a combination of plans may be selected instead of one best course of action. ―The company decides to pursue the option of offering more discount to dealers and customers in order to boost the sale of sedan cars.

vi. Implement the plan: This step is concerned with putting plans into action. ―In order to implement the plan, they determine the various discount packages and communicate the same to their product dealers. ―To make the prospective consumers aware about the new available benefits, advertisements are made through various sources of print and electronic media.

vii. Follow up action: Monitoring of plans is equally important to ensure that objectives are achieved efficiently and effectively. ―The market analysts of the company keep a close watch on the revenue from the sedan cars to study the effect of new initiatives by the company to promote its sales.

Plans:
An organization has to prepare a plan before making any decision related to business operations. These plans can be classified into single-use plans and standing plans.

Single use plan – It is developed for a one-time event or project. Such a course of action is not likely to be repeated in future. The duration of such plan may depend upon the type of project, may be for one day, a week or a month such as organizing an event, a seminar, a conference etc. Single use plans include Budgets, Programmes and Projects.

Standing plan – It is used for activities that occur regularly over a period of time. It is usually developed once but is modified from time to time to meet business needs as required. Standing plans include Policies, Procedures, Methods and Rules.

Types of plan:-

- **i) Objectives –** End results of all activities.
- **ii) Strategy** – Broad plan for achieving organizational objectives.
- **iii) Policy –** General guidelines for decision-making.
- **iv) Procedure –** Step-by-step methods for activities.
- **v) Rule –** Specific statements that must be followed.
- **vi) Programme –** Detailed plan of action with resources.
- **vii) Budget –** Statement of expected results expressed in numerical terms.

Case Study (Long Answer Type)
Q. 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 Rs. 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.
Ans: The different types of plans discussed above are listed below:
i. Objectives: Objectives are the end results of the activities that-an organization 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.

ii. 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.

iii. 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.

iv. 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 Rs.100 per day for not wearing caps, gloves and aprons was announced.

v. 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.

KEYWORDS

Planning	· A process · Function of management. · Formulate an idea to do work. · Concerned with both ends and means. · Choosing best alternative course of action. · Deciding in advance what to do and how to do. · Planning process is structuring the work.
Premises	Assumptions are called premises. · Assumptions are the base material upon which plans are made.
Single Use Plans	Plan developed for one time event or Project. · Not likely to repeat in future. · Budgets, programmes, projects
Standing Plan	Plan for activities that occur regularly. · Repeatedly used plans. · Policies, Procedures, Rules, Methods.
Objective	· Neither single-use nor standing plan. · End points OR end results. · Plans set by Top Management. · Serve as guide for overall planning. · Expressed in Specific terms like increase in 20% sales. · Define future state of affairs.
Strategy	Neither single-use nor standing plan. · Broad Contours · Comprehensive plan. · Future decisions defining organisations direction and scope in the long run
Policy	· General statements Basis for interpreting and implementing strategy. Guides to managerial action. · Broad parameters Recruitment policy, pricing policy, purchase policy etc.
Procedure	· Routine steps. · Procedures detail exact manner to perform task. · Chronological order. · Specified steps. · Procedures are meant for insiders to follow. · Sequence of steps or action to attain pre- determined objectives. · Procedures are steps to be carried out within a broad policy framework.
Method	Prescribed ways or manner. · It comprises one step of a procedure. · Training methods, selection method, orientation programmes method, lecture method or seminar method.
Rule	· Specific statements that inform what is to be done. · No flexibility · Simplest type of plan. · No compromise or change in rule unless policy decision is taken.
Programme	· Detailed statements · Outlines objectives, policies, procedures, rules, budget and human and physical resources. · The minutest details are worked out.

Budget	Statement of expected results expressed in numerical terms. · Plan which quantifies future facts and figures.

MULTIPLE CHOICE QUESTIONS (MCQs)

Q.1 Which of the following is not a step in the process of planning?

a) Making assumptions about the future.

b) Evaluating different proposals in light of the objectives to be achieved.

c) Allocation of jobs to members of each department.

d) Seeing whether activities are performed as per schedule or not.

Q.2 Which of the following statements correctly explains the limitation of planning 'Planning does not guarantee success?

a) Planning is required at all levels of management and in all the departments of the organisation.

b) Planning involves thorough examination and evaluation of available alternatives.

c) Relying on a previously tried and tested successful plan just because it had worked before and will work again.

d) By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain events.

Q.3 The step in the process of 'Planning' which is concerned with putting the plan into action i.e. doing what is required is called?

(a) Implementing the plan (b) Follow up action

(c) Developing premises (d) Selecting an alternative

Q 4 'Dreams can be turned into reality only when managers think in advance what to do and how to do it'. Identify the function of management indicated by the statement.

a) Planning b) Organising c) Directing d) Controlling

Q5. Identify the key elements of planning from the following:

a) Determining the objectives b) Identifying alternative courses of action

c) Selecting the best course of action d) All of the above

Q6. Which of the following is a feature of planning?

a) Provides directions b) Reduces the risks of uncertainty

c) Focuses on achieving objectives d) All of the above

Q7. The last step in the process of planning is "Plan Implementation"

a) True b) False c) Can't say d) Partially true

Q8. " A plan is framed, it is implemented, and is followed by another plan and so on" Identify the feature planning highlighted above.

a) Planning is continuous b) Planning is futuristic

c) Planning is pervasive d) Planning involves decision-making

Q9. To see whether plans are being implemented and activities are performed according to schedule is known as ____________

a) Objectives b) Planning c) Follow-up action d) Premises

Q10. The business environment is _________ in nature, so planning may not work in such an environment.

a) dynamic b) creative c) innovative d) static

Ans	1-c	2-c	3-a	4-a	5-d	6-d	7-b	8-a	9-c	10-a

ASSERTION AND REASON QUESTIONS

Answer from the following option:

(a) Both Assertion(A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)

(c) Assertion (A) is true but Reason (R) is false

(d) Assertion (A) is false but Reason (R) is true

Q.1 **Assertion (A):** Planning bridges the gap from where we are to where we want to go.
Reason (R): It involves setting objectives and developing appropriate courses of action to achieve these objectives.

Q2. **Assertion (A):** Planning is futuristic.
Reason (R): Planning is concerned with the future which is certain and does not require forecast.

Q3. **Assertion (A):** Rules are the simplest type of plans.
Reason (R): There is no change or compromise in rules unless a policy decision is taken.

Q4. **Assertion (A):** Managers need to be given some flexibility to be able to cope with the changed circumstances
Reason (R): Planning reduces creativity

Q5. **Assertion (A):** Competition in the market can upset financial plans
Reason (R): Planning leads to rigidity

Ans	1-a	2-c	3-a	4-b	5-b

CHAPTER 5
ORGANISING

Chapter Topic	Learning Outcomes
Organising: Concept and Importance	• Understand the concept of organising as a structure and as a process. • Explain the importance of organising.
Organising Process	• Describe the steps in the process of organising.
Structure of Organisation – Functional and Divisional Concept Formal and Informal Organisation – Concept	• Describe functional and divisional structures of organisation. • Explain the advantages, disadvantages and suitability of functional and divisional structure. • Understand the concept of formal and informal organisation. • Discuss the advantages, disadvantages of formal and informal organisation.
Delegation: Concept, Elements and Importance	• Understand the concept of delegation. • Describe the elements of delegation. • Appreciate the importance of delegation.
Decentralisation: Concept and Importance	• Understand the concept of decentralisation. • Explain the importance of decentralisation. • Differentiate between delegation and decentralisation.

Meaning: Organizing is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them.

Process of organizing:

1. **Identification and Division of work:** As per plans work should be identified & divided into manageable activities. Its purpose is to share the burden of work & to avoid the duplication.
2. **Departmentalisation:** Similar nature of activities grouped together & form departments to facilitate specialization. Departments can be framed on many basis, For e.g. Product, territory etc.
3. **Assignment of duties:** Define the work of different job positions & allocate to various employees. Once departments have been formed, each of them is placed under the charge of an individual. Work must be assigned to the best-fitted person according to their skills
4. **Establishing Reporting relationships:** Each individual should know from whom he has to take order & to whom he is accountable. Such a clear relationship helps to create a hierarchical structure & maintain coordination.

PROCESS OF ORGANISING – {Mnemonic: "I-D-A-R"- "I Do A Report"} 1. Identification and division of work, 2. Departmentisation, 3. Assigning of duties 4. Establishing reporting relationships

Importance of Organising

(i) **Benefits of Specialisation:** it leads to a systematic allocation of jobs amongst the work force and enhances productivity.

(ii) **Clarity in working relationships:** it specifies who is to report to whom and helps in fixation of responsibility.

(iii) **Optimum utilisation of resources:** The proper assignment of jobs avoids overlapping of work and also makes possible the best use of resources.

(iv) **Adaptation to change**: it allows a business enterprise to cope with the changes In the business environment.

(v) **Effective administration**: Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication.

Importance of organizing – "BADO-CAG"			
1. Benefits of specialization,	2. Clarity in working relationships,		
3. Optimum utilization of resources,	4. Adaptation to changes,		
5 Development of personnel,	6. Expansion and growth		
"BADO Can Achieve Growth"			
B = Benefits of Specialisation,	A = Adaptation,	D = Development,	
O = Optimum use,	C = Clarity ,	A = Adaptation,	G = Growth

Question (Case Based)

Q.1 In a school fete, the whole activity is divided into task groups each dealing with a specific area like the food committee, the decoration committee, the ticketing committee and so on. These are under the overall supervision of the official in-charge of the event. Coordinating relationships are established among the various groups to enable smooth interaction and clarity about each group's contribution towards the event.

a) Identify and state the function of management highlighted above.

b) State the steps involved in the function of management identified in part (a) by quoting the lines from the above paragraph.

Answer. Hint- a) Organizing (give meaning)

b) The following steps emerge in the process of organizing (Explain the steps)

1. Identification and division of work (" Whole activity is divided .... ")
2. Departmentalisation ("…...... each dealing with a specific area")
3. Establishing reporting relationships ("Coordinating relationships are established…")

- **Organisational structure**:
  The framework within which managerial and operating tasks are performed. It can be functional or divisional.
- **Span of management** is the number of subordinates under a superior, that can be effectively managed by superior.
- **Functional structure:**

i) Activities grouped according to functions.
ii) Promotes occupational specialisation.
iii) Better coordination within departments.
iv) Suitable for organisations with similar products.
v) Examples: Production, Marketing, Finance, Human Resource

- **Divisional structure**:

i) Activities grouped according to products.
ii) Each division functions as a profit centre.
iii) Greater accountability and flexibility.
iv) Suitable for large organisations with diversified products.
v) Examples: Footwear Division, Garments Division, Cosmetics Division.

❖ **Formal organization** is designed by the management to achieve organizational goals. Its advantages are fixation of responsibility, clarity of roles, unity of command and effective accomplishment of goals. Its disadvantages are procedural delays, inadequate recognition of creativity, limited in scope.

Informal organization arises out of interaction among people at work. Its advantages are speed, fulfilment of social needs, fills inadequacies of formal structure. Its disadvantages are disruptive force, resistance to change and priority to group interests.

Differences between Functional and Divisional structures

	Basis	**Functional Structure**	**Divisional Structure**
1	**Formation**	Based on Functions	Based on Product lines
2	**Specialization**	Functional specialization	Product specialization
3	**Responsibility**	Difficult to fix on a department	Easy to fix responsibility for performance
4	**Managerial development**	Difficult	Easier
5	**Cost**	Economical as less duplication	Costly due to duplication of resources
6	**Coordination**	Difficult for a multi-product company	Easy, as all functions related to a product are integrated in one department.
7	**Example**	In a manufacturing concern, different departments for production, finance, marketing and human resource	In a large company different divisions like footwear, garments, cosmetics etc.

Differences between Formal and Informal organization

	Basis	**Formal organization**	**Informal organization**
1	**Meaning**	Structure of authority relationships created by the management	Network of social relationships arising out of social interactions
2	**Origin**	Arises as a result of company rules and policies	Arises as a result of social interactions
3	**Authority**	Arises by virtue of position in management	Arises out of personal qualities
4	**Behavior**	It is directed by rules	There is no set behavior pattern
5	**Flow of communication**	Through scalar chain	Not through a planned route
6	**Nature**	Rigid	Flexible
7	**Leadership**	Managers are leaders	Leaders chosen by the group

Questions (Case Based)

Q.1 Shan Spices Ltd. are the manufacturer of different food specific spices like Rajma masala, Cholley masala, Aloo-Parantha masala etc. Mr. Raghav, the owner of the company has created different departments for purchase, production, marketing, finance and human resource. There are 30 employees working in the organisation.

Planning is of paramount importance to the company as Mr. Raghav believes that effective planning leads to achievement of organizational objectives. So, in order to make employees focus on objectives, he issued instructions that during working hours only official matters will be discussed. He made certain rules and code of conduct for employees to follow, according to which employees are not allowed to visit and talk to employees of other departments except for official work. He emphasized on work performance which resulted in smooth functioning of the organization.

Identify and state the type of organization mentioned in the above para. **(CBSE/SQP/2016-17)**

Answer. Hint -State the meaning of formal organisation

Delegation of Authority: It refers to the downward transfer of authority from a superior to a subordinate.

Elements of Delegation

	Basis	**Authority**	**Responsibility**	**Accountability**
1	**Meaning**	Right to command	Obligation to perform assigned task	Answerability for outcome
2	**Origin**	Arises from formal position	Arises from delegated Authority	Arises from responsibility
3	**Flow**	Downward	Upward	Upward
4	**Delegation**	Can be delegated	Cannot be entirely Delegated	Cannot be delegated at all

Importance of delegation:

(i) **Effective management:-** freedom from doing routine work provides the manager with opportunities to excel in new areas.

(ii) **Employee development:** employees get more opportunities to utilise their talent.

(iii) **Motivation of employees :** 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.

(iv) **Facilitation of growth:** Delegation helps in the expansion of an organisation by providing a ready workforce to take up leading positions in new ventures.

(v) **Better coordination:** A clear picture of the work being done at various levels help in developing and maintaining effective coordination.

Importance: "EEM-FB"
1**.** Effective management, 2. Employee development:, 3. Motivation of employees,
4. Facilitation of growth, 5. Better coordination
{Mnemonic - "Every Employee Makes Future Better"}
E = Effective management, E = Employee development, M = Motivation
F = Facilitation of growth, B = Better coordination

Decentralization: It refers to delegation of authority throughout all the levels of organization.

Importance of Decentralisation:

(i) **Develops initiative among subordinates:** promotes self-reliance and confidence amongst the subordinates.

(ii) **Develops managerial talent for the future:** Formal training plays an important part in equipping subordinates with skills that help them rise in the organisation.

(iii) **Quick decision making:** since decisions are taken at all levels and no requirement for approval at any levels.

(iv) **Relief to top management:** because subordinates are given the freedom to act and decide within the limits set by the superior.

(v) **Facilitates growth:** It develops a sense of competition amongst the departments and they try their best leading to increase in productivity.

(vi) **Better control:** Decentralization makes it possible to evaluate performance at each level and the departments can be individually held accountable for their results.

Importance of Decentralisation- **Mnemonic- "DDR Brings Fast Quality decisions"** D = Develops initiative, D = Develops managerial talent, R = Relief to top management B = Better control, F = Facilitates growth, Q = Quick decision making

Question (Case Based)

Q.1 "Delegation of authority, undoubtedly empowers an employee to act for his superior, but the superior would still be accountable for the outcome. Explain the elements of delegation of authority discussed above. **(CBSE/SQP/2019-20)**

Answer. Hint- Explain the three elements of delegation : Authority, Responsibility and Accountability

Q.2 National Vritech Ltd. has grown in size. It was a market leader but with changes in business environment and with the entry of MNCs, its market share is declining. To cope with the situation CEO starts delegating some of his authority to the General Manager, who also felt himself overburdened and with the approval of CEO disperses some of his authority to various levels throughout the organisation. Identify the concept of management discussed above.

[CBSE Sample Paper 2014]

Answer. Decentralisation.

Difference between Delegation and Decentralization

	Basis	Delegation	Decentralization
1	**Nature**	Compulsory act because no individual can perform all tasks on his own	Optional policy decision, done at the discretion of top management
2	**Freedom of action**	More control by superiors, less freedom to subordinates	Less control by superiors, more freedom to subordinates
3	**Status**	It is a process followed to share tasks	It is the result of policy decision of top management
4	**Scope**	Narrow scope	Wider scope
5	**Purpose**	Reduce the burden of manager	Increase the role of subordinates

<u>KEYWORDS</u>

Organizing	· A process · Function of management · Process that co-ordinates human efforts, assemble resources and integrate both. · Process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources.
Departmentalisation	· Process of grouping together similar activities.

Organisation Structure	· Framework that specifies relationship b/w people, work and resources.
Span of Management	· No. of subordinates that can be effectively managed by a superior
Functional Organisation Structure	· Grouping of jobs of similar nature. · Separate departments. · Leads to occupational specialization. · Suitable when size of org. is large, has diversified activities and operations and high degree of specialization.
Divisional Organisation Structure	· More than one category of product. · Set of homogenous functions. ·Separate business units or divisions. · Suitable for business where a large variety of products is manufactured, when an org. grows, need more employees, create more departments, and introduce new levels of management.
Formal Organisation	· Guided by rules and regulations · Job description · Org. structure deliberately designed by the management. · Specifies clear boundaries of authority and responsibilities. · Formal org. can be Functional or Divisional. · Procedural delays
Informal Organisation	· Network of social relationships among employees. · Emerges within Formal Organisation. · No defined roles. · No fixed lines of communication. · Spontaneous · Interpersonal relations · Grapevine structure
Delegation	· Downward transfer of authority from superior to subordinate. · Manager extends his area of operations. · Delegation does not mean abdication. It means manager shall still be accountable for the performance of assigned tasks. · Authority can be taken back and re-delegated to someone else.
Elements of delegation	· Authority (right to command or power to take decisions) (flows downwards) (can be delegated) · Responsibility (obligation to do task) (flows upwards),(can't be entirely delegated). Accountability (answerability) (can't be delegated)(flows upward)
Decentralization	· Manner in which decision making responsibilities are divided among hierarchal levels. · Dispersal of authority through entire organisation. Propagates that employees are competent, capable and resourceful. ·Extension of delegation to the lowest level of management. · policy matter

EXERCISE

Q.1 Ensures that the subordinate performs task on behalf of the manager thereby reducing his workload and providing him with more time to concentrate on important matters.

(a) Decentralization (b) Delegation of Authority (c) Authority (d) Accountability

Q.2 ………….is the process of dividing work into manageable activities and then grouping the activities which are similar in nature. **(CBSE / SQP /2020-21)**

(a) Coordination (b) Departmentalisation (c) Delegation of authority (d) Organisation structure

Q.3 Which type of organizational structure will you suggest for a firm which has

diversified activities and operations requiring a high degree of specialization?
(a) Centralized structure (b) Decentralized structure
(c) Functional structure (d) Divisional structure

Q.4 Name the type of organisation which is deliberately design by top management to achieve a common organisational objective.
(a) Informal organisation (b) Corporate organisation
(c) Formal organisation (d) Divisional organization

Q.5 Naresh has joined as creative head in an entertainment company. He always ensures that the work has been divided into small and manageable activities and also the activities of similar are grouped together. Identify the related stepin organizing process mentioned here.
(a) Identification and division of work (b) Departmentalisation
(c) Assignment of Duties (d) Establishing Reporting Relationships

Q.6 Which of the following is not a demerit of informal Organization?
(a) It leads to spreading of rumors.
(b) It gives more importance to structure and work.
(c) It may restrict implementation of changes.
(d) It puts psychological pressure on members to conform to group expectations, even if they are against the firm.

Q.7 Being answerable to the final outcome is a phrase which can be associated with:
(a) Authority (b) Duty (c) Responsibility (d) Accountability **(CBSE)**

Q.8 An Informal organization is characterized by:
(a) Strict Hierarchy (b) Official communication Channels
(c) Social and personal relationships (d) Clear rules and procedures **(CBSE)**

Q.9 During a meeting, Heni a team leader, transferred her authority to a subordinate to complete an important task. She provided the necessary resources and support but retained the accountability for the task's success.
(a) Responsibility (b) Accountability (c) Authority (d) Coordination **(CBSE)**

Q.10 Which of the following statements is NOT correct about the importance of organizing?
(a) Organising ensures efficient allocation of resources
(b) Organising helps in coordinating activities to achieve goals
(c) Organising replaces the need for controlling activities
(d) Organizing provides a structured framework for the organization **(CBSE)**

Q.11 **Assertion (A):** Delegation helps a manager to extend his area of operations as without it, his activities would be restricted to only what he himself can do.
Reason (R): A manager, no matter how capable he is, cannot manage to do every task on his own. The volume of work makes it impractical for him to handle it all by himself.
a) Both Assertion and reason are correct and Reason is the correct explanation of Assertion.
b) Both Assertion and reason are correct and Reason is not the correct explanation of Assertion.
c) Assertion is true and Reason is false.
d) Assertion is false and Reason is true.

Q.12 For the following two statements choose the correct option:

Statement I: Accountability can be delegated

Statement II: Responsibility can be delegated completely Choose the correct option from the options given below: **(CBSE/SQP/2021-22)**

(a) Statement I is correct and II is wrong (b) Statement II is correct and I is wrong

(c) Both the statements are correct (d) Both the statements are incorrect

Q.13 **Assertion (A):** Under formal organization, it is easier to fix responsibility.

Reason (R): Because mutual relationships are clearly defined.

a) Both Assertion and reason are correct and Reason is the correct explanation of Assertion.

b) Both Assertion and reason are correct and Reason is not the correct explanation of Assertion.

c) Assertion is true and Reason is false.

d) Assertion is false and Reason is true.

Q.14 The image shows a scenario where all files must be approved by the manager resulting in delays. What principle of Management is being violated in this situation?

(a) Unity of Command

(b) Delegation of Authority

(c) Discipline

(d) Scalar Chain

Answers (MCQ)

1-b	**2-b**	**3-c**	**4-c**	**5-b**	**6-b**	**7-c**
8-c	**9-c**	**10-c**	**11-a**	**12-d**	**13-a**	**14-b**

Case Based Questions

Q.1 Infocom has diversified itself into several product lines: Telecommunications, Engineering, financial services. Each subsidiary is self-sufficient with their own administrative functions propagating the belief that people can assume the responsibility for the effective implementation of their decisions and should be given autonomy. This has reduced the need for direct supervision by superiors, has promoted flexibility, initiative and faster decision making. The orders of customers are never delayed, as a result of good policy decisions of top management.

a) Identify and explain any two points of importance of the concept being discussed above.

b) Name and briefly explain a suitable framework for the company within which the managerial and operating task are to be performed.**(CBSE/ SQP/ 2019-20)**

Answer. Hint- a) importance of decentralization b) Divisional structure

Q.2 "Put simply, decentralization refers to delegation of authority throughout all the levels of the organization." In the light of the above statement give the meaning of and difference between Delegation of authority and decentralization. **(CBSE/SQP/2017-18)**

Answer. Hint- Explain the meaning and difference between Delegation of authority and decentralization

Q.3 Name and state the concept that refers to the number of subordinates that can be effectively managed by a superior and determines the number of levels of management in the organisation. **(CBSE/SQP/Term 1/ 2021-22)**

Answer. Span of management (Give meaning)


All Main Headings of Chapter: Organising
ORGANISING
NCERT Class XII Business Studies
1. MEANING
• Bringing together physical, financial and human resources.
• Arranging and structuring work to achieve organisational goals.
2. NATURE
• Means to an End
• Pervasive Function
• Continuous Process
• Flexible
• Goal-Oriented
• Group Activity
3. IMPORTANCE
• Provides Unity of Action
• Specialisation and Division of Work
• Optimum Utilisation of Resources
• Clearly Defines Authority & Responsibility
• Improves Coordination
• Helps in Achieving Objectives Efficiently
4. STEP IN ORGANISING PROCESS
1. Identifying Tasks
2. Grouping Activities
3. Assigning Duties
4. Establishing Authority
5. FUNCTIONAL STRUCTURE
• Based on functions or activities performed in the organisation.
• Work is divided among various departments on the basis of specialisation.
• Suitable for small and medium sized organisations.
• Example: Production Department, Marketing Department, Finance Department, HR Department.
CEO
Production
Marketing
Finance
HR
6. DELEGATION
• Process of assigning authority and responsibility.
• Essential Elements:
- Delegator
- Delegate
- Authority
- Responsibility
- Accountability
7. DECENTRALISATION
• Systematic distribution of authority at various levels.
• Advantages:
- Quick Decisions
- Relieves Top Management
- Develops Managers
- Better Coordination
8. FORMAL & INFORMAL ORGANISATION
Formal Organisation
• Deliberate arrangement of roles, rules and relationships.
• Defined structure and authority.
Informal Organisation
• Arises from social relationships.
• Based on personal interactions and common interests.
9. DIVISIONAL STRUCTURE
• Based on division of the total work of the organisation.
• Each division is a self-contained unit with all functions.
• Suitable for large size and diversified organisations.
• Example: On the basis of geographical area, product, customer, process, etc.
CEO
Division A (North)
Division B (South)
Division C (West)
Organising is the process of arranging and structuring work, authority and resources to achieve objectives in the most efficient manner.

CHAPTER 06
STAFFING

Chapter Topic	Learning Outcomes
Staffing: Concept and Importance of Staffing	• Understand the concept of staffing. • Explain the importance of staffing.
Staffing as a Part of Human Resource Management (HRM) – Concept	• Understand the specialized duties and activities performed by Human Resource Management.
Staffing Process	• Describe the steps in the process of staffing.
Recruitment Process	• Understand the meaning of recruitment. • Discuss the sources of recruitment. • Explain the merits and demerits of internal and external sources of recruitment.
Selection – Process	• Understand the meaning of selection. • Describe the steps involved in the process of selection.
Training and Development – Concept and Importance Methods of Training – On-the-Job and Off-the-Job (Vestibule Training, Apprenticeship Training and Internship Training)	• Understand the concept of training and development. • Appreciate the importance of training to the organisation and to the employees. • Discuss the meaning of induction training, vestibule training, apprenticeship training and internship training. • Differentiate between training and development. • Discuss the on-the-job and off-the-job methods of training.

Meaning: Staffing is a process, which is concerned with obtaining, utilizing and maintaining a satisfactory and satisfied workforce. Staffing is 'selecting the right person for the right job'

Importance of Staffing:

1. It helps in discovering & obtaining competent personnel for various jobs
2. It makes for higher performance, by putting right person on the right job
3. It ensures the continuous survival & growth of the enterprise through the succession planning for managers.
4. It helps to ensure optimum utilization of the human resources
5. It improves job satisfaction & morale of employees through objective assessment & fair reward for their contribution

Staffing Process:

1. **Estimating the manpower requirements**: It means assessment of how many persons we need and of what type ? It involves workload analysis and workforce analysis.
2. **Recruitment:** It refers to searching for prospective employees & stimulating them to apply for job.
3. **Selection:** It refers to choosing the best person out of a number of prospective candidates for a job.
4. **Placement & Orientation:**
   Placement : Occupying the position or post for which the person has been selected.
   Orientation : introduction of selected employees with other employees & familiarizing them with rules & policies.
5. **Training & Development**: it is beneficial for both organisation as well as employees. It

is necessary to facilitate the employees learning and providing them opportunity for career advancement.

6. **Performance Appraisal:** It means evaluating employee's current performance against standards & provide feedback. It includes: a) Defining the job, b) appraising performance c) providing Feedback
7. **Promotion & Career Planning:** Every organisation needs to design activities for career related issues & promotional opportunities for their employees.
8. **Compensation:** It refers to all forms or pay or rewards to employee, it may be direct financial benefit or indirect payments by employer.

Staffing process- " MR-SPOTPPC"
{Mnemonic-"MR SPOT PPC builds staff career"}
M = Manpower planning, R = Recruitment, S = Selection, P = Placement
O = Orientation, T = Training, P = Performance appraisal, P = Promotion
C = Compensation

Question (Case Based)

Q.1 'Entertainment India Ltd.' has been incorporated with the objective of entertaining people by organising festivals, programmes and other similar events depicting the rich cultural heritage of the country. The company management has renowned personalities from the field of art, literature and culture. They decided to give a platform to young budding musicians, poets and artists. The company decided its organisations structure by grouping similar jobs together. Thereafter, the heads of different departments were also appointed. Nisha, one of the heads, did an analysis of the number, type and qualification necessary for people to be appointed. The information generated in the process of writing the job description and the candidate profile was used to develop 'Situations vacant' advertisement. This was published in print media and flashed in electronic media. This brought in a flood of response. Explain the other steps which Nisha has to perform to complete the process being discussed above.

Answer: Other steps which Nisha has to perform to complete the process being discussed above are:
(i) Selection. (ii) Placement and Orientation. (iii) Training and Development.
(iv) Performance Appraisal. (v) Promotion and career planning. (vi) Compensation.

Selection Process:

1. **Preliminary Screening**: It helps to eliminate unfit job seekers based on information supplied in application forms.
2. **Selection Test** (may be paper - pencil or any exercise): It is a mechanism to measure certain characteristics of individual.
   a. **Intelligence Test**: To check the IQ level/learning ability/decision making ability.
   b. **Aptitude Test**: To measure the individual's potential for learning new skills
   c. **Personality Test** : To measure emotions, reactions, maturity or values of persons
   d. **Trade Test**: To measure the actual skills possessed
   e. **Interest Test**: To know the pattern of interests or involvement of person.
3. **Employment Interview**: Formal , in-depth conversation conducted to evaluate the applicants suitability for job
4. **Reference & Background checks:** To verify information and gaining additional

information, employers may request names, addresses and contact no. of references.

5. **Selection Decision:** Final decision from candidates who pass the tests, interviews and reference checks
6. **Medical Examination:** To clear the medical fitness test
7. **Job Offer:** Giving letter of appointment, candidate must report within specified time period mentioned.
8. **Contract of Employment:** It includes following information: Job title, duties, responsibilities, date of employment started, pay, allowances, hours of work, leave rules, grievance procedure etc.

Selection Process: {Mnemonic: P – S – E – R – S – M – J – C}
"Please See Every Recruit's Smart Medical Job Contract"

(Preliminary Screening, Selection Test, Employment Interview, Reference Check, Selection Decision, Medical Examination, Job Offer, Contract of Employment)

Question (Case Based)

1. Vandana Public School had a vacancy of a Maths teacher. They were looking for a smart and creative teacher having a drive for excellence. An advertisement was given in all leading dailies. Since the response was huge, the school examined all the application forms and rejected the candidates who did not have the necessary qualifications. Thereafter, a test was conducted to measure the existing skills of the candidates. After that it was followed by a formal in-depth conversation with the Principal of the school and a panel of Maths experts.
   (a) Explain the steps that have been performed by Vandana Public School in the process of identifying and choosing the best candidate.
   (b) Give the name and also the meaning of the test which was conducted by the school.

Training & Development: Training and Development is an attempt to improve the current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge.

- **Benefits of training to the organisation:**

(i) Training is a systematic learning, always better than hit and trial methods which lead to wastage of efforts and money.
(ii) It enhances employee productivity both in terms of quantity and quality, leading to higher profits
iii) Training equips the future manager who can take over in case of emergency.
(iv) Training increases employee morale and reduces absenteeism and employee turnover.
(v) It helps in obtaining effective response to fast changing environment – technological and economic.

- **Benefits to the Employee**

(i) Improved skills and knowledge due to training lead to better career of the individual.
(ii) Increased performances by the individual help him to earn more.
(iii) Training makes the employee more efficient to handle machines. Thus, less prone to accidents.
(iv) Training increases the satisfaction and morale of employees

Training methods

On the Job: Learning while doing – these methods are applied to the workplace, while the employee is actually working.

Off the job: Learning before doing – these methods are used away from the work place.

Category	Method	Meaning / Features	Suitable For
On-the-Job Training	**Apprenticeship Programme**	Trainee works under the guidance of a master worker to learn skills.	Skill-based jobs such as plumbers, electricians, mechanics, etc.
On-the-Job Training	**Internship**	Joint training programme between educational institutions & business firms. Students continue studies & gain practical experience in firms.	Students pursuing professional or technical courses.
Off-the-Job Training	**Vestibule Training**	Actual work environment is created in classrooms away from work place. Trainees use the same materials and equipment they will use on the job.	Jobs involving sophisticated machinery and equipment.
On-the-Job Training	**Induction Training**	Helps new employees adjust to the organization by familiarizing them with people, surroundings, job responsibilities, & company policies.	Newly recruited employees.

Question (Case Based)

Q.1 The workers of 'Gargya Ltd.' are unable to work on new computerized machines imported by the company to fulfil the increased demand. Therefore, the workers are seeking extra guidance from the supervisor and the supervisor is overburdened with the frequent calls of workers.
Suggest how the supervisor, by increasing the skills and knowledge of workers, can make them handle their work independently. Also state any three benefits that the workers will derive by the decision of the supervisor.
Answer: Training and Explain the importance of Training to employees.

Sources of Recruitment:
Internal sources (from within the organization)

1. **Transfer** (shifting of employee from one job to another, one department to another, without any substantive change in the responsibility and status, it is horizontal shift)
2. **Promotion** (shifting of an employee to higher position, carrying higher responsibilities, status and pay, it is vertical shift)

External sources (from outside the organisation)

1. **Direct Recruitment**: Here notice is placed on the notice board of business and on the spot recruitment is made.
2. **Casual Callers**: Every business keeps database of unsolicited applicants in their office. This database can be used whenever vacancy arises.

3. **Advertisement:** May be given in Newspaper, professional journals etc.
4. **Employment Exchange**: It is run by govt. It provides link between job seekers and employers.
5. **Placement agencies & Management Consultants:** These private agencies keep database of job- seekers. They act as a link between job seekers and employers. They are suitable for middle level and top level recruitment.
6. **Campus Recruitment**: Recruitment from educational institutions.
7. **Recommendations of existing employees:** when Existing employees suggest names of their friends, relatives or any known.
8. **Labor Contractors:** They maintain close contacts with laborers. They can provide required no. of unskilled workers at short notice.
9. **Advertisement on T.V.**
10. **Web Publishing:** Recruitment through internet. Many websites are there for this purpose, like www.naukri.com

External Source of Recruitment – {Mnemonic- "D C A E P C R L T W" - **"Dear Children Always Enjoy Playing Cricket; Rainy Lands Teach Wisdom."}** **D- D**irect Recruitment , **C- C**asual Callers , **A- A**dvertisement , **E- E**mployment Exchange, **P- P**lacement Agencies & Management Consultants , **C- C**ampus Recruitment, **R- R**ecommendations of Existing Employees, **L- L**abour Contractors, **T- T**V Advertisement, **W- W**eb Publishing

Question (Case based)L:

1. Moon Ltd. is a highly reputed company and many people wanted to join this company. The employees of this organisation are very happy and they discussed how they came in contact with this organisation.

Arjun said that he was introduced by the present Sales Manager, Mr. Jonny

Bimal said that he had applied through the newspaper and was appointed as H.R Manager. Varun said that he was neither related to any of the employees of the organisation nor there was any advertisement in the newspaper, even then he was directly called from IIM, Udaipur from where he was about to complete his MBA.

(a)The above discussion is indicating an important function of management. Name the function of management

(b) The management function identified in part (a) follows a particular process. Explain the step of this process which is being discussed in the above para.

(c) Identify the sources of the step identified in part (b) by quoting the lines from the above para. to recruit technicians

Answer. (a) Staffing, (b) Recruitment (Explain)

(c) Recommendations of employees: "Arjun said that he was introduced by the present Sales manager, Mr. Jonny." Advertisement: "Bimal said that he had applied through the newspaper and was appointed as H.R Manager." Campus recruitment: "Varun was directly called from IIM Udaipur from where he was about to complete his MBA."

KEYWORDS

Staffing	· A continuous process · Generic Function of management · Putting people to jobs · Work force · Filling and keeping filled the positions in the organisation structure.

Why staffing is continuous Process?	· Because new jobs may be created and some of the existing employees may leave the organisation.
Why HRM is needed?	· As organisations grow and number of persons employed increases, a separate department called HRD is formed.
Why Staffing is both a line as well as staff activity?	· Because it is an essential function of manager as well as an advisory role played by the HRD.
Workload analysis	· Assessment of number and types of human resources required.
Workforce analysis	· To reveal the number and type of human resources actually available.
Recruitment	· Positive process of searching for prospective employees and stimulating them to apply for the jobs.
Selection Purposes: · Ensures org. gets the best among the available. Enhances the prestige of those selected and conveys to them the seriousness with which things are done in the org.	· Negative process because it involves rejection. Choosing from among pool of the prospective job candidates through interviews and tests.
Placement	· Employee occupying the position or post for which he has been selected.
Orientation	· Introducing the selected employee to other employees and familiarizing him with the rules and policies of the org.
Training and Development	· Upgrade or alter the skills. · Attempt to improve current or future performance, attitude and skills of employee. · Development means growth of individual in all respects.
Performance appraisal	· Evaluating employees' past or current performance against pre-determined standards.
Promotion	· Placed in positions of increased responsibility.
Compensation	· All forms of pay or rewards going to employees through direct or indirect payments.
Process of Recruitment	· Identification of different sources of labour supply. · Assessment of the validity. · Choosing the most suitable source. · Inviting applications from the prospective candidates.
Transfer	· Shifting of an employee from one job to another or one department to another
Intelligence tests	· To measure level of intelligence quotient of an individual. · Indicator of person's learning ability. · Ability to make decisions and judgments.
Aptitude tests	· To measure individuals' potential for learning new skills. · Indicates persons' capacity to develop or grow. · To judge person's future success score.

Personality tests	· Provide clue to a person's emotions, reactions, maturity and value system etc. · Probes the overall personality. · Tests are difficult to design and implement.
Trade tests	· Measure existing skills of the individual. · Measure level of knowledge and proficiency in the area of technical training.
Interest tests	· To know the pattern of interests or involvement of a person.
On the Job Training Methods	· Apprenticeship training · Coaching · Internship Training · Job Rotation
Off the Job Training Methods	· Classroom Lectures/ Conference · Films · Case Study · Computer Modeling · Vestibule Training · Programmed Instruction
Apprenticeship training	· To acquire higher level of skill. · For plumbers, technicians, electricians or iron-workers. · Spend prescribed time with experienced guide or trainer. · Slow learners may require additional training.
Internship Training	· Joint programme of educational institutes and business firms· To acquire practical knowledge and skills. · Doctors and C.As.
Vestibule Training	· Away from actual work place. · Actual work environment is created in a classroom where trainees work using same materials, files and equipment's.

Exercise

1. Astra Builders has to deliver the flats to its buyers on time. Due to this there is a sudden rush of work. Therefore, the company needs to arrange workers to work at the sites at a short notice. The source of recruitment which may be used by the company to tap the casual vacancy is: **(CBSE/SQP)**

a) Direct Recruitment b) Advertisement
c) Recommendation of employees d) Employment Exchange

2. Identify the step of the staffing process under which the charge of the job is given to the selected employee and he/she is introduced to his/her superiors, subordinates and colleagues. (**QP/CBSE)**

a) Recruitment b) Selection
c) Placement and orientation d) Contract of employment

3. 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. . **(QP/ CBSE/SQP)**

Name the step of the staffing process which has not been performed properly

a) Estimating manpower requirement b) Recruitment
c) Selection d) Performance appraisal

Q.4. "Appointment is as per the requirement and satisfaction of the job". This is related to which importance of staffing.

(a) Filling the roles by obtaining competent persons.
(b) Placing right person at the right job.
(c) Optimum utilisation of human resources.
(d) Improves job satisfaction and morale of the employee.

Q.5 Under this method of recruitment, an organization maintains a database of unsolicited applicants in their offices:

(a) Direct recruitment (b) Labour Contractor (c) Casual Callers (d) Web Publishing

Q.6. An analysis that enable an assessment of number of human required in the organisation is

(a) Development (c) Workload analysis (b) Promotion (d) Workforce analysis

Q.7. The Information Technology department of Hi-Tech Ltd. had few vacancies in cyber security. The Human Resource department of the company decided to recruit the fresh engineers and graduate of IT from IIT University. The type of recruitment is;

(a) Placement Agencies (b) Employment Exchange
(c) Direct Recruitment (d) Campus Placement

Q.8. Trainee work under the guidance of Master Worker under which method of training:

(a) Apprenticeship Programme (b) Vestibule school
(c) Internship (d) Induction Training

Q.9 "Our Assets walk out of the door each evening; we have to make sure that they come back the next morning." This statement related to which function of management.

(a) Staffing (b) Organizing (c) Planning (d) Directing

Q.10 Which of the following is called a negative process:

(a) Recruitment (b) Training (c) Selection (d) None of the above

Q.11 **Assertion (A):** Under staffing is not good for an organization; however, over staffing is a desirable situation.

Reason (R): Neither under staffing nor over staffing is a desirable situation.

a) Both Assertion and reason are correct and Reason is the correct explanation of Assertion.
b) Both Assertion and reason are correct and Reason is not the correct explanation of Assertion.
c) Assertion is true and Reason is false.
d) Assertion is false and Reason is true.

Q.12 **Assertion (A):** Promotion helps to improve the motivation, loyalty and satisfaction level of employees.

Reason (R): it has a great psychological impact over the employees because a promotion at the higher level may lead to a chain of promotions at lower levels in the organisation.

a) Both A assertion and reason are correct and Reason is the correct explanation of Assertion.
b) Both Assertion and reason are correct and Reason is not the correct explanation of Assertion.
c) Assertion is true and Reason is false.

d) Assertion is false and Reason is true.

Q.13 **Statement 1:** Training is any process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased.

Statement 2: Development refers to the learning opportunities designed to help employees grow.

a) Statement 1 is correct and statement 2 is not correct
b) Statement 2 is correct and statement 1 is not correct
c) Both statement 1 and statement 2 are correct
d) Both statement 1 and statement 2 are not correct

Q.14. In the following image "Campus Recruitment" At a School of Management. Which function of Human Resources Management (HRM) is highlighted in this scenario?

(a) Training and Development
(b) Recruitment and Selection
(c) Performance appraisal
(d) Employee Welfare

Answer (MCQ)

1-a	2-c	3-c	4-b	5-a	6-c	7-d
8-a	9-a	10-c	11-c	12-c	13-c	14-c

Questions (Case Based)

Q.1 Identify and state the type of test in the selection process that measures the potential of an employee for learning new skills. **(CBSE/Compt.)**

Answer. Hint- State the meaning of Aptitude test

Q.2 "Frequent transfer of employees often reduces the productivity of the organization, still it is being used as a good source of filling the vacancies internally." Why? State any two reasons. **(CBSE/Compt.)**

Answer: Hint- State any two benefits of internal source of recruitment

Q.3 Name and state the process which is job oriented and is used to increase the skills and abilities of employees to perform a specific job. **(CBSE/Compt.)**

Answer: Hint- State the meaning of Training to employees

Q.4 The IT GIPRA is terminating the employment of its senior managers, if after evaluating their performance against pre-determined standards if it is found lacking. With this disruption analysts say a large portion of the employees may become irrelevant unless they learn new skills and apply the knowledge to work on emerging technologies. GIPRA is ready to facilitate employee learning, through its in-house centers.

a) Name the function of management performed by GIPRA to maintain a satisfactory work force.
b) Identify and explain the two steps in the process of the function of management discussed above.
c) Also state any two steps of the function of management discussed, that the firm had to perform before performing the above steps. **(CBSE/SQP/2017-18)**

Answer. a) Staffing

b) Performance appraisal and Training & Development (Explain these steps)

c) State Estimating manpower requirement, recruitment, selection, Placement & Orientation (Any two)

Q.5 Gautam-Natarajan is the founder of 'Brewed Beans Coffee', a famous chain of 21 outlets in South India, selling high quality filter coffee.

He is known for his leadership and vision. He believes that human resources, are the most important assets of an organization. He often quotes, "The right people can help you take your business to the top; the wrong people can break your business." This is the reason he considers the function of management that fills the various positions in the organization structure to be the most critical and fundamental to organizational performance.

(a) Identify the function of management that has been emphasized by Gautam Natarajan.

(b) State any four points of importance of function identified in (a) above. **(CBSE/21- 22)**

Answer: Hint- a. Staffing b. State any four points of importance of staffing.

Q.6 In an interview with a leading news channel, Mr. Mayank S, CEO of 'Get My Job' has suggested that the companies which want more and more people to apply for jobs in their organization should make the process of applying for jobs easier and candidate friendly. It is for this reason, he said, that most progressive companies today have a short application process. He also said that the application form filled by the candidate is very important as it is the information supplied in the application forms, which helps the manager in eliminating unqualified or unfit job seekers. The company can create a mechanism that attempts to measure certain characteristics of individuals like aptitude, manual dexterity, and intelligence to personality. The candidate may then be called for an in-depth conversation to evaluate their suitability for the job.

a. Name the process and steps in the process of identifying and choosing the best person out of a number of prospective candidates for a job discussed above.

b. Also explain the next three steps in the process which can be subsequently performed by the company. **(CBSE/SQP)**

Ans: Hint- a. Selection process, Steps are preliminary screening, selection test & interview.

b. Explain: **-** Reference and background check, selection.

Q.7 'Newrange' is a chain of departmental stores in India with 56 outlets. It sells the best products at the lowest price. The Human Resource department takes care to select, train, motivate and retain the employees. Currently, it has 170 full time employees and 30 part time employees. For top-level management, employees are recruited through private consultants. These professional recruiters can entice the needed top executives from other companies by making the right offers. Employees appointed at the entry level are recruited through walk-in. For that, a notice is placed on the notice board specifying the details of the jobs available. 'Newrange' also encourages present employees or their friends and relatives to refer candidates. They also visit some of the reputed educational institutions to hire some of the most talented and promising students as its employees. 'Newrange' shifts workforce from surplus departments to those where there is shortage of staff instead of laying them off. Explain the various internal and external sources of recruitment used by 'Newrange' to recruit its employees.

Ans: Sources of recruitment used by 'Newrange':

(i) Internal: (a) Transfers

(ii) External: (a) Placement Agencies and Management Consultants

(b) Direct Recruitment, (c) Recommendations of Employees, (d) Campus recruitment

1. CONCEPT & IMPORTANCE OF STAFFING

Meaning: Staffing is the process of manpower planning, recruitment, selection, training, placement and development of personnel.

Importance:
- Right people at the right job
- Achieves organisational goals
- Efficient utilisation of human resources
- Improves employee performance
- Ensures growth and development
- Helps in facing competition

2. STAFFING & HUMAN RESOURCE MANAGEMENT

Staffing is an integral part of Human Resource Management (HRM). HRM functions include:
- Manpower Planning
- Recruitment & Selection
- Training & Development
- Performance Appraisal
- Compensation Management
- Industrial Relations

3. STAFFING PROCESS (Steps)

1. **MANPOWER PLANNING** Determining the number and type of people required.
2. **RECRUITMENT** Searching for prospective employees and stimulating them to apply.
3. **SELECTION** Choosing the right person for the right job from the applicants.
4. **TRAINING & DEVELOPMENT** Improving the skills, knowledge and attitude of employees.
5. **PLACEMENT & ORIENTATION** Assigning the job and introducing the new employee to the organisation.

STAFFING
CBSE CLASS 12 BUSINESS STUDIES

Staffing is the process of recruiting, selecting, training, placing and developing human resources to achieve organisational goals efficiently and effectively.

5. RECRUITMENT PROCESS

Meaning: Process of searching candidates and encouraging them to apply for jobs.

Sources:

A. Internal Sources
- Promotion
- Transfer
- Employee Referrals

B. External Sources
- Advertisement
- Employment Exchange
- Campus Recruitment
- Consultancy Firms
- Walk-in Interviews
- Online Portals & Social Media

WWW

4. MANPOWER PLANNING

Meaning: Process of determining the manpower requirements and ensuring their availability.

HR

Steps:
1. Assessing present manpower
2. Estimating future requirements
3. Analysing the gap
4. Developing manpower plan

6. SELECTION PROCESS

Meaning: Choosing the most suitable candidate for the job.

Steps:
1. Preliminary Screening
2. Selection Tests
   - Intelligence Test
   - Aptitude Test
   - Personality Test
3. Interview
   - Structured / Unstructured
   - Panel / Individual
4. Reference & Background Check
5. Medical Examination

Principles of Selection:
- Scientific approach
- Fair and unbiased
- Job requirements based
- Ensures best fit

7. TRAINING & DEVELOPMENT

Meaning: Process of enhancing knowledge, skills and attitude of employees.

Methods of Training:
- On-the-Job Training (Coaching, Job Rotation, Apprenticeship)
- Off-the-Job Training (Vestibule, Seminar, Case Study, Simulation, Role Play)

Objectives:
- Better performance
- Career development
- Reduced turnover
- Adaptation to changes

Development:
- Long-term process
- Helps in growth of individual and organisation
- Includes career planning, leadership development

8. PLACEMENT & ORIENTATION

Meaning: Assigning the selected candidate to the appropriate job and introducing to the organisation.

Orientation Process:
- Familiarise with organisation
- Understand rules, policies, culture
- Meet colleagues and superiors

KEY POINTS TO REMEMBER Staffing is not a one-time activity but a continuous process. It ensures the right people are available, motivated and developed to achieve organisational goals.

CHAPTER 07
DIRECTING

Chapter Topic	Learning Outcomes
Directing: Concept and Importance	• Describe the concept of directing. • Discuss the importance of directing. • Describe the various elements of directing.
Motivation – Concept, Maslow's Hierarchy of Needs, Financial and Non-Financial Incentives	• Understand the concept of motivation. • Develop an understanding of Maslow's Hierarchy of Needs. • Discuss the various financial and non-financial incentives.
Leadership – Concept, Styles (Authoritative, Democratic and Laissez-faire)	• Understand the concept of leadership. • Understand the various styles of leadership.
Communication – Concept, Formal and Informal Communication, Barriers to Effective Communication, Measures to Overcome Barriers	• Understand the concept of communication. • Understand the elements of the communication process. • Discuss the concept of formal and informal communication. • Discuss the various barriers to effective communication. • Suggest measures to overcome barriers to communication.

Meaning of Directing - It refers to instructing, guiding, inspiring & motivating the employees in the organisation so that their efforts result in achievement of organizational goals.

Features/ Characteristics of Directing function:-

a. Directing initiates action: Directing starts the actual work in the organisation by guiding and motivating employees to perform their duties.

b. Continuing function: Directing is performed continuously throughout the life of the organisation to ensure employees keep working towards goals.

c. Directing takes place at every level: Managers at all levels (top, middle, and lower) direct their subordinates according to their responsibilities.

d. Directing flows from top to bottom: Instructions, guidance, and supervision move from higher-level managers to lower-level employees.

Features of Directing {Mnemonic: I-C-T-P-P - "I Can Teach People Directly"}
Initiates action–**C**ontinuing function–**T**akes place at every **l**evel–**D**irecting flows from top to bottom

Importance of Directing Function:-

(i) Helps to initiate action: Directing helps to initiate action by people to achieve organizational objectives.

(ii) Integrates employees' efforts: Directing integrates employees' efforts in such a way that every individual effort contributes to organizational performance.

(iii) Guides employees to fully realize their potential: Directing guides and motivates employees to fully realize their potential and capabilities through effective leadership.

(iv) Facilitates changes in the organization: Resistance can be reduced through effective motivation, communication & leadership and employees cooperate in introducing changes in the organisation.

(v) Brings stability and balance in the organization: Effective directing helps to bring stability & balance in the organization as it fosters cooperation & commitment among the people & helps to maintain balance among various groups, activities & the departments.

Importance of Directing: (SAIIF)
{Mnemonic:- "Strong Action Improves Individual Future"}
1. Stability in organization, 2 - Achieving Goal, 3. Integrate employee's efforts
4. Introducing changes, 5. Fuller utilization of employee's capabilities

Question (Case Based)

At Apex Solutions Ltd., employees were highly qualified but were not contributing effectively towards organisational objectives. Many employees preferred to work independently and were unwilling to share information with other departments. The company also planned to implement a digital workflow system, but employees feared that the change would increase their workload. The management focused on leadership, motivation, and communication to align employee efforts with organisational goals. Over time, employees developed a positive attitude towards the new system and started collaborating more effectively. Identify the importance of directing that is reflected by aligning individual efforts with organisational goals.

Ans: Integrates employees' efforts.

Elements of Directing.

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

1. Supervision: It is the process of guiding the efforts of employees and other resources to accomplish the desired objectives. It means overseeing what is being done by subordinates and giving instructions to ensure optimum utilisation of resources and achievement of work targets. It can also be understood as the function to be performed by a supervisor.

2. 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: Motivation is an internal feeling of an individual which cannot be seen directly. It is related to needs, desires, and wants that influence behaviour.

(b) Motivation produces goal-directed behaviours: Motivation leads a person to act in a particular direction to achieve a specific goal or satisfy a need. It helps in converting needs into actions.

(c) Motivators can be positive as well as negative: Motivators can be positive (rewards, incentives, praise) or negative (punishment, fear, penalties). Both are used to influence behaviour.

(d) Motivation is a complex process: Motivation is a complicated process because human behaviour is influenced by many factors like needs, emotions, expectations, and environment. It differs from person to person.

Features of Motivation – {Mnemonic- "People Get Clear Progress"}
1. Internal feeling/ **P**sychological phenomenon 2. Produces **G**oal directed behaviour
3. Complex process. 4. Can be either **P**ositive or negative

Maslow's Need Hierarchy Theory-

1. ***Physiological need.:*** *for ex. food, cloth, shelter*
2. ***Safety and security needs****:- includes two categories* - Physical Security and Economic security.: ex. Job Security
3. ***Social needs affiliation/belonging need:*** *for ex. acceptance*
4. ***Esteem needs:*** *means Status*
5. ***Self-Actualization needs****: means self-fulfillment* (Source-NCERT)

Question (Case based)

Q.1 Huma is working in a company on a permanent basis. As per the job agreement she had to work for 8 hours a day and was free to work overtime. Huma worked overtime, due to which she fell ill and had to take leave from her work. No one showed concern and enquired about her health. She realised that she was fulfilling only some of her needs while some other needs still remained to be fulfilled.

(i) By quoting the lines from the above para, identify the needs of Huma which she is able to fulfill.

(ii) Also explain two other needs of Huma followed by the above needs, which still remained to be satisfied. **[CBSE 2014]**

Ans.(i) 'Huma is working in a company on a permanent basis'. According to above line Huma is able to fulfill her following needs:

(a) Physiological needs, (b) Safety or Security needs

(ii) Needs of Huma which still remained to be satisfied are:

(a) Affiliation Need: It refers to the need for affection, sense to belongingness, acceptance and friendship.

(b) Esteem Need: It refers to the need for self-respect, autonomy, status, recognition &

attention.

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

1. Financial Incentives:

1. Pay and Allowances: This includes basic salary and extra payments like: Dearness allowance, House rent allowance, Transport allowance **2. Productivity-linked Wage Incentives**: Employees are paid according to their performance and output. More work or better performance = more wages. **3. Bonus:** An extra payment given to employees over and above their salary, usually based on: Profit of the organization, Performance of employees **4. Profit Sharing**: Employees get a share in the profits of the company. It creates a feeling of ownership and responsibility. **5. Co-partnership / Stock Option**: Employees are given the opportunity to become shareholders of the company. They get benefits from company growth and profits. **6. Retirement Benefits**: These are given after retirement to ensure financial security: Pension, Provident fund, Gratuity. It provides long-term security to employees. **7. Perquisites:** Extra benefits provided in addition to salary, such as: Free accommodation, Company car, Medical facilities	**Financial Incentives- {Mnemonic –** **"Pay People Big Profits, Create Rich Perks"}** **P – Pay,** **P – Productivity,** **B – Bonus,** **P – Profit sharing,** **C- Co-partnership,** **R – Retirement,** **P – Perks**

Question (Case based)

1. Mrs. Rajlaxmi is working as the Human Resource Consultant in a firm manufacturing cosmetic, which is facing a problem of high employee turnover. The CEO of the company has invited suggestions from her for retaining the talented employees & reducing the employee turnover. Mrs. Rajlaxmi recommends that the good employees be rewarded in a way that it creates a feeling of ownership among the employees and at the same time makes them contribute towards the growth of the organization.

(a) Identify the incentive and explain its type, which has been suggested by Mrs. Rajlaxmi to the CEO of the company.

(b) Also explain any two other incentives of the same type. **[CBSE Sample Paper 2015]**

Ans. (a) Financial incentive. - Co-Partnership/ Stock Option

(b) Other financial incentives (any two):

Pay & allowances, Productivity linked wage incentives, Bonus, Profit Sharing, Retirement, Benefits, Perquisites

2. Non-Financial Incentives:

Non-financial incentives are rewards that cannot be measured in money, but improve satisfaction and motivation.

1. Job Security: Job security means assurance of continued employment in the organisation. When employees feel their job is safe, they work with more confidence and commitment. **2. Status or Recognition:** Status refers to the respect and	**Non-Financial Incentives {Mnemonic-** **"J S O C J E E"**

position given to an employee in the organisation. Recognition means appreciating good work through awards, praise or certificates. It increases motivation and self-respect. **3. Organisational Climate**: It refers to the overall working environment in the organisation. **4. A good organisational climate includes**: Friendly relations, Trust and cooperation, Supportive management. It improves employee satisfaction. **5. Career Advancement Opportunities**: It means providing opportunities for promotion & growth in the organisation. Employees feel motivated when they see a clear future career path. **6. Job Enrichment:** Job enrichment means giving employees more meaningful, challenging and responsible work. It increases interest in the job and reduces boredom. **7. Employee Participation in Management:** It means involving employees in decision-making process of the organisation. It makes employees feel important and responsible. **8. Empowerment:** Empowerment means giving employees the authority and freedom to take decisions related to their work. It increases confidence and responsibility.	**"Just Some Old Children Join Every Evening Everywhere"}** **J- J**ob Security : **S- S**tatus or Recognition : **O- O**rganisational Climate **C- C**areer Advancement Opportunities **J- J**ob Enrichment : **E-E**mployee Participation in Management : **E-E**mpowerment :

Question (Case Based)

1. Rajiv is working as Personnel Manager in a company. The specialty of the company is that financial position of all the employees is good. The employees working here are honest, punctual and hardworking. The CEO of the company asked him to suggest a method of motivation. The CEO asked him to suggest a method which is happily accepted by all the employees.

Rajiv spoke to many employees in this connection. Some employees suggested give more importance to individual autonomy, another suggested good performance should be appreciated, another group suggested to award, certificate, trophies to recognise the good performance. Mr. Rajiv mixed all and suggested a method of motivation to CEO.

The CEO happily accepted that and it was immediately implemented. Within few days the company's growth rate appeared to have become fast.

(a) Identify the functions of management indicated in the above paragraph.

(b) Which motivation methods were suggested by different group of employees.

(c) Which motivation method combine all the above stated and was suggested by personnel manager.

Answer: (a) Directing, (b) (i) Recognition (ii) Autonomy, (c) Organisational climate.

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

Features of Leadership:

(a) Process of influencing people: Leadership means the ability of a manager to influence employees' behaviour so that they work towards common objectives. It is not forcing, but motivating people to follow willingly.

(b) Brings behavioural changes: A good leader changes the attitude and behaviour of employees. Employees become more responsible, cooperative, and goal-oriented.

(c) Inter-personal relationship between leader and follower: Leadership is based on a relationship between leader and followers. The leader guides, supports, and communicates with employees to achieve trust and cooperation.

(d) Continuous process: Leadership is not a one-time activity. It is a continuous process of guiding, motivating, and directing employees. It continues as long as the organisation exists.

(e) Exercised to achieve common goals: Leadership is always used to achieve organisational and common goals.

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 rein or Laissez Faire Leadership:-This style involves complete delegation of authority so that subordinates themselves take decision.

Question (Case Based)

1. In Manik Ltd., selection process is very fair, scientific and standardised. Competent, laborious employees with good work culture are selected. As a result, subordinates are efficient, responsible and take initiative in every activity. Which kind of leadership style would be suitable in Manik Ltd.

Ans: Free Rein or Laissez Faire.

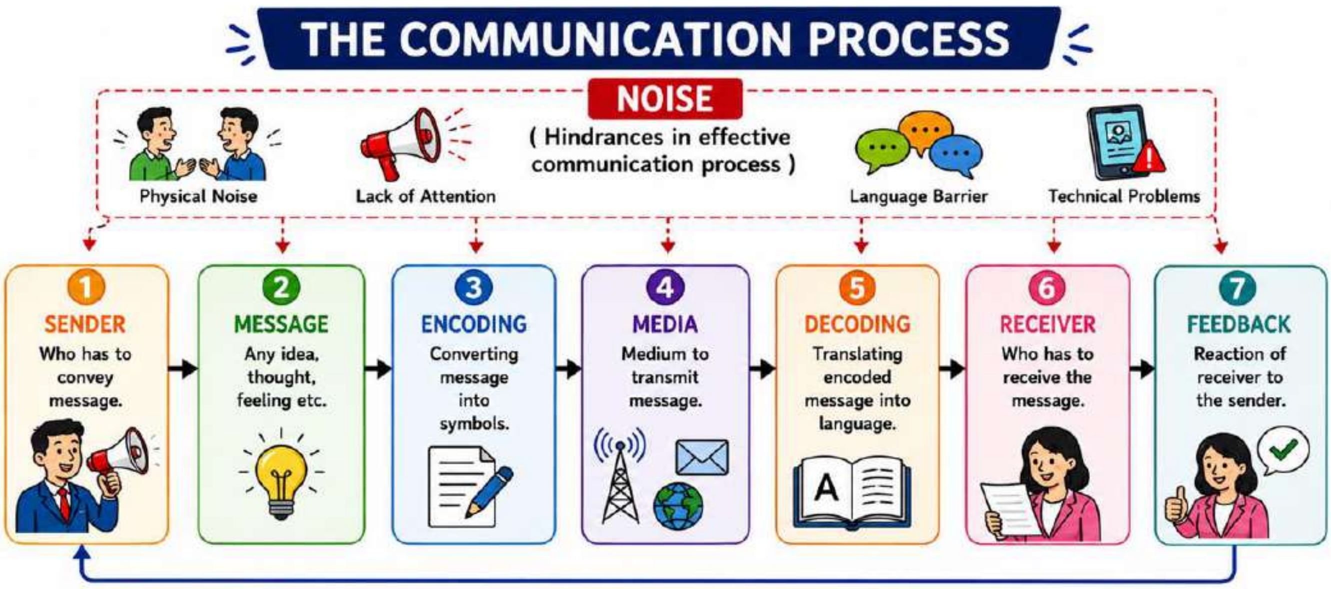
Communication-It refers to transmission or exchange of ideas, views, message, information or instructions between two or more persons by different means.

Type of Communications:

(a) Formal Communication: - 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.

Elements of Communication Process:



<u>Barriers of effective communications:-</u>

A. Semantic Barriers: These barriers arise due to problems in language & meaning of words/symbols.

(a) **Badly expressed message:** Message is unclear or confusing

(b) **Symbols with different meanings:** Same word/symbol has different meanings for different people

(c) **Faulty translation:** Incorrect conversion of message into another language

(d) **Un-clarified assumptions:** Hidden meanings not clearly explained

(e) **Technical jargon:** Difficult technical words not understood by everyone

(f) **Body language & gesture decoding:** Wrong interpretation of non-verbal signals

Semantic Barriers: Mnemonic: "Bad Symbols Fail To Understand Basics"	
B → Badly expressed message,	S → Symbols with different meanings,
F → Faulty translation,	T → Technical jargon,
U → Un-clarified assumptions,	B → Body language misinterpretation

B. Psychological Barriers: These barriers arise due to mental and emotional factors.

a) **Premature evaluation:** Judging message before understanding fully

b) **Lack of attention:** Not listening carefully

c) **Loss by transmission & poor retention:** Forgetting or misunderstanding message

d) **Distrust:** Lack of faith in sender

Psychological Barriers – "PLLD" – { Mnemonic: "People Lose Listening Data"}	
P → **P**remature evaluation,	**L** → **L**ack of attention
L → **L**oss by transmission & poor retention,	**D** → **D**istrust

C. Organisational Barriers: These barriers occur due to structure and system of organisation.

a) **Rules and regulations**: Strict rules delay communication

b**) Status**: Difference in hierarchy affects communication

c) **Policy:** Organisational policies may restrict free communication

d) **Complexity of structure**: Large organisation makes communication difficult

e) **Communication facilities**: Poor tools or systems reduce effectiveness

Organisational Barriers– Mnemonic: -"RS-PCC"- "Rules Stop Proper Communication Clearly"		
R → **R**ules and regulations,	**S** → **S**tatus differences,	**P** → **P**olicy restrictions
C → **C**omplexity of structure,	**C** → **C**ommunication facilities issues	

D. Personal Barriers (FLUU): These barriers arise due to individual attitudes & behaviour.

a) **Fear of challenge to authority:** Hesitation to share ideas

b) **Lack of confidence in subordinates**: Managers do not trust employees

c**) Lack of incentives:** No motivation to communicate

d) **Unwillingness to communicate**: Personal reluctance

Personal Barriers – "FLUU"- {Mnemonic: "Fear Leads to Unwanted Unsharing"}	
F → **F**ear of challenge to authority,	**L** → **L**ack of confidence in subordinates

U → **L**ack of incentives,	**U** → **U**nwillingness to communicate

Question (Case Based)

Subermanyam is a newly appointed Human Resource Manager in Times Ltd. in Punjab. He is a Tamilian basically. He is good in Tamil and English. Most of his subordinates belong to Punjab and they are not very much fluent in English. He feels it much difficult to make them understand his instructions.

a) Identify the concerned communication barrier.

b) State the category of such barrier.

c) Explain any other category of same barrier.

Ans: a**.** Faulty Translation, b. Semantic Barrier, c. Technical Jargon, etc.

Measures for effective Communication:

(i) **Clarify the ideas before communication**: The sender should first be clear about what he/she wants to say so that the message is not confusing.

(ii) **Communicate according to the need of the receiver**: The message should be prepared according to the understanding level, interest, and needs of the receiver.

(iii**) Consult others before communicating:** Important messages should be discussed with others to make them more clear and effective.

(iv) **Be aware of language, tone and content**: Use simple language, correct tone & appropriate content so that the message is easily understood & does not hurt feelings.

(v) **Convey things of help and value to listeners**: Communication should provide useful and meaningful information to the receiver.

(vi) **Ensure proper feedback:** Feedback should be taken to confirm whether the message has been properly understood or not.

(vii) **Communicate for present as well as future:** Messages should be useful not only for current needs but also helpful for future decisions.

(viii) **Follow up communications**: After sending a message, follow-up should be done to ensure that the work is properly completed.

Question (Case Based)

Riya, the Marketing Manager of a company, was assigned the responsibility of launching a new product. Before announcing the launch plan, she carefully collected all relevant information and organized her ideas. She discussed the proposal with her team members and senior executives. While communicating the plan, she used simple language and an encouraging tone. After the meeting, she asked team members to share their understanding of the plan and later reviewed the progress regularly.

1. Which measure of effective communication is reflected when Riya organized her ideas before communicating?
2. Why did Riya ask team members to share their understanding of the plan?
3. Which measure is reflected by reviewing the progress regularly after communication?

Ans: 1. Clarify the ideas before communication.

2. To ensure proper feedback.

3. Follow-up communications

KEYWORDS

Directing (Function of management)	*Managerial Process of instructing, guiding, counseling, motivating and leading the people.
Elements of directing	* Motivation * Leadership *Communication
Motivation	*Element of directing · Internal feeling * Complex process of stimulating or inspiring people · Positive or negative motivation.
Motivation process.	*Unsatisfied need----- Tension------ Drives------Search----- Behaviour----- satisfied needs----Reduction of Tension
Leadership	*Influencing the behaviour of people
Leadership style	*Autocratic or Authoritarian leader * Democratic or Participative leader * Laissez faire or Free-Rein leader
Autocratic or Authoritarian leader	*Boss centered approach (A is the leader and others are subordinates) · Only one way communication. * Leader gives orders and expects subordinates to obey the orders. * Leader is DOGMATIC i.e. does not wish to be contradicted. * Based on assumption that both reward and punishment can be given. *Only boss (Supervisor) is responsible for production on time· Quick decision making. * Listen to everyone's *ideas but decision will be their own.
Democratic or Participative leader	*Group Centered Approach *Leader develops action plans. *Leader takes decision in consultation with his subordinates. *Encourage subordinates to participate. Based on the assumption that People perform best if they have set their own objectives. * Respect others' opinion and support subordinates * Leader exercise more control by using forces within the group.
Laissez faire or Free Rein leader	*Subordinate Centered Approach * Leader does not believe in the use of power unless essential. * Followers/ subordinates are given high degree of
	independence to make their own objectives. * The group members work on their own tasks and solve issues themselves. * Manager only supports them and provides required information to subordinates. *Subordinate assumes responsibility for the work to be done.
Communication	*Process of exchange of ideas, views, facts, feelings etc to reach common understanding.
Barriers of Communication	*Semantic barriers *Psychological barriers *Organizational barriers *Personal barriers
Semantic barriers	*Branch of linguistics dealing with meaning of words and sentences. *Problems in the process of encoding and decoding of message into words.
Badly expressed	*Inadequate vocabulary. *Usage of wrong words. *Omission of

Message	needed words.
Symbols with different meanings	*Word having several meanings. *Wrong perception
Faulty translations	*Difficulty in understanding language.
Unclarified assumptions	*Implied instructions. Like 'take care of guest' means all things should be considered while welcoming guest whether said or not.
Technical jargon	*Use of technical words
Body language and gesture decoding	*Body movement and gestures wrongly perceived.
Psychological barriers	*Emotional factors (worry, anger, confusion)
Premature evaluation	*Evaluate message before listening complete message. *Pre-conceived notions or prejudices against the communication.
Lack of attention	*Pre-occupied mind of receiver *Non-listening of message.
Loss by transmission and poor retention	*Communication passing through various levels, *Successive transmission of message results in loss of or transmission of inaccurate information.
Distrust	* If sender do not believe receiver or vice versa, then they can't understand each other in original sense.
Organisational barriers	*Factors related to org. structure *Authority relationships, *Rules and regulations
Organizational policy	*Highly centralised pattern in an org. makes communication difficult.
Rules and regulations	*Rigid rules and cumbersome procedures *Prescribed channel may result in delayed communication.
Status	*Status cause psychological distance b/w sender and receiver. · Conscious man may not allow subordinate to express freely.
Complexity in organizational structure	* Large number of managerial levels. * Delayed and distorted due to large number of filtering points.
Organizational facilities	*Lack of frequent meetings, Suggestion box, Complaint box, Social-cultural gathering, Transparency in operations etc.
Personal barriers	*Personal factors of both sender and receiver.
Fear of challenge to authority	*If superior perceives (thinks) that a particular communication may adversely affect his authority.
Lack of confidence of superior on his	*Superior does not have confidence on competency of his subordinates. *Does not ask their advice or opinions.

subordinates	
Unwillingness to communicate	*If subordinate perceives that a particular communication may adversely affect their interests.
Lack of proper incentives	*Employees lack initiative due to no motivation or no incentive. *No reward and no appreciation for employees' suggestions.

Exercise:

Multiple Choice Questions (MCQ's)

Q1. Which of the following is not a type of semantic barriers?
(a) Badly expressed message (b) Unclarified assumptions
(c) Technical jargon (d) Premature evaluation

Q2. ……… refers to all measures which are used to motivate people to improve performance,
(a) Leadership (b) Motivation (c) Incentives (d) Communication

Q3. Which of the following is not an example of financial incentive?
(a) Perquisites (b) Job Enrichment (c) Profit Sharing (d) Co-partnership

Q4. At XYZ Ltd., the production manager regularly observes workers, compares actual performance with standards, and immediately corrects any mistakes. Due to his continuous guidance, wastage has reduced and productivity has improved. Which element of directing is highlighted above?
(a) Motivation (b) Leadership (c) Supervision (d) Communication

Q.5 Sunrise Ltd. shares a portion of its annual profits with employees based on company performance. Which financial incentive is being used?
(a) Bonus (b) Perquisites (c) Profit Sharing (d) Co-partnership

Q.6 The Managing Director sends official instructions to department heads through a written circular. This is an example of:
(a) Informal Communication (b) Grapevine Communication
(c) Formal Communication (d) Horizontal Communication

Q.7 A message passed through several levels of management before reaching employees. Some information was lost in the process. Which barrier to communication is shown?
(a) Semantic Barrier (b) Psychological Barrier
(c) Organisational Barrier (d) Personal Barrier

Q.8 A supervisor refused to listen to suggestions from subordinates because he considered himself superior. Which communication barrier is reflected here?
(a) Personal Barrier (b) Organisational Barrier
(c) Semantic Barrier (d) Psychological Barrier

Q.9 The manager of Techno Ltd. influences employees to adopt eco-friendly practices and supports them throughout the process. Which feature of leadership is highlighted?
(a) Planning Function b) Interpersonal Process
(c) Controlling Function (d) Staffing Function

Q.10 Employees in a company had clear plans but were not taking action. The manager motivated them and assigned responsibilities, leading to the execution of plans. Which importance of directing is highlighted?

(a) Brings Stability (b) Facilitates Change

(c) Helps to Initiate Action (d) Integrates Efforts

Q.11 Identify the barriers to communication in given pictures:

(a) Symbols with different meanings

(b) Faulty translation

(c) Badly expressed message

(d) Technical Jargon

Assertion and Reason Questions:

Read the following statements: Assertion and Reason. Choose one of the correct alternatives given below: Alternatives:

a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)

c) Assertion (A) is true but Reason (R) is False

d) Assertion (A) is False but Reason (R) is True.

Q12**. Assertion (A):** Informal Communication arises from the social interaction of people.

Reason (R): The information system of communication is generally referred to as the Grapevine.

Q13. **Assertion (A):** Job Security often makes people complacent and they do not perform efficiently.

Reason (R): There is no risk of job in case of Job Security.

Q14. **Assertion (A):** Motivation is a complex process.

Reason (R): Individuals are heterogeneous in their expectations, perceptions and reactions.

Ans	**1-d**	**2-c**	**3-b**	**4-c**	**5-c**	**6-c**	**7-c**	**8-a**	**9-b**	**10-c**	**11-b**	**12-b**	**13-a**	**14-a**

Competency Based Questions

Q1. Identify the type of one of the element of Directing which helps in implementation of Principle "Scalar Chain".

Ans- Formal Communication.

Q2. In an organization employees always feel they are under stress. They take least initiatives and fear to express their problem before the manager. Which element of directing is missing in the manager? Why do you think so?

Ans- Leadership…(**Reason for the same-**)

Q3. Name the need in which employees desire affection, companionship and friendship. How can such needs be fulfilled by the organization?

Ans- Social needs: The ways by which this need be fulfilled-by making clubs, by arranging social programs and by maintaining cordial relation between superiors and subordinates.

Case Studies:

Q-1 A.S. Environs Ltd. is dealing in Environment Consultancy. 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. **(CBSE Main Exams Outside 2017-Set-3)**

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.

Ans: The CEO of A. S. Environs 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 behavior.

* **Motivation produces goal directed behavior:** 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.

* **Motivation is a complex process:** as any type of motivation may not have a uniform effect on all the members, so it is a complex process.

Q-2 Chintamani is the Production Manager of 'Global India Ltd.' manufacturing and exporting steel. During the year 2017-18, the company could not meet its production targets. The Chief Executive Officer of the company constituted a committee of experts to find out the reasons and give its recommendation so that the production target could be met in the future. The company analysed the production related records and found out that there were problems due to communication. 'Global India Ltd.' had rigid rules and would insist on communication through prescribed channels, which led to delays. The company also had a number of managerial levels causing further delay and distorted communication.

Moreover, the Production Manager, Chintamani, was using a tone that quite often offended the sentiments of the workers. Also, Chintamani and the workers did not believe in each other and so could not understand each other's messages in the original sense.

(a) Identify and give the meaning of the types of communication barriers discussed above.

(b) Quoting lines from the above, state two communication barriers under each of the types identified in part (a) because of which 'Global India Ltd. could not meet its production targets.

(c) State any two recommendations that might have been given by the committee to improve communication effectiveness **(CBSE Main Exam 2019 All India– 6 Marks)**

Ans: (a) The two types of communication barriers that are being discussed in the question are

1. **Organisation barriers:** These are those barriers in the communication that are related to the structure, hierarchical relationships, rules and policies of the organisation.

2. **Psychological barriers:** Sometimes psychological factor such as frustration, anger, fright or distrust may also obstruct effective communication. These are called psychological barriers.

(b) 1. Organisation barriers 1. Rules and regulations- 'Global India Ltd.' had rigid rules and would insist on communication through prescribed channels, which led to delays

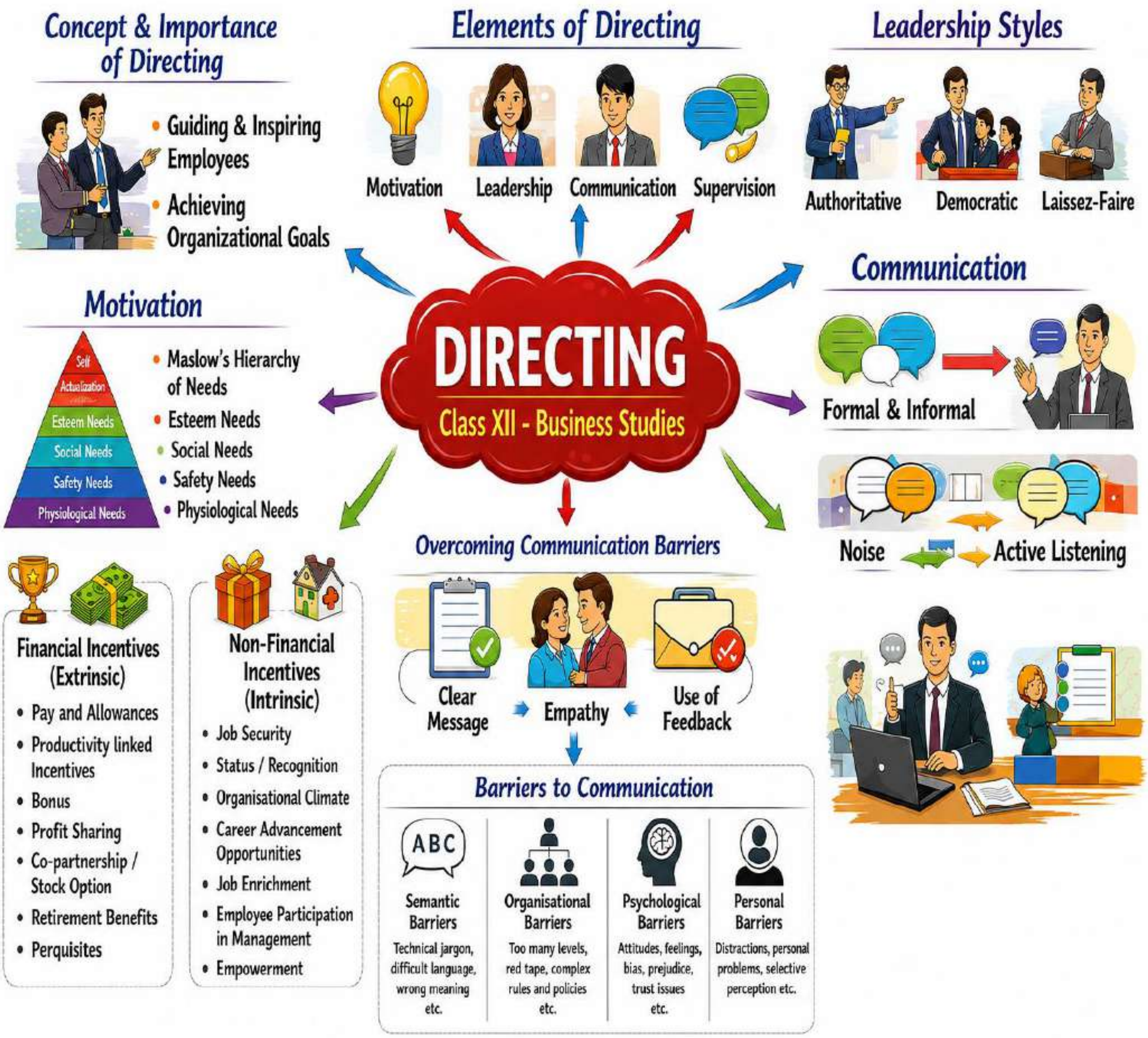
i. **Complexity in organisation structure:** The company also had a number of managerial levels causing further delay and distorted communication.

1. Psychological barriers 1. Distrust- Chintamani and the workers did not believe in each other and so could not understand each other's messages in the original sense

ii. Lack of attention: Chintamani, was using a tone that quite often offended the sentiments of the workers.

(c) Two recommendations are: 1. The language, tone & content of the information should be appropriately chosen so that it is easily understood & does not harm anybody's sentiments.

2. The sender of the information should also be a patient listener. He should be open to communication from the other end (receiver) as well.



CHAPTER 8
CONTROLLING

Topics	Learning Outcomes
Controlling – Concept and Importance	• Understand the concept of controlling. • Explain the importance of controlling.
Relationship between Planning and Controlling	• Describe the relationship between planning and controlling.
Steps in Process of Control	• Discuss the steps in the process of controlling.

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

Actual Performance = Standards = Zero deviation

Actual Performance >Standards = Positive deviation (Think about revising standards)

Actual Performance < Standards = Negative deviation (Either improve Actual performance, if possible, otherwise revise standards)

Features of Controlling: -

(a) Controlling is an all pervasive- It operates at every level and in all departments, applying wherever work and people exist. **(b) Controlling is a continuous function-** It is an ongoing process of monitoring, comparing, and adjusting activities throughout the organization. **(c) Controlling is a goal-oriented function**- It ensures activities are directed toward organizational goals by measuring performance and correcting deviations. **(d) Controlling is both backward looking as well forward-looking function**- It evaluates past performance to detect variances and uses that information to plan future corrective actions.	**MNEMONICS** **"ALL CONTINOUS GOALS LOOK FORWARD"** **ALL**- An all pervasive **CONTINOUS**- continuous function. **GOALS**- A goal-oriented function. **LOOK FORWARD**- Both backward looking as well forward-looking function

Key words

Controlling	*Process *Function of management *Ensuring that activities are performed as per plans

Importance of controlling: -

(a) Accomplishing organisational goals- It measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action. **(b) Improves employee 's motivation.** By setting clear standards and giving feedback, it shows progress and recognizes achievement, which motivates employees. **(c) Making efficient use of resources**. It ensures that resources are used in the most effective and efficient manner. **(d) Judging accuracy of standards. -** keeps a careful check on the changes taking place against standards in the	**MNEMONICS-** **"A I M - J E"** **A**-Accomplishing organisational goals **I-** Improves employee 's motivation. **M-** Making efficient use of resource **J-** Judging accuracy of

organization. **(e) Ensures order and discipline.** It creates an atmosphere of order and discipline in the organisation.	standards. **E-** Ensures order and discipline.

Case study (3/4 marks Short Answer Type Question)

Saurabh is working in an MNC. He has created an atmosphere of proper controlling in his department. In order to do so he keeps himself aware about any dishonest behaviour and takes a stern action immediately. Recently he has installed CCTV cameras to keep vigil on the employees.

(i) In the above case which importance of controlling has been implemented by Saurabh?

(ii) Name one more importance of controlling other than the above highlighted.

(iii) Can you suggest one more way by which Saurabh could have implemented controlling?

Answer: (i)The importance of controlling implemented in the above case by Saurabh is: Controlling ensures proper order and discipline in the organisation.

(ii) One more importance of controlling. Controlling helps in making efficient use of resources.

(iii) Saurabh could have implemented controlling by issuing balance score card to every employee. In this way could check their performance and contribution to the organisation on a daily basis.

<u>Process of Controlling: -</u>

(a) 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. **(b) Measurement of actual performance**: Performance should be measured in an objective and reliable manner. **(c) Comparing actual performance with standards**: in this step actual performance is compare with the set standards and deviations are being found. **(d) Analyzing deviations**: Major deviation or minor deviation and analyzing the causes of deviation. **(i) Critical point control**: Focus only on Key Result Areas (KRAs). **(ii) Management by Exception**: Concentrate only on major deviations only. (Controlling of everything means controlling nothing) **(e)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.	**MNEMONICS** **<u>SMC-AT</u>** **S**- Setting performance standards **M**- Measurement of actual performance **C**- Comparing actual performance with standards **A**- Analyzing deviations **T**- Taking corrective action **Feedback in controlling:** Feedback refers to communication regarding the reasons for mismatch between actual and plan output and corrective actions.

KEYWORDS

Critical Point Control	*Key Result Areas (KRA) is set as the critical points. · *If anything goes wrong at the critical points, the entire organisation suffers. *Focus on KRAs.

Management by Exception	*Attempt to control everything results in controlling nothing *Significant deviations which go beyond permissible limit should be taken care of. *Insignificant deviations may be ignored. · *Deviations within permissible limit can be ignored.

Case Study (6 marks, Long Answer Type Question)

Q.1 Identify the step of controlling process applicable in the following cases:

a. Esha is keenly observing the quantity of capsules produced in a pharmaceutical company. She realises that there is no need for any action to be taken as the deviations are within the acceptable limits. A day later when she comes to work she finds the situation opposite to that of the previous day. This lime the deviation was beyond the acceptable range and needed immediate action. She called her subordinates and told them that this should not happen again.

b. Mahesh who is the owner of a company has decided to focus only on a few activities of his business. He considers that the rest of all activities are not critical to the performance of his company. One such area he finds is of labour. The labour cost recently went up by 4% sending signals of coming danger. Now he will put his efforts to control this variation by arranging labour at a cheaper rate.

c. In a company a manager is trying to find out the deviation between the actual number of fans produced and the desired number. He already knows about the standard as the company has assigned him a definite quantity of fans to be produced.

d. Manoj Khanna a senior experience manager is concerned about the 2% rise in the raw materials. However, he knows that this is an acceptable range. He tells his staff that if this rise goes beyond 2% it should be brought into the notice of management. Then he sets a limit of 5% when the management should give it the priority over other activities.

e. Virendra wants to run his company in a different manner. He wants to set standards to be achieved in both qualitative as well as quantitative terms. He wants to judge the motivation, skill levels and satisfaction of the employees. All these things will require qualitative standards. On the other hand, the company will have to set quantitative standards for the number of units produced.

f. Some employees have been assigned the job of judging the output of production in a neutral and reliable way. They are applying different techniques for achieving this aim. Some of these are personal observation, sample checking, etc. They are also keeping the units of measurement same to that of the units of set standards**.**

Ans: The different steps of the controlling process applicable in the above cases are:

a. Taking corrective action.
b. Analysing deviations. Critical point control is the technique used.
c. Comparing actual and standard performance.
d. Analysing deviations. Management by exception is the technique used.
e. Setting standards.
f. Measurement of actual performance**.**

Q.2 Vinber Ltd. set up a manufacturing unit at Bhiwadi in Himachal Pradesh to manufacture Electric geysers and supply them to dealers all over the country. Their production target was 500 geysers per week. It was decided by the management that variation in production upto 10 units would be acceptable.

At the end of the first week, the production was 450 geysers. The next week, production increased to 470 geysers. A week later, production was 460 geysers. On investigation, it was found that fluctuation in production was due to irregular supply of electricity.

(a) The above para discusses some of the steps in the process of one of the functions of management. Explain these steps.

(b) Also, state the step(s) that have not been discussed in the above para.

Ans. The steps in the controlling process that are being followed are as follows:

(i) Setting standards: The first step in the process of controlling is to develop the standards or benchmarks for performance as against which the actual performance would be measured. The standards can be set in both qualitative and quantitative terms.

Line: 'Their production target was 500 geysers per week'

(ii) Measuring actual performance: Once the performance standards are set, the next step is to measure the actual performance. This may be done through various techniques such as personal observation and performance reports. Performance can be evaluated after the completion of an activity as well as while it is in progress.

Line: 'At the end of the first week, the production was 450 geysers and a week later, it was 470 geysers'

(iii) Comparing the performances: Performances once measured are then compared with the set standards. Such a comparison helps in assessing the deviations in performance. In regard to this, comparisons in quantitative terms are much easier than in qualitative terms.

Line: 'On investigation, fluctuations was...

(iv) Analysing deviations: Every organisation faces deviations in the actual performance as against the pre-defined standards. It is important for managers to find the deviations that are beyond the permissible range. Once the deviations are recognised, it is necessary to identify the cause for it. There can be a number of factors causing deviations in performance such as infeasible standards, deficiencies in process, under-utilisation of resources and changes in business environment.

Line: 'On investigation, it was found that fluctuations in production was due to irregular supply of electricity.

a. The step which was missing is: Taking Corrective measures. When deviations go beyond the admissible limits, there arises a need for the manager to take corrective action.

Relationship between Planning and Controlling:

Both are interrelated and interdependent:	i. Planning based on facts makes controlling easier and effective. ii. Controlling improves future planning by providing information derived from past experience
Planning is prescriptive and controlling is evaluative	i. Planning prescribes appropriate action. ii. Controlling evaluates performance
Both are backward looking as well as forward looking:	i.Planning is based on the past experiences and done for future. ii.Controlling evaluates past activities and improves the future performance

KEYWORDS

Relationship b/w Planning and Controlling	Planning and Controlling are inseparable twins of management.
Planning without Controlling is meaningless	Once a plan becomes operational, controlling is necessary to monitor the progress, discover deviations and initiate corrective measures to ensure that events conform to plans.
Controlling is blind without planning	If the standards are not set in advance, managers have nothing to control. When there is no plan, there is no basis of controlling.
Planning is pre-requisite for controlling	Controlling could not be accomplished without planning.
Planning is looking ahead while controlling is looking back	The statement is partially correct. Plans are prepared for future and are based on forecasts about future conditions. Thus, it is forward looking. Controlling is like a postmortem of past activities to find out deviations from the standards. Thus, Controlling is backward looking.
Planning is backward looking	Planning is guided by past experiences.
Controlling is forward looking	Controlling aims to improve future performance by corrective action.

Multiple Choice Question (MCQ's)

Q1. Which of the following is not an importance of controlling function?

(a) It ensures order and discipline. (b) It restricts co-ordination in action.
(c) It helps in judging accuracy of standards. (d) It improves employee motivation.

Q2. Rakesh is a senior manager in a software consultancy firm. He regularly prepares performance reports of his subordinates as part of appraisal. The step of controlling process is

(a) Measuring of performance (b) Compare performance against standard
(c) Analysing deviation (d) Taking corrective action

Q3. Controlling function of an organisation is:

(a) Forward looking (b) Backward looking (c) Both (a) & (b), (d) None of the above

Q4. 'Whether the decisions have been translated into desired actions or not' can be Confirmed by performing which of the following function of management?

(a) Planning (b) Organising (c) Directing (d) Controlling

Q5. Which of the following headings does not highlight the importance of 'controlling' function of management?

(a)Ensuring order and discipline (b) Initialising action by people in the organisation
(c) Making efficient use of resources (d) Improving employees' motivation

Q6. Controlling is needed at ________ levels.

(a)Top level (b) Middle level (c) Lower level (d) All

Q7. 'Controlling in the absence of planning is blind' what does this statement indicate in respect of both?

(a) Only planning is essential (b) Only controlling is essential

(c) Both are essential (d) Both are unnecessary

Q8. An efficient control system helps to:
(a) Achieve objectives (b) Efficient use of Resources
(c) Boost Employee's Morale (d) All of the above

Q9. First step in the controlling process is ________ .
(a) Taking corrective action (b) Analysing the deviations
(c) Determining standard (d) Measurement of actual progress

Q10. Which of the following is the **correct sequence** of steps in the controlling process?
(a) Measurement → Setting standards → Comparing → Analyzing deviations → Taking corrective action
(b) Setting standards → Measurement of actual performance → Comparing → Analyzing deviations → Taking corrective action
(c) Setting standards → Comparing → Measurement → Taking corrective action → Analyzing deviations
(d) Analyzing deviations → Setting standards → Measurement → Comparing → Taking corrective action

Ans	1-b	2-a	3-c	4-d	5-b	6-d	7-c	8-d	9-c	10-d

Assertion reasons Question's

Read the statements and choose the appropriate option from the options given below;
A). Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A)
B). Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A)
C) Assertion (A) is true but Reason(R) is false
D) Assertion (A) is false but Reason(R) is true

Q1. **Assertion (A):** Planning and controlling are interdependent and interlinked.
Reason (R): Planning provides the goals and objectives that the controlling function uses to measure performance.

Q2. **ASSERTION (A):** controlling helps in making efficient use of resources
REASON (R): An efficient control system keeps a check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of changes.

Q3. **ASSERTION (A):** Controlling ensures that resources are used in the most efficient and effective manner.
Reason (R): In Controlling, all activities are performed in accordance with predetermined standards and norms.

Q.4 **Assertion (A):** Planning and Controlling are inseparable twins of management.
Reason (R): Controlling helps in comparing actual performance with standards and taking corrective actions, while planning provides the standards against which performance is measured.

Q.5 **Assertion (A):** In the controlling process, managers should focus only on every minor deviation from standards.
Reason (R): The principle of Management by Exception suggests that managers

should concentrate on significant deviations requiring immediate attention.

Ans	1. A	2. A	3. B	4. A	5. D

Competency Based Questions

Q1. 'Analysing deviations' is an important step in the process of controlling. It is therefore important to bring significant deviations to the notice of the management which go beyond the permissible limit. Identify and give the meaning of the concept discussed above.

Ans. Management by Exception.

Management by Exception is a principle of management control, based on the belief, that an attempt to control everything results in controlling nothing. Therefore, only significant deviations which go beyond the permissible limit should be brought to the notice of management.

Q2. Gagan is trying to apply a function of management in his department. First, he lets his team perform according to their best potential. Then in a meeting he calls and asks his team to check what they have performed. One day it was found that the total number of units produced were 20 less than the set target. It was decided that no worker will go home unless and until this gap of 20 units is overcome.

(a) Which function of management is being performed by Gagan and his team?

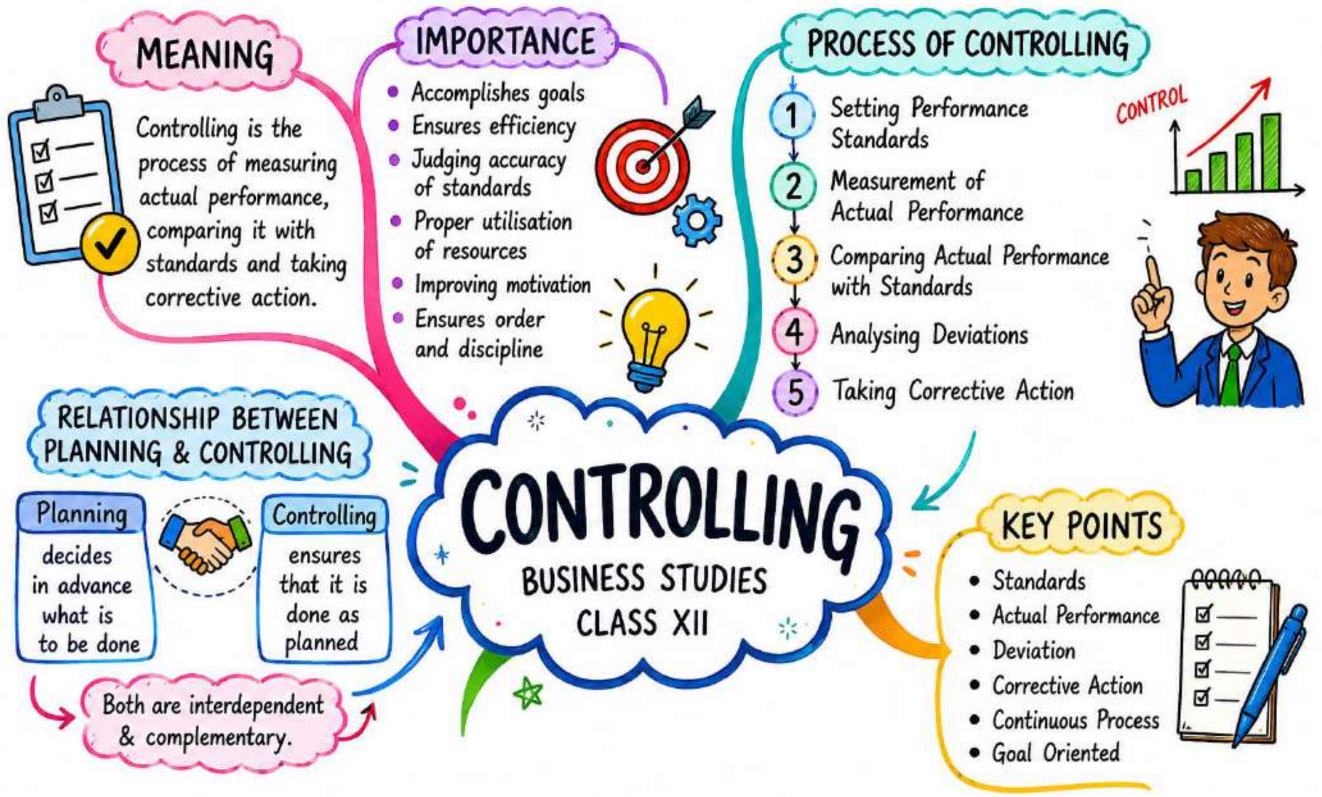
(b) What is '20' in the above case?

(c) At which stage of management do you think the target was set? What is its significance now?

Ans: In the above case the function performed by Gagan and his team is controlling.

'20' in the above case is deviation. Gap between actual performance and set standards.

The target was set at the planning stage of management. The significance of planning is that it sets standards in the form of targets so that controlling could be done by minimizing deviations.



CHAPTER. 9
FINANCIAL MANAGEMENT

Topics	Learning Outcomes
Financial Management: Concept, Role and Objectives	• Understand the concept of financial management • Explain the role of financial management in an organization • Discuss the objectives of financial management.
Financial Decisions: Investment, Financing and Dividend – Meaning and Factors Affecting	• Discuss the three financial decisions and the factors affecting them.
Financial Planning – Concept and Importance	• Describe the concept of financial planning and its objectives • Explain the importance of financial planning.
Capital Structure – Concept and Factors Affecting Capital Structure	• Understand the concept of capital structure. • Describe the factors determining the choice of an appropriate capital structure of a company.
Fixed and Working Capital – Concept and Factors Affecting Their Requirements	• Understand the concept of fixed and working capital. • Describe the factors determining the requirements of fixed and working capital.

Introduction to Financial Management:

Financial management is concerned with optimal procurement as well as the usage of finance. For optimal procurement, different available sources of finance are identified and compared in terms of their costs and associated risks.

Role of Financial Management:

(i) It helps in determining size as well as the composition of fixed assets.
(ii) It helps in determining the quantum of current assets.
(iii) It helps in determining the amount of long-term and short-term financing required.
(iv) It helps in determining the break-up of long-term financing into debt and equity.

Primary Objective of Financial Management: Maximization of Shareholders' wealth. The primary aim of financial management is to maximise shareholders' wealth which means maximisation of the market value of equity shares.

Objectives of financial management Ensuring availability of funds at reasonable cost.

(i) Ensuring effective utilisation of funds.
(ii) Ensuring safety of funds by creating reserves, reinvestment of profits, etc.
(iii) **Financial Decisions These are the decisions which are concerned with the selection of best financing alternative or best investment alternative. These are broadly concerned with three aspects, viz investment, financing and dividend.**

Classification of Financial Decisions:

1. Investment Decision The investment decision relates to how the firm's funds are invested in different assets. Investment decision may be long-term or short-term.

(a) **Capital budgeting** decisions or long-term investment decisions. Factors affecting capital budgeting decisions are

* Rate of return   *Cash flow of the projects   *Investment criteria involved

(b) **Working capital** decisions or short-term investment decisions. They are concerned with level of inventories, cash and debtors.

2. Financing Decision It deals with quantum of finance to be raised from long-term sources, viz debt and equity. In other words, it refers to the determination as how the total funds required by the business will be obtained from various long-term sources

Factors affecting financing decisions are:

1. Cost	The source of finance with the lowest overall cost is generally preferred by the company.
2. Risk	A financing option involving lower financial risk is usually considered more suitable.
3. Floatation Costs	Expenses incurred in raising funds should be minimized while selecting a source of finance.
4. Cash Flow Position of the Company	Companies with stable cash flows can safely use debt financing as they can meet fixed obligations.
5. Fixed Operating Costs	Firms with high fixed operating costs should avoid excessive debt to reduce overall business risk.
6. State of the Capital Market	Financing decisions are influenced by prevailing conditions in the capital market.
7. Return on Investment (ROI)	If ROI is higher than the cost of debt, borrowing can increase shareholders' earnings.
8. Tax Rate	Higher tax rates make debt more attractive because interest on debt is tax-deductible.
9. Flexibility	The financing mix should provide the company with the flexibility to raise additional funds when needed.
10. Regulatory Framework	Financing decisions must comply with legal provisions and regulatory requirements.
11. Control Considerations	Existing owners may prefer debt over equity to avoid dilution of ownership and control.

MNEMONICS

"Crazy Rabbits Fly Carrying Fresh Sandwiches; Rich Tigers Frequently Read Comics."

C – R – F – C – F – S – R – T – F – R – C

1. **C**ost
2. **R**isk
3. **F**loatation Costs
4. **C**ash Flow Position
5. **F**ixed Operating Costs
6. **S**tate of Capital Market
7. **R**eturn on Investment
8. **T**ax Rate
9. **F**lexibility
10. **R**egulatory Framework
11. **C**ontrol Considerations

Dividend Decision This decision involves how much of the 'after tax profits' is to be distributed as dividends to shareholders and how much to retain in the business to meet future investment requirements.

Factors affecting dividend decisions are:

1. Earnings	Higher earnings generally enable a company to declare higher dividends.
2. Stability of Earnings	Companies with stable earnings can maintain a consistent dividend policy.
3. Stability of Dividends	Companies prefer paying regular dividends to build investor confidence.
4. Growth Opportunities	Firms with more growth opportunities tend to retain a larger portion of profits for expansion.
5.Cash Flow Position	Adequate cash availability is essential because dividends are paid in cash.
6. Shareholders' Preference	Dividend decisions are influenced by whether shareholders prefer current income or capital appreciation.
7.Taxation Policy	Tax implications for the company and shareholders affect dividend distribution decisions.
8. Stock Market Reaction	Changes in dividend policy may influence investors' perception and share prices.
9. Access to Capital Market	Companies with easy access to external funds can afford to distribute higher dividends.
10. Legal Constraints	Dividend declaration must comply with the provisions of the Companies Act and other regulations.
11.Contractual Constraints	Loan agreements and other contracts may restrict the payment of dividends.

MNEMONICS

"Excited Students Sing, Giggle, Cook Snacks; Teachers Secretly Appreciate Lazy Classmates."

E – S – S – G – C – S – T – S – A – L – C

- **E**arnings
- **S**tability of Earnings
- **S**tability of Dividends
- **G**rowth Opportunities
- **C**ash Flow Position
- **S**hareholders' Preference
- **T**axation Policy
- **S**tock Market Reaction
- **A**ccess to Capital Market
- **L**egal Constraints
- **C**ontractual Constraints

Keywords

Business Finance	❖ **Money required carrying out business activities.** ❖ **Finance is required to establish a business, to run it, to expand it, to modernize it, or to diversify it.**
Financial Management	❖ It is concerned with optimal procurement as well as the usage of finance. ❖ It aims at reducing the costs of funds procured, keeping the risk under control and achieving effective deployment of funds. ❖ It also aims at ensuring availability of enough funds whenever required and avoiding idle funds.
Objective of Financial Mgt.	❖ To maximize Shareholders' Wealth. ❖ Shareholders' Wealth = No. of Equity Shares X Market value of shares.
Poor Financial Decisions.	❖ **Decisions which result in decrease in Market Value of shares**
Investment Decisions	❖ Concerned with decisions relating to investment in assets. · ❖ These decisions include- Capital Budgeting Decisions & Working Capital Investment Decisions

Financing Decisions	❖ It is concerned with quantum of finance to be raised from various long term sources. ❖ Short term sources are studied under Working Capital Management. ❖ Main sources are Owned Funds and Borrowed Funds.
Dividend Decision	❖ It is concerned with how much of the profit is to be distributed to the shareholders and how much should be retained in the business.

CASE STUDY (3/4 MARKS, SHORT ANSWER TYPE QUESTION)

Q.1.Visions Ltd. is a renowned multiplex operator in India. Presently, it owns 234 screens in 45 properties at 20 locations in the country. Considering the fact that the there is a growing trend among the people to spend more of their disposable income on entertainment, two years back the company had decided to add more screens to its existing set up & increase facilities to enhance leisure, food chains etc. It had then floated an initial public offer of equity shares in order to raise the desired capital. The issue was fully subscribed & paid. Over the years, the sales & profits of the company have increased tremendously and it has been declaring higher dividend & the market price of its shares has increased manifolds.

In context of the above case:

(i) Name the different kinds of financial decisions taken by the company by quoting lines from the paragraph.

(ii) Do you think the financial management team of the company has been able to achieve its prime objective? Why or why not? Give a reason in support of your answer.

Answer: (i) The different kinds of financial decisions taken by the company are as follows:

a. Investment decision: “Two years back the company had decided to add more screens to its existing set up and increase facilities to enhance leisure, food chains etc.”

b. Financing decision: “It had then floated an initial public offer of equity shares in order to raise the desired capital.”

c. Dividend decision: “Over the years, the sales and profits of the company have increased tremendously and it has been declaring higher dividend.”

(ii) Yes, the financial management team of the company has been able to achieve its prime objective i.e. wealth maximisation of the shareholders by maximizing the market price of the shares of the company.

Q.2 Computer Tech Ltd. is one of the leading information technology outsourcing services providers in India. The company provides business consultancy and outsourcing services to its clients. Over the past five years the company has been paying dividends at high rate to its shareholders. However, this year, although the earnings of the company are high, its liquidity position is not so good. Moreover, the company plans to undertake new ventures in order to expand its business. In context of the above case:

Give any three reasons because of which you think Computer Tech Ltd. has been paying dividends at high rate to its shareholders over the past five years. Comment upon the likely dividend policy of the company this year by stating any two reasons in support of your answer.

Answer: Computer Tech Ltd. has been paying dividends at high rate to its shareholders over the past five years because of the following reasons:

a. Earnings: The earnings of the company have been high. Since the dividends are paid out of current and past earnings, there is a direct relationship between the amount of earnings of the company and the rate at which it declares dividend.

b. Cash flow position: The cash flow position of the company must have been good as in order to pay high dividends, more cash is required.

c. Access to capital market: Because of its credit worthiness, the company enjoyed an easy access to capital market. Therefore, it did not feel the need to depend entirely on retained earnings to meet its financial needs.

Hence, it declared higher dividends in past. This year the company is likely to follow a conservative dividend policy because of the following reasons:

a. The cash flow position of the company is not good and dividends are paid in cash.

b. The company may like to retain profits to finance its expansion projects. Retained profits do not involve any explicit cost and are considered to be the cheapest source of finance.

Meaning of Financial Planning:

It is the preparation of a financial blueprint, which foresee entire fund requirement in respect to quantum as well as the timing.

Importance of Financial Planning

(i) Helps in forecasting alternative business plans. (ii) Helps to avoid business shocks. (iii) Helps in coordinating various business functions	(iv) Helps in linking present with the future. (v) Helps to eliminate wasteful efforts. (vi) Provides a link between investment and financing decisions	(vii) Facilitates financial control. (viii) Helps in avoiding wastage of finance. (ix) Helps in proper utilisation of funds. (x) Helps in operational activities

Objectives of Financial Planning:

(i) To ensure availability of funds whenever required.

(ii) To ensure unnecessary finance is not raised. Capital Structure Capital structure refers to the mix between owners' fund (equity) and borrowed funds (debt).

Keywords

Financial Risk	❖ The risk of default of payment is called financial risk.
Floatation Cost.	❖ The cost of raising funds is called floatation cost
Objectives of Financial Planning	❖To ensure availability of funds whenever required. ❖ To see that the firm ❖ does not raise resources unnecessarily.

CASE STUDY (3/4 Short Answer Type Question)

Bhuvan inherited a very large area of agricultural land in Haryana after the death of his grandfather. He plans to sell this piece of land and use the money to set up a small scale paper factory to manufacture all kinds of stationary items from recycled paper. Being an amateur in business, he decides to consult his friend Subhash who works in a financial consultancy firm. Subhash helps him to prepare a blue print of his future business operations on the basis of sales forecast in next five years. Based on these estimates, he helps Bhuvan to assess the fixed and working capital requirements of business. In context of the above case:

(i) Identify the type of financial service that Subhash has offered to Bhuvan.

(ii) Briefly state any four points highlighting the importance of the type of financial service identified in part (i).

Ans: (i) Financial planning is the type of financial service that Subhash has offered to Bhuvan.

(ii) The four points highlighting the importance of financial planning are as follows:

a. It ensures smooth running of a business enterprise by ensuring availability of funds at the right time. b. It helps in anticipating future requirements of a funds and evading business shocks and surprises.

c. It facilitates co-ordination among various departments of an enterprise like marketing and production functions, through well-defined policies and procedures.

d. It increases the efficiency of operations by curbing wastage of funds, duplication of efforts, and gaps in planning.

Capital structure:

Capital structure of a business affects both the profitability and financial risk of business. A capital structure is said to be optimal when the proportion of debt and equity is such that it results in the increase of shareholders' wealth

Factors Affecting Capital Structure:

1. Cash Flow Position	Companies with stable and strong cash flows can comfortably use more debt.
2. Interest Coverage Ratio (ICR)	A higher ICR indicates a greater ability to pay interest and supports the use of debt.
3. Debt Service Coverage Ratio (DSCR)	A higher DSCR shows the firm's capacity to meet both interest and principal repayment obligations.
4. Return on Investment(ROI)	If ROI exceeds the cost of debt, borrowing can increase shareholders' returns.
5. Cost of Debt	Lower-cost debt financing is generally preferred over expensive sources of funds.
6.Tax Rate	Higher tax rates make debt more attractive because interest is tax-deductible.
7. Cost of Equity	Companies may prefer debt if the cost of equity is relatively high.
8. Floatation Costs	Sources with lower issue and raising costs are generally preferred.
9. Risk Considerations	Higher debt increases financial risk, so risk levels must be carefully evaluated.
10. Flexibility	The capital structure should allow the company to raise additional funds in the future when required.
11. Control	Existing owners may prefer debt to avoid dilution of ownership and control.
12. Regulatory	Financing decisions must comply with legal

Way to learn factors affecting Capital Structure

Story Method

"A company first checks its **Cash flow**, **Interest coverage** and **Debt servicing** ability. Then it looks at **ROI**, **Cost of debt**, **Tax rate** and **Cost of equity**. After considering **Floatation cost** and **Risk**, it ensures **Flexibility** and **Control**, follows **Regulatory framework**, studies **Stock market conditions** and finally compares its **Capital structure with other companies."**

Framework	and regulatory requirements.	
13. Stock Market Conditions	Favorable stock market conditions encourage companies to raise funds through equity.	
14. Capital Structure of Other Companies	Firms often compare their capital structure with similar companies in the industry.	

Keywords

Capital Structure	*It refers to mix between owners' funds and borrowed funds.
Financial Leverage	*The proportion of debt in the overall capital is called financial leverage.
Trading on Equity	*It refers to the increase in EPS due to use of debt.

Case Study (3/4 ,Short Type Answer Question)

Q.'Adwitiya' is a company enjoying market leadership in the food brands segment. It's portfolio includes three categories in the Foods business namely Snack Foods, Juices & Confectionery. Keeping in line with the growing demand for packaged food it now plans to introduce Ready- To-Eat Foods. Therefore, the company has planned to undertake investments of nearly Rs. 450 crores for its new line of business. As per the current financial report, the interest coverage ratio of the company and return on investment is higher. Moreover, the corporate tax rate is high. In context of the above case:

(i) As a financial manager of the company, which source of finance will you opt for debt or equity, to raise the required amount of capital? Explain by giving any two suitable reasons in support of your answer.

(ii) Why are the shareholders of the company like to gain from the issue of debt by the company?

Ans: (i) As a financial manager of the company, I will opt for debt to raise the required amount of capital. I support my decision by giving the following reasons:

a. Interest coverage ratio: The interest coverage ratio of the company is high so it can easily meet its fixed commitment of payment of interest and repayment of capital.

b. Tax rate: The tax rate is high which makes debt relatively cheaper as the amount of interest paid on debt is treated as a tax deductible expense.

(ii) The shareholders of the company are likely to gain from the issue of debt by the company because the return on investment is higher. It helps a company to take advantage of trading on equity to increase the earnings per share.

Fixed Capital:

The amount of capital investment in fixed assets is called fixed capital, e.g. plant and machinery, land and building, etc.

Factors Affecting Fixed Capital Requirement:

Factor	One-Line Explanation	
1.Nature of Business	Manufacturing businesses generally require more fixed capital than trading or service businesses.	**MNEMONICS** **"Nature and Scale Choose Technology; Growth Finds Collaboration."** **N → Nature of Business**
2.Scale of	Larger scale operations require	

Operations	greater investment in fixed assets, leading to higher fixed capital needs.	**S → Scale of Operations** **C → Choice of Techniques** **T → Technology Upgradation** **G → Growth Prospects & Diversification** **F → Financing Alternatives** **C → Collaboration**
3.Choice of Techniques	Capital-intensive techniques require more fixed capital than labor-intensive techniques.	
4.Technology Upgradation	Frequent technological changes increase the need for investment in modern fixed assets.	
5.Growth Prospects and Diversification	Companies planning expansion or diversification require additional fixed capital.	
6.Financing Alternatives	Availability of leasing, renting, or outsourcing can reduce the need for fixed capital investment.	
7.Collaboration	Collaboration with other firms can reduce the requirement for investment in fixed assets.	

Case Study (3/4 Short Answer Type Question)

Q. Radhika and Vani who are young fashion designers, left their job with a famous fashion designer chain to set-up a company 'Fashionate Pvt. Ltd.' They decided to run a boutique during the day and coaching classes for the entrance examination of National Institute of Fashion Designing in the evening. For the coaching Centre, they hired the first floor of a nearby building. Their major expense was the money spent on photocopying of notes for their students. They thought of buying a photocopier knowing fully that their scale of operations was not sufficient to make full use of photocopier. In the basement of the building of Fashionate Pvt. Ltd, Praveen and Ramesh were carrying on a printing and stationery business in the name of 'Neo Prints Pvt. Ltd.' Radhika approached Praveen with the proposal to buy a photocopier jointly which could be used by both of them without making separate investment. Praveen agreed to this. Identify the factor affecting the fixed capital requirements of Fashionate Pvt. Ltd. And explain the factor identified too.

Ans: The factor affecting the fixed capital requirement of Fashionable Pvt. Ltd. is the level of collaboration. This kind of arrangement of using the resources jointly helps to reduce the fixed capital requirements of the business firms.

Working Capital:

It is that part of total capital which is required for holding current assets. It may also be defined as excess of current assets over current liabilities.

Net Working Capital = Current Assets - Current Liabilities

Factors Affecting Working Capital Requirements:

1. Nature of Business	Trading and manufacturing firms generally require more working capital than service enterprises.	**<u>Mnemonics</u>** **<u>"Naughty Students Buy Seasonal Pizza, Consume Cheese, Obtain Amazing</u>**
2. Scale of Operations	Larger business operations require a greater amount of working capital.	
3. Business	During periods of boom, working capital	

<table>
<tr><td>Cycle</td><td>requirements increase, while they decrease during recession.</td><td rowspan="9"><u>Growth Levels."</u>

<u>N – S – B – S – P – C – C – O – A – G – L</u>
<u>Nature of Business</u>
<u>Scale of Operations</u>
<u>Business Cycle</u>
<u>Seasonal Factors</u>
<u>Production Cycle</u>
<u>Credit Availed</u>
<u>Credit Allowed</u>
<u>Operating Efficiency</u>
<u>Availability of Raw Materials</u>
<u>Growth Prospects</u>
<u>Level of Competition</u></td></tr>
<tr><td>4. Seasonal Factors</td><td>Seasonal businesses need higher working capital during peak seasons.</td></tr>
<tr><td>5. Production Cycle</td><td>A longer production cycle increases the requirement of working capital.</td></tr>
<tr><td>6. Credit Availed</td><td>Greater credit obtained from suppliers reduces the need for working capital.</td></tr>
<tr><td>7. Credit Allowed</td><td>More credit given to customers increases working capital requirements.</td></tr>
<tr><td>8. Operating Efficiency</td><td>Efficient business operations reduce the amount of working capital needed.</td></tr>
<tr><td>9. Availability of Raw Materials</td><td>Easy and regular availability of raw materials lowers the need to maintain large inventories.</td></tr>
<tr><td>10. Growth Prospects</td><td>Expanding businesses require additional working capital to support increased operations.</td></tr>
<tr><td>11. Level of Competition</td><td>Intense competition may require higher inventories & liberal credit policies, increasing working capital needs.</td></tr>
</table>

Keywords

<table>
<tr><td>Working Capital Investment Decisions</td><td>❖ Short term Investment Decisions.
❖ Concerned with the decisions about levels of cash, inventory and receivables.
❖ Affect day- to- day working of a business.</td></tr>
</table>

Case Study (3/4 Short Answer Type Question)

After persuing a course in event management, Kajal and her brother Kamal promoted an event management company under the name Khushi Entertainment Private Limited. They strive together as dedicated and dynamic professionals managing different kinds of formal and informal events across all major cities in India and abroad. They design the event idea and co-ordinate the different aspects of the event to make it a grand success. As a policy, they take fifty percent of the payment as advance from the client before the start of an event and receive the balance charges after the successful completion of the event.

In context of the above case:

(i) Comment upon the working capital needs of the company keeping in mind its nature of business.

(ii) Identify the other factor mentioned in the paragraph which is likely to affect the working capital requirement of their business.

Ans: (i) The working capital requirements of Khushi Entertainment Private Limited will be relatively less as they are engaged in providing event management services, wherein there is no need to maintain inventory.

(ii) The other factor mentioned in the paragraph which is likely to affect the working capital requirement of their business is ‘Credit availed.’ Since as a policy, they take fifty percent of the payment as advance from the client before the start of an event, their requirement of working capital is reduced.

Multiple Choice Questions (MCQs):

1. The board of directions of Medex Pharma Ltd. decided to issue debentures worth ₹ 40 lakhs in order to finance a major research and development project. This would increase the debt equity ratio from 1:1 to 2:1. However, at the same time it would increase the earnings per share. The reason that will justify the above situation is: [**CBSE 2019]**
   (a) Unfavourable financial leverage, as the financial risk will be higher.
   (b) Unfavourable financial leverage, as return on investment is lower than the cost of debt.
   (c) Favourable financial leverage as debt is easily available.
   (d) Favourable financial leverage, as return on investment is higher than cost of debt

2. …… refers to the increase in profit earned by the equity shareholders due to the presence of fixed financial charges like interest. [**CBSE 2018]**
   (a) Capital structure (b) Earnings per share (c) Trading on equity (d) Return on investment

3. A decision to acquire a new and modem plant to upgrade an old one is known as decision.
   (a) Financing decision (b) Working capital decision
   (c) Investment decision (d) Dividend decision

4. The cheapest source of finance is
   (a) Debenture (b) Equity share capital (c) Preference share (d) Retained earning

5. Financial leverage is called favourable if
   (a) Return on Investment is lower than cost of debt
   (b) ROI is higher than cost of debt
   (c) Debt is nearly available
   (d) If the degree of existing financial leverage is low

6. Financial planning arrives at
   (a) Minimising the external borrowing by resorting to equity issues.
   (b) Entering that the firm always have significantly more fund than required so that there is no paucity of funds.
   (c) ensuring that the firm paces neither a shortage nor a glut of unusable funds.
   (d) doing only what is possible with the funds that the firms has at its disposal

7. Current assets of a business firm should be financed through
   (a) Current liability only (b) long-term liability only
   (c) Partly from both types, i.e, long and short-term liabilities. (d) None of these

8. ABC Ltd. is planning to expand its business. The management wants to raise funds through debt because the company is earning a higher rate of return than the cost of borrowing. Which factor affecting financing decision is highlighted here?
   (a) Floatation Cost (b) Return on Investment (ROI)
   (c) Regulatory Framework (d) Flexibility

9. XYZ Ltd. earned substantial profits during the current year. However, the company decided to retain a major portion of profits because it plans to establish a new manufacturing unit next year. Which factor affecting dividend decision is responsible for this action?
   (a) Growth Opportunities (b) Legal Constraints

(c) Stock Market Reaction (d) Shareholders' Preference

10. A company manufacturing woollen garments maintains a higher level of inventory during the months preceding winter to meet increased demand. Which factor affecting working capital requirement is reflected in this situation?
(a) Nature of Business (b) Business Cycle (c) Seasonal Factors (d)Credit Allowed

Ans	1-d	2-c	3-c	4-d	5-b	6-c	7-c	8-b	9-a	10-c

Assertion Reason Based Question:

Read the statements and choose the appropriate option from the options given below;

A) Both Assertion (A) and Reason (R) are true and Reason (R) is correct explanation of Assertion (A)

B) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)

C) Assertion (A) is true but Reason (R) is false

D) Assertion (A) is false but Reason(R) is true

1. **Assertion (A):** Trading on Equity raises the return of equity shareholders.
Reason (R): Cost of debt is lower than the cost of equity and interest paid on debt is a deductible expense.
2. **Assertion (A):** The primary objective of financial management is to maximise the wealth of equity shareholders.
Reason (R): Investment Decision is concerned with the investment of a firm’s funds in different assets.
3. **Assertion (A):** Collaboration of an organisation with another organisation reduces the need of fixed capital.
Reason (R): Availability of leasing facilities reduces the fixed capital requirement of a company.
4. **Assertion (A):** A company with high growth opportunities generally retains a larger portion of its earnings.
Reason (R): Retained earnings provide funds for future expansion & investment projects.
5. **Assertion (A):** Financial planning helps in avoiding both over-capitalisation and under-capitalisation.
Reason (R): Financial planning estimates the funds required and determines their sources in advance.

Ans	1-a	2-b	3-b	4-a	5-a

Long Answer Type Question:

Identify in the following cases factor affecting the choice of capital:

a. Rajan has an option of taking loan from his relatives. These people have assured him to give loan at a low interest rate. So he decides to use debt as a source of financing his project. Now he goes to different relatives and friends to see if he can get a cheaper source of debt with even lower rate of interest.

b. Prerak Iron Ltd. is thinking of raising finance to further its projects overseas. For this the company is observing the other companies’ raising of finance. Their debt-equity ratios are being thoroughly studied by the financial experts of the company.

c. A company is trying to raise funds after consulting the experts. The owner of the company has decided to find out the banks which can grant loan under norms. He will assure that all norms are followed by the company. He has also decided to gain knowledge about the SEBI guidelines related to public issues of shares and debentures.

d. The management of a company is very much concerned about the latest happenings in the stock market. They always want to know whether the conditions in the stock market are bullish or bearish so that they may know the feasible time to grow money by issue of shares.

e. A firm has decided not to issue equity this year. The reason they have given is the involvement of costs like printing charges, brokerage, advertising costs and underwriter's commission. The company says all these costs will add on to become substantial.

f. A company already has high fixed operation costs. If it takes loan its fixed financial costs will increase leading to an overall increase in payments. Had the situation been opposite it would have considered taking loan but now the only option is to go for equity.

g. A company is thinking of taking debt to meet its finance requirements. It is thinking so because interest is a tax deductible expense. Due to the new budget by the government raising debt has become comparatively cheaper and equity is losing its attractiveness.

h. Madam Sharma has a company having 10 branches throughout the country. He is thinking of opening a new branch. For this he requires a good amount of investment. He talks to his friends, banks and other sources to raise debt as a source of finance. However, he prevents himself from using all possible sources of finance so that he can maintain his borrowing power.

i. A leading company decides to raise fund. It decides to go for debt as the source of finance. The reason behind this choice is the possibility of losing management's holding in the company if equity is issued. The company already has been using equity as a source of finance during last couple of years.

j. A company is no more interested in raising funds in the form of debt. The amount of EBIT that the company has is decreasing in relation to the amount of interest it has to pay on the debt it has borrowed. If it borrows more of debt than this ratio EBIT/ Interest will further go down.

k. Neelam has decided to consider debt as the source of raising finance. Her decision has come after considering the strong buffer of funds she already has. She has enough amount of funds to cover fixed cash payments. Her business unit has no problem in running normal business operation and it has low business risk. Further the financial risk is also low.

l. A company has decided to go for trading on equity as an option. This is being done to increase the Earning per Share (EPS). Definitely the ability of the company to use debt is greater.

Ans:

a. Cost of debt **b.** Capital structure of other companies **c.** Regulatory framework **d.** Stock market conditions	**e.** Floatation costs **f.** Risk consideration **g.** Tax rate (As with the new budget the tax rate has increased)	**h.** Flexibility **i.** Control **j.** Interest Coverage Ratio (ICR) **k.** Cash flow position **l.** Return on Investment (RoI)

INVESTMENT DECISION
Decision relating to the investment of funds in long-term assets to earn future returns.
INVESTMENT DECISION
Decision about how much to invest in long-term assets.
WORKING CAPITAL DECISION
Decision relating to the investment in current assets to ensure smooth day-to-day operations.
KEY CONSIDERATIONS
• Nature of business
• Growth prospects and diversification
• Technology and modernization
• Risk and return
• Availability of long-term funds
KEY CONSIDERATIONS
• Nature of business
• Scale of operations
• Business cycle & seasonal factors
• Credit availed and credit allowed
• Operating efficiency
• Availability of raw materials
• Growth prospects & level of competition
CHIEF FINANCIAL OFFICER (CFO)
Responsible for planning, raising, managing and controlling finance to maximise shareholders' wealth.
FINANCING DECISION
Decision about raising finance from various sources to meet investment requirements.
SOURCES OF FINANCE
DEBT FINANCE
Borrowed funds that have to be repaid with interest.
• Loans from banks/FIs
• Debentures
• Bonds
EQUITY FINANCE
Funds raised by offering ownership to the public.
• Equity shares
• Preference shares
• Retained earnings
FACTORS AFFECTING FINANCING DECISION
✓ Cost of capital
✓ Risk involved
✓ Return on investment
✓ Financial flexibility
✓ Control
✓ Market conditions
✓ Legal & regulatory framework
✓ Capital structure of other companies
DIVIDEND DECISION
Decision about the distribution of profits among shareholders or retaining them for future use.
FACTORS AFFECTING DIVIDEND DECISION
• Earnings
• Stability of earnings
• Stability of dividends
• Growth opportunities
• Cash flow position
• Shareholders' preference
• Taxation policy
• Stock market reaction
• Access to capital market
• Legal constraints
• Contractual constraints
OBJECTIVE OF FINANCIAL MANAGEMENT
To maximise shareholders' wealth by ensuring optimum use of funds and achieving the right balance between risk and return.
OVERALL GOAL
To ensure financial soundness, liquidity, profitability and growth of the enterprise through effective financial decisions.

CHAPTER 10
FINANCIAL MARKET

Topics	Learning Outcomes
Financial Markets: Concept	• Understand the concept of financial market.
Money Market: Concept	• Understand the concept of money market.
Capital Market and its Types (Primary and Secondary)	• Discuss the concept of capital market. • Explain primary and secondary markets as types of capital market. • Differentiate between capital market and money market. • Distinguish between primary and secondary markets.
Stock Exchange – Functions and Trading Procedure	• Give the meaning of a stock exchange. • Explain the functions of a stock exchange. • Discuss the trading procedure in a stock exchange.
Depository Services and Demat Account	• Give the meaning of depository services and demat account as used in the trading procedure of securities.
Securities & Exchange Board of India (SEBI)–Objectives & Functions	• State the objectives of SEBI. • Explain the functions of SEBI.

Introduction to Financial Market:

In an economy, there are two major sectors, viz. households & producers. Households usually save a part of their income to earn returns on it through investment. On the other hand, producers & business firms are in need of finance at all times for conducting business activities. Financial markets & banks act as intermediaries in the allocative function of matching the demand & supply of funds. If the allocative function of directing funds available for investment into most productive investment opportunity is performed well.

Functions of Financial Market:

1. **Mobilisation of Savings and Channeling them into the most Productive Uses**: A financial market facilitates the transfer of savings from savers to investors. It gives savers the choice of different investments and thus helps to channelise surplus funds into the most productive use.

2. **Facilitating Price Discovery**: The forces of demand and supply help to establish a price for a commodity or service in the market. In the financial market, the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market.

3. **Providing Liquidity to Financial Assets**: Financial markets facilitate easy purchase and sale of financial assets. In doing so they provide liquidity to financial asset.

4. **Reducing the Cost of Transactions**: Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend.

Difference between Primary Market and Secondary Market

Basis	Primary market (New issue market)	Secondary market (Stock exchange)
Securities	Sale of securities by new companies or new issues of securities	Trading of only existing securities takes place.
Buying/ Selling	Only buying of securities takes place in the primary market. Securities cannot be sold there.	Both buying and selling of securities can take place on the stock exchange
Purpose	Securities are issued by the company directly (or through an intermediary).	Ownership of existing securities is exchanged between investors. Company is not involved at all.
Capital formation	The flow of funds is from savers to investors, i.e. primary market directly promotes capital formation. Enhances liquidity of securities	The secondary market indirectly promotes capital formation
Price determination	Prices of securities are determined by the management of the company	Prices are determined by demand and supply of the securities
Location	There is no fixed geographical location	Located at specified place

Keywords

Capital market	*Deals in long term securities maturing in more than one year like Equity shares, Preference shares, Debentures etc.
Primary Market	*Also known as New Issue Market. *Deals with new securities being issued for the first time.
Secondary Market	*It is a market for sale and purchase of existing securities.

Case Study (3/4 Short Answer Type)

Incorporated in 1990, Raju Dairy Ltd., is one of the leading manufacturers and marketers of dairy-based branded foods in India. In the initial years, its operations were restricted only to collection and distribution of milk. But, over the years it has gained a reasonable market share by offering a diverse range of dairy based products including fresh milk, flavored yogurt, ice creams, butter milk, cheese, ghee, milk powders etc. In order to raise capital to finance its expansion plans, Raju Dairy Ltd. has decided to approach capital market through a mix of Offer for sale of Rs. 4 crore shares and a public issue of Rs. 2 crore shares.

In context of the above case:

(i) Name and explain the segment of capital market being approached by the company.

(ii) Identify the two methods of floatation used by the company to raise the required capital. Give one difference between them.

Ans: (i) Primary market is the segment of capital market being approached by the company. It is also known as the new issue market as the securities are issued for the first time by the companies through this market.

(ii) The two methods of floatation used by the company to raise the required capital are: Issue through prospectus and Offer for sale.

In case of issue through prospectus, the company approaches the members of the general public directly by issuing a prospectus whereas in case of Offer for sale, the company approaches members of the general public indirectly through intermediaries like issuing houses, stock brokers etc.

Difference between Capital Market and Money Market

Basis	Capital Market	Money Market
Participants	Individual investors as well as institutional investors like financial institutions, banks, corporate houses & foreign investors participate in the capital market transactions.	The participants are RBI, Commercial Banks financial institutions, mutual funds and corporate houses. Individual investors do not participate in money market.
Instruments traded	The instruments of capital market include equity shares, preference shares, bonds, debentures, etc.	Some of the main instruments used in money market are commercial paper, treasury bills, trade bills, certificate of deposit, etc.
Duration of securities traded	The capital market deals in medium & long-term securities which are for more than one year.	Money market deals in short-term securities having a maximum tenure of one year.
Expected return	Higher returns on investment.	There is always a trade-off between risk and return.
Safety	Capital market is riskier.	The instruments of money markets are safe, less risky due to short duration & soundness of issuers.

Case Study (6 marks Long Answer Type)
Identify the type of financial market in the following cases:
(i) The value of securities issued by a company is low. It has not set up a huge financial outlay. Mr. Manuj has purchased 100 units of shares with the value of Rs. 80 each. Though he has small savings yet he is able to invest money in this financial market.

(ii) A financial market deals only in short term securities. The securities in the market may even be issued for a single day.

(iii) A financial market deals in medium and long term securities such as equity shares & debentures.

(iv) The participants in this financial market are institutions like banks, corporations, large sized companies and members of the public.

(v) The securities in this financial market yield low rate of return.

(vi) The securities return in this market is riskier in relation to both the returns as well as principal amount. The reason is the performance of the issuing companies. When these companies perform well there are chances of high return but when the other way round happens the returns may go down and result in loss of money to the investors.

(vii) In this financial market there is a higher degree of liquidity of the financial instruments available to the investors as there is an institute which takes guarantee of this action. The name of this institute is DFHI (Discount Finance House of India).

(viii) There is minimum risk of default in this financial market. There is shorter duration of investment and this provides financial stability to the investors. The issuing houses have a very good history of creditworthiness.
Ans: The type of financial market in the above mentioned cases are:

(i) Capital Market	(ii) Money Market	(iii) Capital Market	(iv) Capital Market
(v) Money Market	(vi) Capital Market	(vii) Money Market	(viii) Money Market

KEYWORDS

Money market	*Deals in short term securities maturing in less than one year. Treasury bills, Commercial papers, Certificates of Deposits, Call Money and Commercial bill.
Capital market	*Deals in long term securities maturing in more than one year like Equity shares, Preference shares, Debentures etc.

Stock Exchange:

Meaning of Stock Exchange According to Securities Contracts (Regulation) Act, 1956, "Stock exchange means anybody of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying and selling or dealing in securities."

Functions of Stock Exchange:

1. Pricing of Securities: Determines the price of securities through the forces of demand and supply.	MNEMONICS "Pretty Students Can Score Like Stars" P-S-C-S-L-S P – Pricing of Securities S – Spreading of Equity Cult C – Contributes to Economic Growth S – Scope for Speculation L – Liquidity and Marketability of Existing Securities S – Safety of Transactions
2. Spreading of Equity Cult: It encourages people from different sections of society to invest in shares and become part owners of companies.	
3. Contributes to Economic Growth: It promotes capital formation and channelizes savings into productive investments, aiding economic development.	
4. Provides Scope for Speculation: It allows investors to buy & sell securities based on expected future price movements.	
5. Provides Liquidity and Marketability of Existing Securities: Investors can easily convert their securities into cash by selling them on the stock exchange.	
6. Safety of Transactions: Transactions on a stock exchange are conducted under well-defined rules and regulations, ensuring investor protection.	

Case Study (3/4 Marks Question):

Raman who is a broker in a stock exchange has to face challenging questions from society. His own family sometimes asks him to think about his decision to become a broker. He however, has full faith in the stock exchange. He knows that the membership of a stock exchange is properly regulated abiding the legal system & the public doing investment is safe in making deals. His children one day asked him the reason behind the ups & downs in the stock market. He clarified their doubt by telling them that forces of supply & demand decide the prices of securities in the secondary market. Off late he has decided to write a book on the functioning of stock exchange and its significance in the Indian economy. He is trying to highlight in his book how through the process of investment & disinvestment existing securities are sold and resold and savings are channelized into the most productive opportunities. Definitely Raman is justifying his presence in his job.

(i) What is the meaning of Stock Exchange?

(ii) Identify & briefly explain the functions of Stock Exchange discussed in the above case.

(iii) What is an e-IPO?

Ans: (i) Stock exchange is a collection of individuals, formed as a body or not, constituted for the objective of helping, controlling and regulating the dealings related to buying and selling of securities.

(ii) The different functions of Stock Exchange highlighted in the above case are:
a. Ensures safety of transaction: He knows that the membership of a stock exchange is properly regulated abiding the legal system and the public doing investment is safe in making deals.

b. Helps in deciding pricing of securities: He clarified their doubt by telling them that forces of supply and demand decide the prices of securities in the secondary market.

Trading Procedure on a Stock Exchange

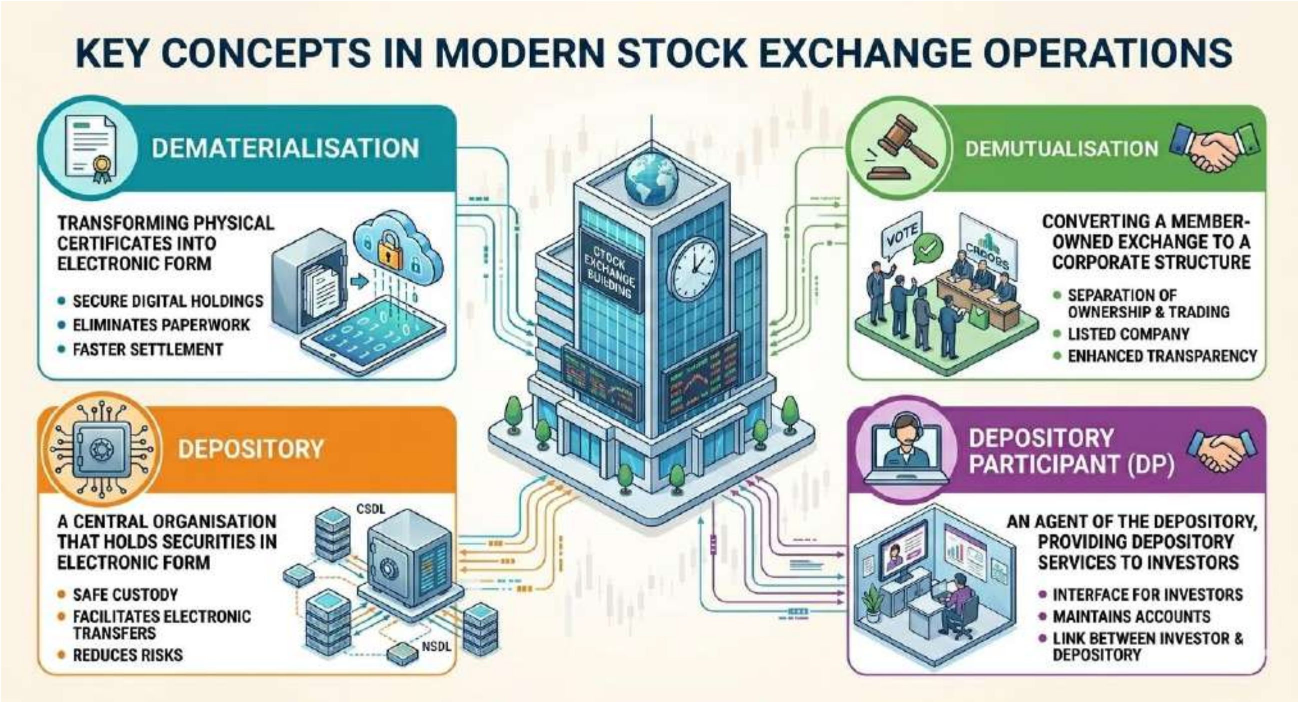
1. Selection of a Broker	Choose a SEBI-registered broker who will buy and sell securities on your behalf.	**MNEMONICS** **S –** Selection of a Broker **O –** Opening Demat Account with Depository **P –** Placing the Order **E –** Executing the Order **S –** Settlement
2. Opening a Demat Account with Depository	Open a Demat account to hold securities in electronic form.	
3. Placing the Order	Instruct the broker to buy or sell a specified security at the desired price.	
4. Executing the Order	The broker places the order on the stock exchange where it is matched and executed.	
5. Settlement	Securities are transferred to the buyer and payment is made to the seller through the clearing corporation.	

Vocabulary

Dematerialisation	*Dematerialisation of securities (Demat account) Converting physical certificates into electronic form.
Demutualisation	*It refers to separation of ownership and control of stock exchanges from the trading rights of members
Depository	*Depository is an institution/ organisation which holds securities e.g. Shares, debentures, bonds, mutual funds, etc. in electronic form, in which trading is done.
Depository Participant (DP)-	*A depository participant is an agent of the depository which interacts with the investors. DP acts as a link between depository & investors.

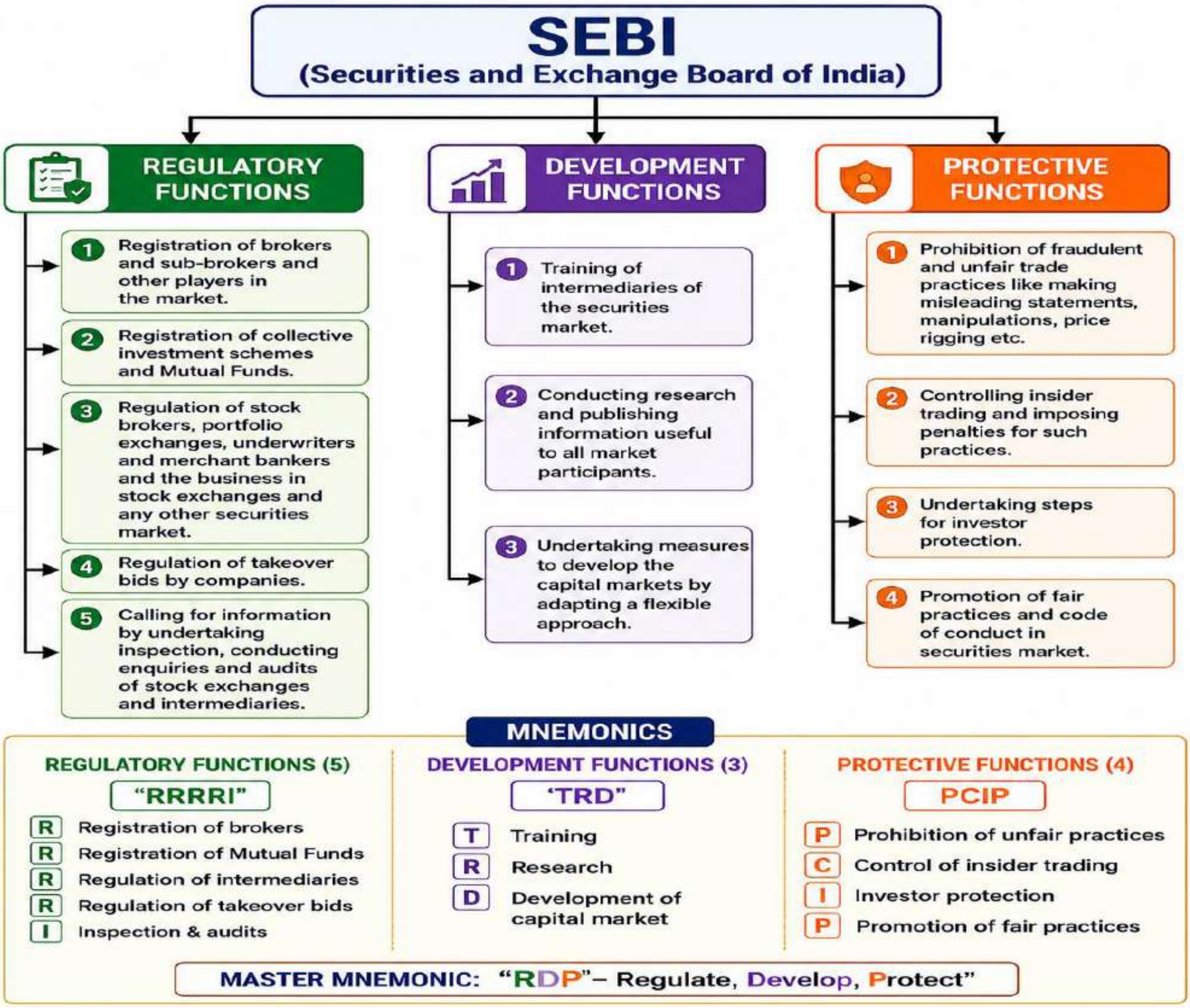
Keywords

Stock Exchange	*It is an institution which provides a platform for buying and selling of existing securities.
Dematerialisation	*The process of holding securities in an electronic form
Depository	*Depository is like a bank and keeps securities in electronic form on behalf of the investor.



Securities and Exchange Board of India (SEBI)

SEBI was established by Indian Government in 1988, under the administrative control of the Finance Ministry. Later, it became a statutory body having perpetual succession and a common seal under the Securities and Exchange Board of India Act, 1992.



Multiple Choice Question (MCQ)

1. Raghav's friend Raman works as a Chartered Accountant in Solutions Ltd. Raman in a meeting with the Board of Directors of the Company came to know that the firm would soon be declaring a bonus issue which would result in increase in the price of shares. Considering this, Raman advised Raghav to purchase the shares of Solutions Ltd., who acted on his advice and bought the shares before time. Which function of SEBI can control such malpractices? **[CBSE 2019]**
   (a) Protective functions (b) Regulatory functions
   (c) Development functions (d) All of the above

2 **…………** is a number assigned to each transaction by the stock exchange and is printed on the contract note. **[CBSE 2021]**
   (a) Client code number (b) Unique order code
   (c) Permanent account number (d) Depository participant number

3. Which of the following statements is incorrect? **[CBSE 2017]**
   (a) Providing liquidity to securities is one of the functions of stock exchange
   (b) Process of holding shares in electronic form is known as dematerialization
   (c) Securities Exchange Board of India performs the regulatory function of controlling insider trading and imposing penalties for such practices
   (d) Capital market consists of commercial banks development banks & stock exchanges

4. Primary and secondary markets
   (a) Compete with each other (b) Complement each other
   (c) Function independently (d) Control each other

5. **………..** is a legal document as it help to settle disputes/claims between investor & the broker.
   (a) Credit note (b) Contract note (c) both (a) & (b), (d) None of the above

6. Delivery of share sold or payment of cash for the shares bought is made on the
   (a) Pay in day (b) Pay out day (c) both (a) & (b), (d) None of the above

7. SEBI is also called as
   (a) Watch bull of stock exchange (b) Watch bear of stock exchange
   (c) Watchdog of stock exchange (d) None of the above

8. Which market directly contributes for capital formation and increase in capital of firms?
   (a) Primary market (b) Secondary market
   (c) Both (a) & (b), (d) None of the above

9. Under secondary market, sale of securities take place between
   (a) Company and Investors (b) Company and Company
   (c) Investor and other investor (d) None of the above

10. The Apex Body who controls the Capital Market of our country is
   (a) RBI (b) SBI (c) SEBI (d) None of the above

Ans	1-a	2-b	3-c	4-b	5-b	6-b	7-c	8-a	9-c	10-c

Assertion Reason Question

Read the statements and choose the appropriate option from the options given below;

A) Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A).
B) Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A).
C) Assertion (A) is true but Reason(R) is false.
D) Assertion (A) is false but Reason(R) is true.

1. **Assertion (A):** Investment in the capital Market i.e. securities don't necessarily require a huge financial outlay.
   Reason (R): The value of units of securities is generally low i.e. Rs.10 and Rs. 100 and so is the case with a minimum trading lot of shares which is kept small i.e.5,50,100 or so.

2. **Assertion (A):** Screen based trading ensures transparency in sale and purchase of securities.
   Reason (R): Electronic trading systems have enabled a large number of participants to trade with each other.

3. **Assertion (A):** Financial markets facilitate the mobilisation of savings and channelise them into productive investments.
   Reason (R): Financial markets provide a platform where those having surplus funds can transfer them to those who require funds for investment purposes.

4. **Assertion (A):** The money market deals in financial instruments having a maturity period of more than one year.
   Reason (R): Treasury Bills, Commercial Paper and Certificate of Deposit are important instruments of the money market.

5. **Assertion (A):** SEBI was established to protect the interests of investors and regulate the securities market.
   Reason (R): SEBI was given statutory status through an Act in 1992.

Ans	1-a	2-b	3-a	4-d	5-b

Long Answer Type question (6 Marks)

Q.1 Ashish selects a person who is authenticated to buy or sell securities on his behalf. He is registered by SEBI. Then through this person Ashish opens an account with a bank. Then he takes the next step. He gives this person an order in which he specifies the number and types of securities to be bought or sold. The process moves forward. After getting the instructions from Ashish the selected person buys and issues a paper. The paper contains the name and price of securities, brokerage charges and the name of the parties involved. Then comes the concluding stage of the process. Here, the trading of securities is done by the selected persons on behalf of Ashish.

1. Identify the process highlighted in the above case.
2. Which type of account is being indicated here?
3. What is the role of bank here?
4. What is the role of the person he has chosen?
5. What one condition should be met when giving orders for the purchase of securities?
6. What is the name of the paper highlighted above?

Ans. 1. The process highlighted in the above case is 'Trading procedure on a Stock Exchange'.
2. The type of account indicated here is 'Demat Account'.
3. The bank is the 'Depository Participant'.
4. The person chosen here is the 'Broker'.
5. The condition which must be met is that the securities traded should be of the listed companies.
6. The name of the paper which is highlighted above is 'Contract Note'.

Q-2. Radhika got 10, 00,000 rupees after selling her parental property which she had got as a gift from her grandmother. Her friend advised her to invest in securities in the stock market. Radhika was unaware of the procedure for the same. Her friend introduced her to a stock broker, who was registered with the National Stock Exchange. Radhika approached the broker. The broker guided her to open a DEMAT account with a Depository, as well as a Bank account. Radhika opened a Bank account & DEMAT account with Exim Bank.

(a) Identify the steps in the trading procedure for buying and selling of securities which have been discussed above.

(b) State the next four steps of the trading procedure.

Ans a. The steps discussed in above para are

i. Selection of broker: The buying & selling can be through SEBI broker. The first step is to select a broker who will buy/sell securities on behalf of investor.

ii. Opening DEMAT account with a depository participant.

b. The next four steps of the trading procedure:

1. Placing an order: Investor places an order with the broker to buy or sell shares. Brokers go ahead with the deal & order confirmation slip is issued to the investor by the broker.

2. Match the order: The broker will go online& match the share & the price.

3. Executing order: When the shares can be bought & sold at the price mentioned it will be communicated to the broker terminal & order will be executed electronically. The broker will issue trade confirmation slip to investor.

4. Issue of contract note: After the trade has been executed within 24 hours the broker issues contract note. It contains details regarding no. & price of shares.

FINANCIAL MARKETS

MEANING

Financial markets refer to a market where financial assets (such as shares, debentures, bonds, etc.) are created, bought and sold.

CLASSIFICATION

1. MONEY MARKET

Deals in short-term funds with maturity period up to 1 year.

Examples

- Treasury Bills
- Commercial Paper (CP)
- Certificate of Deposit (CD)

2. CAPITAL MARKET

Deals in long-term funds with maturity period of more than 1 year.

Examples

- Shares (Equity)
- Debentures
- Bonds
- Preference Shares

IMPORTANCE

- Mobilisation of Savings
- Price Discovery
- Liquidity
- Facilitates Economic Growth
- Spreads Equity Culture
- Provides Safety in Transactions

PRIMARY MARKET

New securities are issued by companies or government for the first time.

SECONDARY MARKET

Existing securities are bought and sold among investors.

TRADING PROCEDURE

1. **Select Broker**
   Investor selects a registered broker.
2. **Open Demat Account**
   Open demat account with DP (Depository Participant).
3. **Place Order**
   Investor places buy/sell order through broker.
4. **Execution of Order**
   Order is matched and executed on stock exchange.
5. **Contract Note**
   Broker issues contract note to investor.
6. **Settlement**
   Payment and securities settlement.
7. **Transfer of Securities**
   Securities are credited to demat account.

SEBI

(Securities and Exchange Board of India)
Established in 1988 and given statutory status through SEBI Act, 1992.

Objectives : To protect the interests of investors and regulate and develop the securities market.

Protective Functions

- Protects investors' interests
- Prevents frauds and unfair trade practices
- Promotes fair and transparent dealings

Regulatory Functions

- Registration of intermediaries
- Regulation of working of stock exchanges
- Control over takeover and insider trading

Developmental Functions

- Investor education and awareness
- Training of intermediaries
- Conducting research and publishing data

STOCK EXCHANGE

Provides

- Liquidity
- Price Discovery
- Safety of Trade
- Spreads Equity Culture
- Continuous Market

NSE

(National Stock Exchange)

- Leading electronic exchange in India.

BSE

(Bombay Stock Exchange)

- Asia's oldest stock exchange.

BSE The Power of Vibrance

Financial markets act as a bridge between savers (surplus units) and investors (deficit units) and play a vital role in the economic development of a country.

CHAPTER 11
MARKETING MANAGEMENT

Topic	Learning Outcomes
Marketing – Concept, Functions and Philosophies	• Understand the concept of marketing.• Explain the features of marketing.• Discuss the functions of marketing.• Explain the marketing philosophies.
Marketing Mix – Concept and Elements	• Understand the concept of marketing mix.• Describe the elements of marketing mix.
Product – Branding, Labelling and Packaging – Concept	• Understand the concept of product as an element of marketing mix.• Understand the concept of branding, labelling and packaging.
Price – Concept, Factors Determining Price	• Understand the concept of price as an element of marketing mix.• Describe the factors determining the price of a product.
Physical Distribution – Concept, Components and Channels of Distribution	• Understand the concept of physical distribution.• Explain the components of physical distribution.• Describe the various channels of distribution.
Promotion – Concept and Elements; Advertising, Personal Selling, Sales Promotion and Public Relations	• Understand the concept of promotion as an element of marketing mix.• Describe the elements of promotion mix.• Understand the concept of advertising.• Understand the concept of sales promotion.• Discuss the concept of public relations.

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 is to achieve the organizational goals at minimum cost by: -Analysing and planning marketing activities, implementing the marketing plans, setting control mechanism.

Meaning of Marketing: Marketing is a social process where in people interact with others, in order to persuade them to act in a particular way, say to purchase a product or a service, rather than forcing them to do so.

Features of Marketing:

1. Needs and Wants: The process of marketing helps individuals and groups in obtaining what they need & want. **2. Creating a Market Offering**: Market offering refers to a complete offer for a product or service, having given features like size, quality, taste, etc; at a certain price; available at a given outlet or location and so on. **3. Customer Value**: The buyers make buying decisions on their perceptions of the value of the product or service in satisfying their need, in relation to its cost. A product will be purchased only if it is perceived to be giving greatest benefit or value for the money. **4. Exchange Mechanism**: The process of marketing involves exchange of products and services for money or something considered valuable by the people.	**MNEMONICS-** **N C C E** **“New Customers Create Exchange.”** **1. N-Needs & Wants** **2. C-Creating a Market Offering** **3. C-Customer Value** **4. C-Exchange Mechanism**

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 the production concept	**1. Production Concept:** **2. Product 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 need s 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*.**	**3. Selling Concept** **4. Marketing Concept** **5. Societal concept:**

Case Based Questions:-

JTM Ltd. launched 'Buddyline', an exercise book and comprehensive stationery brand name comprising of ball pens, gel pens and geometry boxes after identifying the target market and understanding the needs and wants of the consumers of that market. All their products were of good quality and eco-friendly but expensive. They wanted to distinguish their products from that of their competitors. They spent lot of efforts, time and money in creating the brand name, as they knew that without a brand name, they can only create awareness for the generic products and can never be sure of the sale of their products. The effort paid off and the demand for the products started growing. The customers liked the brand and became habitual to it. They did not mind paying a higher price. 'Over a period of time, it became a status symbol to buy 'Buddyline' brand because of its quality. The consumers felt pride in using them.

(i) Identify the marketing management philosophy followed by JTM Ltd.

Ans. (i) Marketing management philosophy followed by JTM Ltd. is **'Societal marketing'.**

Functions of Marketing:-

(a) Gathering & 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.

G – M – P – S – P – B – C – P – P – P – T – S	
Mnemonic:"Great Marketers Plan Smart Packaging, Build Customer Preference, Promote Products Through Storage."	
G- Gathering and analysing market information,	**M- M**arketing planning
P- Product planning and development,	**S- S**tandardisation and grading
P- Packaging and labeling	**B- B**randing
C- Customer support services	**P- P**ricing of products
P- Promotion and selling	**P- P**hysical distribution
T- Transportation	**S- S**torage 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.

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: -This is packaging 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 specifies 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 product. The factors kept in mind while fixing the price of a commodity or services:-

Pricing objective:-What is the objective of firm as a very important factor which helps in deciding the price. Apart from profit maximization, the pricing objective of a firm may include:

a) Price Maximization
b) Obtaining market shares
c) Surviving in a competitive market etc.

1. **Product cost:-**The price of the product must be able to cover the total cost of product.
2. **Extend of competition in the market:** - A firm fixes price of a product as per the competition faced by them.
3. **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.
4. **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.

5. **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.

Concept of Distribution Place element of marketing mix is concerned with making the goods and services available at the right place, so that the people can purchase them.

Channels of Distribution:- It is the path through which ownership as well as possession of goods passes from producers to consumers.

Types of channels of distribution are as follows

(i) Direct or zero level channel:- Manufacturer —> Consumer
(ii) One level channel:- Manufacturer —> Retailer —> Consumer
(iii) Two level channel: - Manufacturer —> Wholesaler —> Retailer—> Consumer
(iv) Three level channel:- Manufacturer —> Agent —> Wholesaler —> Retailer —> Consumer

Factors Determining Choice of Channels:
(i) Product Related Factors (ii) Company Characteristics (iii) Market Factors
(iv) Competitive Factors (v) Environmental Factors

Physical Distribution -The physical handling and movement of goods from place of production to the place of distribution, is called physical distribution, it covers all the activities required to physically move the goods from the manufacturers to the customers.

Components of Physical Distribution the main components of the process of physical distribution are:
(i) Order processing (ii) Transportation (iii) Warehousing (iv) Inventory control.

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: - It is defined as any paid form of non-personal presentation & promotion of ideas, goods or services by an Identified Sponsor. **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 mean maintaining relations with public. By maintaining public relations companies create goodwill.	**1-Advertising** **2-Personal Selling** **3- Sales Promotion** **4-Public Relations**

Case Based Questions:-

1. 'Stay Fit', a probiotic drink was launched in the market by Dabal India Ltd. and is available in various cities across the country. Doctors are recommending it as it is very useful for the stomach. The company is also using various tools to inform and persuade customers about its product. It has recently started free distribution of its samples to encourage the customers to know about it benefits to buy this probiotic drink in future. The company has also appointed a large number of salespersons, who contact the prospective buyers and communicate with them to make sales. This way, the company is able to develop personal rapport with its customer. In order to create awareness and to increase its popularity among school children, it also organise workshops for student and teacher. It also arranged visits of students and teachers to the factory to create awareness about the standards of hygiene adopted in processing and packaging, etc. This helps the company to build a positive image of its product in the society. This way the company is using a combination of communication tools to inform and persuade customers about their firm's product. Identify and explain these tools.

Ans:-Tools used by the company to inform & persuade customers about their product are:

(i) **Sales promotion** -Sales promotion refers to short-term incentives, which are offered to encourage the buyers to make immediate purchase of a product or service.

(ii) **Personal selling-** It refers to the oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. Companies appoint sales persons to contact prospective buyers and create awareness about the product and develop product preferences with the aim of making sale.

(iii) **Public relations** -The concept of public relations involves a variety of programmes to promote and protect a company's image or its products. It is the sustained and planned effort to influence public opinion and to establish and maintain mutual understanding between an organisation and the public.

2. JTM Ltd. launched 'Buddyline', an exercise book and comprehensive stationery brand name comprising of ball pens, gel pens and geometry boxes after identifying the target market and understanding the needs and wants of the consumers of that market. All their products were of good quality and eco-friendly but expensive. They wanted to distinguish their products from that of their competitors. They spent lot of efforts, time and money in creating the brand name, as they knew that without a brand name, they can only create awareness for the generic products and can never be sure of the sale of their products. The effort paid off and the demand for the products started growing. The customers liked the brand and became habitual to it. They did not mind paying a higher price. 'Over a period of time, it became a status symbol to buy 'Buddyline' brand because of its quality. The consumers felt pride in using them.

(i) Explain the advantages of branding to the marketers highlighted in the above case.

Ans. (i) Advantages of branding to marketers are:

(a) Enable product differentiation Due to proper branding, products can be easily differentiated which help in increasing the sales.

(b) Helps in introduction of new product once brand is established through correct use of branding, new products can be easily introduced.

3. After acquiring the necessary knowledge and skills on starting an Aloevera Farm, Ashok wanted to be the leading manufacturer of Aloevera products worldwide. He observed that the products were expensive as the demand of the products was more than the supply.
He was also keen to promote methods and practices that were economically viable, environmentally sound and at the same time protecting public health. Ashok's main consideration was about the amount of money paid by the consumers in consideration of the purchase of Aloevera product. He also thought that competitors' prices and their anticipated reactions must also be considered for this. After gathering and analysing information and doing correct marketing planning, he came to know that the consumers compare the value of a product to the value of money they are required to pay. The consumers will be ready to buy a product when they perceived that the value of the product is at least equal to the value of money which they would pay. Since, he was entering into a new market, he felt that he may not be able to cover all costs. He knew that in the long run the business will not be able to survive unless all costs are covered in addition to a minimum profit. He examined the quality and features of the products of the competitors and the anticipated reactions of the consumers. Considering the same he decided to add some unique features to the packaging and also decided to provide free home delivery of the products. The above case relates to a concept which is considered to be an effective competitive marketing weapon. In conditions of perfect competition most of the firms compete with each other on this concept in the marketing of goods and services.

(a) Identify the concept.
(b) Explain briefly any four factors discussed in the above case related to the concept so identified.

Ans: Pricing: - It refers to the process of determining the price of a product. Price of a product refers to the amount of money that the customer has to pay to obtain a product from the market. Pricing is considered as a regulator of demand of a product, because, when the price of the product is increased, demand falls, and vice-versa. Under Perfect Competition, most firms compete with each other on the basis of this factor. Therefore, firms give great importance to the fixation of price for their goods and services.

(b) Four factors discussed in the above case are:

(i) Product cost - **(ii) The utility and demand-**
(iii) Extent of competition- **(iv) Government and legal regulations-**

KEYWORDS

Market (traditional sense)	• Place where buyers and sellers gather to enter into transactions involving exchange of goods and services.
Market (modern sense)	• It refers to set of actual and potential buyers of a product or a service.
Marketing (traditional sense)	• It referred to as performance of business activities that direct the flow of goods and services from producers and consumers.

Marketing (modern sense).	• Marketing is a social process wherein people interact with others, in order to act in a particular way, rather than forcing them to do so
Marketing management	• Choosing a target market. Focus on getting, keeping and growing the customers. (Creating demand), Creating and developing superior values for customers.
The Production Concept	• Problem was number of producers were limited. Focus on • production of goods at large scale and reducing average cost of production
The Product Concept	• Mere availability and low price could not ensure increased sale. • Emphasis was shifted from quantity of products to quality of products.
The Selling Concept	• The product quality and availability did not ensure the survival and growth of firms anymore. It was assumed customers will not but unless they are convinced and motivated. Focus on aggressive selling and promotional techniques.
The Marketing Concept	• It assumes that in long run profits maximization can be done by identifying the needs of prospective buyers and satisfying them. Focus on Customers' satisfaction. Role of firm is to 'identify a need and fill it'.
The Societal Marketing Concept	• Extension of marketing concept. Any activity which satisfies human needs but is detrimental to the interests of the society cannot be justified. Long term welfare of society.
Marketing Mix	• The Combination of controllable variables chosen by a firm to prepare its market offering is called Marketing Mix. Marketing mix can be described as set of marketing tools that a firm uses to achieve its marketing objectives in a target market.
Elements of Marketing Mix	• 1. Product Mix • 2. Price Mix • 3. Place or Physical Distribution Mix • 4. Promotion Mix.
Product Mix	• Product means goods or services or 'anything of value' or tangible and intangible attributes of a product which is offered to the market for sale.Product is offered for attention, acquisition, use or consumption.
Branding	• The process of giving a name or sign or a symbol etc. to a product is called branding.
Packaging	• Act of designing and producing the container or wrapper of a product.

Labelling	• Process of indicating and providing detailed information about the product, its contents, brand name, method of use, ingredients etc.
Price Mix	• Price money represents the sum of values that consumers exchange for the benefit of having or using the product. Price may be defined as the amount of money paid by a buyer in consideration of the purchase of a product or a service. Pricing is used as a regulator of the demand of the product. Price is the single most important factor affecting the revenue and profits of the firm.
Physical Distribution Mix	• It is concerned with making the goods and services available at the right place, so the people can purchase the same. There are two decisions relating to this aspect:- i). Physical movement of goods and services from producers to consumers. ii). Channels or intermediaries in the distribution process.
Promotion mix	• Promotion refers to the use of tools of communication with the twin objectives of:- a) Informing potential customers about the product and b) Persuading them to purchase it.

MULTIPLE CHOICE QUESTIONS (MCQ's)

Q1. To identify the needs of the customers and to take various decisions related to successful marketing of the products and services, it is important to make an analysis of the available opportunities and threats, as well as strengths and weaknesses of the organisation and decide what opportunities can be best pursued by it', highlights one of the functions of marketing, that is: **(CBSE 2025)**

(a) Gathering and analysing market information (b) Marketing planning
(c) Product designing and development (d) Branding

Q2. One of the responsibilities of an aware consumer into buy only standardized goods as they provide quality assurance. Identify the quality certification mark to be seen by a consumer in the picture given below-

(a) ISI Mark. (b) Agmark.
(c) Hallmark. (d) FPO/FSSAI Mark

Q3. Madhu wants to buy Jewellery for her daughter's marriage. Which of the following quality certification mark should she look for while buying Jewellery? **(CBSE 2025)**
(a) FPO/FSSAI Mark (b) ISI Mark (c) Hallmark (d) Eco-mark.

Q4. Shridhan wanted to purchase an electric car. He visited a retail showroom of a car company where these cars were displayed. The Marketing Manager of this showroom told Shridhan that the company offers credit facilities, Maintenance services and many other services that help in bringing repeat sales and developing brand loyalty for their cars. The marketing function being discussed by the Marketing Manager in the above case is
(a) Product Designing and Development (b) Marketing Planning
(c) Customer Support Services (d) Branding. **(CBSE 2025)**

Q5. Which marketing philosophy lays emphasis on bringing continuous improvement in the quality of the product? **(CBSE - 2021)**

(a) Production concept
(b) Product concept
(c) Marketing concept
(d) societal marketing concept

Q6. The function of marketing that involves physical movement of goods from one place to another is called: **(CBSE- 2021)**
(a) Promotion
(b) Transportation
(c) Storage and warehousing
(d) Customer support services

Q7. Which product-related decision is concerned with providing detailed information about the product on its package? **(CBSE- 2021)**
(a) Branding (b) Packaging (c) Labelling (d) Both Branding and Packaging

Q8. 'Product Cost' as a factor affecting price determination of a product includes
(a) Cost of producing, distributing and selling the product.
(b) Utility provided by the product.
(c) Nature and degree of competition.
(d) Maximizing profit in the short-run.

Q9. Selling focuses on ______ while marketing focuses on ______.
(a)Customer; Product (b)Product; Customer (c)Profit; Cost (d)Distribution; Promotion

Q10. The stages of product life cycle are:
(a). Introduction, Growth, Maturity, Decline (b). Production, Distribution, Promotion, Sale
(c). Planning, Designing, Branding, Packaging (d). None of the above

Answers:-

Q	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Ans	**a**	**a**	**c**	**c**	**b**	**b**	**c**	**a**	**b**	**A**

Assertion (A) and Reason (R) BASED QUESTIONS:
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are false.
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

Q1. Read the following statements: Assertion (A) and Reason (R)
Assertion (A): Marketing is only a post-production activity.
Reason (R): Marketing includes activities like identification customer needs, collection of information for developing suitable product package and the product, designing giving it a brand name. **(CBSE 2025)**

Q2. Read the following statements: Assertion (A) and Reason (R).
Assertion: Branding plays a critical role in establishing a strong emotional connection with customers, which drives customer loyalty.
Reasoning: A well-executed branding strategy helps differentiate a company's products from competitors, creating a unique identity that customers resonate with, leading to repeated purchases and advocacy.

Q3. Read the following statements Assertion (A) and Reason (R). Choose one of the correct alternatives given below.
Assertion (A) - The marketing concept strives to identify and meet the wants and requirements of customers in an efficient manner.
Reason(R) - Products are purchased based on their quality and other attributes, according

to the marketing theory.

Q4. Answer the below Statement question?

(a) Statement I is correct and Statement II is wrong
(b) Statement II is correct and Statement I is wrong
(c) both statements are correct
(d) both statements are wrong

Statement I: - If the demand of a product is inelastic; the firm is in a position to fix higher prices. **(CBSE 2021)**

Statement II: - In case the degree of competition is high, the firm is in a position to set high prices.

Q5. Statement I- Advertising is an impersonal form of communication. **(CBSE 2021)**

Statement II - Advertising lacks direct feedback. Alternatives

ANSWER:

Q No.	1	2	3	4	5
Ans	(d)	(a)	(b)	(a)	(c)

Long Answer Type Questions

Q 1. Medi Instruments Ltd. is a company dealing in the distribution of medical instruments. The company recently imported 15000 units of sugar testing machines to test the sugar levels without taking blood samples. For deciding the marketing strategy, the Chief Executive Officer of the company called a meeting of the marketing heads of different zones. 'In the meeting, Sanjay, the North Zone Marketing Head, suggested that since the machines were sophisticated, they need to visit hospitals personally to explain its working to the hospital staff who would be using the machines. He also suggested that additional trained people may be recruited for the same. Hitesh another Zonal Head, added that since lot of money had been spent on the import of the machines, the company was short of funds to pay the additional staff, as suggested by Sanjay. Revansh, a newly appointed Zonal Head of South Zone, suggested that since the size of the order was not large a detailed study of the factors determining the choice of channels of distribution was required before making the right choice.

(i) Identify the factors influencing the choice of channels of distribution which were discussed in the meeting.

(ii) Also, explain briefly the other consideration to be taken care of in each factor identified in part (i).

Ans. (i) The factors influencing choice of channels of distribution discussed here are

(a) Product related factor - **(b) Company related facto**r-

(c) Competitive factor - Product related factor- '

Q2. A company was marketing 'Juicers' which were very popular due to their quality and after sale services provided to the customers. The company was a leading company in the market and earning huge profits. Because of huge profits, the company ignored the after sales services. As a result its relations with the customers got spoiled and the image of the company in the public was damaged. Top management became concerned when the profits for the current quarter fell steeply. On analysis, it was revealed that ignoring the after sales services was its reason. Therefore, the company took all possible measures to protect and promote its favourable image. As a result the goodwill of the company improved in the society.

(i) Name and state the communication tool used by the marketer in the above case to improve its image.

(ii) Also explain role of the tool as identified in part (i).

Ans. (i) The communication tool used by the marketer in the above case is '**Public Relations.**' Public relation is an important element of marketing. It means maintaining relations with public. By maintaining such relations, companies create goodwill. Public relations evaluate public attitudes; identify the policies and procedures of an organisation with the public interest to earn public understanding and acceptance. Public does not mean only customers, but it includes shareholders, suppliers, intermediaries, customers, etc. Thus, it helps in maintaining and establishing mutual understanding between an organisation and public.

Role of public relations - The role of public relations can be discussed with respect to functions performed by public relations department.

These functions are-

(a) Smooth functioning of business (b) Corporate communication (c) Lobbying
(d) Counselling (e) Building corporate image and brand equity- Press relations-

CHAPTER 12
CONSUMER PROTECTION

Topic	Learning Outcomes
Consumer Protection: Concept and Importance	• Understand the concept of consumer protection.• Describe the importance of consumer protection.• Discuss the scope of Consumer Protection Act, 2019.
The Consumer Protection Act, 2019	• Understand the concept of a consumer according to the Consumer Protection Act, 2019.• Explain consumer rights.• Understand the responsibilities of consumers.• Understand who can file a complaint and against whom.• Discuss the legal redressal machinery under the Consumer Protection Act, 2019.• Examine the remedies available to consumers under the Consumer Protection Act, 2019.
Consumer Awareness – Role of Consumer Organizations and Non-Governmental Organizations (NGOs)	• Describe the role of consumer organizations and NGOs in protecting consumers' interests.

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

Importance of Consumer Protection: - From Consumers point of view: -

a) Consumer Ignorance b) Unorganised consumers 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.

The consumer protection act, 2019:

It extends to the whole of India. It is applicable to all types of businesses whether a manufacturer or a trader and whether supplying goods or providing services including e-commerce firms. The Act confers certain rights to consumers with a view to empowering them and to protect their interests.

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 be assured:** -The consumer has the freedom to access variety of products at competitive prices. This implies that	**MNEMONICS** **"Smart Individuals Always Hear Real Education."** **S I A H R E** **S-Right to safety** **I-Right to be Informed** **A- Right to**

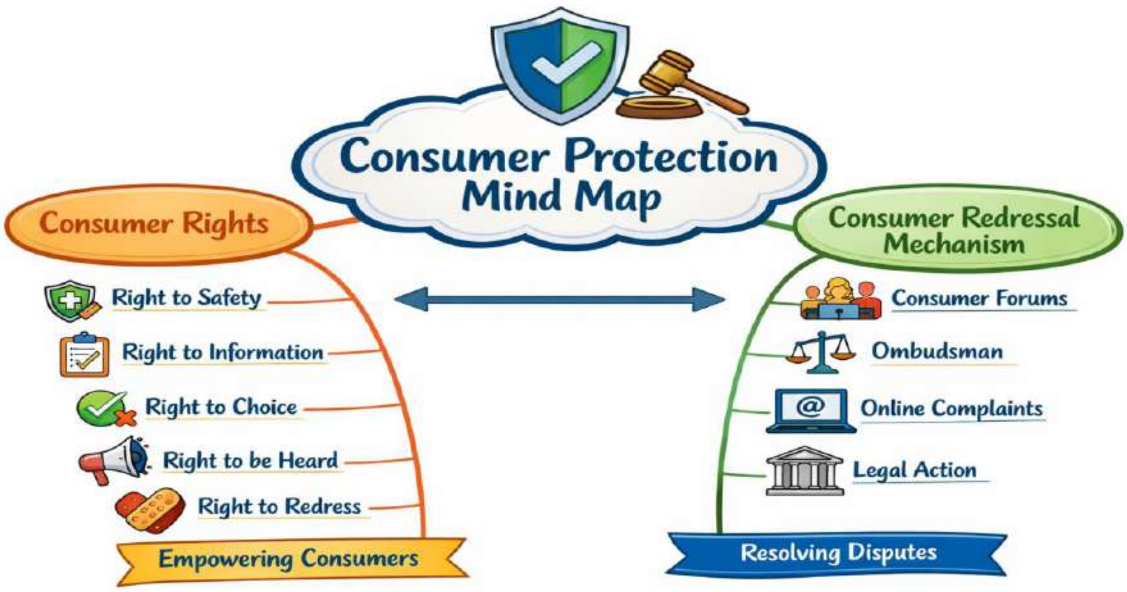
the marketers should offer a wide variety of products in terms of quality, brand, prices, size, etc. **(4) Right to be heard: -** The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service. It is because of this reason that many enlightened business 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. **(4) (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.	**be Assured** **H- Right to be Heard** **R- Right to Seek Redressal** **E- Right to Consumer Education**

CASE BASED QUESTIONS

Q 1. Rita Sharma who works as a guard in a school, purchased two shirts for ₹ 460 each for her son. When she went back home, she realised that the shirt was small in size for her son. She decided to ask for return of money of exchange of the shirt with an appropriate size. But the store owner refused to return the money or exchange the shirt. Rita Sharma was disheartened. Her friend advised her to go to 'Seva Sadan', an autonomous voluntary organisation working for the protection of consumer welfare. The organisation helped her by explaining to her the legal procedure, as well as educated her about her rights as a consumer and helped her in filing the complaint and getting relief. With the help of the organisation, Rita was able to get her money back from the store. Enumerate the rights of a consumer which Rita Sharma was able to exercise with the help of the voluntary organisation.

Ans. Rita Sharma was able to exercise following rights

(i) Right to be heard (ii) Right to seek Redressal (iii)Right to consumer education



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) Consumers must be Quality-Conscious.

(e) Respect the environment. Avoid waste, littering and contributing to pollution

(f) Do not get carried Away by Advertisements.

(g) Discourage black marketing, hoarding and choose only legal gods and services.

(h) Form consumer societies which could play an active part in educating consumers and safeguarding their interest.

Q:- . Raghu, on waking up early in the morning, often complained about back pain. When his pain persisted, he consulted a doctor who advised him to purchase a good quality orthopedic mattress. That would ensure correct spinal alignment and reduce the back pain. Raghu surveyed the market and purchased a good quality orthopedic mattress. As the price of the mattress was very high, he wanted to avoid paying GST. The shopkeeper suggested that he can do so if he does not take a receipt for the purchase of the mattress. Raghu readily agreed for the same. After few months of using the mattress, his back pain recurred. He realised that the mattress had caved in from the centre. He approached the shopkeeper who refused to entertain Raghu. Raghu wanted to approach the court for redressal of his grievance. However, one of his friends told him that he would not be able to do so as he had not fulfilled one of his responsibilities. From the following, identify the responsibility which Raghu failed to fulfill.

A. Respect the environment; avoid waste littering and contributing to pollution.

B. Ask for a Cash Memo on purchase of goods and services.

C. Assert yourself to ensure that you get a fair deal

D. Learn about the risks associated with products and services, follow manufacturer's instructions and use the product safely. (**CBSE 2025)**

Ans. B. Ask for a Cash Memo on purchase of goods and services.

Meaning of Consumer -Consumer is any person who buys any goods or avails any service for consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment. The term includes any other user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for resale or any commercial purpose.

Who can file a Complaint?

(i) Any consumer

(ii) Any consumer association registered under Companies Act, 2013

(iii) The Central or any State Government

(iv) A legal heir or representative of a deceased consumer

Against Whom a Complaint can be filed?

(i) A complaint can be filed against seller, manufacturer or dealer of goods, whose goods are defective.

(ii) It can be filed against the provider of services, if they are deficient in any manner.

Redressal agencies under The consumer Protection act-

For the redressal of consumer grievances, the Consumer Protection Act 2019 provides for setting up of a three-tier enforcement machinery at the District, State, & the National levels. As per the **Consumer Protection Rules 2021,** the jurisdiction of District Commission, State Commission and the National Commission is as follow:

1. **District Commission**: District commission has a jurisdiction to entertain complaints where value of goods or services paid as consideration **does not exceed fifty lakh rupees.** Either on the first hearing or at any later stage, it appears to district commission that there exist elements of settlement which may be acceptable to the parties; it may direct them to give their consent for settlement of dispute through mediation **within five days.** If any of the parties are not satisfied by the order of District Commission can appeal against such order to **the State Commission** on the grounds of facts or law **within a period of forty-five days** from the date of order.

2. **State Commission:** It is established by the respective state government and ordinarily functions at the state capital. State Commission has a jurisdiction to entertain complaints where value of goods and services paid as consideration that **exceeds rupees fifty lakh but does not exceed two crores.**

   If any of the parties are not satisfied by the order of State Commission can appeal against such order to **the National Commission within a period of thirty days** of such order.

3. **National Commission:** The National Commission has territorial jurisdiction over the whole country. National Commission has a jurisdiction to entertain complaints where value of goods or services paid as consideration **exceeds of rupees two Crores** If any of the parties are not satisfied by the order of National Commission can appeal against such order to **the Supreme Court of India within a period of thirty days** of such order.

Relief Available-

Where District or State or National Commission is satisfied about defect in goods, or deficiency in services on any unfair trade practice or claim for compensation under product liability, issues an order:

(i) To remove the defect in goods or deficiency in service.

(ii) To replace the defective product with a new one, free from any defect.

(iii) To refund the price paid for the product, or the charges paid for the service.

(iv) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer, due to the negligence of the opposite party.

(v) To pay punitive damages in appropriate circumstances.

(vi) To discontinue the unfair/ restrictive trade practice and not to repeat it in the future.

(vii) Not to offer hazardous goods for sale.

(viii) To withdraw the hazardous goods from sale.

(ix) To cease manufacture of hazardous goods and to desist from offering hazardous services.

(x) Compensate for any loss or injury suffered by consumer under product liability action and withdraw hazardous products from being offered for sale etc.

Q: - After moving to Dama from his home town in Rasha, Ramu and his family were staying in a rented accommodation for the last 5 years. Ramu and one of his office colleagues decided to buy a flat each in close proximity to their office. After a lot of research, they settled for a housing project which would cost them Rs. 1.25 crore each for a threebedroom flat. The housing project developers promised to deliver their flats within 36 months. An amount of Rs. 20 lakh each was paid to the developers of the housing project at the time of booking the flat. Since the payment schedule was time bound, they paid additional Rs. 80 lakh each over a period of 2 years. The balance of Rs. 25 lakhs was to be paid at the time of registration. Despite having taken the major part of the cost of the flats, the housing project developers hadn't started the construction work. Ramu and his colleague asked to refund the amount paid. On refusal of refund of the amount paid by the housing project developers, Ramu and his colleague decided to approach the consumer court. The redressal agency which Ramu and his colleague should approach for redressal of their grievance is:

(A) District Commission(C)National Commission (B)State Commission(D) Local Commission

Ans. State Commission

Role of consumer organizations and NGOs in protecting consumers' interests:

(i) Educating the general public about consumer rights by organizing training programmes, seminars and workshops.

(ii) Publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of interest.

(iii) 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.

(iv) Encouraging consumers to strongly protest and take an action against unscrupulous, exploitative and unfair trade practices of sellers.

(v) Providing legal assistance to consumers by way of providing aid, legal advice etc. in seeking legal remedy.

(vi) Filing complaints in appropriate consumer courts on behalf of the consumers.

(vii) Taking an initiative in filing cases in consumer courts in the interest of the general public, not for any individual.

Q:- 'VOICE' is an important consumer organisation. It organized workshops in the months of December in Delhi/NCR for consumers. The theme was 'Organic Food-From Farm to Plate', to spread awareness on the importance of organic farming and to encourage consumers to switch from conventional food, that contains chemicals and pesticides to organic food. Expert speakers from farmers' community explained the harmful effects of usage of pesticides in farming and the importance of organic food. People were informed that the organisation regularly tests samples to detect adulteration like presence of heavy metals or pesticides. The results of the tests are published in their monthly magazine 'Consumer Voice' to make people aware of quality of different products. It also provides aid and legal advice to the consumers in seeking a remedy. State the functions performed by the Consumer Voice for the protection and promotion of consumer interest by quoting lines from the above para.

Ans. Functions performed by VOICE are

(i) Creating awareness about consumer rights: "It organizes……pesticides to organic food."

(ii) Imparting knowledge: "Expert speakers' .... food."

(iii) Testing of consumer products: "People were .... products."

(iv) Providing legal assistance to consumers: "It also provides......... a remedy."

KEYWORDS

Complaint	• Any allegation in writing made by the complainant for obtaining relief w.r.t restrictive trade practice, defect in goods or deficiency in services provided, overcharging of price or offer of goods or service injurious to life and safety.
Complainant	• means one or more consumers, or any voluntary consumer association, central or state government or the central authority or a legal heir or legal representative or a parent or • legal representative in case of a minor.
Spurious goods	• Goods that are falsely claimed to be genuine
Unfair trade practice	• A trade practice for the purpose of promoting sale, use or supply of any goods or service falsely represents its quality, standard, • quantity, composition, style or model
Right to Safety:	• Protection against goods and services which are hazardous to life, health and property.
Right to be informed	• complete information about the product he intends to buy
Right to be assured	• Freedom to access variety of products at competitive prices.
Right to be heard	• File a complaint and to be heard in case of dissatisfaction with a good or a service.
Right to seek redressal	• To get relief against unfair trade practice
Right to Consumer Education	• To acquire knowledge and to be a well-informed consumer throughout life.
	*** District Commission:** Consideration does *not exceed Fifty Lacks rupees. Appeal period 45 days* *** State Commission** Consideration from fifty lacks to *Two Crores Appeal period-30 days* * **National Commission** *More than Two Crores Appeal Period 30 days*

<u>Multiple choice Questions</u>

Q1. Who among the following is not considered a consumer under the Consumer Protection Act, 2019?

(a) A person who buys any goods for a consideration which has been paid.

(b) A person who avails of any service for a consideration which has been promised.

(c) A person who avails of a service for a commercial purpose.

(d) any user of goods when such use is made with the approval of the buyer.

Q2. Aarushi purchased a pack of biscuits. When she opened it, she felt the biscuits were stale. She carefully read the label on the pack of biscuits which mentioned “If you are not satisfied with the product quality, write to our Customer Care Cell at Bell Foods Pvt. Ltd.

B/321, Jalandhar, (Punjab)." The biscuit company has set up its own consumer service and grievance cell to promote and protect the following right: **CBSE 2020 (C)**

(a) Right to Safety (b) Right to be Heard

(c) Right to be Informed (d) Right to Consumer Education

Q3. Sheela went to a free eye camp and got her eyes operated for cataract. The surgery was not done properly, due to which she lost her vision. Where can she file a complaint under Consumer Protection Act?

(a) At district forum (b) State commission (c) National commission (d) None of these

Q4. Under, the consumer has a right to get relief for replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer in case the product/service falls short of his expectations. **(CBSE 2025, 66/6/1) 1 M**

(a) Right to safety (b) Right to seek redressal

(c) Right to be assured (d) Right to be heard

Q5. Which of the following statement is incorrect in respect of responsibility of a consumer while purchasing using and consuming goods and services?

(a) Check ISI mark on food products before buying.

(b) Ask for a cash-memo on purchase of goods and services

(c) Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc

(d) Assert yourself to ensure that you get a fair deal.

Q 6. As per the Consumer Protection Act, 2019 which of the following statement is correct?

(a) In case the aggrieved party is not satisfied with the order of the District Commission, he can directly appeal before the National Commission.

(b) In case the aggrieved party is not satisfied with the order of the District Commission, he can directly appeal before the Supreme Court.

(c) In case the aggrieved party is not satisfied with the order of the State Commission, he can directly appeal before the Supreme Court. ,

(d) In case the aggrieved party is not satisfied with the order of the National Commission, he can appeal before the Supreme Court.

Q 7. The main objective of consumer protection is:

(a) Profit maximization (b) Safeguarding consumer rights

(c) Increasing production (d) Reducing costs

Q 8. Consumer protection is important because:

(a) Consumers are weak compared to producers (b) Producers need more profit

(c) Government requires it (d) Retailers demand it

Q 9. National Commission is headed by:

(a) Judge of Supreme Court (b) Judge of High Court

(c) District Magistrate (d) Chief Minister

Q 10. Consumer organizations file:

(a) Complaints on behalf of government (b) Complaints on behalf of producers

(c) Complaints on behalf of consumers (d) Complaints on behalf of retailers.

Q.No.	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Ans	**(c)**	**(b)**	**(d)**	**(b)**	**(a)**	**(d)**	**(b)**	**(a)**	**(a)**	**(c)**

Assertion (A) and Reason (R) based questions:

Choose the correct alternative from the options given below:

(A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(B) Assertion (A) is true, but Reason (R) is false.

(D) Assertion (A) is false, but Reason (R) is true.

Q 1. Read the following statements: Assertion (A) and Reason (R).

Q1. Assertion (A): A buyer buys a product or service for what it does for him/her or the benefit it provides to him/her.

Reason (R): From the customer's point of view, a product is a bundle of utilities which is purchased because of its capability to provide satisfaction of a certain nee

Q2. Assertion (A): A consumer can seek replacement of goods if the product is found to be defective.

Reason (R): The Consumer Protection Act, 2019 provides for various reliefs, including refund, replacement, and compensation.

Q3. Assertion (A): A responsible consumer checks the expiry date before purchasing any product.

Reason (R): It is the manufacturer's duty to inform consumers about the risks associated with their products.

Q4. Assertion (A): It becomes necessary to educate consumers about their rights and reliefs available to them**.**

Reason (R): Consumer protection has a wide agenda.

Q5. Assertion (A): The marketers should offer a wide variety of products to the consumers.

Reason (R): The Consumer has the freedom to choose from a variety of products at competitive prices.

Q NO.	**1**	**2**	**3**	**4**	**5**
Ans	**(a)**	**(a)**	**(b)**	**(b)**	**(a)**

Long Answer Type Questions:-

QNo.1. "Grahak Shakti", an N.G.O. organized a workshop to discuss various issues relating to consumers. During the discussion, one of the members drew attention towards exploitation of consumers due to defective and unsafe products, adulteration, black marketing, hoarding etc. To this another member argued that consumers themselves are responsible as they do not raise collective voice against the exploitation. The Chairperson of the organization was of the opinion that it was also the duty of the businessman to take care of the interests of various stakeholders. Business organizations earn money by selling goods and services to consumers. So the interests of the stakeholders have to be well taken care of. State three points that highlight the need for consumer protection as discussed in "Grahak Shakti's workshop.

QNo.2. Harish purchased a medicine from Bhatia Medical Stores for his son, who had high fever. Even after giving the medicine his son's condition did not improve and he had to be hospitalized. Doctor informed Harish that medicine given to his son was spurious. Harish complained about this to Bhatia Medical Stores. As-a result, Bhatia Medical Stores decided to file a complaint against the manufacturer in the consumer court. Can Bhatia Medical

Stores do this? Give reason in support of your answer. Also, explain who is a consumer as per Consumer Protection Act, 2019.

Ans 1:-.
1. Exploitation of consumers due to defective and unsafe products, adulteration, black marketing, hoarding etc
2. It was also the duty of the businessman to take care of the interests of various stakeholders.
3. Business organizations earn money by selling goods and services to consumers. So the interests of the stakeholders have to be well taken care of.

Ans2. Bhatia Medical Stores' cannot file a complaint against the manufacturer in the consumer court because Bhatia Medical Stores is not a consumer in this case. He is not a user but has obtained medicine for resale purpose/commercial purpose. Harish can file a complaint against the seller of medicines in the District commission.

<u>Competency based questions</u>

Q1. Sumit purchased an ISI marked washing machine of a famous brand 'MG' from TG Electronics Ltd. The shopkeeper asked him to wait for two days for installation of the machine. His friend, Vivek, was very fond of experimenting with new electronic products. He told Sumit that there is no need to wait for the company's representative to install the machine and that he could do it. So, both of them installed the machine without following the manufacturer's instructions. Initially, the machine worked effectively and the wash was good. But after two days, the machine started stopping in between the wash cycle. Sumit and Vivek tried their best to start the machine but failed in their efforts. Sumit, therefore, approached TG Electronics Ltd., which refused to provide any service on the plea that the installation of the machine was not done by the company. (**CBSE 2018)**

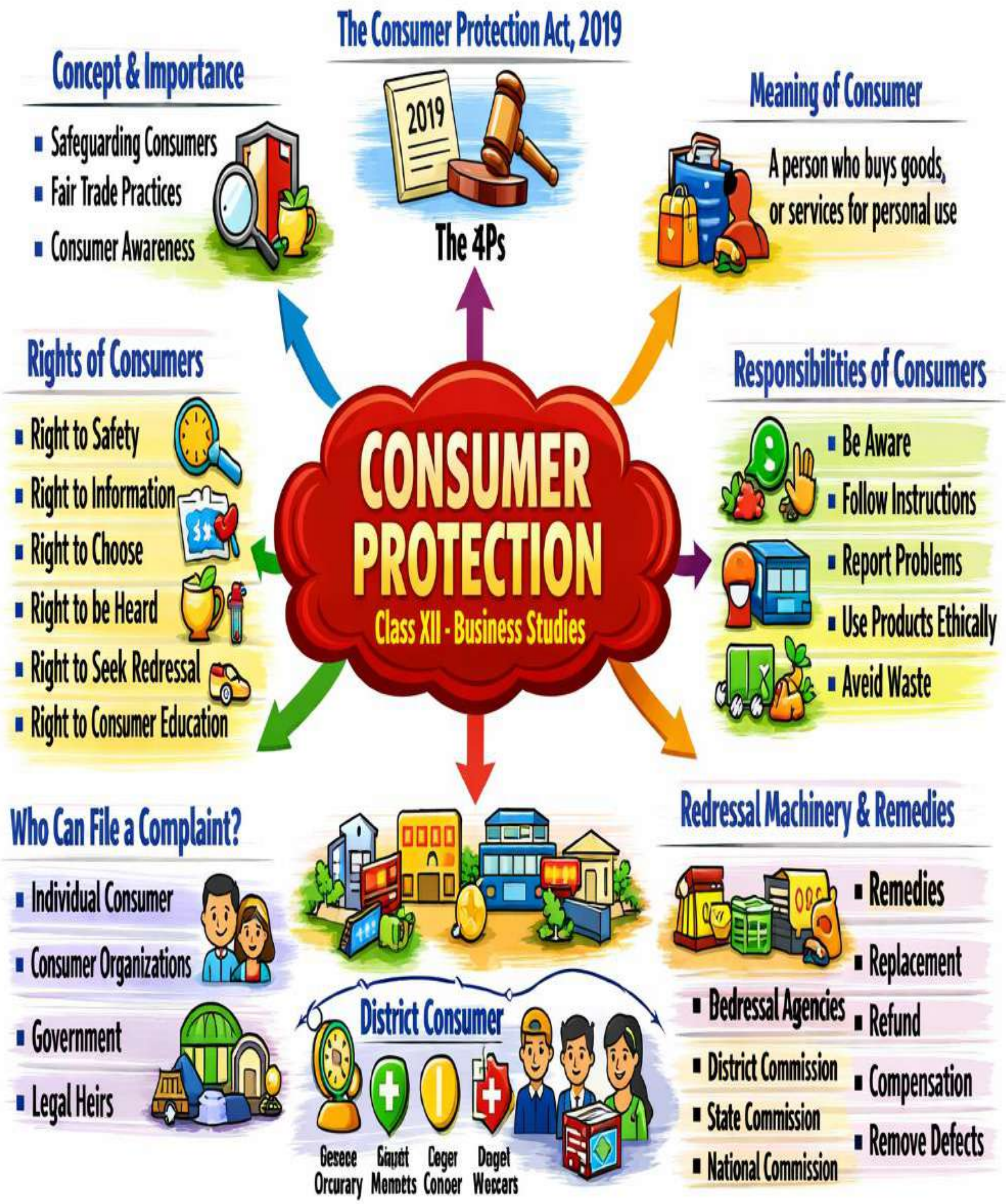
(i) State the responsibility which Sumit had to fulfill as an aware consumer to get the services of the company.
(ii) Explain briefly any two rights which Sumit could have exercised had he fulfilled his responsibility identified in part.

Ans. (i) As an aware consumer, the responsibility that Sumit should have followed is 'following the manufacturer's instructions and user manuals carefully before using the product for safety purposes.

(ii) If Sumit had fulfilled his responsibility, then he could have enjoyed the following rights

(a) **Right to be heard** Under this right, a consumer has the right to file a complaint under appropriate forms established by the government, in case of any grievance or dissatisfaction.

(b) **Right to seek redressal** Under this right, a consumer has the right to seek redressal and compensation in case of any exploitation.



The Consumer Protection Act, 2019
2019
The 4Ps
Concept & Importance
Safeguarding Consumers
Fair Trade Practices
Consumer Awareness
Meaning of Consumer
A person who buys goods, or services for personal use
CONSUMER PROTECTION
Class XII - Business Studies
Rights of Consumers
Right to Safety
Right to Information
Right to Choose
Right to be Heard
Right to Seek Redressal
Right to Consumer Education
Responsibilities of Consumers
Be Aware
Follow Instructions
Report Problems
Use Products Ethically
Aveid Waste
Who Can File a Complaint?
Individual Consumer
Consumer Organizations
Government
Legal Heirs
District Consumer
Redressal Machinery & Remedies
Remedies
Replacement
Bedressal Agencies
Refund
District Commission
State Commission
National Commission
Compensation
Remove Defects

Series QSP1R

SET~1

प्रश्न-पत्र कोड
Q.P. Code **66/1/1**

रोल नं.
Roll No. | | | | | | | | |

परीक्षार्थी प्रश्न-पत्र कोड को उत्तर-पुस्तिका के मुख-पृष्ठ पर अवश्य लिखें ।
Candidates must write the Q.P. Code on the title page of the answer-book.

(I) कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ 31 हैं । { }

Please check that this question paper contains 31 printed pages.

(II) प्रश्न-पत्र में दाहिने हाथ की ओर दिए गए प्रश्न-पत्र कोड को परीक्षार्थी उत्तर-पुस्तिका के मुख-पृष्ठ पर लिखें ।

Q.P. Code given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.

(III) कृपया जाँच कर लें कि इस प्रश्न-पत्र में 34 प्रश्न हैं ।

Please check that this question paper contains 34 questions.

(IV) कृपया प्रश्न का उत्तर लिखना शुरू करने से पहले, उत्तर-पुस्तिका में यथा स्थान पर प्रश्न का क्रमांक अवश्य लिखें ।

Please write down the serial number of the question in the answer-book at the given place before attempting it.

(V) इस प्रश्न-पत्र को पढ़ने के लिए 15 मिनट का समय दिया गया है । प्रश्न-पत्र का वितरण पूर्वाह्न में 10.15 बजे किया जाएगा । 10.15 बजे से 10.30 बजे तक परीक्षार्थी केवल प्रश्न-पत्र को पढ़ेंगे और इस अवधि के दौरान वे उत्तर-पुस्तिका पर कोई उत्तर नहीं लिखेंगे ।

15 minute time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the candidates will read the question paper only and will not write any answer on the answer-book during this period.

व्यावसायिक अध्ययन

BUSINESS STUDIES

निर्धारित समय : 3 घण्टे — *अधिकतम अंक : 80*

Time allowed : 3 hours — *Maximum Marks : 80*

General Instructions:

Read the following instructions very carefully and strictly follow them :

*(i) This question paper contains **34** questions. **All** questions are compulsory.*

(ii) Marks are indicated against each question.

(iii) Answers should be brief and to the point.

*(iv) Answers to the questions carrying **3** marks may be from **50** to **75** words.*

*(v) Answers to the questions carrying **4** marks may be in about **150** words.*

*(vi) Answers to the questions carrying **6** marks may be in about **200** words.*

(vii) Attempt all parts of a question together.

Q N	QUESTIONS	M
1	Ritika wanted to buy a new washing machine. She visited 'Elec Duniya', a large electronics store. She saw there many different brands and models on display like KM, Neo, Unipool, INH etc. The salesperson at the store explained the differences in quality, brand reputation and prices of different washing machines. Ritika could now compare fully automatic, semi-automatic, top load and front load washing machines. The salesperson encouraged her to take her time, check different brands and resolve her queries. Ritika also went to another shop nearby to compare prices and features of different washing machines. After comparing all the available options, Ritika chose a 'Neo' front load washing machine because it offered the best features within her budget. The consumer right exercised by Ritika in the above case is : (A) Right to be heard (B)Right to be assured (C) Right to consumer education (D)Right to seek redressal	1
2.	The workers in Alpha manufacturing company were using traditional methods for production of metal parts. Since no standard procedure existed, workers relied on personal experience and guess work. As a result, productivity in the assembly line began to decline. To improve productivity, the company hired a consultant specializing in scientific management. The consultant explained that there was only one best method to maximize efficiency and this method could be developed through proper study and analysis. He emphasized that the scientific method should replace the old method, that the workers were using. So, to develop the scientific method, the consultant carefully investigated the traditional methods through work-study and by unifying the best practices, he developed a standard method that would be followed by everyone in the organization. After applying scientific method, there was a three fold increase in productivity within six months. The principle of scientific management which helped the company in increasing the productivity was : (A) Science, not Rule of Thumb (B) Harmony, Not Discord (C) Cooperation, Not Individualism (D) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity	1
3	Read the following statements carefully : Statement – I : Consumers should get together and form themselves into consumer associations for protection and promotion of their interests. Statement – II : The Consumer Protection Act provides for setting up a two- tier enforcement machinery for the redressal of consumer grievances. With reference to given statements, choose the correct alternative from	1

	the following : (A) Both the statements are true. (B) Both the statements are false. (C) Statement I is true, Statement II is false. (D) Statement I is false, Statement II is true.	
4	Identify the element of communication process from the above picture : (A) Feedback (B) Media (C) Noise (D) Decoding 	1
5	Read the following statements – Assertion (A) and Reason (R) : Assertion (A) : Many enlightened business firms have set up their own consumer service and grievance cells. Reason (R) : The consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or service. Choose the correct alternative from the alternatives given below : (A) Both Assertion (A) and Reason (R) are false. (B) Assertion (A) is false and Reason (R) is true. (C) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). (D) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).	1
6	Sudha is a corporate executive and has to attend a felicitation function to be held in her office tomorrow. So she decides to colour her hair. On recommendation of her friend, she purchased 'NATURO' hair colour. After reading essential details such as shade, its ingredients, usage instructions and expiry date mentioned on the box, Sudha opened the box. She took out the colour tube and developer bottle from the box and threw away the box. The level of packaging of box thrown away by Sudha was : (A) Primary packaging (B) Transportation packaging (C) Secondary packaging(D) General packaging	1
7	Read the following statements – Assertion (A) and Reason (R) : Assertion (A) : Money market instruments have a higher degree of liquidity as compared to capital market securities. Reason (R) : Money market instruments are traded on the stock exchanges. Choose the correct alternative from the alternatives given below : (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). (C) Assertion (A) is true and Reason (R) is false. (D) Assertion (A) is false and Reason (R) is true.	1
8	Ravi purchased gold jewellery from a reputed jewellery store. He ensured that the jewellery had a hallmark which confirm its purity and authenticity. To avoid paying goods and services tax (GST) he asked the salesperson to write the gold weight and making charges on a slip of paper and hand over it to him. Which of the following responsibilities of a consumer was not fulfilled by Ravi while purchasing jewellery ? (A) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.	1

	(B) Ask for a cash memo on purchase of goods and services. (C) Buy only standardized goods as they provide quality assurance. (D) Assert yourself to ensure that you get a fair deal.	
9	'CARO Tech Solutions' aimed at development of a software system for the company's growing operations. The project was to be completed within six months with a budget of ₹ 12,00,000. The software development team successfully completed its project on time by outsourcing a part of the project, leading to an additional expense of ₹ 2,00,000. From the following, identify whether the software development team is : (A) Efficient and Effective (B) Efficient but not effective (C) Effective but not efficient (D) Neither efficient nor effective	1
10	Due to severe winter and rising pollution levels, 'Green India Electronics' planned to launch a new eco-friendly heater in the market. It conducted a survey and found that the demand of this product was very high. As the winter season lasts only for 2 to 3 months, the Chief Executive Officer wanted that there should be close coordination among all the managers to deliver orders on time. Top level managers were asked to work in coordination with their subordinates to ensure that company's policies were properly followed. To ensure that the heaters would be ready on time, the production manager co-ordinated with the operational level managers. Operational level managers co-ordinated the activities of the workers to ensure that work proceeded according to plans. As a result 'Green India Electronics' was able to launch its heaters on time, in the market. The feature of co-ordination discussed in the above case is : (A) Co-ordination is a deliberate function. (B) Co-ordination is the responsibility of all managers. (C) Co-ordination is a continuous process. (D) Co-ordination ensures unity of action.	1
11	'Business environment keeps on changing whether in terms of technological improvement, shifts in consumer preferences or entry of new competitors in the market.' The feature of business environment highlighted in the above statement is : (A) Totality of external forces (B) Complexity (C) Dynamic nature (D) Relativity	1
12	A position when a company is unable to meet its fixed financial charges like interest payment, dividend on preference shares and repayment obligations is referred to as ________. (A) Trading on equity (B) Financial risk (C) Business risk (D) Operating risk	1
13	Identify the incorrect statement with respect to the importance of planning function of management : (A) Planning provides directions by stating in advance how work is to be done. (B) Planning eliminates uncertainty by looking ahead and anticipating changes. (C) Planning facilitates decision making by making a choice among various alternative courses of action. (D) Planning promotes innovative ideas as new ideas can take the shape of concrete plans.	1
14	Organising is the process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results. Organising process thus involves a series of steps that need to be taken in order to achieve the desired goal. Arrange the steps of the process of organizing in the correct order : (A) Identification and Division of work, Assignment of duties, Departmentalisation, Establishing authority and reporting relationships (B) Identification and Division of work, Assignment of duties, Establishing	1

authority and reporting relationships,Departmentalisation

(C) Departmentalisation, Identification and Division of work, Establishing authority and reporting relationships, Assignment of duties

(D) Identification and Division of work, Departmentalisation, Assignment of duties, Establishing authority and reporting relationship

15 Identify the feature of planning which states that the purpose of planning is to meet future events effectively to the best advantage of an organisation : **1**

(A) Planning involves decision making

(B) Planning is futuristic

(C) Planning is a mental exercise

(D) Planning focuses on achieving objectives

16 Match the principle of management given in Column – I with its explanation given in Column – II : **1**

Column – I	Column – II
1(a) Discipline	(i) There should be one and only one boss for every individual employee in the organisation.
(b) Unity of direction	(ii) There should be a place for everything (everyone) and everything (everyone) should be in its (his/her) place.
(c) Order	(iii) There should be obedience to organisational rules and employment agreement which is necessary for the working of the organisation.
(d) Unity of command	(iv) Each group of activities having the same objective must have one head and one plan.

Choose the correct option from the following :

	(a)	(b)	(c)	(d)
(A)	(iii)	(iv)	(i)	(ii)
(B)	(iv)	(iii)	(ii)	(i)
(C)	(iv)	(iii)	(i)	(ii)
(D)	(iii)	(iv)	(ii)	(i)

17 The step of controlling process which reveals the deviation between actual performance and desired results is : **1**

(A) Setting performance standards

(B) Analysing deviations

(C) Taking corrective action

(D) Comparing actual performance with the standards

18 Certain provisions of the Companies Act place restrictions on payouts as dividend. Such provisions must be adhered to while declaring the dividend.' **1**

The factor affecting dividend decision discussed above is :

(A) Access to capital market (B) Contractual constraints

(C) Legal constraints (D) Stock market reaction

19 Read the following statements carefully : **1**

Statement – I : Control should focus on key result areas which are critical to the success of an organization.

Statement – II : Only significant deviations which go beyond the permissible limit should be brought to the notice of management.

With reference to the given statements, choose the correct alternative from the following :

(A) Both the statements are true.

(B) Both the statements are false.

(C) Statement I is true and Statement II is false.

(D) Statement I is false and Statement II is true.

20 Which of the following is NOT an organisational barrier to communication ? 1 **1**

	(A) Status (B) Organisational facilities (C) Lack of proper incentives (D) Rules and regulations	
21	'Riya Mart' is a company manufacturing disposable crockery. They have been in business for the past five years, but were not earning good profits. Concerned about this, the Chief Executive Officer (CEO), Verma, ordered an internal audit. The audit uncovered several issues like inventory pilferage, employees coming late and their performance not upto the mark. To stop inventory pilferage, Verma, the CEO, introduced surprise stock checks and installed an automated inventory management system to track stock movements. A biometric attendance system was also setup to keep a check on employees coming late. In addition to this, to motivate employees for better performance, they were told in advance what they are expected to do and what are their standards of performance. As a result of these steps, the inventory pilferage reduced, employees became more punctual and their performance improved. (i) Identify and state the function of management performed by Verma, the Chief Executive Officer of the company. (ii) State any two points of importance of the function identified in (i) above, which are not discussed in the above para.	3
22	'Soal Footwear Ltd.' is known for its high quality athletic shoes and casual sneakers. With increasing competition and changing consumer preferences, it decided to diversify its product range by adding clothing, bags and accessories under the same brand umbrella. This diversification aimed to capture a larger share of the market and increase customer loyalty. (i) Suggest with reason which type of organisational structure will be suitable for 'Soal Footwear Ltd.' (ii) State any two advantages of the organisational structure suggested in (i) above.	1+ 2
23	(a) State any three measures to improve communication effectiveness. OR (b) State any three features of leadership.	3
24	(a) State any three functions of middle level management. OR (b) State any three features of 'Demonetisation'.	3
25	'Sheetal Cosmetics Ltd.', is a fast growing beauty and skin care company known for its innovative products and aggressive market expansion. As the company increased its marketing activities like new product launches, accelerated advertising campaigns, social media promotions and influencer collaborations etc., the workload of the marketing department grew sharply. Despite working long hours, the marketing manager Arjun couldn't give adequate attention to strategic planning and high impact decisions as minor operational issues began consuming most of his time. Noticing this, the Chief Executive Officer (CEO) advised Arjun that it was now impractical for him to handle the entire volume of work alone, so he should allow his subordinates to take up routine tasks. This would not only help him manage his time better but also satisfy the subordinate's need for recognition. This will also provide opportunities to the subordinates to develop and exercise initiative. (i) Identify the concept suggested by CEO that will help Arjun to manage volume of work effectively. (ii) State any three points of importance of the concept identified in (i) above.	4
26	(a) State any four merits of internal source of recruitment. OR (b) State any four benefits of training to the employees.	4
27	(a) Explain the following points of importance of planning :(2+2) (i) Planning establishes standards for controlling (ii) Planning reduces overlapping and wasteful activities OR	4

	(b) Explain the following types of plans :(2+2) (i) Objective (ii) Method	
28	Rajiv was on the board of directors of 'Tako Solutions', a software development company and 'Sabka Mart Retail', a large supermarket chain. He wanted to apply management principles in both the companies to improve efficiency and profitability. He knew that management principles can be applied as much to 'Tako Solutions' as to 'Sabka Mart Retail' though the extent to which the principles can be applied will differ, because the nature of work, scale of operations and business activities in a software firm and a supermarket chain are not the same. Rajiv also knew that the management principles would not provide readymade solutions because real world situations faced by the two companies were very complex and dynamic. Still, he believed that even small guidelines could help in solving many problems and will improve the way both companies worked. Identify and explain the two points that highlight the nature of principles of management, in the above case.	4
29	GW Industries', known for its paper products, decided to produce and launch a new line of sustainable packaging called 'EcoPac'. As management is a complex activity, the Chief Executive Officer of the company translated the work into clear goals and assigned the means to achieve those. He knew that human resources are the greatest asset of an organization, so getting work done through them is also a major task. The production of high quality sustainable packaging also required a proper production process. This was put in place for managing the flow of input materials and technology to convert these materials into high quality sustainable packaging. In this way 'GW industries' took care of various aspects for successful launch of 'EcoPac'. A characteristic of management is discussed in the above case. Identify and explain the characteristic.	4
30	'Eco Care', a start-up, plans to launch a reusable water bottle for environmentally conscious millennials and Gen Z. For this, they conducted a market research to identify the needs of the customers so that an informed decision could be taken for successful marketing of the product. They wanted to work carefully on the design to make the bottle attractive to the target customers. On the basis of consumer views and opinions, they developed a stylish stainless steel bottle with double wall insulation to keep beverages cold for 24 hours, giving it a competitive advantage in the market. They named the bottle 'Eco-Sip' creating a brand identity focused on sustainability and simplicity. It would also help in product differentiation. The packaging was made using hundred percent recyclable cardboard, with details of sustainability, features, price etc. printed on it. State the four functions of marketing that are carried out by 'Eco Care' in the above case.	4
31	'Koka Manufacturing Ltd.' is a large scale manufacturer in the electronics industry. In this industry assets are prone to obsolescence and their replacement becomes due faster with change in technology. The company is constantly under pressure to upgrade its machinery and equipment as it would help company to stay competitive, improve its product quality and reduce production costs. So instead of purchasing the machinery, company decides to lease the required machinery, giving it flexibility to upgrade equipment at the end of lease term. This helps company to maintain operational efficiency, technological competitiveness and financial flexibility. Identify and explain four factors that would affect the fixed capital requirements of 'Koka Manufacturing Ltd.'.	6
32	(a) Explain the following steps in the staffing process : (i) Estimating manpower requirements (ii) Selection	6

	(iii) Placement and orientation OR (b) Explain the following non-financial incentives : (i) Status (ii) Organisational climate (iii) Job security	
33	Ria ran a small online bakery business. Her business was doing very well. She saved a good amount of money every month and now wanted to invest it wisely. She was in a dilemma to keep her savings in a bank account or to invest it in the stock market. Her friend Aabha, who had done a certification course from National Stock Exchange, encouraged her to invest in the stock market. She explained to Ria that if she invests in the stock market, she could disinvest and reinvest whenever she wanted, which would provide her good liquidity. Aabha also told her that the membership of stock exchange is well regulated and all trading takes place within the legal framework. As a result, investors get a fair and safe deal. Ria was still apprehensive as she had heard that there is lot of speculation in the stock market. She wanted to be cautious. Aabha clarified that speculation does exist, but it happens in a restricted and controlled way. She also told Ria that the stock exchange is keen to promote wider share ownership and does so by educating public about investments etc. As a result, young people have started investing in the stock market. After all this discussion, Ria felt confident and decided to invest a part of her savings in the stock market. Quoting lines, identify and explain the four functions of stock exchange highlighted in the above case.	6
34	(a) Explain the following elements of Marketing Mix : (i) Product (ii) Price (iii) Promotion OR (b) Explain the following components of physical distribution : (i) Order processing (ii) Warehousing (iii) Inventory control	6

Marking Scheme
Senior Secondary School Examination, 2026 (XIIth)
SUBJECT NAME: - BUSINESS STUDIES (Q.P. CODE 66/1/1)

ANS		M
1	(B) Right to be assured	1
2.	(A) Science, not Rule of Thumb	1
3	(C) Statement I is true, Statement II is false.	1
4	(C) Noise	1
5	(D) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).	1
6	(C) Secondary packaging	1
7	(C) Assertion (A) is true and Reason (R) is false.	1
8	(B) Ask for a cash memo on purchase of goods and services.	1
9	(C) Effective but not efficient	1
10	(B) Co-ordination is the responsibility of all managers.	1
11	(C) Dynamic nature	1
12	(B) Financial risk	1
13	(B) Planning eliminates uncertainty by looking ahead and anticipating changes.	1
14	(D) Identification and Division of work, Departmentalisation, Assignment of duties, Establishing authority and reporting relationship	1
15	(B) Planning is futuristic	1
16	(D) (iii) (iv) (ii) (i)	1
17	(D) Comparing actual performance with the standards	1
18	(C) Legal constraints	1
19	(A) Both the statements are true.	1
20	(C) Lack of proper incentives	1
21	(i) The function of management performed by Verma is **Controlling.** Controlling implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans. (ii) **Importance of controlling which are not discussed in the above para are (Any TWO)** • It helps in **accomplishing organisational goals** as it measures progress towards the organisational goals and brings to light the deviations, if any. • It **facilitates coordination in action** as each department and employee is governed by predetermined standards. • It helps in **judging accuracy of standards** by reviewing and revising the standards in the light of changes taking place in the organisation and in the environment • By ensuring that each activity is performed in accordance with predetermined standards and norms, a manager makes **efficient use of resources** ***(If an examinee has only listed the points, ½ mark for each point should be awarded)***	3
22	(i) Divisional structure Reason: Divisional structure is suitable where a large variety of products are manufactured / the company has decided to diversify its product range. (ii) Advantages of Divisional structure (any TWO) (a) Product specialisation helps in the development of varied skills in a divisional head and thus prepares him for higher positions. (b) Divisional heads are accountable for profits as revenues and costs related to	1+ 2

	different departments can be easily identified and assigned to them. (c) It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making. (d) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations by merely adding another divisional head and staff for the new product line. (If an examinee has only listed the points, ½ mark for each point should be awarded)	
23	(a) State any three measures to improve communication effectiveness. Ans. Measures to improve the communication effectiveness (Any THREE) (i) Clarify the ideas before communication which should be studied in depth, analysed and stated in such a manner that is clearly conveyed to subordinates. (ii) To communicate according to the needs of receiver the manager should adjust his communication according to the education and understanding levels of subordinates. (iii) Consulting others before communicating may help to gain ready acceptance and willing cooperation of subordinates. (iv) Manager should be aware of languages, tone and content of message so that it is understandable to the receiver and does not offend the sentiments of listeners. (v) To convey things of help and value to listeners as it is better to know the interests and needs of the people with whom you are communicating. (vi) Ensure proper feedback by asking questions regarding the message conveyed. (vii) Communicate for present as well as future as it is needed to meet the existing commitments, to maintain consistency and to aim at future goals of the enterprise also. (viii) Follow up communications on the instructions given to subordinates which help in removing hurdles if any in implementing the instructions. (ix) Manager should be a good listener as a patient and attentive listening solves half of the problems. (If an examinee has only listed the points, ½ mark for each point should be awarded) OR Q (b) State any three features of leadership. Ans. Features of leadership (Any THREE) (i) Leadership indicates ability of an individual to influence others. (ii) Leadership tries to bring change in the behaviour of others. (iii) Leadership indicates interpersonal relations between leaders and followers. (iv) Leadership is exercised to achieve common goals of the organisation. (v) Leadership is a continuous process.	3
24	Functions of middle level management (Any THREE) (i) They interpret the policies framed by top management. (ii) They ensure that their department has the necessary personnel. (iii) They assign necessary duties and responsibilities to personnel in their department. (iv) They motivate people in their department to achieve desired objectives. (v) They cooperate with other departments for smooth functioning of the organization. (vi) They implement and control plans and strategies developed by top management.	3

	(vii) They are responsible for all the activities of the first line managers. OR Q (b) State any three features of 'Demonetisation'. Ans. Features of Demonetisation (Any THREE) (i) Demonetisation is tax administration measure as it requires declaration of unaccounted wealth and payment of taxes at a penalty rate. (ii) It is interpretated as a shift on the part of the government that tax evasion will no longer be tolerated or accepted. (iii) It leads to tax administration channelizing savings into the formal financial system. (iv) It creates a less-cash or cash-lite economy improving tax compliance.	
25	(i) Delegation (ii) Importance of delegation (Any THREE): (i) Delegation leads to effective management as by empowering the employees the managers get more time to concentrate on important matters. (ii) It leads to employee development as employees get more opportunities to utilize their talent and develop themselves for higher positions. (iii) It motivates the employees as when a superior entrusts a subordinate with a task, it involves trust on the superior's part and commitment on part of ubordinates. (iv) It facilitates growth as it helps in the expansion of an organisation by providing a ready workforce to take up leading positions in new ventures. (v) It establishes superior-subordinate relationships, which are the basis of hierarchy of management. (vi) It leads to better coordination as clarity in reporting relationships help in developing and maintaining effective coordination amongst the departments, levels and functions of management (If an examinee has only listed the points, ½ mark for each point should be awarded)	4
26	Ans. Merits of Internal Sources of recruitment: (Any FOUR) (i) Employees are motivated to improve their performance as a promotion at a higher level may lead to a chain of promotion at lower levels in the organisation which motivates the employees to improve their performance. (ii) It simplifies the process of selection and placement as the candidates that are already working in the enterprise can be evaluated more accurately and economically; also as they are known to the organisation it is a more reliable source (iii) Transfer is a tool of training as it helps the employees to prepare them for higher jobs and people recruited from within the organisation do not need induction training. (iv) Transfer has the benefit of shifting workforce from the surplus departments to those where there is shortage of staff. (v) It is economical as filling of jobs internally is cheaper as compared to getting candidates from external sources. OR **Q (b) State any four benefits of training to the employees. Ans. Benefits of training to the employees:** (i) Improved skills and knowledge due to training lead to better career of the individual. (ii) Increased performance by the individual help him to earn more. (iii) Training makes the employee more efficient to handle machines and makes them less prone to accidents. Training increases the satisfaction and morale of employees.	4

27	Q(a). (i) Planning establishes standards for controlling: • Planning provides the goals or standards against which actual performance is measured. By comparing actual performance with the standard, managers can know whether goals have been attained and deviations corrected. • Planning is a prerequisite for controlling. If there were no goals and standards, then finding deviations which are a part of controlling would not be possible. (ii) Planning reduces overlapping and wasteful activities • Planning serves as the basis of coordinating the activities and efforts of different divisions, departments and individuals. • It helps in avoiding confusion and misunderstanding by eliminating useless and redundant activities. OR Q (b) (i) Objectives: • Objectives are the desired future position that the management would like to reach, which need to be expressed in specific terms and should be in the form of a written statement. • They are usually set by top management of the organization and focus on broad, general issues. Different departments and units in the organisation may have their own objectives. (ii) Method: • Method is the prescribed way or manner in which a task has to be performed considering the objective. • It deals with a task comprising one step of a procedure and specifies how this step is to be performed. It may vary from task to task.	4
28	**(i) Universal applicability** The principles of management are intended to apply to all types of organisations, business as well as non-business, small as well large, public sector as well as private sector, manufacturing as well as the services sectors. However, the extent of their applicability would vary with the nature of the organisation, business activity, scale of operations and the like. **(ii) General guidelines** The principles are guidelines to action but do not provide readymade, straitjacket solutions to all managerial problems because real business situations are very complex and dynamic and are a result of many factors. However, the importance of principles cannot be underestimated because even a small guideline helps to solve a given problem.	4
29	Management is multidimensional It has three dimensions which are: a) Management of work: • All organisations exist for the performance of some work and Management translates this work in terms of goals to be achieved and assigns the means to achieve it. b) Management of people: • It implies dealing with employees as individuals with diverse needs and behavior and dealing with individuals as a group of people. c) Management of operations: • It requires a production process which entails the flow of input material and the technology for transforming this input into the desired output for consumption.	4

30	**The functions of marketing carried out by 'Eco Care' are:** (i) **Gathering and analysing market information** is necessary to identify the needs of the customers to analyse the available opportunities and threats as well as strengths and weaknesses of an organisation. (ii) **Product designing and development** contributes to making the product attractive to the target customers, improve performance of a product and also give it a competitive advantage in the market. (iii) **Branding** involves decision whether to sell the product in its generic name or give it a brand name as brand name helps in creating product differentiation, which in turn, helps in building customer loyalty and in promoting its sale. (iv) **Packaging and labelling** refers to designing and developing the package for the products and designing and developing the label to be put on the package. ***(If an examinee has only listed the points, ½ mark for each point should be awarded)***	4
31	**(i) Nature of business** A trading concern needs lower investment in fixed assets compared with a manufacturing organisation; since it does not require to purchase plant and machinery, etc. **(ii) Scale of operation** A larger organisation operating at a higher scale needs a bigger plant, more space etc. and therefore, requires higher investment in fixed assets when compared with the small organisation. **(iii) Technology upgradation** In certain industries, assets become obsolete sooner. Consequently, their replacement become due faster. Higher investment in fixed assets may, therefore, be required in such cases. **(iv) Financing alternatives** When an asset is taken on lease, the firm pays lease rentals and uses it. Availability of leasing facilities may reduce the funds required to be invested in fixed assets, thereby reducing the fixed capital requirements.	6
32	**(i) Estimating manpower requirements** • Estimating manpower requirements involves knowing how many persons are needed and also of what type. • Understanding the manpower requirements would necessitate workload analysis and workforce analysis, which reveal whether we are understaffed, overstaffed or optimally staffed. **(ii) Selection** • Selection is the process of choosing from among the pool of the prospective job candidates developed at the stage of recruitment. • The purpose of selection process is to ensure that the organization gets the best among the available and enhances the self-esteem and prestige of those selected. **(iii) Placement and Orientation** • **Placement** refers to the employee occupying the position or post for which the person has been selected. • **Orientation** is introducing the selected employee to other employees and familiarising him with the rules and policies of the organisation. **OR** (i) Status:• It means ranking of positions in the organisation. The authority, responsibility, rewards, recognition etc. of a job indicate the status	6

	given to a person holding a managerial position. • Psychological, social and esteem needs of an individual are satisfied by status given to their job. (ii) Organisational climate: • It indicates the characteristics which describe an organisation and distinguish one organisation from the other. • Individual autonomy, reward orientation, consideration to employees, risk-taking, etc. are the characteristics which help in developing better organisational climate. (iii)Job security • Employees want stability about future income and work so that they do not feel worried on these aspects and work with greater zeal. • This becomes more important where there are inadequate job opportunities and too many aspirants for these.	
33	**Four functions of stock exchange in the above case are as follows:** **1.** *“She explained to Ria that if she invests in the stock market, she could disinvest and reinvest whenever she wanted, which would provide her good liquidity.”* **Providing liquidity and marketability to existing securities:** The basic function of a stock exchange is the creation of a continuous market where securities are bought and sold which provide liquidity and marketability. **2.** *“Aabha also told her that the membership of stock exchange is well regulated and all trading takes place within the legal framework. As a result, investors get a fair and safe deal.”* **Safety of transactions** The membership of a stock exchange is well- regulated and its dealings are well defined according to the existing legal framework, which ensures that the investing public gets a safe and fair deal on the market. **3.** *“Aabha clarified that speculation does exist, but it happens in a restricted and controlled way”* **Providing scope for speculation** The stock exchange provides sufficient scope within the provisions of law for speculative activity in a restricted and controlled manner. ***4.*** *“She also told Ria that the stock exchange is keen to promote wider share ownership and does so by educating the public about investments etc. As a result, young people have started investing in the stock market”* **Spreading of equity cult** The stock exchange can play a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.	6
34	(i) Product: • Product means goods or services or anything of value which is offered to the market for sale. It also includes the extended product or what is offered to the customers by way of after sales services, handling complaints, availability of spare parts. • The important product decisions include deciding about the features, quality, packaging, labelling and branding of the products. (ii) Price: • Price is the amount of money customers have to pay to obtain the product. Generally, the level of price affects the level of demand. • It involves determining objectives of price setting and analysis of factors affecting price to make decisions regarding the basic price of the product, discount to customers, traders, credit terms etc. (iii) Promotion: • Promotion of products and services include activities that	6

	communicate information (availability, features, merits) of the products and services to the target customers and persuading them to buy it. • Most marketing organisations undertake various promotional activities and spend substantial amounts of money on the promotion of their goods by using a number of tools such as advertising, personal selling, public relations and sales promotion techniques. OR (i) Order Processing • Products flow from manufacturers to customers via channel members while orders flow in the reverse direction, from customers to the manufacturers. • A good physical distribution system should provide for an accurate and speedy processing of orders, in the absence of which goods would reach the customers late or in wrong quantity or specifications leading to customer dissatisfaction. (ii) Warehousing • Warehousing refers to the act of storing and assorting products in order to create time utility in them and its basic purpose is to arrange placement of goods and provide facilities to store them. • The need for warehousing arises because there may be difference between the time a product is produced and the time it is required for consumption. (iii) Inventory Control • An important decision in relation to inventory is deciding about the level of inventory. Higher the level of inventory, higher will be the level of service to customers but the cost of carrying the inventory will also be high because lot of capital would be tied up in the stock. Thus, a balance is to be maintained in respect of the cost and customer satisfaction. • The decision regarding level of inventory involves prediction about the demand for the product. A correct estimate of the demand helps to hold inventory and cost level down to a minimum.	

PRACTICE PAPER - 1

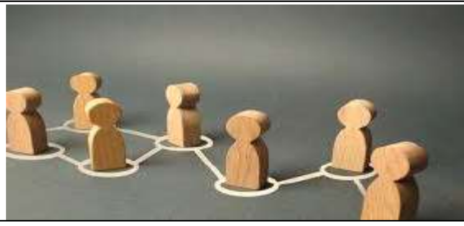
SUBJECT: BUSINESS STUDIES

M M: 80 **CLASS: XII** **TIME: 3 Hours**

General instructions:

1. This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to the questions carrying 3 marks (Q.N. 21-24) may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks (Q.N. 25-30) may be about 150 words.
6. Answers to the questions carrying 6 marks (Q.N. 31-34) may be about 200 words.
7. Attempt all parts of the questions together.

Q.	QUESTIONS	M
1	"An organisation interacts with its external environment which consists of various social, economic and political factors. In order to be successful, an organisation must change itself and its goals according to the needs of the environment" Identify the characteristics of management highlighted above	1
	(a) Management is multidimensional (b) Management is a goal-oriented process (c) Management is a dynamic function (d) Group Activities	
2	Ankita engaged in manufacturing of chocolates and biscuits by using environment friendly methods of production. Which management objective is used here?	1
	(a) Individual objective (b) Organisational objective (c) Social objective (d) Economic objective	
3	Assertion (A): A principle refers to a statement which reflects the fundamental truth about some phenomenon based on cause and effect relationship. Reason (R): Management principles are broad and general guidelines for decision making and behaviour of managers. **Choose one of the correct alternatives given below.** (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A). (c) Assertion (A) is true but Reason (R) is false. (d) Assertion (A) is false but Reason (R) is true.	1
4	______ feature of business environment states that various factors of business environment affect each other. (a) Pervasive (b) Continuous (c) Dynamic (d) Interrelatedness	1
5	_________ is a standing plan a) Rule (b) Budget (c)Programme (d) Strategy	1
6	Match the following <table><tr><th>Column I</th><th>Column II</th></tr><tr><td>A. Planning Processes other functions.</td><td>(i) Futuristic</td></tr><tr><td>B. Planning is ongoing process.</td><td>(ii) Primary function</td></tr><tr><td>C. Planning essentially involves looking ahead.</td><td>(iii) Continuous</td></tr></table>	1
	(a) A (i), B (ii), C (iii) (b) A (ii), B (iii), C (i) (c) A (ii), B (i), C (iii) (d) A (i), B (iii), C (ii)	
7	Working capital decisions are concerned with the decision of – a) Control (b) Inventory (c) Debt (d) Equity	1
8	What does the term "span of management" refers to	1
	(a) Number of superior (b) Number of managers (c) Number of divisions (d) Number of subordinates under a superior	
9	For the following two statements choose the correct option: Statement I: 'Laissez -faire' is a French word, which means 'Leave it to be' Statement II: It facilitates quick decision-making and timely implementation.	1
	(a) Statement I is correct and II is wrong (b) Statement II is correct and I is wrong (c) Both the statements are correct (d) Both the statements are incorrect	

10	Identify the need of human beings as per Maslow's Need Hierarchy Theory. (a) Safety needs (b) Belongingness needs (c) Self-actualization needs (d) Esteem needs 	1
11	"One of the incentives is concerned with jobs that include greater variety of work content and require higher level of knowledge" Identify the incentive highlighted in the given statement. a) Job Security b) Job enrichment c) career advancement opportunity d) Employee recognition programme	1
12	For the following two statements choose the correct option: Statement I: The capital structure should involve minimum risk of financial insolvency. Statement II: The use of excessive debt threatens the solvency of the company (a) Statement I is correct and II is wrong (b) Statement II is correct and I is wrong (c) Both the statements are correct (d) Both the statements are incorrect	1
13	Which of the following statements is not true with regard to primary market?	1
	(a) Is also known as the old issues market. (b) It facilitates the transfer of investible funds from savers to entrepreneurs. (c) It deals with new securities being issued for the first time. (d) It facilitates the transfer of investible funds from savers to entrepreneurs.	
14	The process of holding shares in electronic form is known as	1
	(a) Demutualisation (b) Dematerialisation (c) Speculation (d) None of the above	
15	Which of the following is not a factor affecting "Financing Decision" of a company: a) Cost b) Risk c) Cash flow position d) Growth Opportunities	1
16	……………… starts after the production of things. a)Buying (b) Marketing (c) Selling (d) Societal Marketing	1
17	Japanese technique 'Just In Time' is related to …………. Component of Physical Distribution. (a.)Order processing (b) Transportation (c) Warehousing (d) Inventory control	1
18	According to the modem marketing concept, which of the following statements is true?	1
	(a) It refers to the group of people who do not have the ability but willingness to buy a particular product. (b) It refers to only the set of people who have the purchasing power to buy a particular product. (c) It refers to the set of actual and potential buyers for a product. (d) It refers only to the people who show interest in a particular product.	
19	Agile Limited has launched a new range of air conditioners in order to add value to the usability of the product. The new range of air conditioners have an inbuilt air purifier and are available in attractive colours. Identify the type of marketing philosophy being described in the above lines.	1
	(a) Product concept (b) Production concept (c) Marketing concept (d) Societal marketing concept	
20	________ is the quality certification mark used in case of agricultural products a) ISI b) AGMARK c) FPO d) Hallmark	1
21	Explain need of co-ordination in brief.	3
	OR	
	Explain 'how management as a Science'?	
22	Raavi Ltd., is a company, manufacturing toys. The company chose to diversify its operations to improve its growth potential and increase market share. After evaluating the various available alternatives, the managing director, Mr. Atul Kamra decided that they should add 'Electronic Games' as a new line of business activity. (a) Name the framework which the diversifying organisation should adopt. (b) State two limitations of this framework.	3
	OR	

	Shine Spices Ltd. are the manufacturer of different food spices like rajma masala, chole masala, paav bhaji masala, etc. Mr.Raghav, the owner of the company has created different departments like purchase, production, marketing, etc. There are 30 employees working in the organisation. Mr. Raghav believes that effective planning is of paramount importance and can help to achieve organisational objectives. In order to make employees focus on objectives, he issued orders that during working hours only official matters will be discussed. He made certain rules and code of conduct for the employees, according to which employees are not allowed to visit and talk to the employees of other departments except for official work. He emphasised on work performance. (a) Identify and name the type of organisation mentioned in the above para. (b) State one feature of the concept identified in part (a) above. (c) What was the purpose behind the formulation of the rules for the employees that restricted the personal communication?	
23	The government of India announced Demonetisation of ₹ 500 and ₹ 1,000 currency notes with effect from midnight of November 8, 2016. As a result, the existing ₹ 500 and ₹ 1,000 currency notes ceased to be legal tenders from that date. Now currency notes of the denomination of ₹ 500 and ₹ 2,000 were issued by Reserve Bank of India after the announcement. This step resulted in a substantial increase in the awareness about and the use of Point of Sale machines, e-wallet, digital cash and other modes of cashless transactions. Also, increased transparency in monetary transactions and disclosure led to a rise in government revenue in the form of tax collection. (a) Enumerate the dimension of business environment highlighted above. (b) State the features of Demonetisation. (Any four)	3
24	"Recruitment identifies the different sources of labour supply, assess their validity, choose the most suit invite applicants for different jobs in the enterprise." As per the above statement, State various activities involved in the recruitment process.	3
25	Ganesh was concerned about the sedentary lifestyle people are leading nowadays. Their dependency on outside food is also increasing because corporate work culture demands working till late night at offices. So, he decided to start a restaurant, "Healthy Eating Point" to provide healthy food options to customers. After completing planning and organising functions, he identified the various job positions that are required to be filled, i.e., General Manager, an Accountant, two Chefs, two boys for serving the food in the restaurant and three boys for home delivery of food. He decided that his father, Karan, would be the General Manager of the restaurant. He would be paid ₹ 50,000 per month for his services. His father requested him to appoint his friend's son, Prem, as an accountant who is well-qualified for this post. Ganesh agreed to this proposal. Earlier, Prem had a business of providing unskilled workers to different organisations from remote areas of the country. Prem took permission from Ganesh to continue with the old business. Ganesh happily agreed and asked him to provide five boys for serving and delivering the food. For the appointment of the two Chefs, Ganesh approached a Hotel Management Institute and was satisfied with the Chefs provided by the institute. Quoting the lines from the above paragraph, explain any two sources of recruitment being used by Ganesh for filling up the various job positions.	4
	OR	
	Mr. Raman is the human resource manager of Shanti Hospital in Nellore. He has to appoint nurses for the hospital. For this he has conducted preliminary interviews. Since patients in the hospital are of different types, he has also conducted tests to find out the candidates' maturity and emotions in dealing with the patients. He has also conducted tests to know about the candidates' ability to take decisions. Explain the remaining steps that Mr. Raman should take to complete the selection process.	
26	'Konark Ltd.' is an electronic goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, 'Nova Ltd.' situated in Mumbai. Both Konark's and Nova's operations are affected directly by the investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual firms of this field are affected indirectly by the factors like the money supply in the economy, composition of the families, the technological changes, etc.	4

	(a) Identify and state the feature of the concept discussed in the above paragraph. (b) Also, state any three points of importance of this concept.	
27	Mr. Sanjay Nehra was the Chairman of 'Taran Bank'. The bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce taking over of 'Vena Bank'. Mr. Sanjay Nehra knew that the share price of 'Taran Bank' would rise on this announcement. Being a part of the bank, he was not allowed to buy shares of the bank. He called one of his rich friends Sudhir and asked him to invest ₹ 5 crore in shares of his bank promising him the capital gains. As expected the share prices went up by 40% and the market price of Sudhir's shares was now ₹ 7 crore. He earned a profit of ₹ 2 crore. He gave ₹ 1 crore to Mr. Sanjay Nehra and kept ₹ 1 crore with himself. On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity. The SEBI imposed a heavy penalty on Mr. Sanjay Nehra. By quoting the lines from the above case, identify and state any two functions that were performed by SEBI in the above case.	4
	OR	
	Radhika got ₹ 10 lac after selling her parental property which she had got as a gift from her grandmother. Her friend advised her to invest in securities in the stock market. Radhika was unaware of the procedure for the same. Her friend introduced her to a stock broker, who was registered with the National Stock Exchange. Radhika approached the broker. The broker guided her to open a Demat Account with a Depository, as well as a bank account, Radhika opened a Bank account and Account with Axism Bank. (a) Identify the steps in the trading procedure for buying and selling of securities which have been discussed above. (b) State the next four steps of the trading procedure.	
28	One of the questions that needs to be answered in the organising function is, 'at what level are decisions made'? Decision-making authority in an organisation can be pushed down to the lower levels or it may lie with the top management. However, it is not an 'either ... or' concept. When an organisation grows in size or complexity, the tendency towards sharing decision-making authority increases with the lower levels. This is because in large organisations, employees who are closely involved with certain operations tend to have more knowledge about them than the top management. An important concept of organizing function is discussed above. Identify the concept and explain any three points of its importance.	4
29	State any two reliefs that the consumer court can grant to consumers in case of genuine complaints in each of the following situations (a) Divya was charged more than the printed Maximum Retail Price for a bottle of water (b) Nilesh was sold a car with a defective engine	4
30	Explain the concept of 'Controlling'. Is controlling the last function of management? Explain	4
31	Nutan Tiffin Box service was started in Mumbai by Mumbai Dabbawalas. The Dabbawalas who are the soul of entire Mumbai aim to provide prompt and efficient services by providing tasty homemade tiffins 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 my dabbawalas.com. Owing to their tremendous popularity amongst the happy and satisfied customers and members, the Dabbawalas were invited as guest lecturers 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 on work. For example, taking no alcohol during working hours no leave without permission, wearing of 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 the slum children. They have instructed their customers to place red stickers if food was left in the tiffins, to be fed to the poor children later. State and explain any two principles of management given by Fayol and two	6

	characteristics of management mentioned in the above case.	
	OR	
	Both Anuj Gupta and Mangala Sharma are qualified dentists and good friends. After obtaining certificates of practice, they decided to pursue a career of their own choice. Anuj Gupta starts a dental care centre in the city whereas, Mangala Sharma joins a government hospital. They meet after a long time in a party. Anuj Gupta invites Mangala Sharma to visit his dental care centre and she accepts his invitation. She observes at his clinic that there is a fixed place for everything and everyone and tools and equipment are lying in an organised manner. Also, Anuj Gupta always tends to replace/I with We/while having a conversation with the staff members. Later on, Anuj Gupta also shares with her that he always deals with lazy staff sternly to send the message that everyone is equal in his eyes. Identify and explain the three principles of management which Anuj Gupta is applying for successful management of his dental care centre.	
32	Explain any six factors that affect the choice of Capital Structure of a company.	6
	OR	
	Explain any six factors that affect the choice of fixed capital requirement of a company.	
33	Read the statements given in point 1 and 2, answer the questions that follow: 1) Apple is produced in Kashmir but is carried to customers not only in this state but also in other parts of the country. a) Identify and explain the function of marketing that enables the marketer to achieve its goals. b) Enumerate any two factors that marketer should take into consideration in order to analyse the identified needs. 2) Peanut is grown during rainy season but its demand and sale takes place throughout the year. a) Name and state the function of marketing which should be undertaken to reduce the gap between production and consumption of Peanut. b) State by giving two reasons as to why proper discharge of this function is important.	6
34	A Business Process Outsourcing centre, 'Chromosome' which deals in conversion of voice reports dictated by physicians and other healthcare providers into text format has 40 employees. They ensure that their employees are well versed in at least one foreign language and one Indian language. The employees are also given the required training to ensure that the reports are processed correctly as they are the backbone of the patients' medical history. On frequent complaints about some of its employees, it was observed that they were facing problems in decoding the message as they were not very proficient with the language in which the voice message was received. As a result, they would make mistakes causing different meaning to the message. Not only this, sometimes there were technical words used in voice reports, the actual meaning of which was also not understood by the employees. Due to this, 'Chromosome' was slowly losing its business to competitors. The above case highlights two communication barriers. Identify and explain these barriers.	6

PRACTICE PAPER - 2

SUBJECT: BUSINESS STUDIES

M M: 80 **CLASS: XII** **TIME: 3 Hours**

General instructions:

1. This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to the questions carrying 3 marks (Q.N. 21-24) may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks (Q.N. 25-30) may be about 150 words.
6. Answers to the questions carrying 6 marks (Q.N. 31-34) may be about 200 words.
7. Attempt all parts of the questions together.

Q.N	Questions	M
1	Read the following statements: Assertion(A) and Reason (R), Choose one of the correct alternative given below: Assertion(A): Management is concerned with efficient use of resources. Reason(R) : For Management, both efficiency and effectiveness need to be balanced. a. Both assertion(A) and Reason (R) are true, and reason (R) is the correct explanation of Assertion (A) b. Both assertion(A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A) c. Assertion (A) is true, but Reason (R) is false. d. Assertion (A) is false, but Reason (R) is true.	1
2	Name the principle of management given by Fayol which when applied would mean that the workers and management both honour their commitments without any prejudice towards one another. a. Discipline; b. Mental Revolution c. Remuneration of employees; d. Scalar chain	1
3	Which of the following is not the assumption of Maslow's need Hierarchy Theory. a. People's behavior is based on their needs. b. Needs of people must be satisfied for motivation. c. Needs of people are in hierarchical order. d. A satisfied need can no longer motivate a person.	1
4	Identify the principle of management being violated in the following situation: Gayatri, Sales manager sells products to only those customers from whom she can receive incentive. She makes no efforts to increase sales of other customers. a. Scalar chain; b. Principle of equity c. Subordination of Individual interest to general interest; d. Discipline	1
5	In the following question read the statements given below carefully and choose the correct alternative from the following: Alternatives: Statement A:- An autocratic leader facilitates quick decision-making as it allows his/her group members to take decisions. Statement B:- An autocratic leader provides opportunities for self-development a. Both statement (A) and statement (B) are correct b. Statement (A) is correct and statement B) is incorrect. c. Statement (A) is incorrect and statement (B) is correct. d. Both statement (A) and statement (B) are incorrect.	1
6	Match the various characteristics of Business Environment given in column A with their respective explanations in column B . **Column A**: i) Dynamic nature; ii) Complexity; iii) Relativity **Column B**: a) Environment is phenomenon that is relatively easier to understand in parts but difficult to grasp in its totality. b) Business environment differs from country to country and even region to region. c) Business environment keeps on changing, whether in terms of	1

	technological improvement or shifts in consumer preferences. a i)-a, ii)-b, iii)-c | b i)-c), ii)-a), iii)-b | c i)-b, ii)-a, iii)-c | d i)-c, ii)-b, iii)-a	
7	'Abhi Bakery Enterprises' launched new range of multigrain biscuits in four varieties. They decided to distribute free samples of their biscuits in a shopping mall as a part of their promotion. Identify the tools of promotion used by 'Abhi Bakery Enterprises'. a Personal Selling | b Advertisement | c Sales promotion | d Publicity	1
8	Natvar lal an employee who were embezzling an import-export company of Rajasthan. The financial manager of the company Mr. Narendra became suspicious when he realized that the activity of Natvar lal is as per expectation. So he installed a secret camera in the premises to observe the activity of Natvar lal. Identify the function of management being discussed above: a Controlling | b Staffing | c Planning | d Coordination	1
9	------------ test aims to measures the ability to learn new skills. It indicates candidate's capacity to develop. a Intelligence test | b Personality test c Trade test. | d Aptitude test	1
10	Which of the followings is not a non-financial incentive: a Perquisites | b Status c Job enrichment | d Organisational climate	1
11	The allocative function of financial market facilitates: a Price discovery | b Liquidity to financial assets c Most productive investment opportunity | d None of these	1
12	The image of the organisation needs to be promoted through communicating with the public and the employees within the organisation. This is usually done with the help of newsletter, annual reports, brochures, articles and audio-visual materials. Companies rely on these materials to reach and influence their target markets. Identify the type of public relation mentioned in the above paragraph. a Lobbying | b Press relations c Counseling | d Corporate Communication	1
13	Coordination integrates the efforts of different departments and at different levels. Identify the characteristics of coordination highlighted in the below statement. a Coordination ensures unity of action. b Coordination is an all pervasive function. c Coordination is a deliberate function. d Coordination is the responsibility of all managers.	1
14	GV Ltd is very strict on their employees for attendance, conduct, and safety, which include arriving on time, dressing appropriately, and treating colleagues with respect. Other common matters cover the ethical use of company resources and data, maintaining professional communication, and adhering to specific conditions like those for health and safety. Name the type of plan followed by GV Ltd. a. Budget | b. Policy | c. Rules | d. Strategy	1
15	Which of the following is not a benefit of training and development to the organisations a Develop future managers. | b Enhances productivity. c Growth opportunities to the employees. | d Systematic learning.	1
16	Komal ltd. Issued ₹ 4,00,000 ,14% Debentures of ₹ 10 each and 10,000 equity share of ₹ 60 each. This investment resulted in a net profit before tax of ₹ 2,00,000 . The tax rate was 50%. Earnings per share of Komal ltd is. a ₹ 7.2 per share | b ₹ 14.4 per share | c ₹ 9.2 per share | d ₹ 2.2 per Sh.	1
17	Read the following statements: Assertion(A) and Reason (R), and Choose one of the correct alternative given below: Assertion (A) : Cost of debt is lower as compared to the cost of equity. Reason (R) : Interest paid on debt is a business expense so it reduces the profits and the tax liability. a Both assertion(A) and Reason (R) are true, and reason (R) is the correct	1

<table>
<tr><td></td><td><table>
<tr><td></td><td>explanation of Assertion (A)</td></tr>
<tr><td>b</td><td>Both assertion(A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)</td></tr>
<tr><td>c</td><td>Assertion (A) is true, but Reason (R) is false.</td></tr>
<tr><td>d</td><td>Assertion (A) is false, but Reason (R) is true.</td></tr>
</table></td><td></td></tr>
<tr><td>18</td><td>‘Investment in the Financial market i.e. securities does necessarily require a huge financial outlay.’ It is a feature of :
<table>
<tr><td>a. Capital Market</td><td>b Primary Market</td><td>c. Money Market</td><td>d. Secondary Market</td></tr>
</table></td><td>1</td></tr>
<tr><td>19</td><td>Financial leverage is called favourable if :
<table>
<tr><td>a</td><td>Return on investment is lower than cost of debt.</td></tr>
<tr><td>b</td><td>ROI is higher than cost of debt.</td></tr>
<tr><td>c</td><td>Debt is nearly available.</td></tr>
<tr><td>d</td><td>If the degree of existing financial leverage is low.</td></tr>
</table></td><td>1</td></tr>
<tr><td>20</td><td>Dilawar owner of business firm manufacturing laptops and parts, decided to introduce a new type of laptop which can be charged without inclusion of chord and wires. He wanted to manufacture most of the parts in house and therefore set up a new plant. The decision to acquire a new and modern plant to upgrade an old one is known as decision.
<table>
<tr><td>a</td><td>Financing decision</td><td>b</td><td>Working capital decision</td></tr>
<tr><td>c</td><td>Investment decision</td><td>d</td><td>Dividend decision</td></tr>
</table></td><td>1</td></tr>
<tr><td>21</td><td>Differentiate between Delegation and Decentralisation on the following basis:
i) Freedom of action ii) Status iii) Purpose
OR
Differentiate between Formal and informal organization on the following basis:-
i) Origin ii) Authority iii) Behaviour</td><td>3</td></tr>
<tr><td>22</td><td>A company named Fill fresh Pvt. Ltd. has recently launched a new line of organic fruit juices. The juices are made from 100% natural fruits and are available in mango, orange, and mixed fruit flavours. The company aims to attract health-conscious urban consumers aged between 18–40 years.
The company conducted a market survey and found that similar products from competitors like “Real” and “Paper Boat” are priced between ₹35–₹45 per 200 ml pack. Fill fresh Pvt. Ltd. wants to position its product as premium and high quality, yet affordable enough to attract first-time buyers.
After much discussion, the marketing team suggests pricing the product at ₹42 per 200 ml pack and offering a 10% introductory discount for the first three months.
a) Identify the type of pricing strategy used by Fill fresh Pvt. Ltd.
b) State and explain any two factors that the company must consider while deciding the price of its product.</td><td>3</td></tr>
<tr><td>23</td><td>Explain any three development functions of the Securities Exchange Board of India.
OR
Explain the following functions of Stock Exchange:
i) Providing Liquidity and Market ability to Existing Securities
ii) Contribute to economic growth.
iii) Pricing of Securities.</td><td>3</td></tr>
<tr><td>24</td><td>Shiv Nadar and Suhasini are both managers of an enterprise. Shiv Nadar is the CEO of HCL and Suhasini is a branch manager at Fabmart. They manage their enterprise at different levels. Shiv Nadar found that profits had started declining from the last six months. After his analysis he suggested some functions to Suhasini to improve the profit.
a) Identify the level of management of Shiv Nadar and Suhasini .
b) State any two functions suggested by Shiv Nadar to Suhasini.</td><td>3</td></tr>
<tr><td>25</td><td>Explain the following philosophies of Marketing Management:-
a)Product Concept. b) Production Concept. c) Selling concept d) Marketing Concept.
OR
Explain the following functions of Marketing :
a) Market Planning b) Customer Support c) Standardisation and Grading</td><td>4</td></tr>
<tr><td>26</td><td>Benu Ltd. is one of the largest three-wheeler manufacturers in India. It has a market share of about 39% in the two-wheeler category. The company witnessed almost a 25% drop in the booking as the currency crunch was prompting people to withhold new purchases due to demonetisation. Therefore, the production manager of the company has decided to</td><td>4</td></tr>
</table>

	align production to factor in slow sales in the market. In context of the above case- (a) Identify and explain the function of management being discussed in the above lines. (b) Which limitations of the function of management are identified in the above para, the production manager trying to overcome due to demonetisation? OR ACHU Ltd. aims to increase its profits by at least 20% in the next quarter. It has many options: (i) to increase the working hours of labourers without offering any additional remuneration. (ii) to employ women from the local community so as to cut labour costs. (iii) to buy cheaper raw materials to bring the input cost down. It chooses the (ii) and (iii) options to achieve its target. On the basis of the given information about ACHU Ltd., answer the following questions- (a) Identify and explain the function of management involved here. (b) State the steps of the function of management identified in (a).	
27	Namdev after completing MBA from the IIM Udaipur to start a new business under the banner Educationalisation Ltd. He launches a new product in e-learning for senior secondary school students in commerce stream, which already has an established market in the UK and the USA but not in India. His business starts flourishing in India. Now more Indian companies entered into the market with the other subjects as well. Identify and quote the line from the above para which highlights the significance of understanding business environment.	4
28	Ayush Purohit, sales manager of Panna Garments Ltd. is a very good leader. He always motivates his team to perform the best. Till three months ago he and his team were exceeding targets. However, from last three months they have not been able to meet their target. On analyzing the performance it was observed that one of the team member left the job and he offered competitor's products to some of the clients at cheaper rates (a) Name the function of management and identify the step in the process of controlling which helped management to find out the fall in performance. (b) Identify the step followed to find the reason of fall in performance. (c) Suggest the corrective action management must take to achieve the performance as per targets.	4
29	Manoj is desirous of setting up a small factory to manufacture different kinds of eco-friendly packaging materials. He proposes to adopt a logical approach to his business rather than hit and trial method as he knows that this can result in tremendous saving of human energy as well as wastage of time and materials. He plans to adopt paternalistic style of management in practice in order to avoid any kind of class-conflict that may emerge between him and the workers. Moreover, he plans to seek the opinion of his workers before taking any important decisions and also offers incentives to them for providing valuable suggestions for the business. Identify and explain any two principle of scientific management that Manoj plans to apply in his business.	4
30	Identify and explain the two sources of recruitment which cannot be used when the existing staff is either insufficient or does not fulfil the eligibility criteria of the jobs be filled.	4
31	Donald has joined as a finance manager in USUK Ltd a multinational company. He had to arrange funds of rupees one crore for the company. The Chief Executive Officer of the company wants to arrange the funds by a public issue whereas the finance manager wants to have a mix of debt and equity as this will determine the overall cost of capital and the financial risk of the enterprise. i) Identify and give the meaning of the financial decision suggested by the finance manager in the above case. ii) State and explain any four factors affecting the decision identified in (i) above.	6
32	ZOHO is an Indian multinational corporation that is best known for running one of the largest search engines on the World Wide Web (WWW). Every day, 200 million people use it. ZOHO was named the 2025 "Best Company to Work For" by the Great Place to Work Institute and Fortune Magazine. The organisation topped the list for the fifth time. The company hosts employee forums on all Saturday where there is an examination of the 20 most asked questions. Moreover, its employees can make use of any of a number of channels of expression to communicate their ideas and thoughts. Channels include ARRATAI conversations, a wide variety of surveys, Fixits (24 hour sprints wholly	6

	dedicated to fixing a specific problem) and even direct emails to any of the ZOHO leaders. In the above context: (a) Identify and Explain the type of communication barrier being overcome by ZOHO by providing a number of channels of expression to their employees to communicate their ideas and thoughts. (b) Briefly explain any three other types of communication barriers.	
33	Voltage fluctuations have been common and quite high in India. They harm our electrical appliances like television, refrigerators and air conditioners, often leaving them in a permanently damaged condition. ZIDY Company decided to manufacture stabilisers for North India where the voltage fluctuation ranges from 220V-230V. Once the demand for the North India was taken care of, they decided to launch stabilisers of varying voltages from 90V-260V for meeting the requirements of voltage fluctuations in other regions of India as well. Three engineers were appointed for South, West and East regions of India, as the voltage was different in all the three regions. Though all the engineers were appointed to manufacture stabilisers yet the product differed from region to region. (a) Identify and explain the organisational structure of ZIDY Company. (b) State any two advantages & two limitations of the structure identified in the above para.	6
34	Sandeep Arora after a lot of research, paid 'Traverse Developers' an advance of < 2 Crore to build a lavish house for him. They promised to deliver the property within 18 months. At the end of 18 months, Sandeep Arora asked for the delivery of the property many times but the developer did not respond. Anuj realized that "'Traverse Developers" was not in a position to hand over the property to him. Sandeep Arora asked for a refund of the money with interest, which 'Traverse Developers'' refused. Sandeep Arora approached the consumer court with his complaint. (i) Which grievance redressal agency had Sandeep Arora approached? (ii) State any five reliefs Sandeep Arora is likely to get, if the consumer court is satisfied with the complaint. OR Mr. Dinesh Vyas, a 20-year-old college student purchased a power bank online from Flipzone and when it was delivered, he noticed that there was no MRP mentioned on it. He browsed the internet and found that the same power bank was sold at different prices in different places. He raised complaint to customer care but no response was received from Flipzone. He filed a case in District forum against the Flipzone . The court held in favour of Mr. Dinesh Vyas,and awarded a compensation of ₹10,000. (a) Identify and state the consumer right violated in the above case. (b) Name and explain the right exercised by Mr. Dinesh Vyas (c) Explain any other three rights which is not mentioned in the above case.	6

PRACTICE PAPER - 3

SUBJECT: BUSINESS STUDIES

M M: 80 | **CLASS: XII** | **TIME: 3 Hours**

General instructions:

1. This question paper contains 34 questions.

2. Marks are indicated against each question.

3. Answers should be brief and to the point.

4. Answers to the questions carrying 3 marks (Q.N. 21-24) may be from 50 to 75 words.

5. Answers to the questions carrying 4 marks (Q.N. 25-30) may be about 150 words.

6. Answers to the questions carrying 6 marks (Q.N. 31-34) may be about 200 words.

7. Attempt all parts of the questions together.

1	While obtaining a term loan from a financial institution, Apex Ltd. agreed that it would not declare dividends above 12% until the loan was fully repaid. Which factor affecting dividend decision is highlighted? (a) Shareholders' expectations (b) Legal restrictions (c) Cash position (d) Contractual constraints	1
2	India's diplomatic relations and trade agreements with other nations influence business activities. This factor forms part of: (a) Social Environment (b) Legal Environment (c) Political Environment (d) Economic Environment	1
3	After becoming CEO, Neha found duplication of work and confusion among departmental managers. She introduced detailed plans and guidelines that helped coordinate departmental activities and ensured smooth functioning. This highlights that: (a) Planning reduces overlapping and wasteful activities (b) Planning establishes standards for control (c) Planning reduces uncertainty (d) Planning encourages creativity	1
	Whenever Sunrise Ltd. requires factory helpers, it displays a notice at the main gate inviting applications from interested candidates. Identify the source of recruitment. (a) Employment exchanges (b) Direct recruitment (c) Labour contractors (d) Advertising	1
5	A manager takes all decisions himself and does not allow subordinates to participate in decision-making. Which leadership style is being followed? (a) Free-rein leadership (b) Democratic leadership (c) Autocratic leadership (d) Situational leadership	1
6	Management focuses on developing employees' strengths and minimizing their weaknesses to achieve organizational goals. Which dimension of management is reflected? (a) Management of work (b) Management of people (c) Management of operations (d) Management of resources	1
7	A state government announces subsidies and concessional loans for tourism-related businesses to attract investments and generate employment. Which component of business environment is highlighted? (a) Social environment (b) Technological environment (c) Economic environment (d) Legal environment	1
8	Statement I: Public relations aims at creating a favourable image of the business among the public. Statement II: Organizations may appoint specialized PR agencies to handle public relations activities. (a) Statement I true, Statement II false (b) Statement II true, Statement I false	1

	(c) Both Statements I and II are true (d) Both Statements I and II are false	
9	Which document issued by a broker serves as legal proof of transactions carried out on behalf of an investor? (a) Credit Note (b) Contract Note (c) Debit Note (d) Share Certificate	1
10	Assertion (A)Rules are the most specific type of plans. Reason (R) Rules leave no scope for discretion while performing activities. (a) Both A and R are true and R is the correct explanation of A (b) Both A and R are true but R is not the correct explanation of A (c) A is true but R is false (d) A is false but R is true	1
11	Supervision refers to: (a) Checking legal compliance only (b) Finding faults in employees (c) Monitoring the work performed by subordinates (d) Giving orders only	1
12	see tables below	1

Column I	Column II
A. Deals in short-term funds	(i) Capital Market
B. Market for financial assets	(ii) Money Market
C. Deals in shares and debentures	(iii) Financial Market
D. Long-term funds market	(iv) Capital Market

	A	B	C	D
(a)	ii	iii	iv	i
(b)	iii	ii	i	iv
(c)	ii	iii	i	iv
(d)	iv	iii	ii	I

13	The activity that helps an organization identify opportunities, threats, strengths, and weaknesses in the market is: (a) Marketing research and analysis (b) Promotion strategy (c) Sales forecasting (d) Product planning	1
14	Statement I: Demonetisation encouraged more transactions through formal banking channels. Statement II: One objective of demonetisation was to improve tax compliance and promote a cash-light economy. (a) Statement I true and II false (b) Statement II true and I false (c) Both Statements are true (d) Both Statements are false	1
15	TechNova Ltd. has entered the electric vehicle battery business to expand its operations and strengthen its future market position. Which economic objective of management is reflected? (a) Survival (b) Growth (c) Profitability (d) Productivity	1
16	A manager regularly delegates challenging assignments to employees. One employee develops new skills, gains confidence, and eventually gets promoted. Which importance of delegation is highlighted? (a) Better coordination (b) Effective management (c) Employee development (d) Management hierarchy	1
17	Financial planning primarily aims at: (a) Ensuring availability of funds when required (b) Ensuring availability of raw materials (c) Timely dividend declaration (d) Purchasing fixed assets	1
18	Arrange the steps of organizing in the correct sequence: (i) Assignment of duties (ii) Departmentalization (iii) Identification and division of work (iv) Establishing reporting relationships (a) (i), (ii), (iv), (iii) (b) (iii), (ii), (i), (iv) (c) (iii), (iv), (ii), (i) (d) (ii), (iii), (i), (iv)	1
19	Consumers increasingly prefer biodegradable packaging over plastic products, compelling businesses to adapt their production practices. Which feature of business environment is highlighted?	

	(a) Specific and general forces (b) Dynamic nature (c) Interrelatedness (d) Totality of external forces	
20	Unlike chartered accountants who must possess prescribed qualifications, a person can become a manager without holding a mandatory professional degree. Which characteristic of a profession is not fully satisfied by management? (a) Well-defined body of knowledge (b) Restricted entry (c) Professional association (d) Code of conduct	1
21	Ashok Kumar works as the Cost and Risk Management head of a company in power sector. As a result of his excellent managerial competence, the company is able to reduce costs and increase productivity. The company belongs to infrastructure sector wherein regular amendments are made in the government regulations and policies. He holds regular meetings to ensure that people in his department not only aware of the related changes but also able to adopt to these changes effectively. This helps the company to maintain its competitive edge. He motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organisational objectives. In the process of fulfilling his duties for the growth of the organisation, he helps in providing competitive services, adopting new technology, creating more employment opportunities, etc. for the greater good of the people at large. Identify the various reasons highlighted above by quoting the lines that have made management so important. (Any three)	3
22	What is meant by 'Branding' ? State any two advantages of branding to customers. OR What is meant by 'Packaging' ? State any two functions of packaging.	3
23	Explain the following factors affecting the fixed capital requirements of a company. a) Technique of production b) Growth prospectus	3
24	There are some barriers to effective communication which are concerned with encoding and decoding of messages." Identify and explain the type of barriers highlighted in the given statement (Any Two). OR There are some barriers to effective communication which are concerned with the state of mind of both sender and receiver of communication reflects in the effective communication." Identify and explain the type of barriers highlighted in the given statement (Any Two)	3
25	State any four protective functions of Securities Exchange Board of India. OR State any four functions of Stock Exchange.	4
26	Amit purchased an ISI marked washing machine of a famous brand 'CG' from KK Electronics Ltd. The shopkeeper asked him to wait for two days for installation of the machine. His friend, Jay, was very fond of experimenting with new electronic products. He told Amit that there is no need to wait for the company's representative to install the machine and that he could do it. So, both of them installed the machine without following the manufacturer's instructions. Initially, the machine worked effectively and the wash was good. But after two days, the machine stared stopping in between the wash cycle. Amit and Jay tried their best to start the machine but failed in their efforts. Amit, therefore, approached KK Electronics Ltd., which refused to provide any service on the plea that the installation of the machine was not done by the company. a) State the responsibility which Amit had to fulfil as an aware consumer to get the services of the company. b) Explain briefly any two rights which Amit could have exercised had he fulfilled his responsibility identified in part (a).	4
27	"Planning is an important function of management." State any four reasons in favour of the statement. OR 'In spite of best efforts of manager sometimes planning fails due to its limitations.'	4
28	Zota Ltd. set up a manufacturing unit at Sanand in Gujarat to manufacture electric geysers and supply them to dealers all over the country. Their production target was 400 geysers per week. It was decided by the management that variation in production up to 10 units would be acceptable. At the end of the first week, the production was 350 geysers. The next week,	4

	production increased to 370 geysers. A week later, production was 360 geysers. On investigation, it was found that fluctuation in production was due to irregular supply of electricity. (a) The above para discusses some of the steps in the process of one of the functions of management. Explain these steps. (b) Also, state the step(s) that have not been discussed in the above para.	
29	Sadaf is the Chief Executive Officer of a reputed company. She introduced appropriate skill development programmes and a sound promotion policy for the employees of her company. To motivate and retain the best talent in the company, she designed the jobs of the managers to include greater variety of work content. Identify and explain the two incentives introduced by Sadaf to motivate the employees of her company.	4
30	Nandini, after acquiring a degree in Hotel Management and Business Administration took over her family food processing company of manufacturing pickles, jams and squashes. The business was established by her great grandmother and was doing reasonably well. However the fixed operating costs of the business were high and the cash flow position was weak. She wanted to undertake modernisation of the existing business to introduce the latest manufacturing processes and diversify into the market of chocolates and candies. She was very enthusiastic and approached a finance consultant, who told her that approximately Rs.50 lakh would be required for undertaking the modernization and expansion programme. He also informed her that the stock market was going through a bullish phase. a) Keeping the above considerations in mind, name the source of finance Nandini should not choose for financing the modernization and expansion of her food processing business. Give one reason in support of your answer. b) Explain any two other factors, apart from those stated in the above situation, which Nandini should keep in mind while taking this decision.	4
31	1) Explain any two techniques of Scientific Management from the following: a) Functional foremanship b) Differential piece wage system c) Fatigue study 2) Differentiate between Time Study and Motion Study on any three basis. OR 1) Explain any two principles of Fayol from the following a) Principle of Scalar Chain b) Principle of Order c) Esprit de corps 2) Differentiate between Unity of Command and Unity of Direction on any three basis.	6
32	Voltage fluctuations have been common and quite high in India. They harm our electrical appliances like televisions, refrigerators and air conditioners, often leaving them in a permanently damaged condition. G-Guard Company decided to manufacture stabilizers for North India where the voltage fluctuation ranges from 220 V to 230 V. Once the demand for North India was taken care of, they decided to launch stabilizers of varying voltages from 90 V – 260 V for meeting the requirements of voltage fluctuations in other regions of India also. Three engineers were appointed for South, West and East regions of India, as the voltage was different in all the three regions. Though all the engineers were appointed to manufacture stabilizers but the product differed from region to region. (a) Identify the organisational structure of G-Guard Company. (b) State any three advantages and two limitations of the structure identified in the above para.	6
33	Describe briefly the steps involved in the process of staffing. OR What are the advantages of training to the individual and to the organization?	6
34	After acquiring the necessary knowledge and skills on starting an Aloevera Farm, Ashok wanted to be the leading manufacturer of Aloevera products worldwide. He observed that the products were expensive as the demand of the products was more than the supply. He was also keen to promote methods and practices that were economically viable, environmentally sound and at the same time protecting public health. Ashok's main consideration was about the amount of money paid by the consumers in consideration of the purchase of Aloevera products. He also thought that competitors prices and their anticipated reactions must also be	6

	considered for this. After gathering and analysing information and doing correct marketing planning, he came to know that the consumers compare the value of a product to the value of money which they are required to pay. The consumers will be ready to buy a product when they perceived that the value of the product is at least equal to the value of money which they would pay. Since he was entering into a new market, he felt that he may not be able to cover all costs. He knew that in the long run the business will not be able to survive unless all costs are covered in addition to a minimum profit. He examined the quality and features of the products of the competitors and the anticipated reactions of the consumers. Considering the same he decided to add some unique features to the packaging and also decided to provide free home delivery of the products. The above case relates to a concept which is considered to be an effective competitive marketing weapon. In conditions of perfect competition most of the firms compete with each other on this concept in the marketing of goods and services. (a) Identify the concept. (b) State any five factors discussed in the above case related to the concept so identified.	

PRACTICE PAPER - 1
MARKING SCHEME
SUBJECT: BUSINESS STUDIES

MARKING SCHEME

Ans	Answer Key	M.
1	d) Management is a dynamic function	1
2	(c) Social objective	1
3	(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).	1
4	(d) Interrelatedness	1
5	(a) Rule	1
6	(b) A (ii), B (iii), C (i)	1
7	(b) Inventory	1
8	(d) Number of subordinates under a superior	1
9	(c) Both the statements are correct	1
10	(b) Belongingness needs	1
11	(b) Job enrichment	1
12	(c) Both the statements are correct	1
13	(a) Is also known as the old issues market.	1
14	(b) Dematerialisation	1
15	(d) Growth Opportunities	1
16	(a) Selling	1
17	(d) Inventory control	1
18	(c) It refers to the set of actual and potential buyers for a product.	1
19	(a) Product concept	1
20	(b) AGMARK	1
21	Importance/ need of coordination 01 Growth in size - , 02 Functional differentiation – 03 Specialization -	3
	OR	
21	Management as a Science. (1x3) with explanation 1. Systematized body of knowledge, 2. Principles based on experimentation. 3. Universal validity	
22	(a) Raavi Ltd., should adopt the ***divisional structure***. (b) Limitations of divisional structure - (i) Conflicts may arise among different departments with reference to allocation of funds. (ii) It may lead to increase in operating cost.	3
	OR	
22	(a***) Formal Organisation.*** (b) Focus on objective and work performance. (c) Avoidance of emergence of informal organisation which may obstruct the fulfilment of organisational goals.	
23	(a) Dimension of Business environment highlighted here is ***Political Environment.*** (b) Features of Demonetisation are- (i) Tax administration Measures. (ii) Channelising saving into Financial System. (iii) Stringent approach towards tax evasion. (iv) Creating a cashless economy	3

24	The various activities involved in the recruitment process are as under- (i) Identifying the different sources from which prospective candidates may be obtained. (ii) Evaluate authenticity of different sources of recruitment. (iii) Choosing the most suitable source. (iv) Stimulating prospective candidates to apply for vacant posts.	3
25	Sources of recruitment being used by Ganesh for filling up the various job positions are- (i) Recommendation from employees-"His father requested hum to appoint his friend's son, Prem, as an accountant who is well-qualified for this post." (ii) Labour contractors-"Earlier, Prem had a business of providing unskilled workers to different organisations from remote areas of the country."	4
	OR	
Ans	Remaining steps that Mr. Raman should take to complete the selection process are: (i) Employment interview and Reference and background checks. (ii) Selection decision. (iii) Medical examination. (iv) Job offer and Contract of employment.	
26	(a) ***Specific and General forces (explain)*** (b) Importance of business environment: (explain any three points)	4
27	i. Regulatory Function - Calling for information by undertaking inspection, conducting enquires and audits of stock exchanges and intermediaries. "On regular inspection ……………………this irregularity." ii. Protective Function - Controlling insider trading and imposing penalties for such practices. "The SEBI imposed…………………… Mr. Sanjay Nehra."	4
	OR	
	(a) The steps discussed in above para are- (i) Selection of broker-The buying and selling can be done through a SEBI broker. The first step is to select a broker who will buy/sell securities on behalf of investor. (ii) Opening Demat Account-The next step is to open a Demat Account with a Depository Participant (DP) for holding and transferring securities. (b) The next four steps involved in the trading procedure are - (i) Placing an order (ii) Executing the order (iii) Confirmation to investors (iv) Contract note.	
28	***Decentralisation.*** Importance of decentralisation are - (Explain) 01. Develops initiative among Subordinates - 2. Develops managerial talent for the future - 03 Quick decision making - 04 Relief to top management -	4
29	Ans. (a) Reliefs that the Consumer court can grant to the customers are- (i) To refund the price paid. (ii) To discontinue the unfair/restrictive trade practice and not to repeat the same in future. b) Reliefs that the Consumer court can grant to the customer are- (i) To remove the defect in engine. (ii) To replace the defective engine with a new one, free from any defect.	4
30	Explain the meaning of Controlling, Explain about the function 'Controlling'.	4
31	Principles of management (Explain) (1) Stability of tenure of Personnel (2) Initiative (b) Characteristics of management-(Explain) (1) Goal-oriented (2) Group activity	6
	OR	
	Principles of management (Explain) (1) Order, (2) Esprit de corps, (3) Equity (Explain)	
32	01. Cash Flow Position Size of projected , 02. Interest coverage ratio - 03. Debt service coverage ratio, 04. Return on investment- 05. Cost of debt- 06. Tax rate- 07. Cost of equity –(Any other points).	6

	OR	
	01. Nature of business 02. Scale of Operations-. 03. Choice of Technique- 04. Technology Upgradation -05. Growth Prospects- 06. Diversification- 07. Financing Alternatives- 08. Level of collaboration -	
33	1. a) The function of marketing that enables the marketer to achieve its goals is Transportation. It involves physical movement of goods from one place to another. Since the user of products are wide spread and geographically separated from the place where they are produced it is necessary to move them to the place where they are needed for consumption. b) The factors that should be taken into consideration to analyse the marketing needs are nature of the product, cost and location of target market. 2. a) The function of marketing that reduces the gap between production and consumption of peanut is Storage or Warehousing. Due to irregular demand or supply, there may be time gap between production of goods and their sale. Storage helps in reducing the time gap between production and consumption and provides time utility. b) Importance of warehousing: 1. To ensure smooth flow of products in the market 2. To protect against any unavoidable delays in delivery or meet contingencies in demand.	6
34	Two communication barriers discussed in the above case are; Faulty Translation; Technical Jargon (explain)	6

PRACTICE PAPER - 2

MARKING SCHEME

SUBJECT: BUSINESS STUDIES

<table>
<tr><th>Ans</th><th>Answer key</th><th>M</th></tr>
<tr><td>1</td><td>b Both assertion(A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)</td><td>1</td></tr>
<tr><td>2</td><td>b Mental Revolution</td><td>1</td></tr>
<tr><td>3</td><td>b Needs of people must be satisfied for motivation.</td><td>1</td></tr>
<tr><td>4</td><td>c Subordination of Individual interest to general interest</td><td>1</td></tr>
<tr><td>5</td><td>c Statement (A) is incorrect and statement (B) is correct.</td><td>1</td></tr>
<tr><td>6</td><td>b i)-c), ii)-a), iii)-b</td><td>1</td></tr>
<tr><td>7</td><td>c Sales promotion</td><td>1</td></tr>
<tr><td>8</td><td>a Controlling</td><td>1</td></tr>
<tr><td>9</td><td>d Aptitude test</td><td>1</td></tr>
<tr><td>10</td><td>a Perquisites</td><td>1</td></tr>
<tr><td>11</td><td>c Most productive investment opportunity</td><td>1</td></tr>
<tr><td>12</td><td>d Corporate Communication</td><td>1</td></tr>
<tr><td>13</td><td>a Coordination ensures unity of action.</td><td>1</td></tr>
<tr><td>14</td><td>c Rules</td><td>1</td></tr>
<tr><td>15</td><td>c Growth opportunities to the employees.</td><td>1</td></tr>
<tr><td>16</td><td>a ₹7.2 per share</td><td>1</td></tr>
<tr><td>17</td><td>a Both assertion(A) and Reason (R) are true, and reason (R) is the correct explanation of Assertion (A)</td><td>1</td></tr>
<tr><td>18</td><td>c Money Market</td><td>1</td></tr>
<tr><td>19</td><td>b ROI is higher than cost of debt.</td><td>1</td></tr>
<tr><td>20</td><td>c Investment decision</td><td>1</td></tr>
<tr><td>21</td><td>
<table>
<tr><th>Basis</th><th>Delegation</th><th>Decentralisation</th></tr>
<tr><td>Freedom of action</td><td>More control by superiors hence less freedom to take own decisions.</td><td>Less control over executives hence greater freedom of action.</td></tr>
<tr><td>Status</td><td>It is a process followed to share tasks.</td><td>It is the result of the policy decision of the top management</td></tr>
<tr><td>Purpose</td><td>To lessen the burden of the manager</td><td>To the increase the subordinates role in of the organisation by giving them more autonomy.</td></tr>
</table>
OR
<table>
<tr><th>Basis</th><th>Formal</th><th>informal organization</th></tr>
<tr><td>Origin</td><td>Arises as a result of company rules and policies</td><td>Arises as a result of social interaction</td></tr>
<tr><td>Authority</td><td>Arises by virtue of position in management</td><td>Arises out of personal qualities</td></tr>
<tr><td>Behaviour</td><td>Behavior It is directed by rules</td><td>There is no set behaviour pattern</td></tr>
</table>
</td><td>3</td></tr>
<tr><td>22</td><td>a) Competitive Price strategy
b) Factors Affecting Price Decision:
(i) Cost of Production: (ii) Competition in the Market:</td><td>3</td></tr>
<tr><td>23</td><td>Development functions of the Securities Exchange Board of India are:-
i) Educating investors.
ii) Training intermediaries of the securities market.</td><td>3</td></tr>
</table>

	iii) Promoting fair practices and code of conduct for all SRO's. iv) Undertaking measures to develop the capital markets by adapting a flexible approach. **OR** i) Providing Liquidity and Market ability to Existing Securities: ii). Pricing of Securities: iii) Contributes to Economic Growth:	
24	A) Shiv Nadar- TOP LEVEL ; Suhasini-Middle level B) Functions of Suhasini: a) To coordinate the activities of different departments. b) To be responsible for welfare and survival of the organisations c) Interprets policies and plans. d) Organising activities. e) Motivating personnel.	**3**
25	The following philosophies of Marketing Management:- a)Product Concept:- b) Production Concept.: c) Selling concept d) Marketing Concept:- **OR** a) Market Planning:- b) Customer Support :- c) Standardisation and Grading:-	**4**
26	(a) Planning is the function of management which is being discussed in the above lines. Planning is deciding in advance what to do, how to do, when to do and who has to do it. Thus, it involves setting objectives and developing an appropriate course of action to achieve these objectives. (b) The production manager is trying to overcome the following limitations of planning- (i) Planning leads to rigidity. (ii) Planning may not work in a dynamic environment. **OR** a) Planning (b) (i) Setting objectives (ii) Developing planning premises (iii) Identifying alternative courses of action (iv) Evaluating alternative courses of action (v) Selecting the best alternative (vi) Implementing the plan(vii) Follow-up action	**4**
27	(a) It helps to assist in planning and policy formulation. "start a new ..... Educationalisation Ltd." (b) It helps the firm to identify opportunities and get the first mover advantage. "He launches a new... (c) It helps to improve performance. "His business started flourishing in India." commerce stream." (d) It helps the firm to identify threats and early warning signals. "Now more Indian companies entered into the market with the other subjects as well."	**4**
28	(a) The function of management is "Controlling. "Comparing Actual Performance with Standards" is the step in the process of controlling followed to find that targets were not achieved. (b) "Analysing Deviations helped management to find reasons of deviations or not meeting targets c)Management must take following corrective actions to achieve targets: i) The sales manager must meet all clients especially the ones they have lost to competitors to revive business opportunities. ii) Either reduce prices to meet competitors prices or give better quality and services to their clients so that they remain loyal	**4**
29	The various principle of scientific management that Manoj plans to apply in his business are described below: (i) Science, not Rule of Thumb (ii) Harmony, Not Discord: (iii) Cooperation, Not Individualism:	**4**
30	The two sources of internal recruitment are Promotion and Transfer. (a) Promotions: Promotion refers to the vertical movement of an employee along the organisational structure. It is to an increase both in the status/job position as well as in the	**4**

	compensation. (b) Transfers: Transfer refers to the shifting of an employee horizontally along organisational structure. Transfers do not involve any significant change in the nature of work, job position and associated roles and responsibilities. At the same time, the remuneration paid to the employees remains unchanged.	
31	(i) Financing Decision:- (ii) Factors affecting financing decision are as follows: (a) Cost: (b) Risk: (c) Flotation Costs: (d) Cash Flow Position of the Company: (e) Fixed Operating Costs: (f) Control Considerations: (g) State of Capital Market :	**6**
32	(a) Organisational barrier is being overcome by providing organisation facilities through a number of channels of expression to their employees to communicate their ideas and thoughts. (b) Two other types of communication barriers are described below: (i) Psychological barriers: (ii) Semantic barriers:	**6**
33	**(a)** Divisional structure is being followed by ZIDY Company as it has separate divisions for North, South, West and East zones. **(b) Advantages of Divisional structure are-** (i) It leads to product or divisional specialisation. (ii) It facilitates expansion and growth as new divisions can be added without interrupting the existing operations. **Limitations of Divisional structure are-** (i) Conflicts may arise among different divisions with reference to allocation of funds. (ii) It may prove expensive for the organisation as each division has to maintain its own facilities, equipment and personnel.	**6**
34	(i) State Commission. (ii) Five reliefs Sandeep Arora is likely to get are: (a) To refund the price paid for the product or the charges paid for the service. (b) To pay a reasonable amount of compensation for the loss. (c) To pay punitive damages in appropriate circumstances. (d) To discontinue the unfair/restrictive trade practice and not to repeat in future. (e) To pay at least 5% of the value of defective goods or deficient services towards Consumer Welfare Fund or any other organisation or person who may utilize the amount in the prescribed manner. (f) To pay adequate cost to the aggrieved party. **OR** (a) Right to be informed. Every consumer has a right to have complete information about the product he intends to buy including its ingredients, date of manufacture, price, quantity, directions for use (b) Right to seek redressal. This states that every consumer has the right to get relief in case the product or service falls short of expectations. c) Right to safety d) Right to be heard e) Right to consumer education. f) Right to choose	**6**

PRACTICE PAPER - 3
MARKING SCHEME
SUBJECT: BUSINESS STUDIES

Ans	Answer key	M
1	(d) Contractual Constraints	1
2	(c) Political Environment	1
3	(d) Planning promotes innovative ideas.	1
4	(b) Direct recruitment	1
5	(c) Autocratic style of leadership	1
6	(b) Management of people	1
7	(c) Economic environment	1
8	(c) Both the statements I and II are correct.	1
9	(b) Contract note	1
10	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
11	(c) Overseeing what is being done by subordinates	1
12	(d) (iii) (i) (iv) (ii)	1
13	(c) Gathering and Analysing market information	1
14	c) Both the statements are true	1
15	(b) Growth	1
16	(c) Employee development	1
17	(a) Availability of funds at the right time	1
18	(b) (iii); (ii); (i); (iv)	1
19	(d) Dynamic nature	1
20	(b) Restricted Entry	1
21	Following are the reasons that have made management so important: i. <u>Management Increases Efficiency</u> ii. <u>Management Creates a Dynamic Organisation</u> iii. <u>Management Helps in Achieving Personal Objectives</u> iv. <u>Management Helps in the Development of Society</u> (1*3=3)	3
22	Branding is the process of giving a name, or a sign or a symbol to a product which helps in identifying and distinguishing it from the competitors' product. Advantages of branding to customers: (Any two)OR Packaging refers to the act of designing and producing the container or wrapper of a product. Functions of packaging: (Any two)	3
23	a) Technique of Production, b)Growth Prospects (explanation)	3
24	The type of barrier highlighted in the given statement is semantic barriers. *(any two)* The four semantic barriers are: *(a)* Badly expressed message . *(b)* Symbols with different meanings (c) Faulty translations *(d)* Unclarified assumptions *(e)* Technical jargon : (f) Body language and gesture decoding OR The type of barrier highlighted in the given case is psychological barriers. Emotional or psychological factors act as barriers to communicators. *(any two)* The four psychological barriers are: *(a)* Premature evaluation:. *(b)* Lack of attention: (c) Loss by transmission and poor retention *(d)* Distrust *(½ mark for naming the* barrier + 1 mark for its explanation 1.5*2=3)	3
25	**Protective Functions** *(½ mark for naming the function + ½ mark for its explanation 1 x 4=4)* OR The functions of a stock exchange - (Any Four) **1. Securities Pricing, 2. Safer Transactions, 3. Growth in the Economy** **4. Ensure Liquidity, 5. Capital Allocation, 6. Promotes Investment** *(½ mark for naming the function + ½ mark for its explanation 1 x 4=4)*	4

<table>
<tr><td>26</td><td>a) Responsibility which Amit has to fulfil as an aware consumer to get the services of the company:
b) Two rights which Amit could have exercised had he fulfilled his responsibility:
i. Right to be heard, ii. Right to seek redressal:
1 mark for stating the responsibility + ½ mark for identifying the right + 1 mark for its explanation = 1 ½ marks = (1 ½ x 2) = 3 marks = 1+3 = 4 marks</td><td>4</td></tr>
<tr><td>27</td><td>Importance of Planning: (Any Four)
1. Provides direction
ii. Reduce the risk of uncertainty
iii. Reduces overlapping and wasteful activities
iv. Promotes innovative ideas
v. Facilitate decision making
vi. Establishes standards for controlling
OR
Limitations of planning: (Any Four)
i. Leads to rigidity
May not work in dynamic environment
ii. Reduce creativity
Involves huge costs
iii. Time consuming process
Does not guarantee success
(½ mark for naming the advantage or Limitation + ½ mark for its explanation 1 x 4=4)</td><td>4</td></tr>
<tr><td>28</td><td>(a) Steps in the process of controlling discussed in the above case:
(i) Setting performance standards (ii) Measuring actual performance
(iii) Comparing actual performance with standards and Analysing deviations
(b) Step not discussed in the above para: Taking corrective action if deviations go beyond the acceptable limits.
(½ m for naming the step + ½ m for its explanation 1 x 3 = 3 m) + (1 mark) = 3+1 = 4)</td><td>4</td></tr>
<tr><td>29</td><td>The two incentives used by Sadaf to motivate the employees of her company are:
(i) Career Advancement Opportunity (ii) Job Enrichment
(½ mark for identifying + 1½ mark for its explanation = 2 + 2 = 4 marks)</td><td>4</td></tr>
<tr><td>30</td><td>(a) Debt (Any one reason)
1.Due to weak cash flow position, the firm may not be able to honour fixed cash payment obligations.
2. Increased fixed operating cost will increase the business risk therefore debt should not be issued as it further increases the financial risk.
3. The stock market condition being bullish, the investors will prefer to buy equity shares.
(b) Other factors which Nandini would keep in mind are: (any two)
1.Return on Investment 2.Tax Rate 3.Cost of Equity 4.Floatation Costs 5.Flexibility 6.Control Consideration 7.Regulatory Framework 8.Capital Structure of other companies. 9.Debt Service Coverage Ratio 10.Interest Coverage Ratio 11.Cost of Debt (1+3=4)</td><td>4</td></tr>
<tr><td>31</td><td>1) Functional Foremanship:
a) Differential piece wage system
b) Fatigue Study: (1.5 x 2 =3)
2)
<table>
<tr><th>Basis</th><th>Time Study</th><th>Motion Study</th></tr>
<tr><td>Meaning</td><td>Measures time taken to complete an activity or task.</td><td>Analyzes and optimizes workers movement during an activity or task.</td></tr>
<tr><td>Aim</td><td>Determine the standard time taken to complete a task.</td><td>Eliminate unnecessary movement while doing work.</td></tr>
<tr><td>Tools of Study</td><td>Stop watches</td><td>Movie cameras connected with micro-chronometers.</td></tr>
</table>
OR
1) Scalar Chain 2) Order 3) Esprit de Corps
2) Difference between Unity of Command and Unity of Direction
<table>
<tr><th>Basis</th><th>Unity of Command</th><th>Unity of Direction</th></tr>
<tr><td>Meaning</td><td>One subordinate should receive orders from and should be responsible to only one superior.</td><td>Each group of activities having same objective must have one head and one plan</td></tr>
<tr><td>Aim</td><td>It prevents dual subordination.</td><td>It prevents overlapping of activities.</td></tr>
<tr><td>Implications</td><td>It affects an individual employee.</td><td>It affects the entire organisation.</td></tr>
</table></td><td>6</td></tr>
<tr><td>32</td><td>FUNCTIONAL STRUCTURE
Advantages of Functional structure: (Any three)
Two limitations of Functional structure are: (Any two)</td><td>6</td></tr>
</table>

	1 mark for identifying the organisational structure +1 mark for each correct advantage + 1 mark for each correct limitation.(1+3+2=6)	
33	The steps involved in the process of staffing are as follows: A. Estimating Manpower Requirement: B. Recruitment: C. Selection: D. Placement and Orientation: E. Training and Development: F. Performance Appraisal: G. Promotion and Career Planning: H. Compensation: **OR** Benefits to the Employee • Improved Career Prospects: • Earn More: • Less Prone to Accidents: • Self-Confidence: Benefits to the Organization • Less Wastage: • Increased Profits: • Managerial Efficiency: • Absenteeism is Reduced: • Effective Response:	6
34	**(a) Price/ Pricing** **(b) Factors discussed in the above case are:** (i) Product Cost (ii) Utility and Demand (iii) Extent of competition (iv) Marketing methods used (v) Pricing objectives *1 mark for identifying the concept + ½ mark for identifying the factor + ½ mark for its explanation = 1 x 5 = 5 marks = 1 + 5 = 6 marks*	6

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