

व्यावसायिक अध्ययन
BUSINESS STUDIES
VOLUME-I

कक्षा 12
CLASS XII
2025-26

सामग्री संवर्धन, मूल्यांकन और अध्ययन कैप्सूल का विकास
CONTENT ENRICHMENT, ASSESSMENT AND DEVELOPMENT
OF STUDY CAPSULES



केन्द्रीय विद्यालय संगठन, रायपुर सम्भाग
KENDRIYA VIDYALAYA SANGATHAN, RAIPUR REGION

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Business Studies (Subject Code 054)
CLASS–XII (2025-26)

Theory: 80 Marks
Project: 20 Marks

3 Hours

Units		Marks
Part A	Principles and Functions of Management	
1.	Nature and Significance of Management	16
2	Principles of Management	
3	Business Environment	
4	Planning	14
5	Organising	
6	Staffing	20
7	Directing	
8	Controlling	
	Total	50
Part B	Business Finance and Marketing	
9	Financial Management	15
10	Financial Markets	
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.
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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	• Describe the various dimensions of 'Business Environment'. • Understand the concept of demonetization
Demonetization - concept and features	

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
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	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.
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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 and 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
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	consumer protection. • Discuss the scope of Consumer Protection Act, 2019
The Consumer Protection Act, 2019: <i>Source:</i> 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.

Suggested Question Paper Design
Business Studies (Subject Code 054)
Class XII (2025-26)
March 2026 Examination

Marks: 80

Duration: 3 hrs.

SN	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

MEANING OF MANAGEMENT

Management is the PROCESS of getting things done through others to achieve organisational objectives EFFICIENTLY and EFFECTIVELY.

Effectiveness means completing the task in time. It relates to end result.

Efficiency means doing the right task with min. cost . It relates to optimum utilisation of resources.

CHARACTERISTICS OF MANAGEMENT

1.Goal oriented Process:

- It is a goal oriented process, which is done to achieve already specified & desired objectives.
- The goal should be simple and clearly stated.
- Different organisations have different goals.

2.Pervasive:

- It is used in all types of organizations whether economic, social or political and at every level.
- The way to manage may differ in different organisations.
- The difference is due to differences in culture, traditions and history.

3.Multidimensional: It is multidimensional in three ways:

i) **Management of Work:** • Management translates the work of organisation in terms of goals to be achieved and assigns the means to achieve it.

ii) **Management of People:** People/ Human resources are the greatest assets of the organisation.

Management of people is done in two ways:

- a) It implies dealing with employees as individuals
- b) Dealing with individuals as a group of people.

iii) **Management of operations:**

• Every organisation has some production process. • It includes flow of input material & technology & other operations to convert them into output.

- To manage the operations both work and people are to be managed.

4.Continuous:

- All the functions of management are being performed by all managers simultaneously.
- The process of management continues till an organisation exists for attaining its objectives.

5.Group Activity:

It is a group activity since it involves managing and coordinating activities of different people with different needs and purposes of joining organisation as a team to attain the common organisational objectives.

6. Dynamic function:

It is a dynamic function since it has to adapt to the changes in social, economic, political, technological and legal dimensions of business environment to run the organisation successfully.

7. **Intangible Force** : It is an intangible force as it cannot be seen but its presence and effect can be felt in the form of results like

- Whether the targets are met
- Whether employees are happy, satisfied and motivated.
- Whether there is orderliness instead of chaos.

OBJECTIVES OF MANAGEMENT

(A) **Organizational Objectives** : These are the primary objectives of organisation. It includes the economic objectives of:

a) **Survival** : In order to survive, an organisation must earn enough revenues to cover costs.
b) **Profit** : Profit is essential to cover cost and risk of the business. It provides incentives for successful operations of the business.

c) **Growth** : To remain in industry, management should fully use the growth potential of organisation. Growth of a business can be measured in terms of:

- Sales volume
- Increase in number of employees
- Increase in number of products
- Increase in capital investment.

(B) **Social Objectives**: It involves giving benefits to society like

- using environmental friendly practices
- giving employment to disadvantaged sections of society
- giving basic amenities like schools and crèches to employees.

(C) **Personal Objectives**: Employees working in the organisation have individual needs like:

- Financial needs like salary and perks.
- Social needs like recognition
- Higher level needs like personal growth and development.

The diverse personal objectives of people working in the organization have to be reconciled with organizational objectives by the management.

IMPORTANCE OF MANAGEMENT

(1) **Achieving Group Goals**: Management helps in achieving group goals. Manager gives common direction to the individual efforts in achieving the overall goals of the organisation.

(2) **Increases Efficiency**: Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity through better planning, organising, staffing, directing and controlling.

(3) **Creates Dynamic Organisation**: Business environment is constantly changing. Management helps people to adapt these changes so that the organisation is able to maintain its competitive edge.

(4) **Achieving Personal Objectives**: Management helps in achieving personal objectives of individuals working in the organisation by contributing to the overall goals of organisation through motivation and effective leadership

(5) **Development of Society**: Management helps in the development of society by:

- producing good quality products & services
- creating employment opportunities and
- adopting new technology.

NATURE OF MANAGEMENT

It can be explained under three heads:

I) Management as an Art

Art refers to skillful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience.

The features of management as an art are as follows.

1) **Existence of theoretical knowledge:**

- Art involves the existence of theoretical knowledge. For eg: literature in music, acting, dancing etc is widely recognized.

- The various areas of management like marketing, sales, finance etc involves a lot of literature. It can be studied as a discipline.

2) **Personalized Application:**

- Individuals make use of basic knowledge in his own personal way. For eg- two singers having same basic knowledge of music will sing differently.
- A manager skillfully applies the acquired knowledge according to the situation in his own unique way.

3) **Based on practice and creativity:**

- Art involves creative practice of acquired knowledge in order to be expert in his/ her field.
- A manager over a period of time gains lot of experience and formulates his own theories & ways for use in given situation.

Conclusion - Management has all the features of an art which so we can say that management is an art.

II→) **Management as a Science**

Science is a systematized body of knowledge that explains certain general truths or the operations of general laws.

The features of management as a science are as follows.

(1) **Systematized body of knowledge:**

- Science has its own systematic theory and principles based on cause & effect relationship.

Example: Law of gravitation.

- Management is also a systematic body of knowledge having its own theory & principles. Eg: Fayol's principles of management.

(2) **Principles based on experimentation:**

- Scientific Principles have been developed through observation & experimentation under controlled conditions. Eg- If we boil water at 100° C, it will evaporate.
- Management principles are also developed over a period of time on the basis of experimentation & observation. But since it deals with human behaviour the results are not so exact.

(3) **Universal Validity:**

- Scientific principles are universal i.e. they are true under each & every situation. Eg- Principle of Gravitation.
- Principles of Management are not universal. They have to be modified according to the situation.

Conclusion: In the absence of two main features i.e. 'Principles based on Experimentation' & 'Universal Validity', Management cannot be considered as perfect/pure science, rather it is a Social Science/ Soft Science/ Inexact Science.

III) **Management As A Profession**

Profession is a well defined body of knowledge which can be acquired through training and instructions and it follows ethical standards. For eg: Doctors, Lawyers etc.

The features of management as a profession are as follows.

1) **Well-defined body of knowledge:**

- All professions are based on a well-defined body of knowledge that can be acquired through instructions.
- Management has also grown as a discipline having a systematic body of knowledge and well defined principles.

2) **Restricted entry:** • The entry to a profession is restricted through an examination or through acquiring an educational degree.

- But there is no restriction on any one being appointed as manager irrespective of the educational qualification possessed by him/her. Hence, this criterion is not fully satisfied in management.

3) **Professional association:**

- All professions are affiliated to a professional association which regulates entry, grants certificate of practice and formulates and enforces a code of conduct.
- There is no compulsion for managers to be members of any Management Association. Hence, this criterion is not fully satisfied in management.

4) **Ethical code of conduct:**

- All professions are bound by a code of conduct which guides the behaviour of its members.
- There is no compulsion for managers to be members of any management association and abide by the code of conduct. Hence this criterion is not fully satisfied in management.

5) **Service motive:**

- The basic purpose of management is to help the organization achieve its goal. Though profit maximisation is the basic goal of a business, it is fast changing. Therefore, if an organization has a good management team that is efficient and effective it automatically serves society by providing good quality products at reasonable prices.

Conclusion:

Management does not fulfill the exact criteria of profession. Hence, it cannot be recognized as a fully fledged profession.

Though it is on the path of becoming a profession in near future.

LEVELS OF MANAGEMENT:

Management is a universal term used for certain functions performed by individuals in an enterprise who are bound together in a hierarchy of relationships.

This authority-responsibility relationship binds individuals as superiors and subordinates and gives rise to different levels in an organisation.

There are three levels of management:

Top, Middle and Operational/Lower levels.

1. Top Level :

It consists of managers at the highest level in management hierarchy.

They are responsible for welfare and survival of the organization.

Consists of – Chairman, Managing Director(MD), Board Of Directors(BOD), Chief Executive Officer(CEO), Chief Operating Officer, Chief Financial Officer, President, Vice President, General Manager etc.

FUNCTIONS OF TOP MANAGEMENT:

- To integrate diverse elements and coordinate the activities of different departments according to overall objectives of organization.
- To work for the welfare and survival of the organization.
- To analyse the business environment and its implications for the survival of the firm.
- To formulate the overall goals of the organization and the strategies to achieve them.
- They are responsible for the activities of the business and their impact on the society.

2. Middle Level:

Middle Level managers act as link between Top management & Supervisory Management.

They are subordinate to top level managers and superior to low level managers. They are responsible for implementing & controlling plans & strategies formulated by top level..

Consists of- Division Heads like Factory head, Plant Superintendent etc. and Departmental Heads like Finance manager, marketing manager etc.

FUNCTIONS OF MIDDLE MANAGEMENT

The main functions are:

- a) To implement and control plans and strategies developed by the top level managers.
- b) They are responsible for all the activities of first line managers.

To perform the above functions the other sub functions performed by middle level managers are:

- a) To Interpret the policies framed by top management.
- b) To Ensure enough personnel for their departments.
- c) To Assign duties and responsibilities to lower-level managers.
- d) To Motivate them to achieve their desired objectives.
- e) To Cooperate with other departments to ensure smooth functioning of the organization.

3. Lower Level / Supervisory Level:

They are also called Operational Level Management.

First line managers oversee the work force & actually carry out operational work in an organization.

Consist of – Supervisor, Foremen, Inspector, First Line Managers. etc.

FUNCTIONS OF SUPERVISORY MANAGEMENT

- a) To act as a link and pass on the instructions of the middle management to the workers.
- b) To Put their efforts for the maintenance of quality of output.
- c) To Minimise the wastage of materials.
- d) To They maintains safety standards at work place.
- e) To Oversee the efforts of workforce and act as guide to them.
- f) To Ensure discipline among the workers.
- g) To Provide training foremen and workers.

THE FIVE FUNCTIONS OF MANAGEMENT:

1. **Planning:** Planning is the function of deciding in advance what is to be done & who is to do it.
2. **Organizing:** Organizing is to assign duties, grouping tasks, establishing authority and allocating resources required to carry out a specific plan.
3. **Staffing:** Staffing is finding the right people for the right job.
4. **Directing:** Directing is leading, influencing and motivating employees to perform the tasks assigned to them.
5. **Controlling:** Controlling is monitoring the organizational performance towards the attainment of organizational goals.

COORDINATION:

Coordination is the force which synchronizes(binds) all the functions of management and activities and efforts of different departments of the organisation.

CHARACTERISTICS OF COORDINATION

Integrates group efforts: It unites and gives common focus to group efforts to ensure that performance is as per plans & turns them into a purposeful work.

Ensure unity of action: It acts as the binding force between various departments and ensure that all efforts are focused towards achieving common organizational goals.

Continuous process: It is a never ending process. It begins at planning stage and continues till controlling.

Pervasive function: It is needed in all departments and at all levels because of various interdependent activities. Without coordination, there is overlapping and chaos instead of harmony and integration of activities.

Responsibility of all managers: It is the responsibility of all top level, middle level and lower level managers and no one can avoid this responsibility to ensure the smooth functioning of the organization,

Deliberate functions: A manager has to deliberately coordinate the activities of the workers to ensure that work proceeds according to plans. It gives direction to the willing spirit of workers.

IMPORTANCE OF COORDINATION

Growth in size: Individuals come from different backgrounds with different interest, habits, experiences etc. So, coordination ensures that individuals work towards the common organizational goals

Functional differentiation: There are various departments in an organization performing different functions. Coordination synchronises activities of all departments so they proceed together in a single direction instead of working as independent units.

Specialisation: An organization employs different specialists due to complexities of modern technology and diversified tasks to be performed. Coordination helps to reconcile the difference in approaches, interest or opinion of different specialist hired in an organization.

COORDINATION – ESSENCE OF MANAGEMENT

“ Like a thread in a garland, coordination is a part of all management functions”.

“Coordination is the Essence of Management”.

Coordination is needed in all functions of Management.

The above statements can be explained as follows:

Planning – Coordination is required between the main plans and organisational objectives, • The master plan and various departmental plans.

Organising – Coordination is required between authority delegated and responsibility given.

Staffing – Coordination is needed to maintain balance between the work given to an individual and his capabilities and abilities.

Directing – Coordination is needed between Instructions given and work expected from an employee & Needs of an employee and incentives offered to him/her.

Controlling – Coordination is needed between actual performance and standard performance or expected results.

Needed at all levels of Management-

Top level - Needs coordination to integrate activities of the whole organisation for accomplishing the organizational goal

Middle level - Coordination of the efforts within and among different departments.

Lower level - Coordination in the day to day activities of workers to ensure work progresses as per plans.

QUESTION BANK

Q.NO.	MCQs
Q1.	Volvo Ltd's target is to produce 10000 shirts per month at a cost of Rs. 100/- per shirt. The Production Manager achieved this target at a cost of Rs. 90/- per shirt. Choose the correct option for the production manager. He is ... (a) Effective but not efficient (b) Efficient but not effective (c) Both effective and efficient (d) Neither effective nor efficient
Q2.	Identify the Concept from the above picture (a) Management as an Art (b) Management as a Science (c) Management as a Profession (d) Management as a coordination
Q3.	The above pictorial presentation highlights the achievements of two production managers : Ramesh and Shyam. Select the correct statement on the basis of the picture:- (a) Ramesh is ineffective and inefficient (b) Ramesh is effective and efficient (c) Shyam is effective and efficient (d) Shyam is efficient but ineffective

Q4.	From the above pictorial presentation identify the objective violated by the management:- (a) Organisational Objectives (b) Social Objectives (c) Personal Objectives (d) Economical Objectives.
Q5.	Identify the characteristic of management depicted in the above picture:- (a) Management is a continuous process (b) Management is Dynamic Function (c) Management is group activity (d) Management is a goal oriented process.
Q6.	The welfare and survival of an organization are the main functions performed by ----- (a) Middle level of management. (b) Top level of management. (c) Lower level of management. (d) Supervisory level of management.
Q7.	Divisional heads, department heads belongs to ----- (a) Middle level of management (b) Top level of management. (c) Lower level of management. (d) Supervisory level of management.
Q8.	Quality of output and safety standards are being maintained by ----- (a) Middle level of management (b) Top level of management. (c) Lower level of management. (d) High level of management.
Q9.	Profit is essential for covering cost and risk of the business. Which management objective is discussed here? (a) Social objective (b) Organisational objective (c) Personal objective (d) Individual objective
Q10.	Ankita is engaged in manufacturing chocolates and biscuits by using environmental friendly methods of production. Which management objective is used here? (a) Individual objective (b) Organisational objective (c) Social objective (d) Economic objective

Q11.	Sachin the director of Apex ltd.is engaged in manufacturing furniture. He decided to keep one-third seats reserved for specially disadvantaged section of society. Which objective of management is discussed here?		
	(a) Individual objective	(b) Social objective	
	(c) Organisational objective	(d) Personal objective	
Q12.	When an organization is concerned about personal growth and development of employees which management objective is highlighted?		
	(a) Organisational objective	(b) Personal objective	
	(c) Social objective	(d) Growth objective	
Q13.	In order to enter into profession one has to acquire an educational degree by clearing specified examination conducted by registered institutes. Which feature of profession is being revealed?		
	(a) Restricted entry	(b) Ethical code of conduct	
	(c) Professional association	(d) Well defined body of knowledge	
Q14.	Match the columns to identify the importance of coordination:		
	Column-A	Column-B	
	(1) Functional differentiation	(a) When all departments have their own objectives, policies and their own style of working	
	(2) Specialisation	(b) When organization is performing on large scale and more people are employed	
		(c) When more complexities of modern technology and diversity of tasks is to be performe	
	(a)1-a,2-b	(b) 1-a,2-c	(c) 1-b,2-c
		(d) 1-b,2-a	
Q15.	Match the columns on the basis of importance of management:		
	Column-A	Column-B	
	(1) Creates dynamic organisation	(a) The task of the mangers is to reduce the cost and to increase the productivity	
	(2) Increases efficiency	(b) Job of the manager is to give common direction to individual efforts	
		(c) Organization have to work in an environment which constantly changing	
	(a)1-a,2-b	(b) 1-c,2-a	(c) 1-b,2-c
		(d) 1-b,2-a	

1	C	2	A	3	D	4	B	5	C
6	B	7	A	8	C	9	B	10	C
11	B	12	B	13	D	14	B	15	B

SHORT ANSWER TYPE QUESTION (3/4 MARKS)

1	Explain the term management. ANS. Meaning of Management: -Management is defined as a process of getting work done to achieve organisational goals effectively and efficiently. EFFECTIVENESS: it is related to doing the right task and is related to end result. EFFICIENCY: it refers to right way with minimum cost and optimum utilization of resources. .	
2	(a) Shinashu Ltd. company target is to produce 15000 unit in a year. To achieve this target the manager has to operate double shift due to power failure most of the time. In this way the manager was able to achieve a target but at higher cost. Explain briefly if the manager is effective or efficient? (b) If a manager has a target to achieve 80000 units per month at a cost of rupees 1000 per unit, the manager has produced 79000 unit per month at the cost of rupees 990 per unit. Explain briefly if the manager is effective or efficient? ANS. EFFECTIVENESS: it is related to doing the right task and related to the end result EFFICIENT: it refers to right way with minimum cost and optimum utilization of resources. (a) Here the manager was able to achieve a target but at higher cost. In this way the manager is effective not efficient . (b) Here the manager is efficient but not effective as he is not able to complete his target ..	
3	Sadhna, a graduate of a reputed institute of management, is a successful manager. She applies her acquired knowledge in a personalised and skillful manner in difficult situations at work. She uses her imagination and creativity in handling these situations. Identify the aspect of the nature of management highlighted in the above case. Also justify by giving three reasons. ANS. Management as Art Management is an art as there is existence of theoretical knowledge in Management which is based on personalised application, practice and creativity. Reasons-Features of art- there are three features of art which can be applicable in management. I. Existence of theoretical knowledge: art is based on certain basic principle derived from the knowledge of expert and theory. Management also has various theories which are developed by many thinkers. In this way management is also like ART. II. Personalized application: Individuals can make use of basic knowledge in his own personal way. Management has also personalized application of knowledge because its principle can be used as per the situation and problem arises. In this way management is also an art. III. Based on practice and creativity: art can be developed on the basis of practice	

	and creativity. We can create our own style or method. Management is also based on practice and creativity because its theory can be applied as per the given situation in this way management is also an art. Conclusion: all the features of art are applicable in management in this way management is considered as art.	
4	Bimal Rai is working in Funny Bunny Ltd. The company manufactures games and toys for children. The basic task of Bimal Rai is to integrate diverse elements and coordinate the activities of different departments. At which level of management is Bimal Rai working? State any two functions apart from those given. ANS: Mr. Bimal is working at the Top level of management. Functions: (a) He analyses the business environment and its implications for the survival of the firm. (b) They formulate overall organisational goals and strategies for their achievement.	
5	H. Tech Ltd. is a company producing IT services. The company's profits are enough for the survival and growth. The management of the company believes that a satisfied employee creates a satisfied customer, who in turn creates profits that lead to satisfied shareholders. So, it pays competitive salaries and perks to its all employees. All the employees are happy working in the organization because of personal growth and development. The company has a strong sense of social responsibility. It has set up an engineering college in which one-third of the students are girls to whom the company gives 50% scholarship. State the objectives H. Tech Ltd. is fulfilling by quoting the lines. Ans: 1. Organisational Objectives "The company's profits are enough for the survival and growth." 2. Personal Objectives "it pays competitive salaries and perks to its all employees. All the employees are happy working in the organization because of personal growth and development" 3. Social Objectives "The company has a strong sense of social responsibility. It has set up an engineering college in which one-third of the students are girls to whom the company gives 50% scholarship"	
6	Yash Ltd. is facing a lot of problems these days. It manufactures electronic goods like washing machines, microwave ovens, refrigeration and air-conditioners. The company's margins are under pressure and the profits and market marketing department blames production department for producing goods, which are not of good quality to meet customers' expectations. The finance department blames both production and marketing departments for declining return on investment and bad marketing. 1. What quality of management do you think the company is lacking? Justify your answer. 2. State the importance of the concept identified in (a). Ans: 1. Coordination 2. Growth in size: Individuals come from different backgrounds with different interest, habits, experiences etc. So, coordination ensures that individuals work towards the common organizational goals Functional differentiation: There are various departments in an organization performing	

	different functions. Coordination synchronises activities of all departments so they proceed together in a single direction instead of working as independent units. Specialisation: An organization employs different specialists due to complexities of modern technology and diversified tasks to be performed. Coordination helps to reconcile the difference in approaches, interest or opinion of different specialist hired in an organization.	
7	The management of Vrinda Ltd. strongly believes that the members of an organization should work towards fulfilling the common organizational goals. This requires team work and integration of efforts of all individuals, departments and specialists. This is because all the individuals and departments depend on each other for information and resources to perform their respective activities. Managers need to reconcile differences in approach, timing, effort or interest. At the same time it should enable all its members to grow and develop. Thus, there is a need to harmonize individual goals and organizational goals. 1. Identify the concept of management discussed above. 2. State any three features of the concept identified in (a). Ans: Coordination Features of coordination – i) coordination integrates group efforts: coordination provides direction to the group efforts of the employee and integrates them into purposeful activity for common objectives. ii) Coordination ensure unity of action: coordination ensure the unity of action, where various jobs and groups dividing the organisation coordination binding and synchronise all the activities towards achieve the organisational goals. iii) Coordination is the continue process: coordination is continuous process starts from planning stage and continuous till controlling in this way it is a never-ending process. iv) Coordination is all pervasive: coordination is all pervasive as it required in all types of organisation in all departments and all levels of management	

LONG ANSWER TYPE QUESTIONS (6 MARKS)

1	Explain the characteristics or features of Management. ANS. Following are the main characteristics and features of management. (i). Management is the goal oriented process: every organisation has some there goals must be stated clearly management integrates all the efforts towards achieve the goal. (ii). Management is all pervasive: management is required in all types of activity in business and non-business so it is a Universal process. (iii). management is multidimensional: management is a Complex activity which has three main dimensions. (a).management of work: all organisations is set -up to perform some activities these activities aim to achieve goal planning organising and controlling is required. (b), management of people: each organisation is established what doing some work	
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	which is carried by the people in this way we have to required efficient staff to completing the task and directing and helping for this task. (c). management of operation: to achieve objective of an organisation many action is perform like production, sales, purchase, Finance etc. (iv).management is continuous process: management is is never ending process once the target is achieved we set a new target in this way it became continuous. (v).management is a group activity: management is a group activity rather than a individual work because an organisation required different people for different need but for the common goal it is a group activity. (vi). management is a dynamic function: management has to adopt itself two changes in environment in this way management is dynamic. (vii). management is an intangible force: management is an intangible force it cannot be seen but its presence can be felt in organised effectiveness.	
2	Aman, Ahmad and Ally are partners in a firm engaged in the distribution of dairy products in Maharashtra state. Aman is a holder of Senior Secondary School Certificate from Central Board of Secondary Education with Business Studies as one of his elective subjects. Ahmad had done his post graduation in History and Ally in dairy farming. One day there was a serious discussion between Ahmad and Ally regarding the nature of management. Ahmad argued that management was a profession whereas Ally argued against it saying that the legal and medical professions are the only professions because they fulfill all the conditions of profession. Aman wants to satisfy on the basis of his knowledge of business studies to Ahmad and Ally about the nature of management . (a)Identify the nature of management which is explained in the above para. (b)Explain, how Aman would have satisfied both Ahmad and Ally ANS. (a) Management as profession is explained in the above para. Management is not a full-fledged profession like legal, accounting or medical professions because it does not meet the exact criteria of a profession. (b) Features of profession applied in management. i. Well defined body of knowledge: Every profession has well defined body of Knowledge relevant to the area over specialisation. Management also has a well-defined body of knowledge that can be acquired through recognised University or institution in this way management is a profession. ii. Restricted entry: Anybody cannot enter profession without acquiring prescribed knowledge & through training/ practice. Management has no restriction, anyone can appointed as manager .Educational qualification is not required in this way management is not a profession. iii. Professional Association: All professions are affiliated to an officially recognised Association which can represent the profession and grant certificate of practice. For example MBBS register in MCI (Medical Council of India), CA has to registered in ICAI (Institute of Chartered Accountants of India) etc. Management has no such type of association so in this way management is not a profession.	

	iv. Service motive: Every profession must aim at providing services to others . Though profit earning is the main motive of management, it also serves the society by providing good quality products at reasonable prices. V. Ethical code of conduct: All professional body has a code of conduct design by professional Association but in management there is no uniform code of conduct.In this way management is not a profession.	
3	Explain the importance and role of Management. ANS. Importance of Management:- management is an important force for every organisation it can be explained as: i. Management helps in achieving group goals: management is needed for achieving the objective of the organisation which directs group efforts towards the achievement of predetermined course and control. ii. Management increases efficiency; management directs day to day operation in such a manner that wastage are avoided. It helps in optimum utilization of resources which reduces the cost and increases the efficiency of an organisation. iii. Management create a dynamic organisation: Management creates a dynamic organisation by making the organisation adopt itself to the changing environment. iv. Management helps in achieving personal objectives: Management creates a good working environment among the employees,gives reasonable salary,job satisfaction and motivates them to achieve organisation objectives in the way personal goals of employees are also achieved. v. Management helps in development of society: efficient management leads to better utilization of all resources for the welfare how the society it improves standard of living by providing qualities product, employee opportunity etc.	
4	Objectives of Management can be classified into organisational, social and personal objectives. Explain these objectives. Ans. Management seeks to achieve various objectives. These are: i. Organisational or economic objective: the main objective of any organisation to earn profit by utilising human and material resources the economic objective of management can be classified as. a. Survival: The basic objective of any business is survival.Management must earn the sufficient profit which covers the cost. b. Profit: here survival is not enough for business management must ensure that the organisation makes a profit which is essential for covering cost and risk of the business. c. Growth: The future growth of a business can be measured in terms of increase in sales volume, number of employees, number of product , capital investment etc. ii. Social objective: social objectives as a part of society every organisation whether it is a business or non-business has a social obligation to fulfil.This includes. a. Employment opportunity to all the section of the society. b. using eco-friendly methods of production. c. produce quality product at reasonable price,etc. iii. Personal objectives: personal objective are related to employees those are working in organisation so management has an obligation to satisfy them, following are the some personal objective. a. providing competitive salaries to employees. b. to satisfy social needs by recognition of their work. c. personal growth and development my motivating, training and promotional.	

WORKSHEET- 1

TIME : 40 mins.

M.M.20

1	_____ essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives. A. Coordination B. Planning C. Organising D. Directing	1
2	One of the objectives of management is to generate demand of its products so that at least such revenue can be generated which is sufficient for covering the costs. Identify the organizational objective of management. A. Survival B. Profits C. Growth D. All of Above	1
3	A company's target production is 5000 units in a year. To achieve this target the manager has to operate on double shifts due to power failure most of the time. The manager is able to produce 5000 units but at a higher production cost. The manager is : (A) Effective and efficient (B) Effective but not efficient (C) Efficient but not effective (D) Neither effective nor efficient	1
4	Consideration of the interest of employees during managerial activities is known as (a) organisational objectives (b) social objectives (c) personal objectives (d) All of these	1
5	Management is essential for the following enterprises (a) profit or non profit (b) services or manufacturing (c) Big or small (d) All of these	1
6	Managerial activities are performed in all types of organization, in all departments and at all levels which management character is highlighted here? (a) continuous (b) All pervasive (c) dynamic (d) group activity	1
7	Mr Sharma is managing director of Happy Ltd manufacturing different varieties of cheese .He has an efficient team working under Raman, the production manager, Vivan , the marketing manager and Aditya, the finance manager. They understand and interpret the policies made by Mr Sharma, ensure that their departments have adequate manpower and assign them the necessary duties. (a) State two more functions other than those mentioned above that this team may perform at the level they are working. (b) Also recognise the level.	3
8	At which level of management, managers are responsible for the welfare and survival of the organisation. Explain.	3
9	Suraj Power Ltd. set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas: The revenue earned by the company was sufficient to cover its cost, so the company decided to increase production to generate higher sales. For this they decided to employ people from the nearby villages as very few job opportunities were available in that area. The company also decided to open schools and creches for the children of its employees. Identify and explain two objectives of management discussed above by quoting the lines.	4
10	Management is considered to be both an art and science." Explain.	4

ANSWER KEY

1	C	2	A	3	B	4	C	5	D	6	B
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7	(a) (1) Motivating employees (2) Creating cooperation (b) Middle level management	
8.	Top level management .It includes Chair person, CEOs, MD, BOD.They perform functions like - To plan objectives and frame policies for success and growth of overall organization.	
9.	The objectives of management referred to are: Organisational Objective: It refers to the utilisation of human and physical resources available in the organisation, considering the interest of all stakeholders. “The revenue earned by the company was sufficient to cover its cost, so the company decided to increase production to generate higher sales.” Social Objectives : “employ people from the nearby villages as very few job opportunities were available in that area”. Explain Personal Objectives “The company also decided to open schools and creches for the children of its employees”. Explain	
10.	Features of management as Art and as Science. <u>Management as Science</u> : 1. Systematized body of knowledge 2. Principles based on experiments 3. Universal validity <u>Management as Art:</u> 1.Existence of theoretical knowledge 2.Based on continuous practice 3.Personal application Management has features of both art and science. The practice of management is an art. However, managers can work better if their practice is based on the principles of management which constitute the science of management.	

WORKSHEET- 2

TIME : 40 mins.

M.M.20

1	Statement I: Management is multi-dimensional. Statement II: The activities involved in managing an enterprise are common to all organisations whether economic, social or political. Choose the correct option from the options given below: (a) Statement I is true and II is false. (b) Statement II is true and I is false. (c) Both the statements are false. (d) Both the statements are true. (2023)	1
2	'Alfanzo Ltd.' is achieving all its objectives in an effective and efficient manner. It is earning enough revenue to cover costs and the risks of the business. Now the company wants to increase the sales volume, the capital investment, the number of employees and the number of products also. By doing this, the management wants to achieve its following objective: (a) Survival (c) Personal (b) Profit (d) Growth (2023)	1
3	Which level of management is responsible for coordinating the activities of different departments according to overall objectives of the organisation? (a) Top level (c) Supervisory level (b) Middle level (d) Both middle and supervisory (Term-1, 2021-22)	1
4	'Coordination integrates the efforts of different departments and at different levels! Identify the characteristic of coordination highlighted in the above 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 (2023)	1
5	'It acts as the binding force between departments and ensures that all actions are aimed at achieving the goals of the organisation: The statement highlights the following characteristic of coordination: (a) Coordination is an all pervasive function. (b) Coordination is the responsibility of all managers. (c) Coordination is a continuous process. (d) Coordination ensures unity of action. (Term-1, 2021-22)	1
6	'The task of management is to make people work towards achieving the organisational goals, by making their strengths effective and their weaknesses irrelevant.' The dimension of management discussed above is: (A) Management of work (B) Management of people (C) Management of operations (D) Both (A) and (C)	1
7	Policy formation is the function of (a) operational management (b) middle level management (c) top level management (d) All of these	1
8	." Management is intangible. "Explain	3

9	Three groups of employees of 'Gama Limited' are working at different posts. The first group of employees is responsible for the welfare and survival of the organisation. In order to discharge its responsibility properly, this group continuously keeps a watch over the Business Environment. With a view to coping with the changes going on in the Business Environment, this group immediately discusses the change to be brought about in the company's plans. The second group of employees is responsible for maintaining quality and safety standards, and minimising wastages. The responsibility of third group of employees is to explain the policies decided by the top management and developing the feeling of cooperation among all the departments of the company. (a) Identify the concept of management described in the paragraphs given above. (b) Identify the three types of the concept identified in 'a' by quoting the relevant lines.	4
10	Explain how Management : (a) helps in achieving personal objectives (b) improves efficiency (c) create a dynamic organization	6

ANSWER KEY

1	A	2	D	3	B	4	A	5	D	6	B	7	C
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8	Management functions cannot be physically seen but its presence can be felt through the orderliness and coordination in the working environment.	
9	(a) Here the levels of management have been described. (b) Here the following three levels of management have been highlighted: (i) The first group..... of the organisation Top-Level Management (ii) "The second group.....wastages Lower-Level Management (iii) The responsibility of third group..... departments of the company." Middle level Management	
10	(a) Management helps in achieving personal objectives: A manager motivates and leads his team in such a manner that individual members are able to achieve personal goals while contributing to the overall organisational objective (b) Management improves efficiency- The aim of a manager is to reduce costs and increase productivity through better planning, organising, directing, staffing and controlling the activities of the organisation. (c)Management create a dynamic organization- Management helps people adapt to these changes so that the organisation is able to maintain its competitive edge.	

CHAPTER -2

PRINCIPLES OF MANAGEMENT

CONCEPT OF PRINCIPLES OF MANAGEMENT

- Managerial principles are the general guidelines for decision-making and behaviour.

NATURE OF PRINCIPLES OF MANAGEMENT

Management principles are based on observations, experimentation and the personal experiences of managers. The nature of principles of management can be stated as:

(1) Universal Applicability

Principles of Management are applicable at all levels of an organisation and in all types of organisations.

(2) General Guidelines

Principles of Management provide broad guidelines to solve business problems in general.

(3) Formed by practice and experimentation The principles of management are formed on the basis of experiences, observations and analysis of events in the past.

(4) Flexible

The principles of management are the guidelines or tools which managers may use at their discretion.

(5) Mainly Behavioural

Principles of Management though explain the relationship between human and material resources but they influence human behaviour the most while accomplishing organisational goals.

(6) Cause and effect relationship

Principles of management intent to provide the cause-and-effect relationship of the principles if applied in a specific situation.

(7) Contingent

The application of principles of management are dependent on situations and time

14 FAYOL'S PRINCIPLE OF MANAGEMENT (DAD U C USSR? O I SEE)

1-Division of work- The entire work of the organization should be divided into small specialised tasks and each tasks should be performed by a specialist or a trained employee.

2-Authority and Responsibility- Authority is the right of a superior to give orders to his subordinates and obtain obedience. Responsibility means obligation to carry out an assigned job on time (or duty to complete the given work). There should be balance between authority and responsibility.

3- Discipline- Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. .

4-Unity of command- It means that there should be one and only one boss for every individual employee. Dual subordination should be avoided.

5-Centralisation and Decentralisation-The concentration of decision-making authority is called centralisation. The dispersal of decision-making authority among more than one person is known as decentralisation.

6-Unity of direction-It means that all the units of an organisation should be moving towards the same objectives through coordinated and focused efforts.

7-Scalar Chain-The formal lines of authority from highest to lowest ranks are known as scalar chain. Gang plank-Gang plank is a shorter route and has been provided so that communication is not delayed in an emergency.

8-Subordination of individual interest to general interest-In the organization, there are personal interests of individuals as general interest of the organization as a whole. This principle means the interests of the must be given preference over the individual interest.

9-Remuneration- Principle of remuneration implies that every employee in the organization should be given fair and adequate remuneration for their work.

10-Order-It means that a place for everything (everyone) and everything (everyone) in its (his/her) place.

11-Initiative-Initiative means taking the first step with self-motivation. It is thinking out and executing the plan.

12-Stability of Tenure-Personnel should be selected and appointed after due and rigorous (Extremely through/carefully) procedures. Employees once selected to be kept at their post for a minimum fixed period.

13-Equity-Principle of equity implies similar treatment with all the employees in the organization.

14-Espirit De corps-Management should promote a feeling of team spirit, belongingness and mutual trust among employees.

SIGNIFICANCE OF PRINCIPLES OF MANAGEMENT

(1) **Providing managers with useful insights into reality**-They provide ideas, hints or guidelines to solve similar problems.

(2) **Optimum utilisation of resources and effective administration**-The cause and effect relationship helps managers to foresee the effect of their decisions and actions, thus, enables them to use resources most effectively.

(3) **Scientific decisions**-Principles based on experiments, observations and logic provide objective assessment of a situation.

(4) **Meeting changing environment requirements**-The managers can modify principles to meet the needs of dynamic business environment.

(5) **Fulfilling social responsibility**-By incorporating values, as part of principles, has enabled businesses to fulfill social responsibilities.

(6) **Management training, education and research**-The principles of management and the managerial experiences are used as case studies to train employees or for further modification or development of principles already applied.

TAYLOR'S PRINCIPLES OF SCIENTIFIC MANAGEMENT

(Science leads to Development by Harmony and Cooperation) or (She/He can Dance)

(1) Science Not Rule of Thumb

According to this principle, Taylor stressed that each job performed in the organisation should be based on scientific enquiry and not on intuition, experience and hit and trial method.

(2) Harmony, Not Discord

This principle states that management and workers must have good understanding and faith amongst each other. The combined efforts of management and workers help an organisation to achieve its goals.

Mental Revolution involves a complete change in mental outlook and attitude of workers and management towards one another from competition to cooperation. The management should create pleasant working conditions & workers should work with devotion and loyalty. Instead of fighting over distribution of profits, they must focus attention on increasing it.

(3) Cooperation, Not individualism

This principle states that each individual in the organisation must work with the final aim of achieving organisational goals. Management and workers must work as a team to be effective and efficient.

(4) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity

This principle states that organisations must appoint such people who possess the mental, physical and intellectual capabilities required for the job. It must also provide continuous on the job training for employees to improve their productivity and achieve growth.

Taylor's Techniques of Scientific Management

Functional Foremanship

As per this technique, the planning and execution should be treated as two separate functions and each function should be handled by a separate in-charge. Each in-charge must be assisted by four specialized personnel who would give instructions to workers.



Assistants of Planning in-charge would be-

i-**Instruction card clerk**-For drafting instructions for workers.

ii-**Route clerk**-To specify the production route.

iii-**Time and cost clerk**-For preparing time and cost sheet.

iv-**Disciplinarian**-For maintaining discipline in the factory.

Assistants of Production in-charge would be-

i-**Speed boss**-Will ensure that job is completed accurately and on time.

ii-**Gang boss**-Responsible to keep machines and tools ready for operations.

iii-**Repair boss**-Responsible for keeping the machines and tools in proper working conditions

iv-**Inspector**-Responsible to maintain the quality of work.

Standardisation and Simplification of work

Standardisation of work means setting standards with respect to process followed, time taken, raw material used, working conditions for each business activity.

Objectives of standardisation:

- To produce products of fixed types, sizes and characteristics.
- To establish interchangeability of manufactured parts and products.
- To establish standards of excellence and quality in materials.
- To establish standards of performance of men and machines.

Simplification of work means simplifying work by eliminating needless varieties, sizes, dimensions etc. of products produced to utilize resources optimally and reduce labour and overhead costs.

Method Study

- Finds the best possible way of doing a particular job
- Decides sequence of operations and placement of human and physical resources while producing goods.
- Aims to minimize cost of production and maximize efficiency, quality, productivity and customer satisfaction.

Motion Study

- It is a study of movements undertaken while doing a job like lifting, putting objects, sitting and changing positions etc.
- It designs the best method to perform repeated jobs.
- It eliminates unnecessary movements to complete the task in minimum time with greater efficiency.

Time Study

- It determines the standard time for performing a well-defined job or a repeated activity.
- The objective of time study is to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs.

Fatigue Study

-It determines the amount and frequency of rest intervals required to complete a task without getting physically or mentally tired.

-The breaks in between work help workers to regain stamina to work with the same energy and increase productivity.

Differential Piece Wage System

-It suggests that workers should be paid wages at different rates to recognize and reward efficiency and penalize inefficiency.

-Under this system different wage rates are determined to make payments to workers for performance as per standard output, above standard output and below standard output.

TAYLOR'S TECHNIQUES OF SCIENTIFIC MANAGEMENT

My Sweet Simple Mother and Father T aught Taylor's Different Functions

- | | |
|-----------------|---------------------------------------|
| 1. Motion Study | 2. Standardization and Simplification |
| 3. Method Study | 4. Fatigue Study |
| 5. Time Study | 6. Differential Piece Wage System |
| | 7. Functional foremanship |

QUESTION BANK

	MCQs	
1.	 1. The following pictorial presentation highlight the need to conduct one of the technique of scientific management. Identify the technique (A) Time Study (B) Motion Study (C) Method Study (D) Fatigue Study	1
2.	 2. This picture shows the technique of functional foremanship given by F.W.Taylor . The two boxes are empty. Select the correct options to fill the empty boxes (A) Cost clerk, repair boss (B) Repair boss, route Clerk (C) Quality clerk, repair boss (C) Route clerk, repair boss	1

3.	3. The principles of management do not provide readymade straight jacket solutions to all management problems because (A) The real business situations are complex. (B) The real business situations are dynamic. (C) The principles act as general guidelines. (D) All of the above.	1
4.	Principles of management emphasize on logical and rational decision making rather than on the basis of bias and prejudice. The given statement highlights that the knowledge of principles of management leads to (A) Providing managers with useful insight into reality (B) Scientific decisions (C) Meeting changing environmental requirements (D) All of the above	1
5.	According to Taylor, “even a small production activity like loading figures of iron into boxes can be scientifically planned and managed. This can result in tremendous savings of human energy as well as wastage of time and materials.” Identify the related principle of scientific management. (A) Harmony not Discord (B) Science not rule of thumb (C) Development of each and every person to get his/her greatest efficiency and prosperity (D) None of the above	1
6.	According to this principle of scientific management, “Scientific management has for its foundation the firm conviction that true interest of the management and workers are one and the same; the prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa.” (A) Science, not rule of thumb (B) Co-operation, not individualism (C) Harmony, not discord (D) All of the above	1
7.	According to Taylor, “each specialist is to be assigned work according to his/her qualities, the employees who possess technical mastery should be involved in planning work whereas those with energy and good health may be assigned execution work.” Name the related principle of scientific management. (A) Functional foremanship (B) Science, not rule of thumb (C) Development of each and every person to his or her greatest efficiency and prosperity (D) None of the above	1
8.	Considering the fact that it is difficult to find one single person with all the needed qualities, Taylor suggested appointment of a specialist through this technique of scientific management. Identify the technique.	1

	(A) Standardisation and simplification of work (C) Functional foremanship	(B) Method study (D) Motion study									
9.	The objective of this technique of scientific management is to reduce a given line or a product to fixed type sizes and characteristics. Name the technique. (A) Method study (B) Differential piece wage system (C) Standardisation and simplification of work (D) Functional foremanship		1								
10.	The technique of differential piece rate system was developed by Taylor in order to (A) Discriminate between efficient and inefficient workers (B) Reward the efficient worker (C) Motivate the inefficient workers to perform better (D) None of these		1								
11.	According to this principle of general management, “an organisation should safeguard against abuse of managerial power, but at the same time a manager should have the necessary authority to carry out his responsibility.” Name the principle of management being described in the given statement. (A) Discipline (B) Authority and responsibility (C) Unity of command (D) Unity of direction		1								
12.	Assertion (A): Techniques are procedures or methods which involves series of steps to be taken to achieve the desired goals. Reason (R) principles are the guideline to take decisions or action while practicing techniques. (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								
13.	Match the following- <table><tr><td>a-Framing rules and regulation and meeting commitment by subordinates and superiors.</td><td>i- Principle of unity of Direction</td></tr><tr><td>b-One unit one plan and unification of efforts towards one direction</td><td>ii-Principle of Order</td></tr><tr><td>c-No wastage of time in search of a person and material.</td><td>iii-Principle of Equity</td></tr><tr><td>d-Fair, kind and just treatment to employees and no discrimination of employees.</td><td>iv- Principle of Discipline</td></tr></table> (b) (a) a-iii, b-iv, c-i, d-ii (c) (b) a-iv, b-i, c-ii, d-iii (d) (c) a-ii, b-iii, c-iv, d-i	a-Framing rules and regulation and meeting commitment by subordinates and superiors.	i- Principle of unity of Direction	b-One unit one plan and unification of efforts towards one direction	ii-Principle of Order	c-No wastage of time in search of a person and material.	iii-Principle of Equity	d-Fair, kind and just treatment to employees and no discrimination of employees.	iv- Principle of Discipline		1
a-Framing rules and regulation and meeting commitment by subordinates and superiors.	i- Principle of unity of Direction										
b-One unit one plan and unification of efforts towards one direction	ii-Principle of Order										
c-No wastage of time in search of a person and material.	iii-Principle of Equity										
d-Fair, kind and just treatment to employees and no discrimination of employees.	iv- Principle of Discipline										

	(e) (d) a-iv, b-iii, c-ii, d-i	
14.	According to Henri Fayol, if this principle of general management is violated, “Authority is undermined, discipline is in jeopardy, order disturbed and stability threatened.” Identify the principle. (A) Authority and responsibility (B) Discipline (C) Unity of command (C) Equity	1
15.	Which principle of general management advocates that, “Employee turnover should be minimised to maintain organisational efficiency.”? (A) Stability of personnel (B) Remuneration of employees (C) Equity (D) Espirit De Corps	1

ANSWERS

1	D	2	D	3	D	4	B	5	B
6	C	7	D	8	C	9	C	10	D
11	B	12	A	13	B	14	B	15	A

SHORT ANSWER TYPE QUESTIONS (3/4 MARKS QUESTION)

1.	What is meant by principles of management? ANS. Principles of management are broad and general guidelines for decision making and behaviour of managers. They are based on observations, experimentation and the personal experiences of managers.	
2.	Bhoomi enterprises is facing huge losses. The owner of the company is an MBA pass out. Even then many things in the organisation are happening which are indicative of lack of proper management in the company. First of all there is no specific sharing of work and any time any employee is asked to do anything. This has lead to wastage of efforts. Further due to negligence in proper work sharing there has been no specialisation development in the nature of the jobs done by the employees. There are no clear and fair agreements between the workers and the management. This has led to a lot of frustration in the workers. Management has quite often been found to be ignorant of not fulfilling promises done by it. There are also no strict rules and regulations binding on the conduct of the workers. The departmental heads who are middle level managers in the company and hold key positions always favour their relatives. They quite often don't turn up for job on time. They are always looking for special relaxations from the top management. This has led to feeling of resentment among the employees who are also demanding special favours and threatening strike in the coming days. Identify the three principles of Fayol violated in the above case. ANS. 1. In the first paragraph of the case the principle of Fayol which is violated is 'Division of Work'. 2. In the second paragraph of the case the principle of Fayol which is violated is 'Discipline'. 3. In the third paragraph of the case the principle of Fayol which is violated is 'Subordination of individual interests to general interests'.	

3.	Mohit is an owner of a printing press. The size of his organisation has increased during the recent past. There are many employees who work in his organisation. The organisation is considered good and has earned a lot of reputation in the market. However when it comes to making key decisions in the organisation related to many things he never considers the opinions of his subordinates. Even though the size of the organisation has increased yet he tries to take all the key decisions on his own. Which principle of Fayol has been violated by him? ANS. The principle of Fayol which has been violated here is 'Centralisation and Decentralisation'. Since he is making all the decisions on his own he is not giving any decision making authority to his subordinates.	
4.	Swaraj is running an office furniture showroom. Most of his clients are businessmen and they prefer to buy goods on credit. Keeping this in mind, he has given the power to the sales manager, Mr. Bhardwaj, to offer a credit period of only 20 days, while negotiating a deal with a buyer. On a specific day, Mr. Bhardwaj finds that if he can offer a credit period of 30 days as an exception to a prospective buyer, he is likely to finalise a highly profitable deal for the business. So Mr. Bhardwaj requests Swaraj to grant him additional authority for offering a credit period of 30 days in the interest of the business. But Swaraj refuses to extend his authority and as a result, the deal is not finalized. In context of the above case: i) Can Mr. Bhardwaj be held responsible for loss of the deal? Why or why not ? ii) Give a suitable reason in support of your answer. iii) Also, explain the related principle. ANS. i) No, Mr. Bhardwaj cannot be held responsible for loss of the deal in the above case as he was not given the necessary authority to carry out his responsibility. ii) There is no balance in authority and responsibility. iii) The name of the related principle is Authority and Responsibility. (Explain)	
5.	Explain the following points of significance of principles of management: (i) Providing managers with useful insights into reality. (ii) Optimum utilization of resources and effective administration. ANS. (i) Providing managers with useful insights into reality § Principles of management provide useful insights into reality by enabling the managers to learn from past mistakes and conserve time by solving recurring problems quickly. § Adherence to these principles adds to their knowledge, ability and understanding of managerial situations and circumstances thereby increasing managerial efficiency. (ii) Optimum utilization of resources and effective administration. § Principles of management help in optimum utilisation of resources by equipping managers to foresee the cause and effect relationships thereby reducing the wastages associated with trial and error approach. § Principles of management help in effective administration by limiting the boundaries of managerial discretion so that decisions are free from personal prejudices.	

6.	Q. (a) Explain the following principles of ‘Scientific Management’: (i) Science not rule of thumb (ii) Development of each and every person to his/her OR (b) Explain the following principles of 'General Management': (i) Centralisation and Decentralisation (ii) Division of work (CBSE 2025) ANS: (i) Science not rule of thumb: ☐ It states that there is only one best method to maximise efficiency which can be developed through work study and analysis. ☐ This best method should substitute ‘Rule of Thumb’ throughout the organisation. Scientific method involves unifying the best practices and developing a standard method to be followed throughout the organisation. (ii) Development of each and every person to His/Her greatest efficiency and prosperity ☐ It states that each person should be scientifically selected and assigned work to suit their physical, mental and intellectual capabilities. To increase the efficiency of the workers, they should be trained to learn the best method developed through scientific study. ☐ Efficient employees would produce more and earn more. This will ensure the greatest efficiency and prosperity for both the company and the workers. OR (i) Centralisation and Decentralisation ☐ The concentration of decision-making authority is called centralisation whereas its dispersal among more than one person is known as decentralisation. ☐ This principle states that there is a need to balance subordinate involvement through decentralisation with managers retention of final authority through centralisation. (ii) Division of work ☐ The principle of Division of work suggests that work can be performed more efficiently if it is divided into specialised tasks. The intent of division of work is to produce more and better work for the same effort. ☐ A trained specialist who is competent, is required to perform each job leading to specialization which results in efficient and effective output.	
7.	Geetika Ltd. is a leading construction company. The organisation has grown from strength to strength because of its innovative ideas and scientific approach of working. Ten years back the organisation went through a revolution. All the operations and activities were properly noticed and the standard time taken to perform them was noted. This took a few	

months and now the company could find out the amount of workers required and the number of days to be involved in the various manufacturing processes. A year later they moved to another level by considering the stress involved in the lives of the workers. The amount and frequency of rest intervals in finishing a particular task were noted. This helped the company in optimizing the rest intervals for the workers so that their outputs could be increased. After six more months the company decided to reward the efficient workers. A different rate of wage payment was decided for those workers who performed above the standard. The standard was decided. This led to a revolutionary change in the perspective of the workers who now started giving their full efforts in order to increase their wages.

(a) Which concept of management has been discussed in the above case?

(b) Name the three types of this management concept highlighted above by quoting the lines.

ANS. (a) The concept of management which is discussed above in the whole case is

Techniques of Scientific Management.

(b) The various types of techniques used are:

1) **Time Study:** “All the operations and activities were properly noticed and the standard time taken to perform them was noted”

2) **Fatigue Study:** “The amount and frequency of rest intervals in finishing a particular task were noted”

3) **Differential Piece Wage System:** “A different rate of wage payment was decided for those workers who performed above the standard.”

LONG ANSWER TYPE QUESTIONS (6 MARKS)

1. Explain the following principles of General Management:

(i) Scalar chain (ii) Equity (ii) Initiative

ANS. (i) Scalar Chain

§ The formal lines of authority from highest to lowest ranks are known as Scalar chain.

Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates.

§ This chain should not be violated in the normal course of formal communication. However, in case of any emergency, a shorter route named gang plank may be used to avoid delay in communication.

(ii) Equity

§ The principle of Equity states that there should be no discrimination against anyone on account of gender, religion, language, caste, belief, nationality etc.

§ This principle emphasises kindness and justice in the behaviour of managers towards the workers to ensure loyalty and devotion.

(iii) Initiative

§ Initiative means taking the first step with self motivation. Principle of initiative states that

	the workers should be encouraged to develop and carry out their plans for improvements. § A good company should have an employee suggestion system whereby initiative/ suggestions which result in substantial reduction in cost/ time should be rewarded but it does not mean going against the established practices of the company.	
2.	Explain the Four points of significance of principles of management. ANS: (any four) Hint.... (1) Providing managers with useful insights into reality-They provide ideas, hints or guidelines to solve similar problems. (2) Optimum utilisation of resources and effective administration-The cause and effect relationship helps managers to foresee the effect of their decisions and actions, thus, enables them to use resources most effectively. (3) Scientific decisions-Principles based on experiments, observations and logic provide objective assessment of a situation. (4) Meeting changing environment requirements-The managers can modify principles to meet the needs of dynamic business environment. (5) Fulfilling social responsibility-By incorporating values, as part of principles, has enabled businesses to fulfill social responsibilities	
3.	KVB Hotels is a disciplined organisation. It has many branches. The organisation tries to apply discipline in all its branches with equal effectiveness. However it knows that the nature and location of different branches are different. They work under the impact of different cultures and work environments. Even then discipline as an important management principle is applied to all its branches - big or small, within the country or at foreign locations. Recently it formed a special body of five members to do research on cross functional expertise. The organisation has learnt through the experience of the competitors that understanding among various functional departments is important for increasing the productivity of the organisation. So broadly it can be understood how such body is going to likely effect the organisation through others' experience. When it comes to remuneration of employees the organisation adopts payment of different salaries for the same post. The logic given the organisation is that remuneration is based on situations and depends upon the employee's capacity and the expenses involved in a particular city. Which natures of principles of management have been highlighted in the above case? ANS. The natures of principles of management highlighted above are: 1) Universal Applicability: The principles of management can be applied to all types of organisations and their branches regardless of their sizes and nature. However they should be applied with some change (Even then discipline as an important management principle is applied to all its branches - big or small, within the country or at foreign locations). 2) Cause and effect relationships: A cause and effect relationship is established by the management principles. However this cause and effect is exact as conditions are not same and differ (So broadly it can be understood how such body is going to likely effect the	

	organization through others' experience). 3) Contingent: A principle of management is applied according to a given situation (The logic given by the organisation is that remuneration is based on situations and depends upon the employee's capacity and the expenses involved in a particular city).	
4.	Anya construction is a well known firm. It has many employees. Its core competence is in construction work but it has many other operations to tackle also. These operations are connected to public relations, advertising, finance, etc. With changing times the company has decided to outsource these services from the experts of these fields. Thus it has decided to save time and concentrate on its main business. There is team of civil engineers who form the main body of the decision group. This group takes decision related to future construction projects after making thoughtful and justifiable conclusions. The newspapers of the country have also appreciated the efforts made by Anya construction in giving better housing facilities to the people in general. Company wants to walk shoulder to shoulder with other international firms in the industry. For this it time and again prepares its employees through proper training modules which educate them about the changing situations at the global level. The net worth of the company is expected to touch Rs. 20,000 crores this year which is going to be a landmark achievement in the history of this firm. The company is also ranked high in fulfilling Corporate Social Responsibility initiatives. Which points of importance of principles of management have been highlighted in the above case? Also quote the lines. ANS. The points of importance of principles of management which are highlighted in the above case: 1) Meeting changing environment requirements (With changing times the company has decided to outsource these services from the experts of these fields). 2) Scientific decisions (This group takes decision related to future construction projects after making thoughtful and justifiable conclusions). 3) Management training, education and research (For this it time and again prepares its employees through proper training modules which educate them about the changing situations at the global level). 4) Fulfilling social responsibility (The Company is also ranked high in fulfilling Corporate Social Responsibility initiatives).	
5.	'Chhattisgarh Ltd.' is a famous services providing company. Mr. Akash Malhotra is its Managing Director. He continuously motivates his Research and Development department that new and latest methods of doing work be explored. The provisions has also been made to give reward to those employees who will participate in a particular exploration. He also believes that two groups working on managerial and non-managerial posts are similar to two wheels of an organisational vehicle. If this vehicle (organisation) is to be driven in a right way then both the wheels should be properly aligned. Mr. Akash is a successful leader. Among his employees, he has instilled the feeling that no decision will be taken without consulting the subordinates. To excel in this field, is the main motive of Mr. Akash and he paid lot of attention to training of employees. Identify the principles of scientific management discussed above by quoting the lines.	

	ANS. Principle of scientific management 1. Science and not rule of thumb “He continuously motivates his Research and Development department that new and latest methods of doing work be explored.” 2. Harmony and not discord “ He also believes that two wheels should be properly aligned.” 3. Co-operation and not individualism “The provisions has also been made to give reward to those employees who will participate in a particular exploration. “ 4. Development of each and every person to his/her greatest efficiency and prosperity “he paid lot of attention to training of employees”	
6.	After finishing her BBA degree course, Tanya gets a job of Assistant Manager in a retail company through the reference of her cousin Taruna who works in the same company as a Senior Manager. Taruna decides to guide Tanya through her experience by making her aware of the important facts about management in practice. She tells her that neither the principles of management provide any readymade, straitjacket solutions to all managerial problems nor they are not rigid prescriptions, which have to be followed absolutely. In context of the above case : Identify the two features of principles of management mentioned in the above paragraph by quoting lines from the paragraph. Why do the principles of management not provide readymade, straitjacket solutions to all managerial problems? ANS. The two features of principles of management mentioned in the above paragraph are as follows: General guidelines: The principles of management are guidelines to action. Since the real business situations are very complex and dynamic and are a result of many factors, these principles do not provide readymade, straitjacket solutions to all managerial problems. But the importance of principles cannot be underestimated because even a small guideline may help to solve a given problem. Flexible: The principles of management are not rigid prescriptions which have to be followed absolutely. They are flexible and can be modified by the manager when the situation so demands. They give the manager enough discretion to decide which principle should be used under what circumstances as individual principles are like different tools serving different purposes. As the real business situations are very complex and dynamic and are a result of many factors, the principles of management not provide readymade, straitjacket solutions to all managerial problems.	
7.	Raj and Simran are both qualified eye surgeons and good friends. After obtaining a certificate of practice, they decide to pursue a career of their own choice. Raj starts an eye care centre in the city whereas Simran joins a government hospital in a small village. They	

meet after a long time in a party. Raj invites Simran to visit his eye care centre and she accepts his invitation. She observes at his clinic that there is a fixed place for everything and everyone and it is present there so that there is no hinderance in the activities pf the clinic. Also, Raj always tends to replace T with 'We' in all his conversations with the staff members. Later on Raj shares with her that he always deals with lazy staff sternly to send the message that everyone is equal in his eyes.

In context of the above case:

Identify and explain the various principles of management that Raj is applying for the successful management of his eye care centre.

ANS. The various principles of management that Raj is applying for the successful management of his eye care are described below:

Order: According to Fayol, "People and materials must be in suitable places at appropriate time for maximum efficiency." The principle of order states that 'A place for everything (everyone) and everything (everyone) in its (her/his) place'. A sense of orderliness will lead to increased productivity and efficiency in the organization.

Espirit De Corps: According to Fayol, "Management should promote a team spirit of unity and harmony among employees." A manager should replace T with 'We' in all his conversations with workers to promote teamwork. This approach will give rise to a spirit of mutual trust and belongingness among team members. It will also reduce the need for using penalties.

Equity: According to Fayol, "Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible." This principle emphasizes on kindness and justice in the behaviour of managers towards workers. The managers should not discriminate against anyone on account of gender, religion, language, caste, belief or nationality etc.

WORKSHEET- 1

TIME: 40 mins.

M.M. 20

1.	Assertion (A): Fayol advocated the principle of initiative to develop a sense of belonging among employees. Reason (R): Employees who are allowed to express new ideas show better performance. (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
2.	Which of the following is a technique of scientific management? (A) Unity of Command (B) Mental Revolution (C) Stability of Tenure (D) Unity of Direction	1
3.	Which principle states that there should be one boss and one plan for a group of activities with the same objective? (A) Unity of command (B) Discipline (C) Unity of direction (D) Equity	1
4.	Which technique of scientific management suggests separating planning from execution (A) Motion Study (B) Differential Piece Wage System (C) Functional Foremanship (D) Time Study	1
5.	XYZ Ltd. is facing issues with employee inefficiency and frequent conflicts among supervisors and workers. The CEO decides to implement functional foremanship to solve the problem. Explain any three benefits of applying the technique of functional foremanship in the given situation	3
6.	ABC Textiles follows a clear organizational structure where workers are accountable to one boss only. It also ensures that remuneration is fair and that workers are encouraged to take initiative. Identify and explain any three principles of Fayol being followed by ABC Textiles.	3
7.	Explain any four principles of scientific management as given by F.W. Taylor. Also, explain how these principles help in increasing the efficiency of workers.	4
8.	Explain the following features of scientific management (A) Flexible (B) Mainly Behavioural (C) Contingent	6

ANSWERS KEY

1	A	2	B	3	C	4	C
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5.	1) Functional Foremanship – Benefits: • Reduces workload by dividing planning and execution. • Brings specialization through different roles. • Improves efficiency and reduces conflict	
6.	1) Principles followed by ABC Textiles: Unity of Command: Workers report to one boss. Remuneration: Fair compensation is given. Initiative: Encouragement of new ideas.	
7.	1) Four Principles of Scientific Management by F.W. Taylor: Science, not rule of thumb: Replacing old traditional methods with standardised scientific methods. Harmony, not discord: Maintaining cordial relations between workers and management. Cooperation, not individualism: Promoting teamwork rather than individual effort. Development of each person to their greatest efficiency: Scientific training and development of workers. How these help in increasing efficiency: Scientific methods reduce wastage and duplication. Harmony and cooperation lead to better morale and productivity. Trained workers perform better with fewer errors. Standardisation ensures faster and consistent performance.	
8.	(A) Flexible: The principles of management are the guidelines or tools which managers may use as their discretion. (B) Mainly Behavioural : Principles of Management though explain the relationship between human and material resources but they influence human behaviour the most while accomplishing organisational goals. (C) Contingent The application of principles of management are dependent on situations and time at which such situations happen.	

WORKSHEET- 2

TIME: 40 mins.

M.M. 20

Q1	Choose one of the correct alternatives given below: Assertion(A): If Mohan , an employee of production department is asked to go slow in production to maintain quality standard by the production manager and sales manager instructs the employee to fasten the production to meet the pending orders. In the situation , employee will get confused as to whose instruction must be followed by him. Reason(R) : Unity of command means one employee received order from one superior and should be accountable to one superior only. (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 and Reason (R) is not 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
Q2	Statement I: Scientific methods of production must be selected to develop standard. To set up standard the manager must may use of work studies techniques which include time study ,motion study and fatigue study. Statement II : standardization means only quality standards but ignores standard size, type, weight , measures etc. (A)Statement I is correct and Statement II is not correct. (B) Statement I is correct and Statement II is also correct. (C) Statement I is not correct and Statement II is correct. (D) Statement I and Statement II both are incorrect.	1
3	Which principle of management emphasizes that "Employee turnover should be minimized to maintain organizational efficiency"? (A) Stability of personnel (B) Remuneration of employees (C) Equity (D) Esprit de Corps	1
4	Henri Fayol advises managers to exhibit exemplary behaviour and avoid misusing their powers for personal gain. Which principle is being described? (A) Remuneration of employees (B) Centralization and decentralization (C) Subordination of individual interest to the general interest (D) Unity of direction	1
5	Sanjeev Ltd. was engaged in the business of manufacturing electronic component. It's business was expanding due to increased demand for AC. The competition was also increasing. In order to keep its market share intact, the company directed its workforce to work overtime. But this resulted in many problems. Due to increased pressure of work the efficiency of workers declined. Sometimes, the subordinates had to work for more than one superiors. The workers were becoming indisciplined. The spirit of teamwork had begun decline. Identify any three principles of management (as given by Henry Fayol) which were being violated, quoting the lines from the above case.	3

6	Hina & Hitesh are typists in a company having the same educational qualification. Hina is getting Rs. 3000 per month and Hitesh is getting Rs. 4000 per month as salary for the same work hours. Which principle of management is violated in this case? Name the principle and explain it.	3
7	Name and explain with a suitable example the technique of scientific management with the objective of determining the number of workers to be employed for a task.	4
8	Explain the following points of significance of principles of management : a) Scientific Decisions b) Providing managers with useful insights into reality c) Meeting changing environment requirements.	6

ANSWER KEY

1	A	2	A	3	A	4	C
5.	(A)Unity of command “Sometimes, the subordinates had to work for more than one superiors.” (B) Discipline ‘The workers were becoming indisciplined.’ (C) Esprit de corps ‘The spirit of teamwork had begun decline.’						3
6.	The principle violated is Principle of Equity. This principle emphasizes fairness and justice in the treatment of employees. It states that employees at similar positions should be treated equally and paid fairly. In this case, the unequal salary for the same work and qualifications indicates a violation of this principle						3
7.	Time Study -It determines the standard time for performing a well-defined job or a repeated activity. -Standard time is fixed by using the average of time taken to perform same activity several times. By this we can find numbers of worker required for a task too. Differential Piece Wage System -It suggests that workers should be paid wages at different rates to recognize and reward efficiency and penalize inefficiency. -Under this system different wage rates are determined to make payments to workers for performance as per standard output, above standard output and below standard output. By above method with the help of number of products to be produced in a definite time ,we can find number of workers also to complete a job in a particular time.						4
8.	Significance of principles of management: (i) Scientific decisions: - Principles of management help in taking scientific decisions because the decisions based on principles are free from bias and prejudice and emphasise logic rather than blind faith. - Scientific decisions based on principles are timely, realistic and subject to measurement and evaluation. They are based on the objective assessment of the situation. (ii) Providing managers with insights into reality: - Principles of management provide useful insights into reality by enabling the managers to learn from past mistakes and conserve time by solving recurring problems quickly. Adherence to these principles adds to their knowledge, ability and understanding of managerial situations and circumstances thereby increasing managerial efficiency. (iii) Meeting changing environment requirements: : - Principles of management help the managers in meeting changing environment requirements because they can be modified according to the changes taking place in the environment. - As management principles are flexible, they are able to adapt to dynamic business environment.						6

CHAPTER-3

BUSINESS ENVIRONMENT

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

Features/ Characteristics/Nature of Business Environment-DISTURC

D-Dynamic Nature (changeable nature)
I-Inter-relatedness (co-related with others)
S-Specific and general forces
T-Totality of external forces
U-Uncertainty
R-Relativity
C-Complexity

1. **Totality of external forces:** Business environment is Totality of all external forces affecting a business.
2. **Specific and general forces:** It includes both Specific and general forces. Specific forces (e.g. investors, customers, competitors and suppliers) affect individual enterprises directly and immediately in their day-to-day working. General forces (e.g. economic, social, political, legal and technological conditions) have impact on all business enterprises and may affect a firm only indirectly.
3. **Inter-relatedness:** Its elements are closely Inter-related.
4. **Dynamic Nature:** It is Dynamic as it keeps on changing (in terms of technological improvement, new competition in the market, etc.).
5. **Uncertainty:** It is Uncertain as it is difficult to predict future happenings (especially when changes are taking place frequently as in the case of information technology or fashion industries).
6. **Complexity:** It is Complex and difficult to comprehend as it consists of numerous inter-related and dynamic forces.
7. **Relativity:** It is a Relative concept as it differs from region to region.

Importance of business environment-CPT TOP

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

Elements or Dimensions of Business Environment -SLEPT

S- Social Environment

The social environment of business includes the social forces like customs and traditions, values, social trends, society's expectations from business etc.

Traditions define social practices that have lasted for centuries.

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

T- Technological Environment

Technological environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.²⁸

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

E-Economic Environment

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

P-Political Environment

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

L-Legal Environment

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

Demonetization

Demonetization can be defined as an economic policy where a certain currency unit ceases to be recognized or used as a legal tender. In other words, the act to cease a currency a unit or put an official stop on its status as a legal tender is called demonetization

Impact of Demonetisation

1. Money/Interest Rates

- (i) Decline in cash transactions.
- (ii) Bank deposits increased.
- (iii) Increase in financial savings.

2. Private Wealth: Declined since some high demonetized notes were not returned and real estate price fell.

3. Public Sector Wealth: No effect

4. Digitization: Digital transactions amongst new users (Rupay/Aadhar Enabled Payment System (AEPS)).

5. Real Estate Prices - declined.

6. Tax Collection -Rise in income tax collection because of increased disclosure.



QUESTION BANK

MCQs

1	The Government of India allowed 100 percent Foreign Investment in Coal Mining and Contract Manufacturing. This policy decision made with an intention to make India an attractive FDI destination. Identify the type of environment referred in the above case. a). Political and Legal Environment b)Economic Environment c). Social Environment d) Technological Environment	1
2	Rate of saving and investment money supply in the economy, public debt, volume of imports and export are components of dimension of business environment. (a) Economic Environment (b) Social Environment (c) Technological Environment (d) Political Environment	1
3	The court issued the order that for vehicles to be smokeless was most essential and that any one violating this order shall have to pay a heavy fine. Identify the dimension of Business environment? (a) Economic environment (b) Political environment (c) Legal environment (d) Social environment	1
4	Maruti was the first company to recognize the need for small cars in an environment of rising petrol prices and large middle-class population in India so they become the leader in the small car market. Which importance of business environment is highlighted here? (a) First mover advantage (b) Identify the early threat (c) Adjust with the change (d) None of the above	1
5	Which of the following is an example of social environment (a) The constitution of the country (b) Consumer protection act (c) Composition of family (d) Tax rate	
6	Business environment (a) Keeps on changing (b) Has a constant approach (c) Remains stable (d) None of these	1
7	Just after the declaration of Lok Sabha Elections in 2014, the Bombay Stock Exchange Index rose by 1000 points. Identify the dimension of business environment. (a) Political Environment. (b) Social Environment (c) Economic Environment (d) Legal Environment	1
8	“According to the Weights and Measures Act, every eatable product should explicitly bear a green dot for vegetarian contents and Red dot for non-vegetarian ingredient “which key component of the business environment is discussed in the given case. (a) Social environment (b) Political environment (c) Legal environment (d) Economic environment	1

MCQ ANSWER

1	1. Economic environment	1
2	A-Economic Environment	1
3	C-Legal environment	1
4	A-First mover advantage	1
5	C-Composition of family	1
6	A- Keeps on changing	1
7	A- Political Environment.	1
8	C- Legal environment	1

SHORT ANSWER TYPE QUESTIONS (3/4 marks)

1	What do you understand by Demonetization? Write any two features of demonetization. ANSWER Demonetization can be defined as an economic policy where a certain currency unit ceases to be recognized or used as a legal tender. In other words, the act to cease a currency a unit or put an official stop on its status as a legal tender is called demonetization. Features: 1. It is viewed as a tax administer measure. 2. It has indicated that tax Evasion will no longer be tolerated. 3. It lead to channelizing savings into the formal financial system. 4. It aims to create cashless economy	3
2	Scanning business environment is necessary for every organization. In the light of the statement explain the importance of scanning Business Environment. ANSWER Importance of business environment- (Explain) 1. It enables the firm to identify opportunities and getting the first mover advantage. 2. It helps the firm to identify threats and early warning signals. 3. It helps in tapping useful resources. 4. It helps in coping with rapid changes. 5. It helps in assisting in planning and policy formulation. 6. It helps in improving performance	3
3	With changes in the consumption habits of people, Neelesh, who was running a sweet shop, shifted to the chocolate business. On the eve of Diwali, he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolate. com for taking orders online. He got a lot of orders online and earned huge profits by selling the chocolate. Identify and explain the dimensions of business environment discussed in the above case . ANSWER The various dimensions of business environment being referred to in the above case are as follows: 1. Social environment: Social Environment includes the social forces like customs and traditions, values, social trends, society's expectations from business, etc. 2. Technological environment: Technological Environment includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and techniques of operating a business.	3
4	Just after declaration of Lok Sabha Elections 2014 results, the Bombay stock exchange's price index (Sensex) rose by 1000 points in a day. (a) Identify the environmental factor which led to this rise giving reason. (b) Also explain any two other dimensions of business environment. ANSWER (a) Rise in stock market index (Sensex) is economic environment. But Political environment (declaration of Lok Sabha Elections 2014 results)) led to this rise. (b) Two other dimensions of business environment: (explanation from gist) 1. Legal Environment: 2. Technological environment	4

5	The court passed an order that all schools must have water purifier for the school children as 1. Society in general is more concerned about quality of life. 2. Innovative techniques are being developed to manufacture water purifier at competitive rates. 3. Incomes are rising and children at home are also drinking purified water. 4. The government is also showing positive attitude towards the water purifier business. Identify the different dimensions of business environment by quoting from the above details. ANSWER 1. Social environment: 2. Technological environment: 3. Economic environment: 4. Political	
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LONG ANSWER TYPE QUESTION -6 MARKS

1	What do you mean by business environment? Explain the key components of business environment. ANSWER Meaning – The sum total of individuals, institutions and forces outside the control of Business but effects its performance is known as Business Environment. The components of business environment are –(Explain) 1. Economic environment 2. Social environment 3. Political environment 4. Technological environment 5. Legal environment.	6
2	Identify the type of dimension of business environment related to the following: i) Banks reducing interest rate on housing loans. ii) An increasing number of working women. (iii) Booking of air tickets through internet. (iv) Alcohol beverages are prohibited to be advertised on Door darshan. (v) A stable government has built up confidence among the firms to invest in big Project. (vi) Increasing awareness among people for diet food. ANSWER i) Economic environment ii) Social environment iii) Technological environment iv) Legal Environment v) Political environment vi) Social	6

<u>1</u>	Which of the following are the examples of Legal Environment? (i) Advertisement of alcoholic beverages is prohibited (ii) Decrease in interest rate on loans (iii) Increase in demand for organic foods (iv) Digi lockers for storing documents v) In 1993, the Supreme Court passed an order to close the iron foundries around 'Taj Mahal' at Agra (a)(i) and (iv) (b)(i) and (ii) (c) (ii) and (iii) (d)(i) and (v)	<u>1</u>
<u>2</u>	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)	<u>1</u>
<u>3</u>	With a revolution taking place in the manufacturing of mobile phones with super class cameras, the business of cameras in the consumer market has taken a hit. Studies show that mobile phone photography has devastated the camera industry. The dimension of business environment highlighted in the above case is: (a) Economic Environment (b)Technological Environment (c) Social Environment (d) Political Environment	<u>1</u>
<u>4</u>	Government of India demonetized notes of ₹500 and ₹1000 on November 8, 2016. Demonetization means: (a) They ceased to be legal tender except for a few specified purposes. (b) These notes could not be banked but could be freely used otherwise. (c) These notes could be converted into gold coins from Reserve Bank of India. (d)These notes could be used for household purposes but not for business purposes.	<u>1</u>
<u>5</u>	'SK Builders' became the market leader in the designer house segment as it was the first to recognize the need of using Artificial Intelligence in designing houses in the changing environment of technological advancement. This highlights the following point of importance of business environment: (A) It helps to identify threats and early warning signals. (B) It enables the firm to identify opportunities and getting the first mover advantage. (C) It helps in tapping useful resources. (D) It helps in improving performance.	1
<u>6</u>	 Identify the dimension of Business Environment - (A) Social (B) Political (C) Technological (D) Economic	<u>1</u>

<u>7</u>	As per Plastic Waste Management Rule 2022, single use plastic items were prohibited in Delhi from 1 July, 2022. The dimension of business environment referred to here is (A) Economic environment (B) Legal environment (C) Technological environment (D) Political environment	<u>1</u>
<u>8</u>	Sweets has been the mainstay for several large homegrown restaurant brands. Increased life expectancy of people and increased awareness for health care amongst consumers has increased the demand for healthy food options. Young consumers are moving away from consuming traditional sweets to buying more western style premium products which are baked or steamed. With this shift in consumer preferences, 'Shree Restaurants', a well known restaurant brand, is gearing itself up for playing a greater role in the healthy packaged foods market. In addition to traditional sweets, the company is also planning to expand to healthy savoury and sweet items and some ready-to-eat items. These new healthy products are expected to change people's lifestyles. Identify and explain the two features of Business Environment highlighted in the above case. (CBSE 2025)	<u>3</u>
<u>9</u>	Q. Identify and explain the dimension of business environment in each of the following situations: (i) 'Alexa pay my electricity bill' is the latest feature of Alexa App which enables Amazon customers to pay their utility bills with 'Amazon Pay' just by speaking to Alexa. (ii) Monika is working in a multi-national company. As an impact of work-from-home regime, she is now in a better position to inculcate moral values and healthy food habits in her children. (iii) Atisha purchased a home and for this she took a loan from the bank. Monthly instalment on her loan increased as the banks increased the interest rate on loans. (iv) 'Mother's milk is best for babies' is printed on the pack of 'First Bite' baby milk powder, produced by 'MQP Baby Food Ltd. By doing this, the company is not only protecting the consumers' interests, but also necessarily informing its potential buyers about the importance of mother's milk. CBSE 2025	<u>4</u>
<u>10</u>	State any four points of importance of business environment?	<u>6</u>

Answer key

<u>1</u>	(d) (i) and (v)	<u>1</u>
<u>2</u>	(c) A-(iii), B-(i), C-(ii)	<u>1</u>
<u>3</u>	(b) Technological Environment	<u>1</u>
<u>4</u>	(a) They ceased to be legal tender except for a few specified purposes.	<u>1</u>
<u>5</u>	(B) It enables the firm to identify opportunities and getting the first mover advantage.	<u>1</u>
<u>6</u>	(c) Technological environment	<u>1</u>
<u>7</u>	(B) Legal environment	<u>1</u>
<u>8</u>	Two features of Business Environment highlighted in the above case are- 1. Interrelatedness • Different elements or parts of business environment are closely interrelated. Increase in awareness of different products or services may lead to increase in demand of certain products or services and they in turn change people's lifestyles. 2. Dynamic • Business environment is dynamic as it keeps on changing. • It can be in terms of technological improvement, shifts in consumer preferences or entry of new competition in the market.	<u>3</u>
<u>9</u>	(i) Technological Environment -It includes forces relating to scientific improvements and innovations which provide new ways of producing goods and services and new methods and	<u>4</u>

	techniques of operating a business. (ii)Social Environment-Social Environment includes social forces like custom and traditions, values, social trends and society's expectation from business which have an impact on business enterprise. (iii)Economic Environment-Economic environment refers to factors like interest rates, inflation rates and changes in disposable income of people etc. (iv)Legal Environment-Legal environment includes various legislations passed by the Government administrative orders issued by government authorities, court judgments as well as the decisions rendered by various commissions and agencies at every level of the government—centre, state or local. It is imperative for the management to obey these.	
<u>10</u>	a) It enables the firm to identify opportunities and getting the first mover advantage. b) It helps the firm to identify threats and early warning signals. c) It helps in tapping useful resources. d) It helps in coping with rapid changes. e) It helps in assisting in planning and policy formulation. f) It helps in improving performance (any four with explanation)	<u>6</u>

TIME: 40 min.

WORKSHEET-2

M.M:20

<u>1</u>	Mamta Rice Food Ltd' is a well know rice producing company. The sales have been falling down from the beginning of the year. The managing director Mr. Bhuvan is worried about this situation. With a view to find out the solution of this problem he made a team to find out the reasons for downfall of sales. The team conducted the survey and found that, due to availability of other eatable substitute the taste of people is diverted from rice. Identify the dimension of Business Environment discussed in the above case A)Economic environment B)Social Environment C)Political Environment. D)Technological Environment	<u>1</u>
<u>2</u>	_____ is considered a major element of the political environment: a) The extent and nature of government intervention in business; b) Planned outlay in public and private sectors; c) Expectations from the work force; d) Administrative order issued by government authorities	<u>1</u>
<u>3</u>	Identify the importance of business environment illustrated by the picture given below:  A)It helps in tapping useful resources B)It helps in improving performance C)It enables the firm to identify opportunities and getting the first mover advantage D)It helps the firm to identify threats and early warning signals	<u>1</u>
<u>4</u>	Which of the following is not a feature of Business environment a) Interrelated Elements b) Dynamics	<u>1</u>

	c) Complexity	d) Continuous	
<u>5</u>	_____ refers to negative and unfavourable external factors that are likely to create hurdles for a firm:- A) Opportunities. B) Warning C) Threats. D) None of these		<u>1</u>
<u>6</u>	Read the following statements -Assertion (A) and Reason (R) and Choose one of the correct alternatives given below: Assertion (A): Interest rates, taxes, inflation, stock market indices, value of rupee, personal disposable income, unemployment rate, etc. are the factors which affect the economic environment. Reason (R): The economic environment consists of an economic system, economic policies and economic conditions prevailing in a country. (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.		<u>1</u>
<u>7</u>	Which of the following is not a component of the business environment? (a) Economic environment (b) Technological environment (c) Social environment (d) Biological environment		<u>1</u>
<u>8</u>	Aiming to revive Jammu and Kashmir's attraction as a top location for film shooting the J&K film policy, 2021 offers a host of incentives to the filmmakers, such as subsidies and low long term interest rates, for films with patriotic and certain other themes shot in J&K, for giving work opportunities to local artistes, etc. This will have an impact on business enterprises in the state. Which component of business environment is highlighted above: (a) Specific and general forces (b) Technological environment (c) Economic environment (d) Totality of external forces		<u>1</u>
<u>9</u>	To curb the flow of black money in the country and to pave the way for cashless economy, the Central Government demonetised the notes of 1,000 and 500 denominations and asked the Reserve Bank to issue new notes of 2,000 and 500 denominations for the purpose of remonetisation. The new notes were smaller in size, different in colour, and had additional security features. To mitigate the hardships faced by the individuals, the Government allowed fuel pumps, railways and airline ticket counters, government hospitals, state Government authorized dairies and ration shops to accept old currency notes for a limited period of time. Identify the dimensions of business environment in the above case and explain any two of them. State the objectives of demonetisation mentioned above.		<u>3</u>
<u>10</u>	Modern Paints Company manufactures quality paints and enjoys a good market position. It gets various resources like finance, materials, machines, etc. from its environment. However, it has recently been observed that the company dumps toxic wastes near the banks of a river which has created health problems for the people and the animals. On the application of a non-government organisation (NGO), a local court has ordered to seal the manufacturing unit of the company. *State the importance of business environment highlighted in the above case. *Identify any two dimensions of business environment quoting lines from the above case.		<u>3</u>
<u>11</u>	An American shoe company launched a new range of footwear with imprints of Indian Gods. The company had expected that it would impress the Indians living in America.		<u>3</u>

	However, the Indian community was in a big shock and expressed its anger. As a result, the company had to withdraw the entire stock from the market. It also apologized for this. Which aspect of business environment is highlighted in this case Why is it necessary for the business enterprises to analyse this environment?	
<u>12</u>	As per the directions issued by Supreme Court; the Government passed an order to ban the sale of tobacco products within the area of 200 metres of all educational institutions as: (i) Its consumption is injurious to health. (ii) People are becoming more conscious about health and fitness. Identify the 'Business environment under different dimensions quoting the lines from the above para.	<u>3</u>

ANSWER KEY

<u>1</u>	<u>B) SOCIAL ENVIRONMENT</u>	<u>1</u>
<u>2</u>	<u>A. The extent and nature of government intervention in business;</u>	<u>1</u>
<u>3</u>	<u>C) It enables the firm to identify opportunities and getting the first mover advantage</u>	<u>1</u>
<u>4</u>	<u>D) Continuous</u>	<u>1</u>
<u>5</u>	<u>C) Warning</u>	<u>1</u>
<u>6</u>	<u>A</u>	<u>1</u>
<u>7</u>	<u>D</u>	<u>1</u>
<u>8</u>	<u>C</u>	<u>1</u>
<u>9</u>	(a) Dimensions of Environment: Legal environment, Economic environment, Technological environment, Social environment. (Briefly explain any two) (b) Objectives of Demonetisation: (i) To curb the flow of black money (ii) To discourage the use of cash in transactions and to achieve the goal of 'cashless economy'.	<u>3</u>
<u>10</u>	(a) Importance: Business environment helps in tapping useful resources. (b) Dimensions of Environment: i) Social environment: The company dumps toxic wastes near the banks of a river (ii) Legal environment: A local court has ordered to seal the manufacturing unit of the company.	<u>3</u>
<u>11</u>	(a) Social environment (b) Analysis of business environment is necessary to determine the products, services and practices that would be acceptable to the society.	<u>3</u>
<u>12</u>	(i) "As per the direction issued by Supreme Court the government passed an order to ban the sale of tobacco products"- Legal Environment (ii) "Its consumption is injurious to health" Social Environment (iii) "People are becoming more conscious about health and fitness" - Social Environment	<u>3</u>

CHAPTER-4

PLANNING

MEANING

Planning may be defined as deciding in advance what to do, how to do it, when to do it, and who is to do it. It bridges the gap from where we are to where we want to be. Essentially, planning sets objectives and develops an appropriate course of action to achieve those objectives.

I. Definition of Planning

- * **Core Idea:** Planning is the process of deciding in advance what to do and how to do it.
- * **Purpose:** It involves setting objectives and developing an appropriate course of action to achieve those objectives.

II. FEATURES OF PLANNING

- * **Focuses on Achieving Objectives:** All planning activities are directed towards achieving predetermined organizational goals.
- * **Primary Function of Management:** Planning is the first and most crucial function, preceding all other management functions like organizing, staffing, directing, and controlling.
- * **Pervasive:** Planning is required at all levels of management (top, middle, and lower) and in all departments, though its scope may vary.
- * **Continuous:** Planning is an ongoing process. Plans are made for a specific period, and at the end of that period, new plans are formulated based on current conditions and future forecasts.
- * **Futuristic:** Planning inherently involves looking ahead and anticipating future events and conditions to effectively achieve objectives. It is a forward-looking function.
- * **Involves Decision Making:** Planning requires making rational choices among various alternative courses of action to select the most suitable one for achieving desired goals efficiently and effectively.
- * **Mental Exercise:** Planning is an intellectual process that involves foresight, visualization, and sound judgment rather than guesswork.

III. IMPORTANCE OF PLANNING

- * **Provides Direction:** Planning acts as a guide, outlining the course of action to achieve organizational goals, thus clarifying what needs to be done.
- * **Reduces Risk of Uncertainty:** By anticipating future events, planning helps in preparing for changes and uncertainties in the dynamic business environment, enabling managers to adapt effectively.
- * **Reduces Overlapping and Wasteful Activities:** Planning coordinates activities and efforts of different divisions and individuals, minimizing duplication of work and optimizing resource utilization.

* **Promotes Innovative Ideas:** Planning encourages managers to think creatively and develop new and better ways of performing tasks and achieving objectives.

* **Facilitates Decision Making:** Planning provides a framework within which managers can choose the best alternative course of action by evaluating various options in light of present and future conditions.

* **Establishes Standards for Controlling:** Planning sets the benchmarks (standards) against which actual performance is measured and corrective actions are taken, making control effective.

IV. LIMITATIONS OF PLANNING

* **Leads to Rigidity:** Plans are drawn in advance, which can make them inflexible. Managers may find it difficult to change them in light of unforeseen circumstances or changed conditions.

* **May Not Work in a Dynamic Environment:** In rapidly changing environments, planning can be challenging as everything cannot be foreseen. Plans made in static conditions may become obsolete quickly.

* **Reduces Creativity:** When top management undertakes all planning, middle managers may not be allowed to deviate from plans or use their own initiative, thereby stifling creativity.

* **Involves Huge Costs:** Planning can be expensive in terms of time and money, requiring scientific calculations, research, and expert consultations. Sometimes, the benefits derived may not justify the costs.

* **Time-Consuming Process:** Planning requires considerable time for data collection, analysis, forecasting, and formulation of plans, which can sometimes leave insufficient time for actual implementation.

* **Does Not Guarantee Success:** Even well-crafted plans do not guarantee success. Past success does not assure future success, as things may change. A false sense of security or complacency can lead to failure.

V. TYPES OF PLAN

Planning can be classified on various bases:

A. On the Basis of Use and Duration (Length of Planning Period)

* **Single-Use Plans:**

* Formulated for specific non-repetitive situations or activities.

* Designed for a one-time event or project.

* **Examples: Programmes, budgets, and projects.**

* **Standing Plans:**

* Formulated for activities that occur repeatedly over a long period.

* Provide guidance for routine situations.

* **Examples: Policies, methods, procedures, and rules.**

B. On the Basis of What a Plan Seeks to Achieve

* **Objectives:**

* The end results or specific goals that an organization seeks to achieve.

* Provide direction for all other planning activities.

* **Strategy:**

* A comprehensive plan formulated for achieving the overall objectives of the organization.

- * Outlines the long-term direction and scope of the organization.

- * **Policy:**

- * General guidelines that help in managerial decision-making and action.

- * Provide a framework within which decisions are made, but allow for some discretion.

- * **Method:**

- * Prescribed ways or manners in which a task is to be performed, considering the objective.

- * Specifies the exact procedure for carrying out a specific activity.

- * **Procedure:**

- * Refers to a series of steps to be performed in a chronological order to carry out routine activities.

- * Ensures consistency and efficiency in repetitive tasks.

- * **Budget:**

- * A financial plan that expresses the expected results in numerical terms (e.g., revenue, expenses, profit).

- * Acts as a control tool as well.

- * **Rule:**

- * Specific statements relating to general norms in terms of "Do's" and "Don'ts."

- * Commands strict obedience and often involves penalties for violation.

- * No discretion is allowed.

- * **Programme:**

- * A comprehensive plan that contains detailed statements about a project.

- * Outlines the objectives, policies, procedures, rules, and methods, along with the budget to implement any course of action.

VI. STEPS INVOLVED IN THE PLANNING PROCESS

- * **Setting up of Objectives:**

- * The first and most crucial step.

- * Involves establishing clear, specific, and measurable objectives for the entire organization and for each department or unit.

- * **Developing Premises:**

- * Involves making assumptions about the future conditions that the manager is required to make since the future is uncertain.

- * These assumptions are the foundation upon which plans are built (e.g., economic conditions, technological changes).

- * **Identifying Alternative Courses of Action:**

- * Once objectives and premises are set, the next step is to identify various ways or courses of action through which the desired goals can be achieved.

- * **Evaluating Alternative Courses:**

- * Each identified alternative course of action is analyzed in terms of its relative pros and cons, considering their feasibility, consequences, risks, and benefits.

- * **Selecting an Alternative:**

- * Based on the evaluation, the most feasible, profitable, and logical plan or a combination of plans is selected. This is the point of decision-making.

- * **Implementing the Plan:**

- * This step involves putting the chosen plan into action. It includes organizing resources, assigning responsibilities, and ensuring that the plan is executed effectively.

- * **Follow Up Action:** * Monitoring the plans to ensure that they are being implemented correctly and that the desired objectives are being achieved efficiently and effectively. This involves checking progress and making necessary adjustments.

QUESTION BANK**MCQ's**

1.	Which level of management is primarily responsible for strategic planning? a) Top-level management b) Middle-level management c) Lower-level management d) Operational management	
2.	The process of setting objectives and determining courses of action to achieve those objectives is known as: a) Organizing b) Staffing c) Planning d) Controlling	
3.	At times, planning is a mere ritual in modern or, as it suffers from: (a) Rigidity (b) Turbulent Business Environment (c) Lack of Forecasting (d) Resistance to Change	
4.	A manager is required to make certain assumptions about the future which may be in the form of a forecast. This step of planning is known as: (a) Follow up (b) Developing Premises (c) Evaluating alternative course of action (d) Identifying alternative course of action	
5.	Which of the following is a limitation of planning? (a) It does not guarantee success (b) It is time consuming process (c) It is costly process (d) All of these	
6.	Identify the statement that is not correct: (a) Planning is required at top level management only (b) Planning guarantees success (c) Both (a) and (b) (d) Planning is a Time-Consuming Process	
7.	The purpose of planning is to meet future events effectively to the best advantage of an organisation. This statement highlights which of the following features of planning? (CBSE, 2023) (a) Planning focuses on achieving objectives (b) Planning involves decision-making (c) Planning is the primary function of management (d) Planning is futuristic	
8.	In planning, generally managers have to follow pre-determined plans and they are not in a position to change it. This statement highlights the following limitation of planning: (CBSE, 2023) (a) Planning may not work in a dynamic environment (b) Planning does not guarantee success (c) Planning leads to rigidity (d) Planning is time-consuming	
9.	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	
10.	No admission below 60%. Which kind of plan is highlighted? CBSE 2023) (a) Policy (b) Procedure (c) Rule (d) Method	
11.	A statement of expected results expressed in numerical terms is a type of plan called as..... (a) Method (b) Budget (c) Programme (d) Procedure	
12.	 provides the prescribed ways or manner in which a task has to be performed, considering the objective. (a) Programme (b) Method (b) Budget (d) Procedure	

Answers

1. (a) 2. (c) 3. (b) 4. (c) 5.(d) 6. (c) 7. (d) 8. (c) 9. (c) 10. (a) 11. (b) 12. (b)

ASSERTION REASON QUESTIONS

	In the following Questions, read the following statements: Assertion (A) and Reason (R). Choose the correct alternative among those given below: Alternatives: (a) Both Assertion (A) & Reason (R) are True & Reason (R) is the correct explanation of Assertion (A). (b) Both Assertion (A) & Reason (R) are True & 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): Planning is a choice making activity. Reason (R): Planning involves selecting the best alternative out of various	
2.	Assertion (A): Planning is a primary function of management. Reason (R): Planning has no meaning unless it contributes for achievement of predetermined goals	
3	. Assertion (A): Planning is Pervasive. Reason (R): Planning is required at all levels and in all departments of the organisation.	
4.	Assertion (A): Planning essentially involves looking ahead and preparing for future through forecasting (CBSE, 2021) Reason (R): Forecasting helps to anticipate future events and drawing up of plans.	
5.	Assertion (A): The need for planning arises only when there is one alternative. Reason (R): Decision-making is an integral part of planning.	
6	Assertion (A): Planning provides direction for action. Reason (R): Planning states the objectives in advance so that they act as a guide for deciding the future course of action.	
7.	Assertion (A): Planning works fantastically in a dynamic environment. Reason (R): Plans operate in an external environment, which consists of a number of dimensions.	
8.	. Assertion (A): Planning facilitates decision-making. Reason (R): Planning helps the manager in selecting the only alternative available with the firm.	
9	. Assertion (A): Planning provides the base for controlling. Reason (R): Planning establishes the standards against which the actual performance is evaluated	
10	. Assertion (A): Planning is futuristic. Reason (R): Planning is concerned with the future which is certain and does not require forecast	

ANSWERS

1. (a) 2. (b) 3. (a) 4. (a) 5. (d) 6. (a) 7 (d) 8. (c) 9. (a) 10. (c)

SHORT ANSWER TYPE QUESTIONS (3/4marks)

1	1. Having transformed 2500 Kirana stores across eight cities into virtual super markets, the start-up Quick Bizz further decided in advance to collaborate with 15,000-20,000 store owners in the top 30 cities of the country by the end of this year. The company has set its eye on digitizing over 1,00,000 kirana stores over the next 18-24 months. (a) Identify and explain the step in the process of one of the functions of management discussed above. (b) Also explain the last step to be performed by Quick Bizz as part of the process ANSWER: The first step in the planning process is being discussed above. (a) 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. (b) The last step in the planning process is being described below: Follow up action: Monitoring of plans is equally important to ensure that objectives are achieved efficiently and effectively.	
2	Super Fine Rice Ltd. has the largest share of 55% in the market. The company's policy is to sell only for cash. In 2015, for the first time company's number one position in the industry has been threatened because other companies started selling rice on credit also. But the managers of Super Fine Rice Ltd. continued to rely on its previously tried and tested successful plans which didn't work because the environment is not static. This led to a decline in sales of Super Fine Rice Ltd. The above situation is indicating two limitations of planning which led to a decline in its sales. Identify these limitations. Answer: The two limitations of Planning which led to a decline in its sales are: (a) Planning does not guarantee success. (b) Planning may not work in a dynamic environment.	
3.	Raman, a worker, is given a target of assembling two computers per day. Due to his habit of doing things differently, an idea struck him which would not only reduce the assembling time of computers but would also reduce the cost of production of the computers. Raman's supervisor instead of appreciating him, ordered him to complete the work as per the methods and techniques decided earlier as nothing could be changed at that stage. The given para describes one of the limitations of planning function. Name and explain that limitation. Ans: The limitation is "Planning reduces Creativity" Name and explain that limitation.	
5	Which type of plan is highlighted in each of the following statements? (i) Alcohol is not permitted within the factory premises. (ii) Company follows the practice of hiring employees who are above 18 years of age. (iii) They are the ends which the management seeks to achieve through its operations. (iv) A company follows sequential steps for purchase of goods. (v) Any employee found logging onto any social networking site in the office will be subject to strict disciplinary action. (vi) These are general statements that channelise energies towards a particular direction.	

	(vii) It provides the prescribed manner in which a task has to be performed. (viii) 10% jobs reserved for woman in every department. (x) Strict penal actions against anyone who uses office stationary for personal use. (X) It facilitates comparison of actual results with the planned ones. (xi) A discount of 10% will be offered to all the customers buying goods worth 20,000 and more. Ans. Rules; (ii) Policy; (iii) Objectives; (iv) Procedure; (v) Rules; (vi) Policy; (vii) Methods; (viii) Policy; (ix) Rules; (x) Budget; (xi) Policy.	
6	Laxmi Chemicals Ltd., a soap manufacturing company wanted to increase its market share from 30% to 55% in the long run. A recent report submitted by the Research and Development Department of the company had predicted a growing trend of herbal and organic products. On the basis of this report, the company decided to diversify into new variety of soaps with natural ingredients having benefits and fragrances of Jasmine, Rose, Lavender, Lemon Grass, Green Apple, Strawberry, etc. The Unique Selling Proposition (USP) was to promote eco-friendly living in the contemporary life style. The company decided to allocate 30 crores to achieve the objective. Identify the type of one of the functions of management mentioned above which will help the company to acquire a dominant position in the market. Ans. Strategy	

LONG ANSWER TYPE QUESTIONS (6 marks)

1.	Setting objectives is the first step in the process of significant functions of management." (CBSE 2023) (a) Identify the function of management referred above. (b) State the next five steps of the process. Ans. (a) Planning (b) Next five steps of the process of planning: (i) Developing planning premises is the next step in the process of planning. Planning premises are the assumptions that serve as the base material upon which plans are to be drawn (ii) Identifying alternative courses of action which may be used to achieve the set objectives (iii) Evaluating an alternative course of action involves evaluating the positive and negative aspects of each proposal in the light of the objective to be achieved. (iv) Selecting the best alternative is the real point of decision making and involves selecting the best possible course of action. (v) Implementing the plan is the step where other managerial functions also come into the picture	
2	It is setting objectives for a given time period, identifying various alternative courses of action to achieve them and then selecting the best possible alternative from amongst the various alternative courses of actions available." [CBSE 2023 (66/1/2)) (a) Identify the function of management referred above. (b) State any five points of importance of the function of management identified in (a) above. Answer. (a) Planning (b) Importance of planning: (1) By stating in advance how work is to be done planning provides direction for action.	

	(8) Planning shows the way to deal with changes and uncertain events by anticipating them and developing managerial responses to deal with them. (in) Planning reduces overlapping and wasteful activities. It helps in avoiding confusion and misunderstanding by providing the basis for coordination of activities, departments and individuals. (2) Planning promotes innovative ideas which can take the shape of concrete plans. (0) Planning facilitates decision making by making a choice from amongst various alternative courses of action.	
3.	'It involves setting objectives and developing appropriate course of action from amongst the different alternative courses of action to achieve these objectives.' (a) Identify the function of management referred above. (6) State any five features of the function of management identified in (a) above. [CBSE 2023 (66/1/3)] Ans. (a) Planning (b) Features of the function of management (i) Planning focuses on achieving objectives: Planning has no meaning unless it contributes to the achievement of predetermined organisational goals. (ii) Planning is a primary function of management: It lays down the base for other functions of management. (iii) Planning is pervasive function of management: It is required at all levels of management as well as in all departments of the organisation. iv) Planning is continuous function of management: It means that a plan is framed, it is implemented, and is followed by another plan, and so on.. (v) Planning is futuristic: Planning is regarded as a forward looking function based on forecasting.	
4	Planning is important as it provides directions for action, reduces the risks of uncertainty and facilitates decision making'. Explain. [CBSE 2023 (66/2/1)] Ans. Provides direction: Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction. Reduces the risk of uncertainty: By deciding in advance the tasks to be performed, planning anticipates the changes and managerial responses to them can be developed, thereby, reducing the risk of uncertainty. Facilitates decision-making: Planning helps the manager to look into the future and make a choice from amongst various alternative courses of action by evaluating them.	
5.	Explain 'Policy' and 'Method' as type of Plans. (CBSE 2023) Ans. Policy Policies are those general statements which are decided for the guidance of the employees while taking decision. Policies define the broad parameters within which a manager may function. The manager may use his/her discretion to interpret and apply a policy. Method Method refers to that plan which determines how different activities/steps of a procedure are	

	performed. Selection of proper method saves time, money and efforts and increases efficiency. For example, training method, selection method, etc.	
6	Explain the following limitations of planning: (1) Planning reduces creativity (ii) Planning involves huge costs [CBSE 2023] Ans. (1) Planning reduces creativity- Planning is an activity which is done by the top management. Usually the rest of the members just implements these plan. As a consequence, middle management and other decision makers are neither allowed to deviate from plans nor are they permitted to act on their own. Thus, much of the initiative or creativity inherent in them also gets lost or reduced. Most of the time, employees do not even attempt to formulate plans. They only carry out orders. Thus, planning in a way reduces creativity since people tend to think along the same lines as others. There is nothing new or innovative. (ii) Planning involves huge costs- When plans are drawn up huge costs are involved in their formulation. These may be in terms of time and money for example, checking accuracy of facts may involve lot of time. Detailed plans require scientific calculations to ascertain facts and figures. The costs incurred sometimes may not justify the benefits derived from the plans. There are a number of incidental costs as well, like expenses on boardroom meetings, discussions with professional experts and preliminary investigations to find out the viability of the plan.	

Picture-Based Questions:

Q. 2. Name the 'Limitation of planning' is being illustrated in the given image.



Ans. The Limitation 'Planning may not work in a Dynamic Environment' is being highlighted.

Q. 1. Identify the characteristic of planning highlighted in the given picture.



Ans. The characteristic 'Planning is Continuous' is being highlighted.

Q. 6. Which type of plan is being violated in the following pictorial presentation?



Ans. Rules.

1	Plans are prepared for a specific period of time, may be for a month, a quarter or a year. At the end of that period, there is a need for a new plan to be drawn on the basis of new requirements and future conditions. The feature of planning reflected in the above lines is : (a)Planning is continuous (b) Planning is futuristic (c)Planning is pervasive (d) Planning is a mental exercise. CBSE 2024	1						
2	A statement of expected results expressed in numerical terms is a type of plan is called as_____. CBSE 2023. (A) Method. (B) Budget. (C) Programme. (D) Procedure	1						
3	Match the feature of planning given in Column I with their respective explanation given in Column II. <table><tr><td>A.Planning is a mental exercise</td><td>i) Planning involves through examination and evaluation of each alternative and choosing the most appropriate one</td></tr><tr><td>B.Planning is all pervasive</td><td>ii) Planning is required at all levels of management as well as in all departments of the organisation</td></tr><tr><td>C.Planning involves decision-making</td><td>iii) Planning required logical and systematic thinking rather than guess work or wishful thinking</td></tr></table> (a) A-(i),B-(ii),C-(iii). (b)A-(iii),B-(ii),C-(i) (c)A-(ii),B-(iii), C-(i). (d) A-(i),B-(iii),C-(ii). CBSE(2023)	A.Planning is a mental exercise	i) Planning involves through examination and evaluation of each alternative and choosing the most appropriate one	B.Planning is all pervasive	ii) Planning is required at all levels of management as well as in all departments of the organisation	C.Planning involves decision-making	iii) Planning required logical and systematic thinking rather than guess work or wishful thinking	1
A.Planning is a mental exercise	i) Planning involves through examination and evaluation of each alternative and choosing the most appropriate one							
B.Planning is all pervasive	ii) Planning is required at all levels of management as well as in all departments of the organisation							
C.Planning involves decision-making	iii) Planning required logical and systematic thinking rather than guess work or wishful thinking							
4	Vishes Construction',a construction company, decided to strictly implement 'No Helmet,No Entry' and put the following sign at their construction sites:  1 Identify the types of plan indicated by the above sign: (A)Policy. (C) Rule. (B) Method (D) Programme. (CBSE2024)	1						
5	Explain any three points of importance of 'Planning' function of management	3						
6	Explain any three characteristics of planning.	3						
7	Explain the following types of plans:- 1)policy. 2) Budget.	4						
8	Explain the following limitations of 'Planning' function of management. 1) Planning may not work in dynamic environment. 2) Planning reduces creativity. 3)Planning does not guarantee success. CBSE-2025	6						

ANSWER KEY

1.A. 2.B. 3.B. 4.C

5.Importance of planning :

- i) Planning provides direction:- Focus on end result, move and direct, all the activities towards the achievement of goal.
- ii) Planning reduces the risk of uncertainties:- Uncertainties do not come as a shock, planning prepares the organisation to face the uncertainties.
- iii) Planning promotes innovative ideas-To make predictions and assumptions regarding future, highly innovative thinking is required.

6.Characteristics of planning:

- i) Planning focuses on achieving goals-Planning contributes to objectives goal-oriented, set up target, and makes sure the target/goal is.
- ii) Pervasive- Planning is done in business as well as non-business organisations. It is used everywhere. It is required at all levels.
- iii) Planning is continuous-It is never ending, on going process. Start from beginning of organisation and continue till end.

7.(1)Policies:

- (i)Organisation's style of working
- (ii) Organisation's way of solving problem
- (ii) Guide to thinking.

(2)Budget:

- (i) Expressed in numerical terms
- (ii) Controlling device from which deviations are taken care of
- (iii) Provides standard or expected results.

8.1.May not Work in Dynamic Environment: Plans may fail due to changes taking place in environment due to external limitations of planning.

2.) Reduces Creativity:

- (a) Middle and lower level become dull.
- (b) Employees lose creativity.
- (c) Employees stop giving suggestions and new ideas of doing the work.

3) Does not guarantee success: Plan which brought success in past may fail in future. Last year successful plan, may fail in present year.

TIME: 40 min.**WORK SHEET -2****M.M: 20**

1	The Statement "Planning is a primary function", suggests that. [CBSE 2021] (a) Planning precedes other functions (b) Planning requires logical and systematic thinking (c) Plan is framed, it is implemented, and is followed by another plan, and so on (d) Planning is required at all levels of management as well as in all departments of the organisation.	1
2	Which of the following statements about planning is true? (a) Planning promotes innovative ideas in rigid environment. (b) Planning promotes innovative ideas as employees are not allowed to deviate from plans. (c) Planning promotes innovative ideas as it guides all future actions. (d) Planning promotes innovative ideas as changes cannot be eliminated.	1
3	In planning, generally managers have to follow pre-determined plans and they are not in a position to change it. This statement highlights the following limitation of planning: [CBSE 2023] (a) Planning may not work in a dynamic environment (b) Planning does not guarantee success (c) Planning leads to rigidity (d) Planning is time-consuming.	1
4	Observe the picture given below and identify the feature of planning highlighted in it  (a) Planning is pervasive (b) Planning is a primary function of management (c) Planning is continuous (d) Planning focuses on achieving objectives	1
5	Explain any three limitations of planning	3
6	What are standing and single use plans?	3
7	Explain the following types of plans: (A) objectives (B) Strategy.	4
8	Planning 'provides direction', 'reduces the risk of uncertainty' and 'promotes innovative ideas'. Explain.	6

ANSWER KEY

1.A. 2.C. 3.C. 4.D.

5.limitations of planning are:

(i) Rigidity

(ii) Reduces creativity

(iii) Time consuming.

6.Correct explanation of standing and single use plans.

7.Give correct explanation of objectives and strategy.

8.Correct explanation of importance of planning.

CHAPTER-5

ORGANISING

CONCEPT: Organising can be defined as

- Identifying and grouping various activities in the organisation and
- bringing together the physical, financial and human resources and
- establishing most productive relations among them
- for the achievement of specific goals.

STEPS IN THE PROCESS OF ORGANISING :

(i) Identification and division of work : The total work is divided into various activities.

(ii) Departmentalisation : The work of same nature are grouped together and assigned to particular department.

(iii) Assignment of duties : The responsibility of each individual or post is decided.

(iv) Establishing reporting relationships : Each individual should also know from whom he has to take orders and to whom he is accountable. It helps in coordination among various departments.

IMPORTANCE OF ORGANISING

1. It leads to **specialisation** by systematic allocation of jobs.
2. It leads to **clarity in working relationships** by specifying who has to report to whom.
3. It leads to **optimum utilisation of resources** by avoiding duplication of work and minimising wastage of resources and efforts.
4. It **helps in adaptation to change** by allowing the enterprise to adjust itself according to the changes in business environment by suitably modifying the organisation structure.
5. It helps in **effective administration** by providing a clear description of jobs and working relationships.
6. It helps in **development of personnel** by delegation of work to subordinates.

7. It **helps in expansion and growth** by allowing a business enterprise to add more job positions, departments and even diversify their product lines.

Organisation Structure: It is the network of job positions, responsibilities and authority at different levels of organisation.

Span of management: Number of subordinates that can be effectively managed by a superior

Organization chart: Chart showing organization structure.

TYPES OF ORGANISATION STRUCTURE : On the basis of Grouping of Activities

I. Functional Structure : It is formed by grouping of activities of similar nature under one department.

Suitability :

- (i) Large organizations producing one line of product;
- (ii) Organizations which require a high degree of functional specialization with diversified activities.

Advantages :

- (i) Leads to occupational specialisation.
- (ii) Promotes coordination within a department.
- (iii) Increases managerial and operational efficiency.
- (iv) Leads to economies of scale which reduces cost.
- (v) Makes training for employees easier.
- (vi) Ensures that different functions get due attention.

Disadvantages :

- (i) More emphasis on departmental objectives rather than organisational objective.
- (ii) Difficulty in inter-departmental coordination

DIVISIONAL STRUCTURE

It is formed by grouping activities related to one product under one department/division.

Suitability :

- (i) Multi product (Tata, Reliance);
- (ii) When an organization grows and needs to add more employees more departments or introduce new level of management.

Advantages :

- (i) Leads to product specialisation.
- (ii) Helps in fixation of responsibility for divisional performance.
- (iii) Promotes flexibility, new initiatives and faster decision making.
- (iv) Facilitates expansion and growth of organisation.

Disadvantages :

- (i) Divisional conflicts over funds allocation.
- (ii) Increase in cost due to duplication of work.
- (iii) Ignorance of organisational interest

S.N o.	Basis	Functional Structure	Divisional Structure
1.	Formation	It is based on functions.	It is based on product lines and is supported by functions.
2.	Responsibility	It is difficult to fix on a department.	It is easy to fix responsibility for performance.
3.	Specialisation	Functional specialization	Product specialisation.
4.	Managerial Development	It is difficult, as each functional manager has to report to the top management.	It is easier, autonomy as well as the chance to perform multiple functions helps in managerial development.
5.	Cost	It is economical as the functions are not duplicated.	It is costly as there is duplication of resources in various departments.
6.	Coordination	It is difficult for a multiproduct company.	It is easy, because all functions related to a particular product are integrated in one.
7.	Suitability	It is most suitable when the size of the organisation is large, has diversified activities and operations require a high degree of specialisation.	It is suitable for those business enterprises where a large variety of products are manufactured using different productive resources.

FORMAL ORGANISATION : It is a network of jobs and positions with clearly defined functions and relationships, designed by management to accomplish objectives of the enterprise.

Features :

- (i) Specifies working relationship.
- (ii) Means to achieve the objectives of the organisation.
- (iii) Coordinates and integrates diverse activities.
- (iv) Emphasis on work rather than on interpersonal relationship.
- (v) Deliberately created by top management.

Advantages :

- (i) Easier to fix responsibility.
- (ii) Avoids duplication of efforts.
- (iii) Effective accomplishment of goals.
- (iv) Stability of the organisation.
- (v) Established chain of command

Disadvantages :

- (i) Leads to procedural delays in decision making.
- (ii) Does not allow any deviations from rigidly laid down policies.
- (iii) Ignores psychological and social needs of the employees.

II. INFORMAL ORGANISATION : It is a network of social relationships among the employees which emerges spontaneously within the formal organisation.

Features :

- (i) Originates within the formal organisation.
- (ii) Standards of behaviour from the group norms.
- (iii) Independent channels of communication are developed by the group members.
- (iv) Emerges spontaneously, not deliberately created by the management.

Advantages :

- (i) Faster speed of communication.
- (ii) Fulfills social needs of the members.
- (iii) Fills wide gaps of formal structure.

Disadvantages :

- (i) Spreads rumours
- (ii) Resists changes
- (iii) Peer Pressure

DELEGATION OF AUTHORITY

MEANING - Delegation refers to the downward transfer of authority from a superior to a subordinate.

Elements of Delegation

1. **Authority:** The power of taking decisions in order to guide the activities of others. Authority is the power that influences others.
2. **Responsibility:** It is the obligation of a subordinate to properly perform the assigned duty. When a superior issues orders, it becomes the responsibility of the subordinate to carry it out.
3. **Accountability:** When a superior assigns some work to a subordinate, he is answerable to his superior for its success or failure.

Difference between Authority, Responsibility and Accountability:

Basis	Authority	Responsibility	Accountability
Meaning	Authority refers to the right of an individual to command his subordinates and to take action within the scope of his position.	Responsibility is the obligation of a subordinate to properly perform the assigned duty.	Accountability implies being answerable for the final outcome, one authority has been delegated and responsibility accepted, one cannot deny accountability.
Delegation	Can be delegated.	Cannot be entirely delegated.	Cannot be delegated at all.
Origin	Arises from formal position in the organisation.	Arises from delegated authority.	Arises from responsibility.
Flow	Flows downward from superior to subordinate.	Flows upward from subordinate to superior.	Flows upward from subordinate to superior.

Importance of Delegation

1. **Effective Management:** It leads to effective management as by relieving the employees from doing routine work; it provides them with time to excel in new areas.
2. **Employee Development:** It promotes employee development as they are entrusted with more opportunities to utilize their
3. **Motivation of employees:** It helps to motivate employees as when a subordinate is entrusted 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.
4. **Facilitation of growth:** It facilitates the growth of an organisation as it seeks to enrich the quality of manpower and widens the scope of using internal recruitment by providing them with training and experience through exposure to varied jobs.
5. **Basis of management hierarchy:** It provides the basis of management hierarchy as it establishes superior-subordinate relationships, which are the basis of hierarchy of management.
6. **Better coordination:** It facilitates better coordination amongst the departments, levels and functions of management by providing clarity in reporting relationships.

DECENTRALISATION

Meaning - Decentralisation refers to systematic dispersal of authority to the lowest level, except that which can be exercised at central points.

CENTRALISATION AND DECENTRALISATION

An organization is said to be Centralised when the decision-making authority is retained by higher management levels whereas it is Decentralised when such authority is delegated towards the management levels.

Importance of Decentralisation

1. **Develops initiative among subordinates:** It seeks to develop initiative in the subordinates by promoting self-reliance and confidence amongst them and also helps to identify those executives who have the necessary potential to become dynamic leaders.
2. **Relief to top management:** It provides relief to top management as the subordinates are allowed to operate independently within their area of jurisdiction. Consequently, the need for direct supervision is reduced.
3. **Quick decision making** - It facilitates quick decision making as the employees are allowed to act independently within their area of jurisdiction without consulting others.
4. **Develops managerial talent for the future-** It develops managerial talent for the future by providing the employees with the necessary training and experience through exposure to varied challenging jobs and also facilitates identification of those employees who may and those who may not be successful in assuming greater responsibility.
5. **Facilitates growth**
6. **Better Control**

QUESTION BANK

	MCQs	
1	Name the process which co-ordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives, (A) Management (B) Planning (C) Organising (D) Directing	1
2	Organising is a process by which the manager (A) Establishes order out of chaos (B) Removes conflict among people over work or responsibility sharing (C) Creates an environment suitable for teamwork (D) All of the above	1
3	It refers to the number of subordinates that can be effectively managed by a superior, (A) Organisational structure (B) Informal organisation (C) Span of management (D) None of the above	1
4	As the span of management increases in an organisation, the number of levels of management in the organisation (A) Increases (B) Decreases (C) Remains unaffected (D) None of the above	1
5	Uranus Limited is a company dealing in metal products. The work is mainly divided into functions including production, purchase, marketing, accounts and personnel. Identify the type of organisational structure followed by the organisation. (A) Functional structure (B) Relational structure (C) Divisional structure (D) None of the above	1
6	Identify the type of organisational structure which facilitates occupational specialisation, (A) Functional structure (B) Horizontal structure (C) Network structure (D) Divisional structure	1
7	Identify the type of organisational structure which makes training of employees easier, as the focus is only on a limited range of skills. (A) Network structure (B) Divisional structure (C) Functional structure (D) Matrix structure	1

8	Under this type of organisational structure, manpower is grouped on the basis of different products manufactured. (A) Divisional structure (B) Functional structure (C) Network structure (D) Matrix structure	1
9	Identify the correct sequence of steps to be followed in an organising process. (A) Departmentalisation, Establishing reporting relationships, Assignment of duties, Identification and division of work (B) Identification and division of work, Departmentalisation, Assignment of duties, Establishing reporting relationships (C) Identification and division of work, Assignment of duties, Departmentalisation, Establishing reporting relationships (D) Identification and division of work, Establishing reporting relationships, Departmentalisation, Assignment of duties.	1
10	Rishabh has joined as a 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 nature are grouped together. Identify the related step in organising process being mentioned in the above lines. (A) Identification and division of work (B) Departmentalisation (C) Assignment of duties (D) Establishing reporting relationships	1
11	Which of the following is not a merit of functional structure? (A) It promotes control and co-ordination within a department. (B) It makes training of employees easier, as the focus is only on a limited range of skills. (C) It ensures that different products get due attention. (D) It leads to occupational specialisation.	1
12	Identify the type of organisation  (A) Formal (B) Informal (C) Divisional (D) Functional	
	ANSWER MCQ 1. (C) Organising, 2. (D) All of the above 3.(C) Span of management 4. (B) Decreases 5. (A) Functional structure 6. (A) Functional structure 7. (C) Functional structure 8. (A) Divisional structure 9. (b) 10. (b) 11. (C) 12. (B)	
	SHORT ANSWER TYPE QUESTIONS(3/4 MARKS)	
1	State any three features of Informal organization. Ans. (1)Purpose- Informal organisational structure is formed by the employees to get psychological satisfaction. (2)Informal organisational structure does not follow any fixed path of flow of authority or communication. (3) Source of information cannot be known under informal structure as any person can communicate with anyone in the organisation..	3

2	State any four advantages of formal organization. Ans. The following advantages are as follows(explain) (1) Systematic working (2) Achievement of organizational objectives. (3) No overlapping of work (4) Coordination	4
3	“The responsibility of a firm should be divided among various levels such as top level, middle level, and lower level”. Identify the concept of management and state its importance. Ans. Decentralisation Importance : Develops initiative amongst subordinates. Quick and better decisions Relieves the top executives from excess work load. Informal Organisation Advantages : Fulfillment of social needs ,Quick solution of the problems.	4

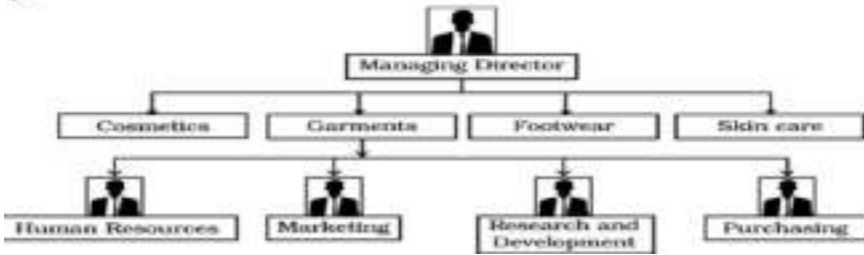
LONG ANSWER TYPE QUESTIONS (6 MARKS)

1	Explain any four points that highlight the importance of 'Delegation'. Ans. Importance of Delegation: (any four with explanation) (i) Effective management: (ii) Employee development (iii) Motivation of employees (iv) Facilitation of growth (v) Basis of management hierarchy (vi) Better coordination.	6
2	'Decentralisation is a philosophy that implies selective dispersal of authority because it propagates the belief that people are competent, capable and resourceful.' cbse (64/4/1) In the light of this statement, explain any four points that highlight the importance of Decentralisation . Ans. Importance of Decentralisation (any four) (1)Develops initiative among subordinates. (2)Develops managerial talent for the future. (3)Quick decision making. (4)Relief to top management. (5)Facilitates growth. (6)Better control.	6
3	(A) State any three advantages and any three limitations of formal organization. Ans. Advantages of Formal Organisation: (Any three) (i) It is easier to fix responsibility since mutual relationships are clearly defined. (ii) It helps in avoiding duplication of effort since there is no ambiguity in the role that each member has to play. (iii) It helps in maintaining unity of command through an established chain of command. (iv) It leads to accomplishment of goals by providing a framework for the operations . (v) It provides stability to the organisation because there are specific rules to guide behaviour of employees. Limitations of Formal Organisation: (Any three) (i) It may lead to procedural delays as the established chain of command has to be followed which increases the time taken for decision making. (ii) Poor organisation practices may not provide adequate recognition to creative talent, since it does not allow any deviations from rigidly laid down policies. (iii) It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work.	

4	State any six advantages of functional structure of organization. (Cbse-66/2/1) Ans.- Advantages of Functional structure: (i) It leads to occupational specialisation since emphasis is placed on specific functions. This promotes efficiency in the utilisation of manpower. (ii) It promotes control and coordination within a department because of similarity in the tasks being performed. (iii) It increases managerial and operational efficiency resulting in increased profit. (iv) It leads to minimal duplication of effort which results in economies of scale and this lowers cost. (v) It makes training of employees easier as it focuses on a limited range of skills. (vi) It ensures that different functions get due attention.																									
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Q.	Questions	
1	Read the following statements carefully: (CBSE 2025) <i>Statement 1:</i> Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them. <i>Statement II:</i> Process of organising involves a series of steps that need to be taken in order to achieve the desired goals. In the light of the above statements, choose the correct alternative from the options given below: (A) Both Statement I and Statement II are true. (B) Both Statement I and Statement II are false. (C) Statement I is true and Statement II is false. (D) Statement I is false and Statement II is true.	1
2	Sunita opened her travel agency named 'Sunita Travels' in July, 2023. She created separate departments for reservations, hotel bookings, online queries and payment handling. Which organisation structure is used by Sunita: (A) Functional structure (B) Divisional structure (C) Informal structure (D) Vertical structure	1
3	 Identify the type of organisation- (A) Informal organisational (B) Formal organisational (C) Divisional organisational structure (D) None of these	1
4	Which of the following is an advantage of Informal organisation? (A) It provides stability to the organisation because behaviour of employees can be fairly predicted since there are specific rules to guide them. (B) It leads to effective accomplishment of goals by providing a framework for the operations to be performed. (C) It enhances the employee's job satisfaction since it gives them a sense of belongingness in the organisation and allows them to find like minded people. (D) It helps in avoiding duplication of efforts as there is no ambiguity in the role that each member has to play.	1
5	State any four advantages of formal organization.	4
6	'Decentralisation is a philosophy that implies selective dispersal of authority because it propagates the belief that people are competent, capable and resourceful.'(CBSE 2025) In the light of this statement, explain any four points that highlight the importance of Decentralisation	6
7	Verso Cars' opened their new car showroom in Kainvad. They appointed Tarun as a General Manager for managing their operations. He was responsible for meeting sales	6

	targets, keeping a check on inventory, building customer relations, ensuring compliance with regulations, etc. However, the high volume of work made it impractical for him to handle it all by himself. To meet the company's goals, and to ensure that all work is accomplished, he appointed Nikhil as a Sales Manager. Nikhil was given the authority to take decisions inherent in his managerial position and to tell people what to do and expect them to do it. He not only had to ensure that sales targets are met but was also to guide sales representatives and had to report directly to Tarun. As a result, Tarun was able to concentrate on more important matters and ensure that all work is accomplished. (a) Identify the concept followed by Tarun which helped him in achieving the company's goals. (b) Explain any FIVE points of importance of the concept identified in (a) above. (CBSE 2025)	
	ANSWER KEY	
1	(A) Both Statement I and Statement II are true.	1
2	(A) Functional structure	1
3	(B) Formal organisation	1
4	(C) It enhances the employee's job satisfaction since it gives them a sense of belongingness in the organisation and allows them to find like minded people.	1
5	<u>Formal organization Advantages (EXPLAIN)</u> (i) Easier to fix responsibility. (ii) Avoids duplication of efforts. (iii) Effective accomplishment of goals. (iv) Stability of the organisation. (v) Established chain of command	4
6	<u>Importance of Decentralisation (any four)</u> (1) Develops initiative among subordinates. (2) Develops managerial talent for the future. (3) Quick decision making. (4) Relief to top management. (5) Facilitates growth. (6) Better control.	6
7	Ans. (a) Delegation (b) Importance of Delegation: (Any FIVE with explanation) (i) Effective management (ii) Employee development (iii) Motivation of employees (iv) Facilitation of growth (v) Basis of management hierarchy (vi) Better coordination	6

1	 Identify the type of organization structure depicted in the above diagram: (a) Divisional structure (b) Functional structure (c) Informal Structure (d) Both Informal and Functional Structure	1
2	The process of defining and grouping the activities of the enterprise and establishing authority relationship among them is : (cbse2023) (a) Directing (b) Staffing (c) Management (d) Organising	1
3	Apex Shoes', a popular footwear brand had grown rapidly over the years. It decided to open its own retail outlets across major cities. To ensure smooth operations, the retail outlets were managed by store managers who were responsible for day-to-day operations like inventory management, customer service and sales targets etc. However, for key decisions such as offering discounts or processing refunds etc., managers had to seek approval from corporate headquarters. Quite often, customers would ask for a discount or want to return the shoes and get a refund. The store managers did not have the authority to approve this. They had to call the head office for approval, which caused a delay. These delays affected both customer satisfaction and footwear sales. Realizing the need for faster decisions, the Chief Executive Officer of the company, Atul, decided to selectively disperse the authority to the store managers to approve discounts, returns and other customer-related decisions. He believed that store managers could assume responsibility for effective implementation of their decisions. This led to faster service, satisfied customers and an increase in sales. (CBSE 2025) The concept used by Atul to improve customer satisfaction and store performance was: (A) Responsibility (B) Authority (C) Delegation (D) Decentralisation	1
4	Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication. (CBSE 2025) The point of importance of organizing described above is: (A) Adaptation to change (B) Effective administration (C) Development of personnel (D) Expansion and growth	1
5	Differentiate between 'Formal Organization' and 'Informal Organization' on any four bases. (cbse 2025)	4
6	Explain the following points of importance of 'Organising' function of management: (i) Benefits of specialization (iii) Adaptation to change (cbse 2024) (ii) Clarity in working relationships	6
7	Preeti started her own cooking channel on 'Youtube Mood Art'. As her subscribers	6

increased, she was not in a position to manage everything on her own. She hired Rahul and Riya to help her with filming editing, lighting and content research. She granted authority to them to operate within prescribed limits. She was thus, able to use her time on high priority activities like developing new recipes and content development etc. As a result, Rahul and Riya were given opportunities to develop and exercise initiative. Preeti was now able to focus on objectives and meet the target of achieving a subscriber base of one million in six months.

(a) Identify the concept of management used by Preeti to focus on objectives of her business and meet her targets.

(b) Explain any five point of importance of the concept identified in (a) above.

ANSWER KEY

1	(a) Divisional structure	1																		
2	(D) organising	1																		
3	(D) Decentralisation	1																		
4	Ans. (B) Effective administration	1																		
5	'Formal Organization' and 'Informal Organization' on any six bases. <table border="1"> <thead> <tr> <th>Basis</th><th>'Formal Organization'</th><th>'Informal Organization'</th></tr> </thead> <tbody> <tr> <td>Meaning</td><td>It refers to the structure of well-defined authority and responsibility</td><td>It refers to the network of social relationships arising out of interaction among employees</td></tr> <tr> <td>Origin</td><td>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 virtues of positions in management</td><td>Arises out of personal qualities.</td></tr> <tr> <td>Adherence to rules</td><td>Violations of rules may lead to penalties and punishments</td><td>No such penalties and punishments.</td></tr> <tr> <td>Flow to Communication</td><td>Communication takes place through the scalar chain</td><td>Not through a planned route, it can take place in any direction.</td></tr> </tbody> </table>	Basis	'Formal Organization'	'Informal Organization'	Meaning	It refers to the structure of well-defined authority and responsibility	It refers to the network of social relationships arising out of interaction among employees	Origin	As a result of company rules and policies	Arises as a result of social interaction	Authority	Arises by virtues of positions in management	Arises out of personal qualities.	Adherence to rules	Violations of rules may lead to penalties and punishments	No such penalties and punishments.	Flow to Communication	Communication takes place through the scalar chain	Not through a planned route, it can take place in any direction.	4
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6	Importance of 'Organising' function of management. (EXPLAIN) (i) Benefits of specialization (ii) Clarity in working relationships (iii) Adaptation to change	6																		
7	(a) Delegation (b) Importance of Delegation: (any four with explanation) (i) Effective management: (ii) Employee development (iii) Motivation of employees (iv) Facilitation of growth	6																		

CHAPTER-6

STAFFING

CONCEPT

Concept: Finding the right people for the right job is called Staffing.

IMPORTANCE

Proper staffing ensures following benefits to the organisation:

1. Helps in discovering and obtaining competent personnel for various jobs.
2. Makes higher performance by putting the right person on the right job.
3. Ensures continuous survival and growth of the enterprise.
4. Helps to ensure optimum utilisation of human resources.
5. Improves job satisfaction and morale of employees through objective assessment and fair reward for their contribution.

STEPS IN STAFFING PROCESS

1. **Estimating Manpower Requirements:** It means estimating the number and types of persons required in the organisation. It involves workforce (number and type of available human resource) and workload (number and type of human resources) analysis.
2. **Recruitment:** Recruitment is the process of searching for prospective employees and stimulating or encouraging them to apply for jobs in the organisation.
3. **Selection:** Selection is the process of identifying and choosing the best person out of a number of prospective candidates for a job.
4. **Placement and Orientation:** Placement refers to the employee occupying the position or post for which he has been selected. Orientation refers to the process of introducing the newly selected employees to their superiors, subordinates and colleagues and familiarising them with the rules and policies of the organisation.
5. **Training and Development:** Training is the process of increasing the knowledge, skills and abilities of employees for doing a specific job. Development refers to the learning opportunities designed to help the employees to grow. It involves growth of an individual in all respects like personality, maturity, etc.
6. **Performance Appraisal:** Performance appraisal means evaluating an employee's current and/or past performance as against certain predetermined standards.
7. **Promotion and Career Planning:** It includes all activities associated with promotion of employees.
8. **Compensation:** Compensation refers to all forms of pay or rewards given to employees.

COMPONENTS OF STAFFING

1. **Recruitment:** It is the process of searching for prospective candidates and inducing them to apply for jobs in the organisation.
2. **Selection:** Selection is the process of identifying and choosing the best person of a number of prospective candidates for a job out
3. **Training:** Training can be defined as a process of increasing the knowledge, skills and abilities of employees for doing a particular job.

SOURCES OF RECRUITMENT

There are two sources of Recruitment:

Internal Sources: Methods under internal sources are

1. Transfer - shifting of an employee from one job to another , horizontal movement of employees
2. Promotion - shifting an employee to a higher position, vertical shifting of employees

External Sources: Main external sources of Recruitment are

1. Direct Recruitment- a notice is placed, fill the casual vacancies of unskilled or semi-skilled jobs
2. Casual Callers- database of unsolicited applicants
3. Advertisement- newspapers, professional journals
4. Employment Exchanges- run by the Government, serving as link between job-seekers and employers.
5. Placement Agencies and Management Consultants(middle level and top level).- provide service to companies to find suitable candidates
4. Campus Recruitment- Recruitment from educational institutions
5. Recommendations of Employees - Applicants introduced by present employees
6. Labour Contractors – maintain close contacts with labourers, provide unskilled workers
7. Advertising on Television.- telecasting of vacant posts over Television
8. Web Publishing – Internet, websites

Advantages of Internal Sources of Recruitment	Disadvantages of Internal Sources of Recruitment
1. Motivation to Employees to Improve their Performance. 2. Less Expensive. 3. Simple Process. 4. A Tool of Training 5. No Over or Under Staffing.	1. Not Suitable for a New Organisation. 3. Lack of Competition. 5. Limited Choice

Advantages of External Sources of Recruitment	Disadvantages of External Sources of Recruitment
1. Qualified Personnel. 2. Fresh Talent. 3. Increase in Competition 4. Wider Choice .	1. Dissatisfaction Among Existing Staff. 2. Lengthy Process. 3. Expensive Process.

Differences between Internal and External Recruitment

Internal Source	External Sources
Quick Process	Lengthy Process
Less expensive	Costly
Motivating staff members	Existing workers dissatisfied
Limited choice	Wide choice of candidates

SELECTION PROCESS

1. Preliminary Screening: To eliminate unfit job seekers.

2. Selection Tests : To measure certain characteristics of individuals :

Intelligence test -indicator of a person's learning ability or the ability to make decisions and judgments

Aptitude test- potential for learning new skills

Personality test- provide clues to a person's emotions, her reactions, maturity and value system

Trade test- measure the existing skills of the individual

Interest test- to know the pattern of interests or involvement of a person.

3. Employment Interview: Interview is a formal, in-depth conversation conducted to evaluate the applicant's suitability for the job.

4. Reference and Background Checks: Names, addresses and telephone numbers of persons who know the applicant.

5. Selection Decision: From among the candidates who pass the tests, interviews and reference checks

6. Medical Examination: ie, medical fitness test.

7. Job Offer : Job offer is made through a letter of appointment/

8. Contract of Employment: Regarding pay, hours of work, duties, leave rules, etc.

TRAINING AND DEVELOPMENT - Training is the process of increasing the knowledge, skills and abilities of employees for doing a specific job. Development refers to the learning opportunities designed to help the employees to grow.

Importance of Training

To Organisation	To Employees
1. Systematic Learning 2. Greater Productivity 3. Develops Future Manager 4. Increases employee morale and reduces absenteeism. 5. Helps to adapt to fast changing environment.	1. Improved skills and knowledge. 2. More Earning 3. Safety of Employees 4. Increases Employees' Morale

Methods of Training

1. Apprenticeship Training: People who want to enter skilled trade like electrician, plumber, mechanic, etc, are sent for apprenticeship training. The trainee is put under the guidance of a master worker for a prescribed period of time.

2. Internship Training: Internship is a joint programme of training in which educational institutes and business enterprises collaborate. The aim of this training is to maintain a good balance between theoretical and practical knowledge.

3. Vestibule Training: Under this method, an attempt is made to duplicate as closely as possible materials, equipments, methods and conditions as found in real work place. Employees learn their jobs on the dummy equipments, but the training is conducted away from the actual work floor.

4. Induction Training: Induction training means introducing the selected employee to his superiors, subordinates and the colleagues and familiarising him with the rules and regulations of the organization.

QUESTION BANK

MCQs

1	When Jaskaran Singh applied for the post of Computer teacher in a school in Bhubaneswar, he was asked to prepare a PowerPoint presentation on a particular topic during the selection procedure. Identify the type of selection test being mentioned in the above line:’ (a) Trade test (c) Intelligence test (b) Personality test (d) Interest test	
2	Identify the correct sequence of the steps involved in the selection process. (a) Medical Examination, Contract of Employment, Reference and Background Checking, Selection Decision, Job Offer (b) Reference and Background Checking, Selection Decision, Contract of Employment, Medical Examination, Job Offer (c) Job Offer, Reference and Background Checking, Selection Decision, Medical Examination, Contract of Employment (d) Reference and Background Checking, Selection Decision, Medical Examination, Job Offer, Contract of Employment	
3	Identify the correct sequence of the steps involved in the staffing process. (a) Recruitment, Estimating the Manpower Requirements, Placement, and Orientation, Selection (b) Estimating the Manpower Requirements, Selection, Placement, and Orientation, Recruitment (c) Selection, Estimating the Manpower Requirements, Recruitment, Placement, and Orientation (d) Estimating the Manpower Requirements, Recruitment, Selection, Placement, and Orientation	
4	Which of the following activities lie within the scope of the Human Resource Department? (a) Formulating compensation and incentive plans (b) Ensuring healthy labour relations and union-management relations (c) Creating provision for social security and welfare of employees (d) All of the above	
5	Which type of training is provided to the new employees of an organisation in order to familiarise them with the organisational rules and policies, their superior and subordinate, and so on? (a) Vestibule training (b) Apprenticeship (c) Internship training (d) Induction training	
6	Under the _____ method of training, a trainee is put under the guidance of a master worker. (a) Internship training (b) Vestibule training (c) Apprenticeship training (d) Induction training	
7	Which of the following is not a benefit of training and development to an organisation? (a) Help to avoid wastage of efforts and money (b) Enhance employee productivity (c) Lead to a better career of the individual (d) Reduce absenteeism and increase employee turnover	
8	_____ are used to know the pattern of interests or involvement of a person. (a) Trade test (b) Personality test (c) Intelligence test (d) Interest test	
9	Many big organisations maintain a close liaison with the universities, vocational schools, and management institutes to recruit qualified personnel for various jobs. This is known as _____. (a) Placement agencies & management consultants (b) Direct recruitment (c) Labour contractors (d) Campus recruitment	
10	Choose the statement that correctly highlights the benefit of using internal sources of recruitment.	

	(A) It helps in simplifying the process of selection. (B) It provides wider choice while selecting the employees. (C) It brings new blood in the organization. (D) It is an expensive and time consuming source.	
11	Under this method of recruitment, an organisation maintains a database of unsolicited applicants in their offices. Which is the method? (a) Direct recruitment (b) Casual callers (c) Labour contractors (d) Advertising on television	
12	_____ is suitable for filling casual vacancies when the workload is high or when a certain number of permanent workers are absent. (a) Direct recruitment (b) Labour contractors (c) Advertising on television (d) Placement agencies and management consultants	
13	It refers to the horizontal movement of employees along with the organisational structure. What is it? (a) Transfer (b) Promotion (c) Training (d) Demotion	
14	The various activities involved in the process of recruitment include _____. (a) Identification and assessment of the different sources of recruitment (b) Selecting the most suitable source or sources (c) Inviting applications from the prospective candidates (d) All of the above	
15	Assertion (A): Training increases the chances of errors and accidents. Reason (R): Training helps employees understand their tasks better. 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	
16	Identify the source of recruitment :  (A) Employment Exchange (B) Campus Recruitment (C) Placement agencies & management consultant (D) Casual Caller	
17	What situation does the picture reflect :  (A) Overstaffing (B) Under staffing (C) Optimum Staffing (D) None of these	

ANSWER KEY (MCQS)

1 A	2 D	3 D	4 D	5 D	6 C	7 D	8 D	9 D	10 A	11 B	12 A
13 A	14 D	15 D	16 B	17 A							

SHORT ANSWER TYPE QUESTIONS(3/4 MARKS)

1	Briefly enumerate the important sources of internal recruitment. Ans: There are two important sources of recruitment. When the firm arranges for manpower from within the organisation then it is known as an internal source. These are of two types (a) Transfer When we move an employee from one department to the other, from one branch to the other, from one division to another which leads to a change in his/her working environment it is known as a transfer. There is hardly any change in his authority and responsibility. (b) Promotion When we move an employee to a higher level in the same department, branch, division or different department, branch or division which increases his authority, responsibility and status, it is known as a promotion.													
2	What is meant by recruitment? How is it different from selection? Ans: Recruitment refers to the process of finding possible candidates for a job. It can be defined as the process of motivating and encouraging people to come and apply for a job in an organisation. Selection is the process of identifying and choosing the best person out of a number of prospective candidates for a job. If recruitment is positive, selection is negative. Recruitment helps in creating a pool of prospective workforce whereas selection helps in finding the best out of them.													
3	Distinguish between training and development. Ans: Difference between training and development <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Basis</th><th style="text-align: left;">Training</th><th style="text-align: left;">Development</th></tr> </thead> <tbody> <tr> <td>Purpose</td><td>It aims at maintaining and improving current job performance.</td><td>It is designed to improve the overall effectiveness of individuals.</td></tr> <tr> <td>Level of persons involved</td><td>Training programmes are designed for workers at the operative level.</td><td>Development programmes are designed for managerial level.</td></tr> <tr> <td>Scope of learning</td><td>Training is job oriented.</td><td>It is career oriented.</td></tr> </tbody> </table>	Basis	Training	Development	Purpose	It aims at maintaining and improving current job performance.	It is designed to improve the overall effectiveness of individuals.	Level of persons involved	Training programmes are designed for workers at the operative level.	Development programmes are designed for managerial level.	Scope of learning	Training is job oriented.	It is career oriented.	
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4	Name the methods of recruitment in the following cases: a) A company gets applications on and off even without declaring any vacancy. However, as and when the vacancy arises, the company makes use of such applications. b) Casual vacancies of unskilled or semi-skilled jobs when there is a rush of order or when some permanent workers are absent. c) Recruitment by which most of the senior positions of the industry as well as commerce are filled. ANS: A) Casual callers B) Direct recruitment C) Advertisement													
5	Identify the training method A) Neha has just joined a multinational company as a Marketing Executive. On her first day, the HR team organizes a session to introduce her to the company's history, mission, policies, and code of conduct. She is also given a tour of the office and introduced to her team. Identify the type of training being provided to Neha. B) ABC Manufacturing is introducing a new high-tech machine. The company													

	decides to set up a replica of the actual work environment where employees are trained to operate the machine without interrupting the regular workflow. Identify the method of training being used. C) Sakshi, a management student, has joined a finance firm for a 3-month summer training where she works under the guidance of experienced staff, applying her academic knowledge to real projects. What type of training is Sakshi undergoing? Ans: A. The type of training is Induction Training. B. Vestibule Training. C. Sakshi is undergoing Internship Training.	
	LONG ANSWER QUESTIONS (6 Marks)	
1	Define the staffing process and the various steps involved in it. Ans: Staffing process of the management is concerned with acquiring, developing, employing, remunerating and retaining people or we can say it is the timely fulfilment of the manpower requirements with in an organisation. The following steps are involved in staffing process (i) Estimating the Manpower Requirements The first step in the staffing process is determining the present manpower inventory and assessing the present and future manpower requirements of the organisation keeping in mind the production schedule, demand etc. (ii) Recruitment Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. For this various sources can be used like transfer, promotion, advertising, job consultants etc. (iii) Selection Selection is the process of choosing from among the pool of the prospective job candidates developed at the stage of recruitment. It involves a host of tests and interviews. (iv) Placement and Orientation Orientation is introducing the selected employee to other employees and familiarising him with the rules and policies of the organisation. He is taken around the workplace and given the charge of the job for which he has been selected. Placement refers to the employee occupying the position or post for which the person has been selected. (v) Training and Development All organisations have either in-house training centres or have forged alliances with training and educational institutes to ensure continued learning of their subordinates. By offering the opportunities for career advancement to their members, organisations are not only able to attract but also retain its talented staff. (vi) Performance Appraisal After the employees have undergone a period of training and they have been on the job for some time, there is a need to evaluate their performance. The employee is expected to know what the standards are and the superior is to provide the employee feedback on his/her performance. The performance appraisal process, therefore, will include defining the job, appraising performance and providing feedback. (vii) Promotion and Career Planning It is very important for all organisations to address career related issues and promotional avenues for their employees. They must provide opportunities to everyone to show their potential and in return promotions can be provided. (viii) Compensation All organisations need to establish wage and salary plans for their employees. There are various ways to prepare different pay plans depending on the worth of the job. Compensation therefore, refers to all forms of pay or rewards going to employees.	

2	A software company, Tech Zen, is hiring software developers. After receiving over 500 applications, the HR team conducted a preliminary screening based on qualifications and experience. Shortlisted candidates were then called for a written test assessing their programming skills. Next, they were interviewed by a technical panel. Finally, selected candidates had to go through a medical examination before being issued an appointment letter. Questions: 1. Identify the process and briefly explain the stages of the process followed by Tech Zen. 2. If a candidate performed well in the interview but failed the medical exam, should the company still hire them? why Ans:I.Selection process Preliminary Screening: Filtering applications based on qualifications and experience. Selection Tests: Written test to assess technical skills. Employment Interview: Face-to-face interaction to evaluate suitability. Medical Examination: Ensures the candidate is physically and mentally fit. Job Offer/Appointment Letter: Final step after clearing all the above. II.No, the company should not hire the candidate if the job requires a specific level of health and fitness that the person fails to meet because selection is a negative process so if the person is not fulfilling the requisite crieteria ,he/she will be rejected.																																		
3	What are the advantages of training to the individual and to the organisation? Ans: Training helps both the organisation and the individual. <table border="0"> <tr> <td>Benefits to the Organisation</td> <td>the</td> <td>Organisation</td> </tr> <tr> <td>(i) Training is a systematic learning which reduces the wastage of efforts and money.</td> <td></td> <td></td> </tr> <tr> <td>(ii) Enhances employee productivity.</td> <td></td> <td></td> </tr> <tr> <td>(iii) Training helps a manager to handle an emergency situation.</td> <td></td> <td></td> </tr> <tr> <td>(iv) Training motivates workers and thus reduces absenteeism.</td> <td></td> <td></td> </tr> <tr> <td>(v) Helps in adjusting to the changing environment (technological).</td> <td></td> <td></td> </tr> <tr> <td>Benefits to the Employee</td> <td>the</td> <td>Employee</td> </tr> <tr> <td>(i) Better career opportunities due to improved skills and knowledge.</td> <td></td> <td></td> </tr> <tr> <td>(ii) Earnings can be increased due to improved performance.</td> <td></td> <td></td> </tr> <tr> <td>(iii)Trained workers can handle machines more efficiently.</td> <td></td> <td></td> </tr> <tr> <td>(iv) Employees always remain motivated and satisfied.</td> <td></td> <td></td> </tr> </table>	Benefits to the Organisation	the	Organisation	(i) Training is a systematic learning which reduces the wastage of efforts and money.			(ii) Enhances employee productivity.			(iii) Training helps a manager to handle an emergency situation.			(iv) Training motivates workers and thus reduces absenteeism.			(v) Helps in adjusting to the changing environment (technological).			Benefits to the Employee	the	Employee	(i) Better career opportunities due to improved skills and knowledge.			(ii) Earnings can be increased due to improved performance.			(iii)Trained workers can handle machines more efficiently.			(iv) Employees always remain motivated and satisfied.			
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4	The staffing function is performed by every manager and not necessarily by a separate department. Explain. Ans: Staffing is a function which all managers need to perform. It is the responsibility of all managers to directly deal with and select people to work for the organisation. When the manager performs the staffing function his role is slightly limited. In small organisations, managers may perform all duties related to employees salaries, welfare and working conditions but as the organisation grows and number of persons employed increases, a separate department called the human resource department is formed which has specialists in managing people.																																		
5	Outline the process of staffing the company should follow. Ans: X Ltd is planning to set up new plant in India for manufacturing auto components. The prime concern of the company is to hire the manpower who are highly trained and motivated. In order to achieve the targets, the company should follow the staffing process in this manner																																		
6	Which sources of recruitment the company should rely upon? Give reasons for your recommendation.																																		

	Ans: The company is establishing a new unit in India. Thus, they should rely on external sources of recruitment. They should adopt this source and through employment exchange, placement agencies, labour contractors they will be able to get the good staff in the company. This recommendation is fruitful because through these sources the company is having a wide choice of candidates, they can get the qualified personnel and bring new blood in the organisation who are highly competitive, will work harder to show better performance.	
7	Outline the process of selection the company should follow with reasons. Ans: Through recruitment process organisation receive large number of applications. In order to select the most suitable candidate to perform the job. Selection process is to be considered. Following steps are to be taken Company should follow these steps in series as: 1. Preliminary screening helps the manager to select among those candidates whose applications are selected. 2. Selection test which is to be conducted to check the practical knowledge of the candidate. 3. Interview is to be taken of those candidates who qualify the test. A panel of experts is called which are identifying the best among hundreds. 4. Selection decision. The candidates who pass the test, interview included in the selection list and critically examine whether they are best or not. 5. Medical Examination- examining whether their medical fitness is efficient or not. 6. Job Offer- is to offer the job, providing them a letter of appointment in which terms and conditions are mentioned. 7. Contract of Employment- The final step is a contract of employment. When a candidate accepts the job offer they signed the contract of employment, the employer and candidate exchange certain documents.	
8	Which methods of training and development should the company initiate? Explain giving reasons. Ans: The company can use 'On the job' and 'Off the job' training methods. The merits or benefits of 'On the job' are (i) It is a practical method. (ii) The trainee can contribute towards the real/actual work. (iii) Separate arrangements need not be done. If the 'Off the job' methods are used then the benefits derived are (i) Vestibule training helps in avoiding modern and expensive equipment from being damaged. (ii) Conference helps in to develop conceptual knowledge reduce, resistance to change etc.	

1	'Dhruv Ltd'. is in need of two drivers on regular basis to transport the goods to different states. To fill the post of drivers, the company decides to put the information on the Notice Board, placed near the main gate of the company, asking interested persons to meet the manager on a particular date and time. From the following, identify the source of recruitment used by 'Dhruv Ltd.' for filling the post of drivers: (A) Campus Recruitment (B) Casual Callers (C) Direct Recruitment (D) Advertisement	1
2	When Jaskaran Singh applied for the post of Computer teacher in a school in Bhubaneswar, he was asked to prepare a PowerPoint presentation on a particular topic during the selection procedure. Identify the type of selection test being mentioned in the above lines. (A) Trade test (B) Intelligence test (C) Personality test (D) Interest test	1
3	Identify the correct sequence of the steps involved in the selection process. (A) Medical Examination, Contract of Employment, Reference and Background Checking, Selection Decision, Job Offer (B) Reference and Background Checking, Selection Decision, Contract of Employment, Medical Examination, Job Offer (C) Job Offer, Reference and Background Checking, Selection Decision, Medical Examination, Contract of Employment (D) Reference and Background Checking, Selection Decision, Medical Examination, Job Offer, Contract of Employment	1
4	Read the following statements carefully: Statement-I Staffing is that part of the process of management which is concerned with obtaining, utilizing and maintaining a satisfied and satisfactory workforce. Statement-II Staffing is a continuous process. In the light of 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, but Statement II is false. (D) Statement II is true, but Statement I is false.	1
5	Which of the following activities lie within the scope of the Human Resource Department? (A) Formulating compensation and incentive plans (B) Ensuring healthy labour relations and union-management relations (C) Creating provision for social security and welfare of employees (D) All of the above	1
6	What is meant by recruitment? How is it different from selection?	3
7	State any three differences between training and development.	3
8	Aditya Rubbers is thinking of knowing the worth of its employees but it is unable to do so yet. The firm now has decided to include a step in its staffing process through which it can judge the performance of its employees. i) Identify the steps the organisation will include. ii) State two other steps in the staffing process which precede this step.	3
9	Explain the first six steps in the procedure for selection of employees	6

ANSWER KEY

1	(C)	2	A	3	A	4	A	5	D
6.	Any three differences								3
7.	Any three difference between training and development								3
8.	Performance appraisal Previous two steps – Training & development, Placement & orientation								3
9.	Preliminary Screening- selection tests- interview-background check- selection decision-medical examination-job offer-employment contract								6

TIME: 40 min.

WORKSHEET-2

MM: 20

1	The various activities involved in the process of recruitment include _____. (A) Identification and assessment of the different sources of recruitment (B) Selecting the most suitable source or sources (C) Inviting applications from the prospective candidates (D) All of the above	1
2	_____ is suitable for filling casual vacancies when the workload is high or when a certain number of permanent workers are absent. (A) Direct recruitment (B) Labour contractors (C) Advertising on television (D) Placement agencies&management consultants	1
3	TA Ltd'rejectedthe applications of twelve candidates based on the information supplied by them in their application forms. These candidates did not have the required five years of experience and the Masters in Business Administration (MBA) degree in Finance, both of which were pre-requisites for the post of Finance Manager. From the following, identify the step of 'Selection Process' discussed in the above case. (A)Preliminary Screening (B)Selection Test (C)Employment Interview (D)Selection Decision	1
4	Which of the following is not a benefit of training and development to an organisation? (A) Help to avoid wastage of efforts and money (B) Enhance employee productivity (C) Lead to a better career of the individual (D) Reduce absenteeism and increase employee turnover	1
5	Kundan Lai joined a food processing unit as a factory worker. Since he was expected to work on sophisticated machinery, he was asked to undergo a special training. Identify the training method with reference to above lines. (A) Vestibule training (B) Apprenticeship training (C) Internship training (D) Induction training	
6	Why are internal sources of recruitment considered to be more economical?	3
7	'Amarya Dairy Products' is a fantastic brand offering great quality dairy products. It is not only famous for the quality of its products, but also for retaining its employees in the organisation till their retirement. It believes in growth of its employees by providing them learning opportunities from time to time. For this the company divided the employees in two groups, Group-I and Group-II. Group-I having employees experience of more than 10 years and Group-II have employees who had joined the organisation just one year before.	3

	The learning opportunities provided by the company to Group-II employees would help them in increasing their skills, attitudes and abilities to perform specific jobs, whereas the learning opportunities provided to Group-I employees would help them to grow in all respects .Identify and explain the two concepts of staffing function of management discussed above. CBSE 2025	
8	Anjana chemicals is looking for qualified and talented people to apply for vacant jobs in the organisation. With the passage of time the organisation has learned a lot with its experience. It knows when it goes for final selection of candidates, if it will have to design different tests. They want to test the employees on the basis of their learning and decision making ability. The company wants to ensure proper testing of the recruited candidates. After this the candidates will be judged on the basis of in-depth formal conversation. After the selection the candidates are placed and trained. Employees have to be trained on the equipment they will be using but this training will take place away from the workplace. i)Which type of recruitment should the company depend upon? ii) Which type of test should be conducted by the organisation to suit their needs? iii) Which stage in the selection process is highlighted after the written test?	3
9	Blue Heavens Ltd. Purchased a new hi-tech machine from Germany for manufacturing high quality auto components in a cost effective manner. But during the production process, the manager observed that the quality of production was not as per standard. On investigation it was found that there was a lack of knowledge amongst the employees of using these hi-tech machines. So, frequent visits of engineers were required from Germany. This resulted in high overhead charges. Suggest what can be done to develop the skills abilities of employees for producing high quality products by using these hi-tech machines. Also state how the employees or the organisation will be benefited from your suggestion.	6

ANSWER KEY

1	D)	2	A	3	A	4	C	5	A	1 each
6.	Three merits of Internal sources (any three with explanantion)									3
7.	The two concepts of staffing function of management discussed are 1)Training for Group -II employees 2)Development for Group –I employees Training Training refers to a process by which attitudes, skills & abilities of employees to perform specific jobs are increased.It attempts to improve employees performance on the current job or prepare them for any intended job. Development Development refers to the learning opportunities designed to help employees grow towards maturity and actualisation of their potential capacities.It covers not only those activities which improve job performance but also those which bring about growth of the personality.									3
8.	External, Trade Test, Interview									3
9.	Training and its benefits									6

CHAPTER- 7

DIRECTING

Planning ➡ Organizing ➡ Staffing ➡ DIRECTING

Concept of Directing

Directing refers to the process of **instructing, guiding, coaching/counseling, motivating** and **leading the people** in an organisation to achieve organizational objectives.

(Also known as “**Management – in – action**” and “**Heart of the management process**”)

Elements of Directing

1. **Supervision:** Overseeing work, providing guidance, and ensuring tasks are completed effectively
2. **Motivation:** Incentives, recognition, and a positive work environment that encourages employees to perform their best.
3. **Leadership:** Guiding and influencing employees to achieve organizational goals, providing direction, and fostering a positive work culture.
4. **Communication:** Effective communication ensures clear instructions, feedback, and understanding between managers and subordinates.

Characteristics/Features of Directing (**ICDT = I Can Do This**)

1. **I**nitiates action (or Executive function)
2. **C**ontinuous process
3. **D**irecting flows from top to bottom
4. **T**akes place at every level of management

Importance of Directing (**FIBIG = Fun Is Back In Game**)

1. **F**acilitates introduction of needed changes in the organisation
2. **I**nitiates action
3. **B**ring stability and balance in the organisation
4. **I**ntegrates employees' efforts
5. **G**uides employees

Supervision

Supervision 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.

Concept of Motivation

Motivation is the process of **stimulating people** to action to accomplish desired goals.

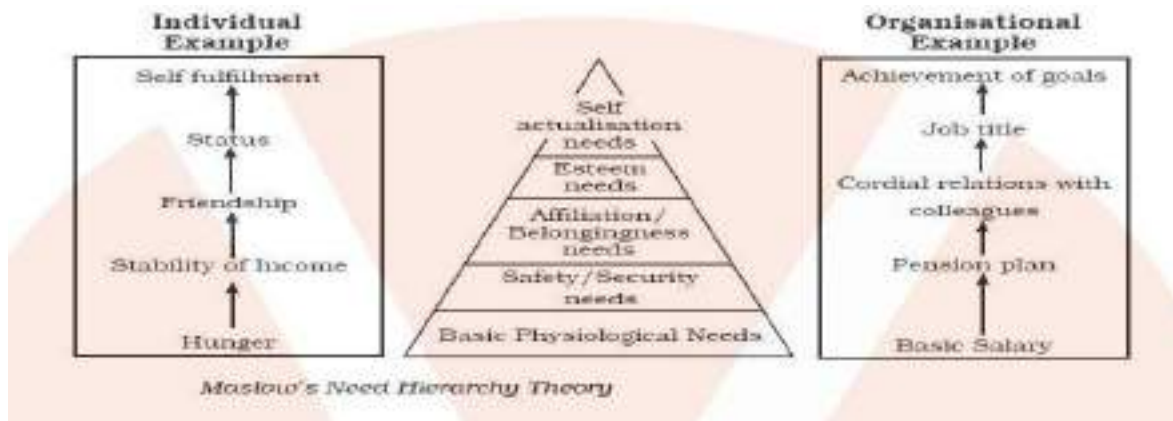
- **Motive:** A motive is an **inner state** that energises, activates or moves and **directs behavior towards goals**. For example, hunger, thirst, security, recognition etc.,
- **Motivators:** Motivator is the **technique/incentive used to motivate people** in an organisation to improve performance. For example, pay, bonus, promotion, praise etc., are used in the organisation to influence people to contribute their best.
- **Motivation Process:** It is based on human needs.

Features of Motivation (IPCC)

1. Internal feeling
2. Produces goal directed behaviour
3. Can be either positive or negative:
 - ❖ Positive motivation provides positive rewards like promotion, increase in pay etc.
 - ❖ Negative motivation uses negative means like punishment, stopping increments etc.
4. Complex process:
 - ❖ As individuals are heterogeneous in their expectations, perceptions and reactions.
 - ❖ Any type of motivation may not have uniform effect on all the members.

Maslow's Need Hierarchy Theory of Motivation

Abraham Maslow's theory of motivation (a well-known psychologist) was based on human needs. He felt that within every human being, there exists a hierarchy of five needs.



These are: (**BSAES** = **Business Studies And Economics Syllabus**)

1. Basic Physiological Needs
2. Safety/Security Needs
3. Affiliation/Belonging Needs
4. Esteem Needs
5. Self-Actualisation Needs

Assumptions of Maslow's Need Hierarchy Theory

1. People's behaviour is **based on their needs**. Satisfaction of such needs influences their behaviour.
2. People's needs are in **hierarchical order**, starting from basic needs to other higher-level needs.
3. A **satisfied need** can **no longer motivate** a person; only next higher-level need can motivate him.
4. A person **moves to the next higher** level of the hierarchy only when the **lower need is satisfied**.

Financial Incentives:

- ❖ It refers to incentives which are in **direct monetary form** or **measurable in monetary term**.
 - ❖ It serves to motivate people for better performance.
 - ❖ It may be provided on individual or group basis.
 - ❖ These incentives are important to satisfy basic physiological needs of lower-level employees.
- (**Please Award, BRS**)
1. **Pay and allowances** : These include salary, dearness allowance and other allowances paid to employees.
 2. **Profit Sharing** : Providing a fixed percentage of profit to employees.

3. **Perquisites** (such as car allowance, medical aid etc., over and above the salary)
4. **Productivity linked wage incentives**: Wages paid at different rates to increase productivity.
5. **Bonus** : Incentive offered above the wages or salary.
6. **Retirement Benefits** : Benefits offered after retirement such as provident fund, pension, etc.
7. **Stock option/Co-partnership(ESOP)** : Shares offered to employees at a price which is lower than the market price.

Non-financial Incentives :

❖ These incentives **mainly focus** on the following needs:

(1) Psychological (2) Social (3) Emotional

➤ SOCJEEE

1. **Status** : It is the level of authority, responsibility and recognition an employee commands in the organization.
2. **Organisational Climate** : Characteristics influencing an individual's behaviour such as individual autonomy, reward orientation, consideration to employees, etc.
3. **Career Advancement Opportunity** : Opportunities of growth and development in the organization to the higher level.
4. **Job security** : It refers to the certainty and stability offered in a job about future income and work.
5. **Job Enrichment** : It refers to a variety of work offered to challenge the knowledge and skills of highly motivated employees.
6. **Employee Recognition programmes** : It involves recognising and appreciating the contribution of employees in public.
7. **Employee participation** : Involvement of employees in the decision making process, seeking their advice or suggestions.
8. **Employee Empowerment** : Opportunities provided to employees to take decisions independently and perform jobs assigned to them.

Concept of Leadership

Leadership is the process of **influencing the behaviour** of people by making them strive voluntarily towards achievement of organisational goals.

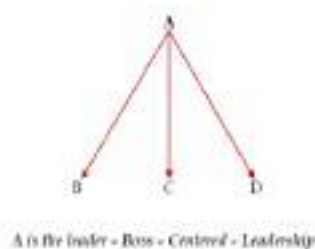
DDL: Determines direction, Develops teamwork, Leads the way.

Features of leadership (ABC-IE)

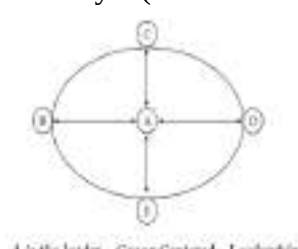
1. **A**bility of an individual to influence others.
2. **B**ring change in the behaviour of others.
3. **C**ontinuous process.
4. **I**nter-personal relations between leaders and followers.
5. **E**xercised to achieve common goals of the organisation.

Leadership Styles- There are three basic styles of leadership depending on the 'use of authority':

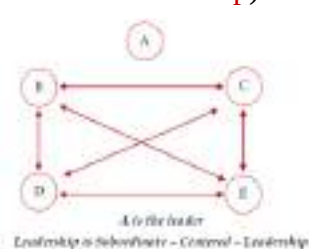
1. Autocratic or Authoritarian leadership style (**Boss-Centred Leadership**)
2. Democratic or Participative leadership style (**Group-Centred Leadership**)
3. Laissez-faire or Free-rein leader style (**Subordinate-Centred Leadership**)



AUTOCRATIC



DEMOCRATIC



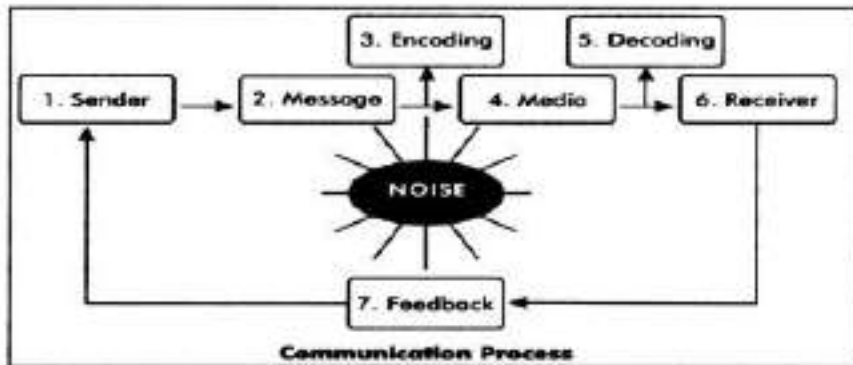
FREE-REIN

Concept of Communication

Communication is the process of **exchange of information** between two or more persons to reach common understanding.

Elements of Communication Process

1. Sender 2. Message 3. Encoding 4. Media
5. Decoding 6. Receiver 7. Feedback 8. Noise



Formal and Informal Communication

Formal Communication

- ❖ It **flows through official channels** designed in the organisation chart.
- ❖ It may take place between a superior and subordinate.
- ❖ It may be oral or written but generally recorded and filed in the office.
- ❖ It may be further classified as-Vertical and Horizontal.

Formal Communication Vs Informal Communication

Feature	Formal Communication	Informal Communication
Purpose	Convey official information and directives	Exchange personal or non-official information
Structure	Follows a predefined structure and format	Typically lacks a structured format
Language	Often uses professional or technical language	Uses casual language and colloquial expressions
Tone	Generally serious and professional	Relaxed and conversational
Channels	Utilizes formal channels such as memos, emails, meetings, reports, etc.	Occurs through informal channels such as face-to-face conversations, phone calls, text messages, social media, etc.
Audience	Typically involves superiors, colleagues, or clients within the organization	Usually involves friends, family, or coworkers on a personal level
Feedback	Formal feedback mechanisms are common and expected	Feedback may be more spontaneous and informal
Documentation	Often documented for legal or record-keeping purposes	Documentation is less common and may not be formalized
Decision Making	May influence organizational decisions and policies	May impact personal relationships or informal group dynamics

Informal Communication

- ❖ It takes place **without following the formal lines of communication**.
- ❖ It arises out of needs of employees to exchange their views, which cannot be done through formal channels.
- ❖ It is generally referred to as the '**grapevine**' because it spreads throughout the organisation with its branches going out in all directions disregard to the levels of authority.

Positive Aspects

- May be helpful as they **carry information rapidly**.
- Used by the managers to transmit information so as **to know the reactions** of his/her subordinates.

Negative Aspects

- **Spreads rapidly** and sometimes **gets distorted**.
- **Very difficult to detect the source** of such information.
- Leads to **generate rumours** which are not authentic.
- Sometimes may **hamper work environment** as people's behaviour is affected by informal discussions and rumours.

Note: -An intelligent manager should make use of positive aspects of informal channels and minimise negative aspects of this channel of communication.

BARRIERS TO EFFECTIVE COMMUNICATION

Any type of hurdle, block or bottleneck in the path of communication is called barriers to effective communication

Type of barriers (POPS)

1. Semantic barriers 2. Psychological barriers 3. Organisational barriers 4. Personal barriers

1. **Semantic barriers** The word Semantic means the meanings of words and sentences. The barriers in the process of encoding and decoding of message into words or expressions.

The types of semantic barriers are discussed below :

1. **Badly Expressed Message** : The message to be communicated must be stated in simple and clear words.
2. **Words or Symbols with Different Meanings** : A word or symbol may have different meanings. The receiver is required to understand the meaning of the word used by the sender in the same sense for which sender has used it. For example: If a superior says, this is the ideal (Perfect) method, and subordinate interprets as "This is the idle (Useless) method", then communication error takes place.
3. **Faulty Translations** : Sometimes the communication originally drafted in one language (e.g English) needs to be translated to the language understandable by the workers (e.g Hindi). If the translator is not proficient with both the languages, communication may be misunderstood.
4. **Unclear Assumptions**: Not giving clear and specific instructions. For example "Take care of guest". To the boss it means travel, accommodation, food etc., whereas the subordinate may interpret it as the guest should be taken to the hotel with care.
5. **Body language and gesture decoding**: If what is said and what is expressed through body movements and gestures differ, communication may be misunderstood.

2. **Psychological Barriers** : The barriers which are created due to state of mind of sender and receiver.

1. **Premature Evaluation**: Here the receiver comes to conclusion without fully going through the message.
2. **Lack of attention**: If the receiver or the sender are not attentive while communication, the message will be misunderstood. For example Suppose an employee explains his problem to a manager while he is very busy with the preparation of a report for his superior, he will be less attentive and does not grasp the message, and the employee get disappointed
3. **Loss of transmission** : When a communication is passed through various levels, there is a possibility of loss in communication. Similarly people cannot retain all that is received as information for a long time .

4. **Distrust:** If the sender and receiver don't believe each other, they cannot understand message in true sense.

3. **Organisational Barriers:** The complex organizational structure with scalar chain restricts free and frequent communication that are called organizational barrier.

1. **Organizational Policy:** If an organization is highly centralized, it is not supportive to free flow of communication.

2. **Rules and regulations:** Communication strictly through the chain of command may cause delays .

3. **Status:** Some superiors may not be ready to talk freely with the subordinates. Similarly subordinates also not feel confident to talk freely with the superiors. They pass information what superiors would like to hear and hold back unpleasant facts.

4. **Complexity in organizational structure:** Too many levels in the management may cause delay and distortion.

5. **Organizational facilities:** If proper facilities are not provided such as intercom, public addressing system, complaint box, suggestions box etc. the communication may not flow freely.

4. **Personal Barriers :** These are related to the personal factors of both the sender and the receiver.

1. **Fear of challenge of authority:** If a superior feels that a particular communication may adversely affect his authority, he will hold it or suppress it.

2. **Lack of confidence:** When superiors do not have confidence on the competence of their subordinates, the process of communication hampered. In such case superiors may not seek advice, opinions and suggestions of subordinate.

3. **Unwillingness to communicate:** Subordinates may also be unwilling to communicate with their superiors on the fear that it will adversely affect their interest.

4. **Lack of proper incentive:** If there is no reward or appreciation for the suggestions of subordinates; they will not ready to communicate.

Improving communication effectiveness OR

How to Overcome From Barriers

1. Clarify the idea before communication: it is the duty of the communicator to clarify the message clearly before he is going to communicate the same.

2. Consider the needs of sender: The sender must understand the capacity of the receiver and he must know what type of information the receiver needs and in what form.

3. Consult other before communication: It is better to consult with others in developing a plan for communication.

4. Beware of content, language and tone of message: The language and tone used by the sender should be stimulating to evoke response from the listeners.

5. Convey thing which are valuable to receiver: It is better to know the interest and needs of communicates while communicating a message.

6. Ensure proper feedback: The sender should take efforts to have feedback from the listeners time to time

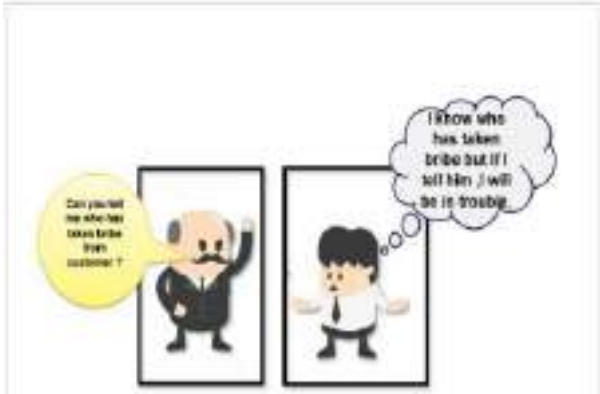
7. Communicate for present and future: The communication should aim at present and future goals of the organization.

8. Follow up communication: Proper follow up and review of instructions given to subordinates will help to remove hurdles if any.

9. Be a good listener: Careful listening is a prerequisite for effective communication.

QUESTION BANK	
Q.	MCQs
1	Self Actualisation Needs are concerned with _____ A . Autonomy status B. Recognition C. Growth and Self-fulfillment D. None of these
2	A democratic leader will develop action plans and makes decisions in consultation with his_____.
3	In autocratic leadership style only_____communication is done with subordinates.
4	Zurko was working as a clerk in Hindustan Ltd. since last three and a half years. He was working with full diligence. His boss noticed his performance and gave him “Confirmation letter”. Which kind of Zurko’s need was Satisfied.
5	Obedience of order and discipline is found in A. Autocratic leadership B. Democratic leadership C. Free rein leadership D. Paternalistic leadership
6	Which is not the advantage of formal communication? [U] A. Very systematic B. Friendly relationship C. Orderly flow of information D. Easy to exercise control
7	Every organisation is initiated through which function: A. Directing B. Controlling C. Organising D. Staffing
8	Which is not a leadership’s style: A. Autocratic B. socialist C. democratic D. laissez faire
9	Statement 1: A leader changes possibility into reality. Statement 2: Laissez-faire is a self directed leadership style. A. Both the above statements are True B. Both the above statements are False C. Statement 1is true and Statement 2 is false D. Statement 1 is false and statement 2 is true
10	Providing job security and pension plan, etc. will satisfy which of the following needs of employees? A. Basic physiological needs B. Safety/Security needs C. Belongingness needs D. Esteem needs
11	Which of the following statements is Incorrect with respect to Autocratic Leadership style? (a) Subordinates are expected to obey the orders of the leader. (b) An autocratic leader does not wish to be contradicted. (c) Subordinates are given high degree of independence. (d) Quick decision-making is facilitated.
12	There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose t 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 Choose one of the correct alternatives given below: Assertion (A) Directing involves motivation and encourages the employees to perform the tasks assigned to them. Reason (R) Controlling involves comparison of current performance of the employees with the established standards.
13	Statement-I: Motivation is a complex process.

	Statement-II: Individuals are heterogeneous in their expectants, perceptions and reactions. (a) Statement I is true and II is false (b) Statement II is true and I is false (c) Both statements are true (d) Both statements are false
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14	 Which type communication barrier depicted in the conversation between boss and employee in the picture select on of the following a. Organization barrier b. Psychological barrier c. Personal barrier d. Semantic barrier
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15	 Fill in the blank with appropriate need of motivation as given by Maslow's in the given image: Select one of the following: a. (i) Safety needs, (ii) Esteem needs b. (i) Esteem needs, (ii) Safety needs c. (i) Personal needs, (ii) Safety needs d. (i) Safety needs, (ii) Personal needs
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Q.	Ans.	Q.	Ans.	Q.	Ans.
1	C	6	B	11	C
2	Subordinates	7	A	12	C
3	One way communication	8	B	13	C
4	Safety needs	9	A	14	C
5	A	10	B	15	B

Question – (3-4 Marks)	
1	Blue Birds Ltd. Offers to its employees issue of shares at a price which is less than the market price. (i) Name and explain the type of incentive offered to the employees. (ii) Explain one more incentive of the same category. Ans : (i) Co-partnership/Stock option., Financial Incentive (ii) Other incentives: (a) Pay and allowance, (b) Bonus- Explain
2	State any four points of importance of ‘Directing’ function of management. Ans.

	Importance of Directing function (Any four) (i) Directing helps to initiate action by people in the organisation towards attainment of desired objectives by guiding the people and clarifying the doubts in performing a task. (ii) Directing integrates employees' efforts in the organisation in such a way that every individual effort contributes to the organisational performance. (iii) Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership. (iv) Directing facilitates introduction of needed changes in the organisation by reducing resistance to change through motivation, communication and leadership. (v) Effective directing helps to bring stability and balance in the organisation by fostering cooperation and commitment among the people.
3	Amit and Mikki are working in the same organization but in different departments. One day at lunch time Mikki informed Amit that due to computerization some people are going to be retrenched from the organization. Name which type of communication is this. State any two limitations of this type of communication. Ans.- Informal Communication Limitations: 1. The grapevine/informal communication spreads rapidly and sometimes gets distorted. It is very difficult to detect the source of such communication. 2. It also leads to generate rumours. People's behavior is affected by rumours and informal discussion and sometimes may hamper work environment.
4	Mr. Pranay is working as a Production Manager in Y Ltd. His subordinates are mostly engineers and qualified technicians. As a manager, he is very strict, does not listen to any suggestions or feedbacks given by his subordinates. He expects them to follow his instructions without any questions and does not allow them to give suggestions. a) What leadership style does the manager follow? Explain. b) Is such a leadership style beneficial for the company? Explain. Ans. (a) Autocratic leadership (b)(i) This leadership style is effective in getting productivity in many situations like in a factory where the supervisor is responsible for production on time and has to ensure labour productivity. (ii) Quick decision-making is also facilitated.
5	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 (One) other incentives of the same type. Ans: (a) 1. Financial incentive. Co-Partnership/Stock Option (b). Other financial incentives: 1. Pay and allowances: For every employee, salary is the basic financial incentive. It includes basic pay, dearness allowance and other allowance. Pay hike and increments improve performance level of employees. 2. Profit sharing: Employees are given a share in the profits of the organization. This motivates them to improve their performance and contributes to increase in profits of the organization
6	Five students of BBA took part in a discussion. They subject for their discussion was, "Why do people get motivated to do anything?" The main point of discussion are asunder – The first student said, "People work because they want to deposit wealth enough to, protect themselves from diseases and to be relieved of the tension of old age".

	The second student said “People work because they want to arrange food cloth and shelter for themselves at the any rate. ”The third student said. “People work because they want to reach the top of the field in which they are. They, therefore, put in untiring efforts. ”The fourth student said, “People work, so that when they have money, people will become friendly with them and they will stand by them through thick and thin.”The fifth student said, “People work, so that they may get respect in the society and that they may be recognised as exceptional persons.” a. The discussion given above relates to which Element of a function of management. b. The five friends spoke about the different needs of people as the basis of their doing work. Identify these needs. Ans. a. Motivation (Directing) b. First friend – Safety needs Second friend - Physiological needs Third friend - Self – actualisation needs Fourth friend - Social needs/Belonging needs Fifth friend – Esteem needs
8	Explain any four features of 'Motivation', an element of directing. Ans. FEATURES OF MOTIVATION (with explanation) (i) Motivation is an internal feeling because the urge, drives, desires, aspirations, striving or needs of human being influence human behaviour. (ii) Motivation produces goal directed behaviour, with the objective of improving employees performance. (iii) Motivation can be either positive like increase in pay, promotion, etc.or negative like punishment, stopping increments, etc. (iv) Motivation is a complex process as any type of motivation may not have uniform effect on all the members because they are heterogeneous in their expectations, rceptions and reactions.
7	Explain the following non-financial incentives: (i) Job enrichment (ii) Employee participation Ans. (b) (i) Job enrichment • It is concerned with designing jobs that include a greater variety of work content, require higher level of knowledge and skill, gives workers more autonomy and responsibility and provides opportunity for personal growth. • If jobs are enriched and made interesting, the job itself becomes a source of motivation to the individual. (ii) Employee participation • It refers to involving employees in decision-making of the issues related to them. • Employee participation may be in the form of joint management committees, work committees, etc.
8	Explain any two psychological barriers to effective communication. Ans- Psychological barriers to effective communication (Any two with suitable explanation): (i)Premature evaluation (ii)Lack of attention (iii)Loss by transmission and poor retention (iv)Distrust
9	'Capro Ltd.', an IT services firm was perceived as a passive provider focusing on fulfilling clients' orders without much innovation. In an attempt to change its image, the Chief Technical Officer of 'Capro Ltd.' called a meeting of technical heads in the

	conference room. The meeting was important as it was regarding launching programmes to encourage employees to generate ideas for value addition that their clients would appreciate and would help in changing the company's image. Shrinivas, a technical head was last to enter the conference room for the meeting and got a seat near the door of the conference room. As there was constant movement near the conference room, he could not attentively focus on the meeting, missing out on important points discussed in the meeting. (a) Identify and state the elements in the communication process that led to Shrinivas missing out on important points discussed in the meeting. (b) State any two other elements of the communication process other than the one identified in (a) above. CBSE 2025 Ans: (a) The element in the communication process that led to Shrinivas missing out on important points discussed in the meeting is Noise. Noise means some obstruction or hindrance caused to sender, message or receiver in the process of communication (b) Other elements of the communication process are: (Any two) Sender is the person who conveys his thoughts or ideas to the receiver. Message is the content of ideas, feelings, suggestions, order, etc., intended to be communicated. Encoding is the process of converting the message into communication symbols such as words, pictures, gestures etc. Media is the path through which encoded message is transmitted to receiver. Decoding is the process of converting encoded symbols of the sender. Receiver is the person who receives communication of the sender. Feedback includes all those actions of receiver indicating that he has received and understood message of the sender.
	LONG ANSWER TYPE QUESTIONS – (6 Marks)
1	Explain the various leadership styles? Ans: Autocratic leadership style: This style is also known as leader centered style. The leader keeps all the authority and employees have to perform the work exactly as per his order. He does not decentralizes his authority. The responsibility of the success or the failure of the management remains with the manager. Democratic leadership: This style is also known as group centered leadership style. Managerial decisions are not taken by the manager in consultation with employees. This leadership style is based on decentralization. Managers respect the suggestions made by his sub ordinates. Laissez-faire leadership style: this style as leadership is also known as free brain leadership or individual centered style. The manger takes little interest in managerial functions and the sub ordinates are left on their own. Manager explain over all objectives; help sub- ordinates in determining their own objectives.They provide resources. They also advise the employees.
2	Sunidhi has started a designer studio in the basement of her residence after completing her masters in fashion designing. She has appointed ten employees to take care of the various aspects of the work. She interacts regularly with each employee to tell exactly what is expected of him/.her and what he/she needs to do to be regarded as a good performer. At the same time she allows a free work environment wherein the employees openly chit chat with each other in order to fulfil their social and emotional needs. Sometimes, these interactions also lead to spreading rumours which are not authentic. In the context of the above case: 1. Name and explain the two types of communication being referred to in the above paragraph.

	Ans.- 1. The two types of communication being referred to in the above paragraph are formal communication and informal communication. 1. Formal communication: 2. Informal communication: (Explanation from summary)
3	How can an organisation overcome the barrier to effective communication? Ans- Measures to overcome barrier (From summary) - Like 1. Clarify the idea before communication 3. Proper feedback 2. Consult others before communication 5. Proper feedback 4. Communication for the present as well as future. 6. Open mind 7. Good Listener
4	State any four points of importance of 'Directing' function of management. CBSE 2025 Ans. Importance of Directing function (Any four) (i) Directing helps to initiate action by people in the organisation towards attainment of desired objectives by guiding the people and clarifying the doubts in performing a task. (ii) Directing integrates employees' efforts in the organisation in such a way that every individual effort contributes to the organisational performance. (iii) Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership. (iv) Directing facilitates introduction of needed changes in the organisation by reducing resistance to change through motivation, communication and leadership. (v) Effective directing helps to bring stability and balance in the organisation by fostering cooperation and commitment among the people.
5	Identify and explain the communication barrier discussed in each of the following cases and name the broad category of each communication barrier to which they relate: (i) 'MNB Ltd.' launches a new software programme using Artificial Intelligence. Ajit, the Project Manager, explains the new software system to employees in the organisation, using terms like 'cloud computing', 'machine learning', etc. Since the employees are not specialists in this field, they cannot understand the actual meaning of many words used by the Project Manager. (ii) Rajesh, working as Production Manager in 'KLM Ltd.', approaches the General Manager, Kumar to discuss the problems he is having at work. Rajesh tells him about the increasing workload and the need for additional support. However, Kumar who is working on an important file, keeps glancing at it while nodding occasionally. He does not make eye contact with Rajesh or stop reading the file. He responds saying "Okay Rajesh, just try to manage". Rajesh leaves the office feeling disappointed. (iii) Suresh is a senior technician at a company manufacturing spare parts of a car. He suggests a new method for reducing the idle time on machines to increase efficiency. He presents his idea during a team meeting and is appreciated by everyone. But the manager Pankaj, does not offer any appreciation award for his brilliant idea. Ans- (i) Technical jargon – Semantic Barrier Generally specialists use technical jargon while explaining to persons who are not specialists in the concerned field. Therefore, they may not understand the actual meaning of many such words. (ii) Lack of attention – Psychological Barrier The preoccupied mind of receiver and the resultant non listening of message acts as a major psychological barrier. (iii) Lack of proper incentives – Personal Barrier If there is no motivation or incentive for communication, subordinates may not take initiative to communicate.

Q.NO.		Marks
1	The leadership style in which subordinates act according to the command given by the manager and the communication is one way, is known as: (A) Autocratic leadership style (B) Democratic leadership style (C) Free rein leadership style (D) None of the above	1
2	'Homely Space' is a home decor company providing interior design services. The company lacks facilities like frequent meetings, suggestion box, complaint box, social and cultural gatherings, etc. This causes hindrance in achieving the objectives. Identify the type of communication barrier discussed above from the following: (A) Semantic barrier (B) Psychological barrier (C) Organisational barrier (D) Personal barrier	1
3	'A poor telephone connection' is an example of which of the following element of communication process? (A) Message (B) Media (C) Decoding (D) Noise	1
4	Akash Mehra is the Marketing Manager of 'Kedanta Enterprises'. He gives orders and expects his subordinates to obey those orders. Communication is only one-way with the subordinates only acting according to the command given by him. Identify the leadership style of Akash Mehra: (A) Authoritative (B) Participative (C) Free-rein (D) Pragmatic	1
5	Give meaning of 'Communication'. State first two elements in the process of communication.	3
6	Explain any three psychological barriers to communication.	3
7	Explain the following non-financial incentives which motivate employees for higher performance: (i) Employee participation (ii) Organisational climate	4
8	Explain the following non-financial incentives: (i) Status (ii) Organisational climate (iii) Job Enrichment (iv) Employee participation	6

	Answer(Worksheet)-1
1	(A) Autocratic leadership style
2	(C) Organisational barrier
3	(D) Noise
4	(A) Authoritative
5	Meaning of 'Communication' Communication is the process of exchange of ideas, views, facts, feelings, etc., between or among people to create common understanding. First two elements in the process of communication are: (i) Sender: The person who conveys his thoughts or ideas to the receiver. (ii) Message: It is the content of ideas, feelings, suggestions, order etc. intended to be communicated.
6	Psychological barriers to communication (any three with explanation) 1) Premature evaluation 2) Lack of attention 3) Loss by transmission and poor retention 4) Distrust
7	(i) Employee Participation - It refers to involving employees in decision-making of the issues related to them. - Employee participation may be in the form of joint management committees, work committees, etc.

	(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.
8	(i) Status • Status means ranking of positions in the organisation. • The authority, responsibility, rewards, recognition, perquisites and prestige of job indicate the status given to a person holding a managerial position. (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 Enrichment • It is concerned with designing jobs that include a greater variety of work content, require higher level of knowledge and skill, gives workers more autonomy and responsibility and provides opportunity for personal growth. If jobs are enriched and made interesting, the job itself becomes a source of motivation to the individual. (iv) Employee participation • It refers to involving employees in decision-making of the issues related to them. • It may be in the form of joint management committees, work committees etc.

1	‘Lack of confidence of superior in his subordinates' is one of the barriers of communication. Identify the communication barrier: (A) Personal barrier (B) Psychological barrier (C) Semantic barrier (D) Organizational barrier	1										
2	Which of the following is NOT a feature of Directing function of management? (A) Directing initiates Action. (B) Directing takes place at every level of management. (C) Directing ensures that activities are performed as per plans. (D) Directing flows from top to bottom.	1										
3	Match the various communication barriers given in Column II with their respective categories given in Column I: <table><tr><td>Column I</td><td>Column II</td></tr><tr><td>P. Semantic Barriers</td><td>(i) Distrust</td></tr><tr><td>Q. Psychological Barriers</td><td>(ii) Lack of proper incentives</td></tr><tr><td>R. Organisational Barriers</td><td>(iii) Symbols with different meanings</td></tr><tr><td>S. Personal Barriers</td><td>(iv) Status</td></tr></table> (a) P-(i), Q-(ii), R-(iii), S-(iv) (b) P-(iv), Q-(iii), R-(i), S-(ii) (c) P-(iii), Q-(i), R-(iv), S-(ii) (d) P-(iii), Q-(ii), R-(iv), S-(i)	Column I	Column II	P. Semantic Barriers	(i) Distrust	Q. Psychological Barriers	(ii) Lack of proper incentives	R. Organisational Barriers	(iii) Symbols with different meanings	S. Personal Barriers	(iv) Status	1
Column I	Column II											
P. Semantic Barriers	(i) Distrust											
Q. Psychological Barriers	(ii) Lack of proper incentives											
R. Organisational Barriers	(iii) Symbols with different meanings											
S. Personal Barriers	(iv) Status											
4	State any three ‘Organisational barriers' to Communication.	3										
5	Identify and state any two features of the process of influencing people so that they strive willingly and enthusiastically towards the achievement of group goals.	3										
6	Managers in 'Galaxy Enterprises' faced lot of issues due to barriers in communication leading to creation of an environment of distrust and misunderstanding. Suggest any three measures to improve communication effectiveness in Galaxy Enterprises'.	3										
7	Balvinder is the Production Manager of ‘Pramod Tea Company' in Guwahati. He gives orders to his subordinates and expects that they obey those orders. He does not consult them nor encourage them to participate in decision making. (i) Identify and state the leadership style adopted by Balvinder. (ii) When can this style be effectively used by a manager? State.	4										
8	State any four points of importance of 'Directing’ function of Management.	4										

	Answer(Worksheet)-2
1	(A) Personal barrier
2	(C) Directing ensures that activities are performed as per plans.
3	(c) P-(iii), Q-(i), R-(iv), S-(ii)
4	Organisational barriers to communication: (Any three) (i) Rigid Rules and regulations may delay communication. (ii) Status of the superior may not allow his subordinates to express their feelings freely. (iii) Complexity in organization structure leads to delayed and distorted communication. (iv) Lack of organizational facilities like frequent meetings, suggestion box etc. may discourage free flow of communication.
5	Leadership Features of Leadership (any two): (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. (iv) Leadership is a continuous process.
6	Measures to improve communication effectiveness (any three): (i) Clarify the ideas before communication. (ii) Communicate according to the needs of receiver. (iii) Consult others before communicating. (iv) Be aware of languages, tone and content of message. (v) Convey things of help and value to listeners. (vi) Ensure proper feedback to make communication process more responsive. (vii) Communicate for present as well as future. (viii) Follow up communication. (ix) Be a good listener.
7	(i) Autocratic or Authoritarian style An autocratic leader gives orders and expects his subordinates to obey those orders. (ii) Autocratic style can be effectively used by a manager in the following situations: (a) Where the supervisor is responsible for production on time and has to ensure labour productivity. (b) where quick decision-making is needed.
8	Importance of Directing function (Explain Any four): (i) Directing helps to initiate (ii) Directing integrates employees' efforts . (iii) Directing guides employees to fully realize their potential and capabilities by motivating and providing effective leadership. (iv) Directing facilitates introduction of needed changes in the organization through effective motivation, communication and leadership. (v) Directing helps to bring stability and balance in the organization by fostering co-operation and commitment among the people.

CHAPTER- 8

CONTROLLING

Meaning- Controlling is the process of measurement of actual performance against the standard and correction of deviations to assure attainment of objectives according to plans..

I. Meaning of Controlling:

- Comparing actual performance with planned performance.
- Identifying deviations (if any).
- Taking corrective actions to bring performance back on track.
- Ensuring activities conform to plans.

II. Importance of Controlling:

- **Achieving Organizational Goals:** Ensures activities are aligned with goals.
- **Judging Accuracy of Standards:** Helps to evaluate if standards are realistic and achievable.
- **Making Efficient Use of Resources:** Minimizes wastage by keeping a check on operations.
- **Improving Employee Motivation:** Clear standards and feedback motivate employees.
- **Ensuring Order and Discipline:** Creates an atmosphere of accountability.
- **Facilitating Coordination in Action:** Brings all activities and departments together.
- **Better Planning:** Provides valuable feedback for future planning.

III. Relationship between Planning and Controlling:

- **Planning without controlling is meaningless:** Planning sets the goals, controlling ensures they are met.
- **Planning is Prescriptive, Controlling is Evaluative:** Planning decides what is to be done, controlling evaluates what has been done.
- **Planning and controlling both are backward and forward looking function:** Planning makes future predictions, controlling evaluates past performance.
- **Planning provides standard for controlling:** Planning provides standards for control, control provides information for better future plans.

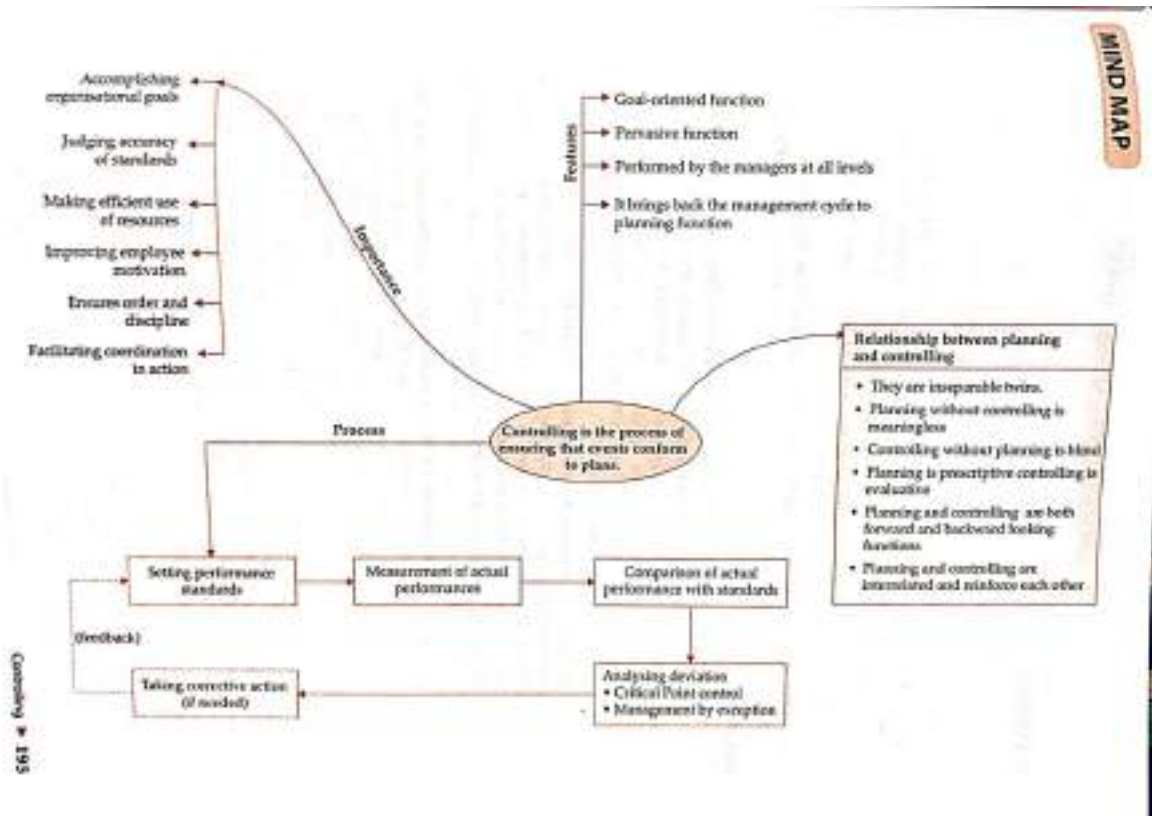
IV. Controlling Process:

1. **Setting Performance Standards:**
 - o Standards are benchmarks against which actual performance is measured.
 - o Can be quantitative (e.g., units produced, sales target) or qualitative (e.g., employee morale, customer satisfaction).
 - o Must be specific, measurable, achievable, relevant, and time-bound (SMART).
2. **Measurement of Actual Performance:**
 - o Regular and timely measurement is crucial.
 - o Various techniques: personal observation, sample checking, performance reports, etc.
3. **Comparing Actual Performance with Standards:**
 - o Done to find deviations.
 - o Can be done by calculating percentages, ratios, or simple comparison.
4. **Analyzing Deviations:**
 - o **Critical Point Control:** It is neither economical nor easy to keep a check on each and every activity in an organisation. Control should, therefore, focus on key result areas (KRAs) which are critical to the success of an organization

- o **Management by Exception:** It is also called control by exception. It is an important principle of management control based on the belief that an attempt to control everything may end up controlling nothing. Only significant deviations which go beyond the permissible limit should be brought to the notice of management.

5. Taking Corrective Action:

- o Correcting the deviation to bring performance back on track.
- o If standards are unrealistic, they might need revision.
- o Actions might include: training, changing methods, adjusting resources, etc.



QUESTION BANK

MCQ s

1.	Which management function involves comparing actual performance with planned performance? a) Planning b) Organizing c) Staffing d) Controlling	
2.	"Looking back" is associated with which management function? a) Planning b) Controlling c) Directing d) Both a & b	
3.	Which of the following is NOT an importance of controlling? a) Achieving organizational goals b) Improving employee motivation c) Reducing employee turnover d) Making efficient use of resources	
4.	Standards in the controlling process can be a) Only quantitative b) Only qualitative c) Both quantitative and qualitative d) Neither quantitative nor qualitative	
5.	The technique of control that focuses on only key result areas- (a) Critical Point Control (b) Management by Exception (c) Statistical Reports (d) Budgetary Control	
6.	Which step in the controlling process involves finding the reasons for poor performance? (a) Setting performance standards (b) Measuring actual performance (c) Comparing actual performance with standards (d) Analysing deviations	
7.	An effective control system helps to: (a) Achieve Objectives (b) Boost employees morale (c) Efficient use of resources (d) All of these	
8.	If a company decides to take corrective action by providing training to its employees, it falls under which step of the controlling process? (a) Setting performance standards (b) Measurement of actual performance (c) Taking corrective action (d) Analysing deviations	
9.	Which concept states that if you try to control everything , you may end up controlling nothing? (a) Management by exception (b) Critical Point Control (c) Budgetary Control (d) All of these	
10.	Which statement best describes the relationship between planning and controlling? (a) Planning is done first, then controlling. They are independent. (b) Controlling precedes planning. (c) Planning and controlling are inseparable twins; one cannot exist without the other. (d) Planning is conceptual, controlling is tangible.	

MCQ Answers:

1. d) Controlling
2. d)
3. c) Reducing employee turnover (While controlling indirectly helps in employee retention by creating a better work environment, it's not a direct primary importance mentioned)
4. c) Both quantitative and qualitative
5. (a) Critical Point Control

6. d) Analysing deviations
7. (d) All of these
8. (c) Taking corrective action
9. (a) Management by exception
10. (c) Planning and controlling are inseparable twins; one cannot exist without the other.

SHORT ANSWER TYPE QUESTIONS (3/4 Marks)

1.	ABC Ltd. set a sales target of 1,000 units for the month of April. At the end of the month, the actual sales achieved were 850 units. The sales manager reviewed the sales reports and found that the sales team faced unexpected competition from a new entrant in the market. The sales team also complained about the lack of sufficient promotional material. a) Identify the step of the controlling process that involves setting the sales target of 1,000 units. b) Which step of the controlling process involves the sales manager reviewing reports and finding out reasons like "unexpected competition" and "lack of promotional material"? (high Achiever) Answer: a) Setting Performance Standards: The step of the controlling process that involves setting the sales target of 1,000 units is Setting Performance Standards. Standards are the benchmarks or targets against which actual performance is measured. These standards provide the basis for evaluating whether performance is satisfactory or not. b) Analysing Deviations: The step of the controlling process that involves the sales manager reviewing reports and finding out reasons for the difference between actual and standard performance (like "unexpected competition" and "lack of promotional material") is Analyzing Deviations. This step aims to identify the causes of the deviations so that appropriate corrective actions can be taken.	
2.	Explain any two points describing the relationship between 'planning' and 'controlling'. (CBSE 2023) Answer: Planning without controlling is meaningless: Planning sets the goals, controlling ensures they are met. Planning and controlling both are backward and forward looking function: Planning makes future predictions, controlling evaluates past performance.	
3.	Explain any two points highlighting the importance of controlling function of management. (CBSE 2023) Answer : (i) Ensuring Order and Discipline: Controlling by keeping a CLOSE CHECK on various activities creates an atmosphere of order and discipline in the organisation. with its implementation, all undesirable activities and dishonest behaviour on the part of employees are checked. (ii) Facilitating Coordination in Action: Controlling facilitates coordination	

	in action by providing pre-determined standards for all activities and efforts of the organisation which are well coordinated with one another. For example, while implementing control, it is kept in mind that the standards for the Production Department and Sales Department should not be mismatched.	
4.	Explain: (a) Critical point control; and (6) Management by exception, as an important part of Analysing Deviations' a step in the process of controlling. (CBSE 2023) Ans. (a) Critical Point Control * It suggest that control should focus on key result areas (KRAs) which are critical to the success of an organisation as it is neither economical nor easy to keep a check on each and every activity in an organisation. *If anything goes wrong at the critical points, the entire organisation suffers. (6) Management by Exception *It is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing. *Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of management.	
5.	Explain any three features of controlling function. Answer: Nature or Features or Characteristics of Controlling- Controlling is a goal-oriented function as it aims to ensure that resources are used effectively and efficiently to achieve predetermined goals. Controlling is a pervasive function as control is exercised at all levels of management. The nature and extent of control may differ from level to level. Moreover, controlling is required in both business and non-business organisations. Controlling is both a backward looking as well as forward looking function. It is a backward-looking function as it measures and compares actual performance with standards fixed in the past. It is also a forward-looking function as it aims to improve future performance, based on experience gained in the past. Controlling is a continuous function as it involves continuous review of performance and revision of standards.	

LONG ANSWER TYPE QUESTIONS (6 Marks)

1.	'Tech Solutions' is an IT firm specializing in software development. For the current financial year, the management had set a budget for project development costs at ₹50 lakhs. After six months, the finance department reported that the actual expenditure had already reached ₹35 lakhs. The CEO, Mr. Kumar, was concerned. He held a meeting with project managers to understand the reasons for this deviation. It was found that unexpected increases in software licensing fees and higher than anticipated employee training costs for new technologies were the main culprits. Mr. Kumar then directed the HR department to find more cost-effective training programs and	
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	asked project managers to explore open-source alternatives for some software. He also revised the remaining budget to ensure they do not exceed the annual target. (a) Identify and explain the first three steps of the controlling process mentioned in the above case. (b) Explain any two importance of controlling function. Answer: (a) First three steps of the controlling process: Setting Performance Standards: The first step in the controlling process is the establishment of standards of performance. Standards are the criteria against which actual performance is measured. Thus, standards serve as benchmarks or yardsticks towards which an organisation strives to work. Standards can be set in both Quantitative as well as Qualitative terms. This is evident when "the management had set a budget for project development costs at ₹50 lakhs." This budget acts as the financial standard or benchmark against which actual expenditure will be measured. Measurement of Actual Performance: Once the standards have been established, the second step is to measure the actual performance. Performance should be measured in an objective and reliable manner. It can be done using several techniques like: (i) Personal Observation; (ii) Sample Checking; (iii) Performance This is shown when "the finance department reported that the actual expenditure had already reached ₹35 lakhs." This involves collecting information about the actual cost incurred. Comparing Actual Performance with Standards: This step is implicitly done when "the actual expenditure had already reached ₹35 lakhs" against a ₹50 lakh budget, and Mr. Kumar "was concerned," indicating a comparison and identification of deviation (₹35 lakhs spent in 6 months vs. ₹50 lakhs for 12 months, which is already a significant portion). (b) refer to above notes for importance	
2.	"Trendy Garments" is a fashion retail chain. Their annual plan included a sales target of ₹10 crore. To achieve this, they allocated significant resources to marketing and new product development. However, after the first quarter, the sales figures were significantly lower than expected. The marketing head explained that a sudden shift in consumer preferences towards sustainable fashion, which was not anticipated in their original plan, heavily impacted their traditional product line. The CEO, Ms. Sharma, immediately called for an emergency meeting. She instructed the product development team to fast-track sustainable fashion lines and the marketing team to re-strategize their campaigns to highlight eco-friendly aspects. She also mentioned that in the future, the company should regularly monitor environmental and social trends more closely. (a) Explain the relationship between Planning and Controlling as depicted in this case study. (b) Identify the corrective actions taken by Ms. Sharma in this scenario.	

	Answers: (a) Relationship between Planning and Controlling: This case study perfectly illustrates the inseparable relationship between planning and controlling. Planning provides the basis for controlling: The "annual plan included a sales target of ₹10 crore" which is the standard or benchmark set by planning. Without this target, there would be nothing to control against. Controlling ensures planning is effective and provides feedback for future planning: When the "sales figures were significantly lower than expected," it triggered the controlling process. The analysis of deviations revealed an un-anticipated "shift in consumer preferences." This feedback from controlling will now inform future planning, making it more realistic and adaptive (as Ms. Sharma decided to "regularly monitor environmental and social trends more closely" in the future). Thus, controlling helps in "looking back" at past performance to correct present issues and improve "looking ahead" for future plans. (b) Corrective Actions taken by Ms. Sharma: Ms. Sharma took the following corrective actions: * She instructed the product development team to fast-track sustainable fashionlines to align with changing consumer preferences. *She directed the marketing team to re-strategize their campaigns to highlight eco-friendly aspects of their products.	
3.	Priya is a regional manager of XYZ. Ltd. She is a hardworking employee and is trying to reduce wastage of resources in her company. She has set standards for performance of different activities and is ensuring that targets are met according to these standards with minimal wastage of resources. She has set up CCTV cameras which helps her to keep a close check on the activities of the subordinates and know how the employees are performing. She also rewards the employees with a bonus when these standards are met. She is trying her best to ensure a good performance of her team this year through the application of an important function of management. Explain any two benefits of the function of management highlighted above.(CBSE, Sample Paper) Ans. Explain the Importance of Controlling.	
4	Each employee of Bhoomika Ltd. should manufacture 10 tables per day as per the terms of employment. All the employees met the said target except a few who manufactured between 4-6 tables per day. The management took a decision to install Closed Circuit Television (CCTV's) in the factory for monitoring the activities of the employees. (a) Identify the managerial function discussed above. (b) Explain the steps in the process of the function identified in (a) above. Ans. (a) Controlling (b) Steps in the process of Controlling	
5	'Kia Builders' was constructing a five star hotel for a leading hotel chain. The hotel had to be given possession by next year but the construction of the hotel was running six months behind schedule. The Chief Executive Officer of Kia Builders'was concerned as Kia Builders was known for its quality and timely completion of projects. He asked Nitin, the senior of the Project Head for a thorough investigation. Nitin Investigated and reported to the Chief Executive	

	Officer that in spite of huge absenteeism of workers, additional workers were not called. Nitin also reported to the Chief Executive Officer that three of the ten machines being used by the workers were defective. Nitin ordered for repair of the machines and asked the Project Head to appoint additional workers with attractive wages to ensure that the deadline is met. (a) Identify the function of management. Quoting the lines from the above para, explain the steps of the process of the function of management discussed. b) Also explain any two points of importance of the function of management identified in (a) above. (CBSE 2024) Ans. (a) The function of management is Controlling. Steps of controlling process discussed in the above case are: (i) Comparison of actual performance with standards: The hotel had to be given possession by next year but the construction of the hotel was running six months behind schedule. (ii) Analysing deviations: 'Nitin investigated and reported to the Chief Executive Officer that inspite of huge absenteeism of workers, additional workers were not called. "Nitin also reported to the Chief Executive Officer that three of the ten machines being used by the workers were defective. (iii) Taking corrective action: "Nitin ordered for repair of the machines and asked the Project Head to appoint additional workers with attractive wages to ensure that the deadline is met. (b) Explain 'Importance of Controlling.	
6.	How can a regional manager of a retail chain enhance operational efficiency and maximise profits by analysing deviations in sales performance among different stores? Some outlets consistently exceed sales targets, while others struggle to meet their goals. To address these disparities, the regional manager aims to implement two management techniques for analysing deviations. Explore these two techniques in detail. (CBSE, 2023-24)Ans. Discuss (i) Management by Exception and (ii) Critical Point Control	

Q. 1. Out of Anish and Sumit, who is correct in the given picture?

Ans. Both are partially correct. Both planning and controlling are backward-looking as well as forward-looking functions. Refer 'Relationship between Planning and Controlling' in the chapter.

Q. 3. In the given picture, Saguna and Palak are talking about two important concepts needed in one of the steps of controlling. Identify the step and concepts.

— production is being high—

1	Which of the following is not a step in the process of 'Controlling' function of management. (CBSE2023) (A) Setting performance standards (B) Assignment of duties (C) Taking corrective action (D) Comparing actual performance with standards.	1
2	Which of the following function of management measures the progress of objectives and guides the organisation to keep it on the right track so that organizational goals might achieved? [CBSE 2023 (66/4/1) (A) Planning. (B) Directing (C) Staffing. (D) Controlling	1
3	.Controlling is (A) Backward looking function (B) Forward looking function (C) Both backward as well as forward looking function (D) None of the above	1
4	Keya Ltd is a large organisation manufacturing a popular brand of desi ghee and supplying it to various states of India. They manufacture 10,000 litres of desi ghee every day and pack in cartons of 250 ml, 500 ml and 1 litre sizes. The production manager ensures that one out of every ten cartons of each size is checked for quality control everyday. CBSE 2023 The step of the controlling process discussed in the above para is: (A) Setting performance standards (B) Measurement of actual performance (C) Comparison of actual performance with standards (D) Analysing deviations.	1
5	Sameer is a wholesaler, who deals in cricket equipment. He collects cricket equipment like bats, balls, helmets, gloves, stumps, etc. from different manufacturers and assembles them in a kit for the convenience of customers. He sets a standard target to assemble 100 kits a day. During the first week of the month the workers assembled 92-96 kits a day, which was lower than the set standard. On investigation, it was found that the variation in assembly of kits was due to an irregular supply of helmets. Workers had to wait for helmets to assemble the kits. CBSE 2025 (i) State the function of management discussed in the above case. (ii) State the steps of the function identified in (i) above, which are discussed in the above paragraph.	3
6	Explain the relationship between 'planning' and 'Controlling' function of management with the help of any four points. CBSE 2024	3
7	'An effort to control everything may end up in controlling nothing.' Explain.	4
8	Explain the following as points of importance of 'controlling' function of management: (i) Judging accuracy of standard (ii) Improving employee's motivation (iii) Ensure order and discipline. CBSE2024	6

ANSWERS

1.B. 2.D. 3.C. 4.B.

5. (i) Controlling is the process which involves the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans.

(ii) Steps of Controlling:

1. The standards of performance are set

2. Measurement of actual performance in an objective and reliable manner in the same units in which the standards are set.

3. Comparison of Actual performance with the standards to reveal the deviations.

4. Analysing deviation through Critical Point Control and Management by Exception to find out the causes of deviation.

6. Relationship between Planning and Controlling:

(i). Planning and controlling are interdependent and interlinked.

(ii). Planning and controlling both are backward and forward looking.

(iii). Planning is prescriptive whereas controlling is evaluative.

7. Explain Management by exception.

8. Explain the points.

TIME : 40 min.

WORKSHEET – 2

M.M:20

1	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	1
2	Mr. Nirbhay Kapoor, the CEO of Patna Ltd. analysed the variances to find out the causes of variances. Identify the step of controlling process being performed. (A) Measurement of actual performance (B) Comparing actual performance with standards (C) Analysing deviation (D) Taking corrective measures	1
3	Assertion (A): Controlling creates an atmosphere of order and discipline in the organisation. Reason (R): By exercising control, a manager seeks to reduce wastage and spoilage of resources. (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	1
4	XYZ Ltd.' is using registers to record attendance of the employees even in this new tech era. The Human Resource Manager is facing problems due to the dishonest	1

	behaviour of employees as they are writing wrong working hours. Not only this, the Production Manager is also reporting about the theft of raw materials every day. To resolve these types of problems, the company started using biometric attendance system and installed cameras at important areas to keep an eye on the activities of the employees. This helped in reducing dishonest behaviour of the employees to a large extent. The point of importance of controlling highlighted in the above case is: (A) Improving employee motivation (B) Ensuring order and discipline (C) Making efficient use of resources (D) Accomplishing organisational goals	
5	There are two managers Rahim and Pankaj. Rahim is saying that 'Controlling is forward looking' whereas according to Pankaj 'Controlling is looking back'. Who is correct? Explain why?	3
6	State any three points of importance of 'Controlling' function of management.	3
7	Explain features of controlling function of management.	4
8	Explain the relationship between Controlling and Planning.	6

ANSWERS

1.B. 2.C. 3.B. 4. (B) Ensuring order and discipline 5.Refer to gist.

6.Importance of controlling:

- (i) Helps in achieving organisational goals.
- (ii) Making efficient use of resources.
- (iii) Improving employee's motivation.

7. Features of controlling:

- (i) Goal oriented function
- (ii) Pervasive
- (iii) Both backward and forward looking
- (iv) Continuous process.

8.Relationship between planning and controlling:

- ((i).Planning and controlling are interdependent and interlinked.
- (ii).Planning and controlling both are backward and forward looking.
- (iii).Planning is prescriptive whereas controlling is evaluative

CHAPTER-9

FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT * It may be defined as planning, organizing, directing and controlling the financial activities of the organization.

* It is concerned optimum procurement and utilisation of funds with management and involves taking three following decision in an organisation-

- * Decisions relating to procurement of funds (**Financing decision**)
- * Investment of funds in long term and short term (**Investment decision**) and
- * Distribution of earnings amongst the owners (**Dividend decision**).

ROLE OF FINANCIAL MANAGEMENT

- To ensure optimal procurement and the usage of finance.
- determine the capital requirement of business (both long and short term)
- To determine capital structure of the company at lowest cost.
- To decide about allocation of funds into profitable avenues.
- To decide about appropriation of profits
- To ensure availability of enough funds for occasions and avoiding idle funds.

OBJECTIVES OF FINANCIAL MANAGEMENT

- * Wealth maximization of equity shareholders by getting the current price of equity shares increased at maximum extent.
- * Profit maximization and value addition.
- * Efficient utilization of funds by making right investment decision.

Financial Decisions : There are three types of financial decisions

1. Investment Decision
2. Financing Decision
3. Dividend Decision

INVESTMENT DECISION :

- 1 CAPITAL BUDGETING DECISION/LONG TERM INVESTMENT DECISIONS :
(To decide amount to be Invested in fixed assets and to decide in which assets).
- 2 WORKING CAPITAL DECISIONS/SHORT TERM INVESTMENT DECISIONS
(Investment in current assets)

CAPITAL BUDGETING DECISIONS (management of fixed assets) - long-term investment decision is also called a Capital Budgeting decision.

These decisions are very crucial because:

- (a) They **affect the earning capacity** of the firm over the long run (One gets return from there only where he/she invests)
- (b) These decisions normally **involve huge outflow of funds** like purchase of Land, Machinery etc.
- (c) These decisions are **irreversible** except at a huge cost (One can't abandon a fixed setup easily once that is installed).

WORKING CAPITAL DECISIONS—Decisions related to investment in current assets (like cash, inventories, debtors etc)

*These decisions affect the day to day working, liquidity and profitability of the business.

FACTORS AFFECTING Investment decision :

- 1 CASH FLOWS OF THE PROJECT – Should invest there where regular inflow of cash is expected.
- 2 RATE OF RETURN-The firm should compare the rate of return expected from different prospective investment projects.
- 3 INVESTMENT CRITERIA—To check fulfilment of certain criteria like Investment limit, minimum rate of return in respect of prospective investment projects.

FINANCING DECISION---Deciding quantum of funds to be raised and from which source .(in order to decide a judicious mix of both debt and equity.

The main sources of finance are:

- (i) Shareholders' or Owners' Funds: They consist of equity capital and retained earnings.
- (ii) Borrowed funds: They refer to finance raised on long term basis like debentures or some other form of debt.

COMPARISON OF DEBT AND EQUITY

s.n.	Basis	Debt	Equity
1	Obligation for cost payment	Interest has to be paid regardless of profit earned or not.	Shareholders do not expect any commitment regarding the payment of returns.
2	Financial Risk	Financial risk- Inability to pay Interest and principal ; is very high in debt .	From point of view of business financial risk is not that high as dividend may not be paid in the event of loss.
3	Cheaper	The cost of debt is less than equity	Costlier, The shareholder expect higher returns for facing higher risks.

FACTORS AFFECTING FINANCING DECISION:

- (1) **COST**—The source of finance which involves the least cost should be chosen.
- (2) **Fixed Operating cost** : If Regular expenses like Rent, Insurance, Salaries etc are already high then should opt equity. If those are under control then debt can also be used.
- (3) **RISK INVOLVED**—Non payment of financial obligation is Higher for debt capital than equity
- (4) **Control Consideration**: If want to Maintain current decision making power then should issue debt. Issue of equity dilute power.
- (5) **FLOATATION COST**—Cost for issuing securities should also be considered while taking the decision
- (6) **CASH FLOW POSITION**—If that inflow is regular then company can opt for debt otherwise should go with equity.
- (7) **BOOM IN CAPITAL MARKET**—Then it is easy for the company to raise equity capital.

DIVIDEND DECISION---To decide how much profits are to be distributed among the owners.(shareholders)

FACTORS AFFECTING DIVIDEND DECISION:

- (1) **Earning**—If earnings are high, dividend may be paid at higher rates.
- (2) **Stability in earnings** : Companies having stable incomes(regular profits) may declare higher dividend.
- (3) **Stability of dividends**: Company usually follow a policy of stable dividends. These are increased only then when earning potentiality is enhanced.
- (4) **Growth opportunity**—A company planning to pursue a growth opportunity is likely to pay lower dividends as more funds are required for expansion.
- (5) **Cash flow position** :—Availability of adequate cash is necessary for higher dividend .
- (6) **Legal constraints**—Provisions of companies act should be considered while deciding dividend..
- (7) **Shareholders preference**—if they prefer regular income in the form of dividends, the company is likely to maintain a minimum dividend rate.
- (8) **Stock market reaction** : Higher dividend result in higher market value of shares and vice versa.
- (9) **Access to capital market** : Company having good reputation may acquire funds from capital market whenever they want. Small companies may have to use retained earnings at certain times as capital market may not be accessible for them.
- (10) **Contractual constraints** : Banks may impose certain restrictions on issuance of dividend as

condition for providing loans.

(11) taxation Policy – More tax on dividend less dividend to be declared.

FINANCIAL PLANNING—is the process of (i) Estimating the fund requirement of a business and (ii) Specifying the sources of funds

Keyword –Financial blueprint of future operations of a business.

TWIN OBJECTIVES OF FINANCIAL PLANNING:

- (i) To ensure availability of funds as per the requirements of business.
- (ii) To see that the enterprise does not raise resources needlessly.

IMPORTANCE OF FINANCIAL PLANNING

1. It ensures **smooth running** of business enterprise by preparing alternative financial plans to face different possible scenarios of future.
2. Serves as a control technique as objectives are decided for different business segments.
3. It reduces the possibilities of duplication of efforts, waste, gaps in planning and confusion.
- 4.. It provides **link between investment and financing decisions** on continuous basis

CAPITAL STRUCTURE— **proportion of debt and equity** used for financing business operations.

TRADING ON EQUITY/—**Situation where** returns (**Earning per share**) of equity shareholders are increased by making use of fixed cost securities(Debt) in the capital structure. It happens because:

- Cost of debt is lower than cost of equity for a firm as lender's risk is lower than risk of shareholder.
- Interest paid on debt is a deductible expense for computation of tax liability whereas, dividend are paid out of after tax profits.

Particulars	Situation I	Situation II	Situation III
Total Funds	30,00,000	30,00,000	30,00,000
Capital structure			
Equity	30,00,000	20,00,000	10,00,000
Debt	Nil	10,00,000	20,00,000
EBIT	4,00,000	4,00,000	4,00,000
10% Interest on debt	Nil	(1,00,000)	(2,00,000)
Earnings before Tax	4,00,000	3,00,000	2,00,000
30% Tax rate	(1,20,000)	(90,000)	(60,000)
Earning after Tax	2,80,000	2,10,000	1,40,000

No. of shares	3,00,000	2,00,000	1,00,000
EPS	0.93	1.05	1.40

• **DOES EPS ALWAYS RISE WITH INCREASE IN DEBT?**

No, EPS does not always rise with increase in debt. It is possible only when

$ROI > \text{Cost of debt}$ – favourable financial leverage

If $ROI < \text{Cost of debt}$ then EPS will fall with increased use of debt.- unfavourable financial leverage.

FACTORS AFFECTING THE CHOICE OF CAPITAL STRUCTURE :

- 1. Risk consideration:** A firm's total risk depends upon the business risk and financial risk. If a firm's business risk is lower then its capacity to use debt is higher.
- 2. Cost of debt :** lower interest rate results in more debt
- 3. Tax rate :** Higher tax rates favour more debt .
- 4. Return on investment:** Higher turn on investment favour more debt.
- 5. Cash flow position of the company :** if cash position is sound then debt can be used as source of finance.
- 6. Flotation cost :** issuance cost of shares and debentures is higher than loans.
- 7. Control considerations:** Issuance of debt doesn't dilute control of shareholders.
- 8. Flexibility:** less use of debt in past enables the firm to be flexible to issue further debt.
- 9. Interest coverage ratio :** Higher ratio shows firm's abilities to meet its financial obligation.
- 10. Stock market conditions:** In rising market people prefer equity and In depressed market company has to rely on debt.
- 11. Capital structure of other companies:** capital structure of other companies may work as guideline for the mixture of debt and equity.
- 12. Regulatory framework:** when raising funds through different sources certain norms of laws are to be followed.
- 13. Cost of Equity**
- 14. Debt Service Coverage ratio**

FIXED CAPITAL

Fixed Capital— money invested in fixed assets, which are to be used over a longer period of time.

FACTORS AFFECTING FIXED CAPITAL REQUIREMENTS:

- 1. Nature/Type of business:** A trading concern needs a lower investment in fixed assets compared with a manufacturing organisation, since it does not require to purchase plant and machinery, etc.
- 2. Scale of operations:** A larger organisation operating at a higher scale requires more fixed capital.
- 3. Choice of techniques :** A capital-intensive organisation requires more fixed capital than Labour intensive organisations.

4. **Technology upgradation:** organisations which use assets which are prone to obsolescence require higher fixed capital.

5. **Growth prospects:** That demands more fixed capital for expansion and [purchasing fixed assets.

6. **Diversification:** With diversification, fixed capital requirements increase.

7. **Financing alternatives:** When one gets assets on lease than less fixed capital is required.

8. **Level of collaboration:** Due to collaboration with others one has to purchase less assets.

WORKING CAPITAL— Part of total capital, invested into current assets for performing day to day business running activities.

FACTORS AFFECTING WORKING CAPITAL REQUIREMENTS:

1. **Nature/Type of business:** Manufacturing unit requires more, trading less.

2. **Scale of operations:** A larger organisation operating at a higher scale needs more working capital.

3. **Business cycle:** Different phases of business cycles affect the requirement of working capital by a firm. In case of a boom more working capital required , in depression less.

4. **Seasonal factors:** In peak season, because of higher level of activity, larger amount of working capital is required. requirement for working capital will be lower during the lean season.

5. **Production cycle/Processing cycle:** longer Production cycle- more working capital requirements .The shorter the production cycle, the lower is the working capital requirements.

6. **Level of competition:** Higher level of competition demands more working capital.

7. **Credit allowed:** If more credit time is allowed to customers then working capital requirement will also be high.

8. **Credit Availed :** if one gets more credit time from supplier then less working capital is required .

9. **Availability of raw materials:** if raw material is not available in local market and has to be purchased in bulk then more working capital is required.

10. **Growth prospectus :** company having more growth potential require more working capital.

11. **Inflation:** higher inflation rate results in requirement of more working capital.

12. **Operating efficiency:** higher inventory turnover ratio and ratio indicate regarding operating efficiency that results in less working capital.

QUESTION BANK

	MCQs
1.	Avik is the finance manager of Mars Ltd. in the current year, the company earned high profit. However, Avik thinks that it is better to declare smaller dividend as he is unsure about the earning potential of the company in the coming years. Avik's choice of dividend decision is based on which of the factor that affect it? (a) Amount of earnings (b) Stability in earnings (c) Stability of dividends (d) Growth opportunities
2.	Financial decisions impact which of the following items of profit and loss account? (a) Interest (b) Profit (c) Investment (d) All of these
3.	Bharti Ltd. is a leading mobile company. It is planning to acquire Queen Ltd. (its close competitor) business worth `1,000 crore. Which financial decision is involved in it? (a) Investment (b) Financing (c) Dividend (d) None of these
4.	VNG Agro Food Ltd. is a famous multinational company. Mr. SK Nagi is its finance manager. He is making efforts to increase the market value of capital invested by the equity shareholders. He already knew it could be possible only when price of the shares increases and price of shares increase only if financing, investment and dividend decisions are taken optimally. He did the same and achieved success. Which objective of financial management has been referred here? (a) Maximising the wealth of equity shareholders (b) Effective utilization of funds (c) Ensures safety of funds (d) Avoiding idle finance
5.	'Increase in the profit earned by the equity shareholders due to the presence of fixed financial charges like interest' is called: CBSE 2025 (A) Financial planning (B) Dividend decision (C) Financing decision (D) Trading on equity
6.	Assertion (A) : Business finance refers to the money required for carrying out business activities. Reason (R) : Financing decisions involves careful selection of assets, in which funds are to be invested. 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
7.	Assertion (A): The objective of financial planning is to ensure that enough funds are available at right time. Reason (R): Capital structure refers to the mix between owners and borrowed funds. 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

SHORT ANSWER TYPE QUESTIONS (3/4 MARKS)

1.	An organisation is busy preparing its financial blueprint for its future operations. The idea is to create satisfactory amount of money which should be there in the reach of the organisation at the right time. 1. Which concept of financial management has been highlighted in the above case? 2. What are the financial plans made for a year known as? 3. What are the twin objectives of financial planning? Answer: 1. The concept of financial management highlighted is 'Financial Planning'. 2. The financial plans made for a year are known as 'Budgets'. 3. The twin objectives of financial planning are: To ensure proper availability of funds whenever the need arises. To ensure that there is no unnecessary raising of funds by the organization	4
2	Vipul is engaged in 'transport business' and transports fruits and vegetables to different states. Identify the working capital requirements of Vipul and also state the reason in support of your answer,. Vipul also wants to expand and diversify his transport business, explain any two factors that will affect his fixed capital requirements. (Hint: His working capital requirement will be less as he is engaged in a service providing business and service business do not have to maintain Inventory. Factors affecting his fixed capital requirement - Nature of Business, Growth opportunities)	
3.	What is meant by Capital Budgeting? State any three factors which affect the Capital Budgeting decision (Hint: Meaning of Capital Budgeting) Any three Factors affecting Capital Budgeting decision (Cash Flow Position, Return on Investment, Investment Criteria)	
4.	Explain briefly any four factors which affect the choice of capital structure of a company. (Hint: Any four factors - (1) Cash Flow Position: While making a choice of the	

	capital structure the future cash flow position should be kept in mind. (2) Interest Coverage Ratio-ICR: ... (3) Debt Service Coverage Ratio-DSCR: ... (4) Return on Investment-ROI	
5	'Omara Ltd.', is a garments company that produces jackets from organic, recycled and sustainable materials. The sourcing of eco-friendly fabrics, slower production process and focus on ethical labour practices result in big time gap between receipt of fabrics and their conversion into jackets. Since 'Omara Ltd.' faces intense competition in the garment industry, it has to hold large stocks of jackets to meet urgent orders from customers. To further attract and retain customers, 'Omara Ltd.' offers liberal credit terms to them. Thus 'Omara Ltd.' is able to perform much better than its competitors. (i) State whether the total working capital requirement of 'Omara Ltd.' will be high or low. (ii) Justify your answer given in (i) above by identifying and stating any three factors affecting working capital requirements discussed in the above case. (CBSE 2025) ANSWER (i) The total working capital requirement of 'Omara Ltd.' will be high. (ii) Factors affecting working capital requirements: (a) Production Cycle: The working capital requirement of 'Omara Ltd.' would be high as there is a big time gap between receipt of fabrics and their conversion into jackets (b) Level of Competition: 'Omara Ltd.' faces intense competition in the garment industry, it has to hold large stocks of jackets to meet urgent orders from customers, the working capital requirement would be high. (c) Credit Allowed: The working capital requirement of 'Omara Ltd. is high as it is offering liberal credit terms to its customers.	
6.	MM Ltd. is manufacturing small cars at its manufacturing unit in Pune. The demand of its cars is increasing at the rate of 20% annually. It is planning to set up a new car manufacturing unit at Indore. For this the company will require approximately Rs1,500 crores as fixed capital and Rs 400 crores as working capital. The company has already arranged for its working capital. State any four factors that the finance manager should keep in mind while arranging its fixed capital.	

ANSWER

- (i) **Nature of business** affects the fixed capital requirement as a trading concern needs lower investment in fixed assets compared with a manufacturing organisation.
- (ii) **Scale of operation affects** the fixed capital requirement as a large organisation operating at a higher scale needs higher investment in fixed assets as compared to a small organisation.
- (iii) The **choice of technique** affects the fixed capital requirement as a capital intensive organisation requires higher investment in plant and machinery, whereas a labour intensive organisation requires less investment in fixed assets.
- (iv) Industries requiring **technology upgradation** need a higher investment in fixed assets as their assets become obsolete sooner and need to be replaced faster.
- (v) Higher **growth** of an organisation generally requires higher investment in fixed assets, consequently larger fixed capital.

LONG ANSWER TYPE QUESTIONS(6 Marks)

1.	“Sound financial planning is essential for the success of any enterprise.” Explain this statement by giving any six reasons. (Hint- any six Importance of financial planning.)	
2.	Tata International Ltd. earned a net profit of Rs. 50 crores. Ankit, the finance manager of Tata International Ltd. wants to decide how to appropriate these profits. Discuss any five factors which will help him in taking this decision. (Hint:-The five factors which will help Ankit, in taking the dividend decision are described below: (i) Amount of Earnings affect dividends as they are paid out of current and past earnings. (ii) Stability of earnings affects dividends as a company having stable earnings is in a better position to declare higher dividends as compared to a company with unstable earnings. (iii) Stability of dividends also affects dividend decision as companies generally follow a policy of stabilising dividend per share and the increase in dividend is generally made when the earning potential goes up. (iv) Cash Flow position affects the dividend decision as availability of enough cash in the company is necessary for declaration of dividend. (v) Taxation policy affects the tax treatment of dividend. Capital gains as when tax on dividend is higher, it is better to pay less by way of dividends	

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

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

Answer:

The share capital of Rs. 60 lakh is made up of Rs. 6 lakh equity shares

Thus, on diversification, the earning per share fell down from Rs. 0.50 to Rs. 0.40 which is a negative thing for shareholders.

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

(a) Tax deductibility: Debt is considered to be a relatively cheaper source of finance as the amount of interest paid on debt is treated as a tax deductible expense.

(b) Flotation cost: The money spent by the company on raising capital through debentures is less than that spent on equity.

(c) Control: The issue of debentures doesn't affect the control of the equity shareholders over the business as the debenture holders do not have the right to participate in the management of the business.

Particulars	Amount (Rs.)
Equity share capital	60,00,000
10 % Debentures	40,00,000
Total Capital	1,00,00,000
EBIT	8,00,000
Less: Interest	– (4,00,000)
EBT	4,00,000
Less: Tax @ 40%	– (1,60,000)
EAT	2,40,000

	No. of shares of Rs. 10 each	6,00,000		
	EPS	$2,40,000 / 6,00,000 = 0.40$		

TIME : 40 min.

WORKSHEET – 2

M.M:20

Q.1	In a project, expected rate of return is 10 %. For financing that project, Raj Ltd. Issues 7 % redeemable debentures instead of equity shares to get benefitted from the situation. That activity is called- A) Trading on Equity B) Dividend policy B) Lease financing D) Working Capital decision	1
2	The decision that determines the overall cost of capital and the financial risk of the enterprise is known as: a) Investment Decision c) Financing Decision B) Dividend Decision D) Working Capital Decision	1
3	The term "floatation cost" is associated with: a) Cost of sales promotion c) Cost of issuing securities C) Cost of acquiring fixed assets D) Cost of raising loans from relatives	1
4	Explain any three factors affecting Capital budgeting decisions.	3
5	"A sound financial management is the key to the success of a business." Explain any three reasons to support this statement.	3
6	Define Capital Structure. Explain any two factors affecting it.	3
7	What is meant by Financial Planning? Explain its two objectives and two benefits(Importance).	4
8	Dividend decision affects both the profitability and the financial strength of the business." Explain. Also, discuss any two factors that affect the dividend decision.	4
ANSWER – WORKSHEET-1		
	1 –(A) 2-(C) 3-(C) 4- Rate of return, cash flow, Investment criteria 5-Importance/Role of Financial management. To determine capital structure of the company at lowest cost. To decide about allocation of funds into profitable avenues. To decide about appropriation of profits 6- Proportion of debt and capital, Two factors- cost of debt, tax rate ,etc. 7- Blueprint of financial affairs of the business for future., objective- availability of funds and not to keep unnecessary funds 8- When more reserve are ploughed in the business then profitability increases and financial position also strengthens. Factors affecting Dividend Decision- Earning, Stability of earning,etc.	

TIME : 40 min.

WORKSHEET – 2

M.M:20

1	Which of the following factors affect the capital budgeting decision of a company? (A) Investment criteria involved (B) Floatation costs (C) Tax Rate (D) State of Capital Market	1
2	The risk related to inability to meet fixed financial charges like interest payment and other repayment obligations is known as: (A) Operating risk (B) Financial risk (C) Business risk (D) None of the above	1

3	When the proportion of debt and equity is such that it results in an increase in the value of equity share the _____ is said to be optimal. (a) working capital (b) fixed capital (c) capital structure (d) Both (a) and (b)	1
4	Explain the following factors affecting working capital requirements of a business : (i) Nature of business (ii) Credit availed (iii) Operating efficiency (iv) Seasonal factors	3
5	Define Financial Leverage and explain factors which are kept in mind while taking financing decisions.	4
6	VK Ltd. is a fast moving consumer goods company. It has shareholders spread all over India. Most of its shareholders depend upon a regular income from their investment. VK Ltd. has been earning consistent profits. The management of the company keeps in mind the preference of the shareholders regarding payment of dividend. Since its shareholders, in general, desire that at least a certain amount is paid as dividend to them every year, the company declares dividend every year. Atul, the Finance Manager of the company identified promising growth opportunities. He suggested to the Chief Executive Officer to retain the earnings to finance the required investments instead of declaring dividend every year. For this, the Chief Executive Officer decided to call a General Body Meeting of the shareholders. (i) Identify two factors affecting dividend decision discussed above. (ii) State two other factors that affect the dividend decision of a company.	4
7	Zenith Mall is a famous shopping mall in Mumbai, owned by 'Pinnacle Group'. It is very popular for its international and national brands of fashionable clothes, restaurants, cinema halls and food courts. The management of Pinnacle Group has decided to open a new branch of the mall in Pune. This decision was very crucial for the management as it involves huge amounts. (a) Identify and state the financial decision involved in the above case. (b) State any two factors affecting the decision identified in (a) above	6
	ANSWER KEY	
	1.A, 2-B, 3-C	
	4. (i) Nature of business: • A trading organisation needs a smaller amount of working capital as compared to a manufacturing organization as there is no processing. (ii) Credit availed: • Just as a firm allows credit to its customers it also may get credit from its suppliers. (iii) Operating efficiency: • Firms manage their operations with varied degrees of efficiency in managing raw material, sales etc. (iv) Seasonal Factors: • In peak season, because of higher level of activity, larger amount of working capital is required by the business.	
	5- Financial leverage- Presence of debt in fixed capital. Factors affecting financing decisions- cost, fixed operating cost, flotation cost , cash flow position and more	
	6- Two factors discussed- (1) Preference of shareholders (2) Growth opportunities More- Earnings, tax rate and more	
	7- (A) Investment decision (b) cash flow, returns, investment criteria	

CHAPTER- 10

FINANCIAL MARKET

MEANING - A financial market is concerned with creation and exchange of financial securities/assets such as shares, debentures, bonds, Treasury Bills etc. It helps in mobilizing savings and allocating them to the most productive uses.

FUNCTIONS OF FINANCIAL MARKET:-

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

Types of Financial Market:-

A) Money Market and B) Capital Market

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

B. Capital Market:- It is a Market which deals in long term securities i.e. whose maturity period is more than 01 year, shares.

Difference Between Money Market & Capital Market

	Money Market	Capital Market
Definition	It is a Market which deals in short term securities.	It is a Market which deals in long term securities
Instruments involved	Commercial Papers, Treasury Certificate of Deposit, Bills, Trade Credit, etc.	Bonds, Debentures, Shares, Asset Secularisation, Retained Earnings, Euro Issues, etc.
Participants	Commercial banks, non-financial institutions, central bank, chit funds, etc.	Stockbrokers, insurance companies, Commercial banks, underwriters, etc.
Liquidity	Money markets are highly liquid.	Capital markets are comparatively less liquid.
Risk Involved	Money markets have low risk.	Capital markets are riskier in comparison to money markets.
Maturity of Instruments/ Duration	Instruments mature within a year.	Instruments take longer time to attain maturity
Investment outlay	Requires huge amounts.	Does not require huge amounts.

TYPES OF CAPITAL MARKET:

- a) **Primary or new issue market**-It refers to that market in which securities are sold for the first time for collecting long term capital.

- a) **Secondary Market (Stock exchange)::**-Where already issued (existing) securities are traded (bought and sold). It is also known as stock exchange.

Difference between Primary Market & Secondary Market

BASIS	PRIMARY MARKET	SECONDARY MARKET
Meaning	The market place for new shares is called primary market.	The place where formerly issued securities are traded is known as Secondary Market.
Involvement of company	Buying directly from companies, so involved	Between buyer and seller of securities, company is not involved.
Purpose	Directly promotes Capital Formation	Enhances liquidity and indirectly promotes Capital Formation
Activity	Only buying of securities	Both buying and selling of securities takes place
Link	Between Company and Investors	Between buyer and seller of securities.
Price determination	Fixed price determined by the company	Fluctuates, depends on the demand and supply force

FUNCTIONS OF STOCK EXCHANGE

(i) 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. It gives investors the chance to disinvest and reinvest.

(ii) Pricing of securities- A stock exchange is a mechanism of constant valuation through which the prices of securities are determined by the forces of demand and supply.

(iii) Safety of transaction-The membership of the stock exchange is well regulated and its dealings are well defined according to the existing legal framework. This ensures that the investing public gets a safe and fair deal on the market.

(iv) Contributes to Economic Growth -the stock exchange is an economic barometer (indicator)

(v) Spreading of Equity Cult – Ensures wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments

(vi) Providing Scope for Speculation- The stock exchange provides sufficient scope within the provisions of law for speculative activity

TRADING PROCEDURE IN STOCK EXCHANGE; (SOPES);

1. Selection of Broker : In order to trade on a stock Exchange first a broker is selected who should be a member of stock exchange as they can only trade on the stock exchange.

2. Opening demat account- The investor has to open a 'demat' account or 'beneficial owner' (BO) account with a depository participant (DP) for holding and transferring securities in the demat form.

3. Placing the order : After selecting a broker, the investors specify the type and number of securities they want to buy or sell.

4. Broker goes online- to find the best match

5. Executing the order : The broker will buy or sell the securities as per the instructions of the investor.

6. Issue of contract note- After the trade has been executed, within 24 hours the broker issues a Contract Note. This note contains details of the number of shares bought or sold, the price, the date and time of deal, and the brokerage charges

7. Delivery of shares/ pay cash (pay-in day)

8. T+2 Settlement : All transactions made during one account are to be settled by payment for purchases and by delivery of share certificates, which is a proof of ownership of securities by an individual.

9. Pay out Day

10. Delivery of shares in demat account

DEMATERIALIZATION: DEFINITION

- Dematerialization refers to the process of holding securities in electronic form.
- Depository: Definition ; Depository is the organization with which an investor has to open a D-Mat account to hold securities in electronic form.
In India there are two depositories:
- **National Securities Depository Limited (NSDL)**
- **Central Depository Services Limited (CDSL)**

Depository participant;

The depository participant serves as a link between the investor and the depository i.e.

- either NSDL or CDSL.

SEBI (Securities and Exchange Board of India): Regulates the capital market and protects the interest of investors.

OBJECTIVES OF SEBI

1. To regulate stock exchange and the securities market to promote their orderly functioning.
2. To protect the rights and interests of investors and to guide & educate them.
3. To prevent trade malpractices such as internal trading, Insider trading etc.
4. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional

FUNCTIONS OF SEBI

(i) Regulatory Functions of SEBI

- (a)Registration of brokers and sub-brokers and other players in the market.
- (b)Registration of collective investment schemes and mutual funds.
- (c)Regulation of takeover bids by companies.
- (d)SEBI conducts enquires and audit of stock exchanges.
- (v) Calling for information by undertaking inspection,,conducting enquiries and audit of stock exchanges and intermediaries.
- (vi) Levying fee or other charges for carrying out the purposes of the SEBI Act, 1992

(ii)Development Function of SEBI

- (a) Training of intermediaries of the securities market.

(b) Conducting research and publishing information useful to all market participants.

(c) Undertaking measures to develop the capital markets.

(iii) Protective Function of SEBI

(a) Prohibition of fraudulent and unfair trade practices.

(b) Controlling insider trading and imposing penalties for such practices.

(c) Undertaking steps for investor protection

QUESTION BANK

	MCQs								
1.	Which of the following statements is not true with regard to money market? (a) It involves low market risk. (b) It is situated at specific locations. (c) Deals in unsecured and short-term debt instruments. (d) The instruments traded are highly liquid.								
2.	Which of the following is a regulatory function of Securities and Exchange Board of India? (a) Registration of brokers and sub-brokers and other players in the market (b) Training of intermediaries of the securities market (c) Promotion of fair practices and code of conduct in securities market. (d) Conducting research and publishing information useful to all market participants								
3.	Veena received ₹ 40 lakhs as a gift from her father. She was discussing various avenues of investing her money with her brother. He advised Veena to invest her money in shares of Moneco Ltd., a reputed company. He further added that it would not only generate good returns over the long term, but could easily be sold whenever required. Identify the function of stock exchange being highlighted by Veena's brother in the above case: (a) Pricing of securities (b) Providing liquidity and marketability to existing securities (c) Safety of transactions (d) Providing scope for speculation								
4.	The process of holding securities in an electronic form is known as: (a) Rolling settlement (b) Registration (c) Dematerialization (d) Depository								
5.	Match the functions of Securities and Exchange Board of India given in Column I with their headings given in Column-II : <table><tr><th>Column I</th><th>Column II</th></tr><tr><td>A. Training of Intermediaries</td><td>(i) Regulatory function</td></tr><tr><td>B. Regulation of takeover bids by companies</td><td>(ii) Protective function</td></tr><tr><td>C. Controlling insider trading and imposing penalties for such practices</td><td>(iii) Development function</td></tr></table> Choose the correct alternative : (A) A (ii); B (iii); C (i) (B) A (i); B (ii); C (iii) (C) A (iii); B (i); C (ii) (D) A (iii); B (ii); C (i)	Column I	Column II	A. Training of Intermediaries	(i) Regulatory function	B. Regulation of takeover bids by companies	(ii) Protective function	C. Controlling insider trading and imposing penalties for such practices	(iii) Development function
Column I	Column II								
A. Training of Intermediaries	(i) Regulatory function								
B. Regulation of takeover bids by companies	(ii) Protective function								
C. Controlling insider trading and imposing penalties for such practices	(iii) Development function								
6.	Anil holding the top position in a company pass on the confidential information of the company to his relative for personal benefit. Under which function of SEBI this action of Mr. Anil can be stopped ? (a) Protective function (b) Regulatory function (c) Development function (d) None of the above								

7.	Statement I - Instruments with a maturity of less than one year is traded in the capital market. Statement II- Instruments with longer maturity are traded in the money Market. Choose the correct option from the following: (a) Statement I is true and Statement II is false. (b) Statement II is true and Statement I is false (c) Both the statements are true. (d) Both the statements are false.
8.	Stock Exchange works as a mechanism for valuation of securities through the forces of demand and supply. Identify the related function of performed by the stock exchanges. (a) Providing liquidity and marketability to existing securities. (b) Safety of transaction. (c) Pricing of security. (d) Spreading of equity cult.
9.	Which of the following is a development function of Securities and Exchange Board of India? (a) Training of intermediaries of the securities market (b) Promotion of fair practices and code of conduct in the securities market (c) Undertaking steps for investor protection (d) Prohibition of fraudulent and unfair trade practices.
10.	Rahman wants to sell his shares held by him in Dematerialised form on NSE. He asks his friend Shaym about the time period in which transaction will be settled after execution of the order. Shyam told Rahman about the rolling settlement basis, w.e.f. 1 April 2003. Choose the correct option among the following: (a) T+ 1day (b) T +2 days (c) T+3 days (d) T+4 days
11.	Calling for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries' is of Securities and Exchange Board of India. (a) Regulatory Function (b) Development Function (c) Protective Function (d) Both (B) and (C)
12.	Identify the type of financial market shown in the picture below: (a) Primary Market (b) Money Market (c) Secondary Market (d) None of these 
13	15 Radhika wants to sell 20,000 shares of ‘Tara Ltd.’ held by her. In which of the following market can she sell these shares? (a) Primary Market

SHORT ANSWER TYPE QUESTIONS(3/4 marks)

Q. No.	Questions & Answers
1	State any three functions of financial markets. Answer: 1. Mobilization of savings 2. Facilitates price discovery 3. Provides liquidity

2	Explain the following functions of Stock Exchange: (i) Providing liquidity and marketability to existing securities (ii) Pricing of securities (iii) Safety of transaction Answer:/Hint (i) Providing liquidity: A continuous market for buying/selling securities, enabling disinvestment and reinvestment. (ii) Pricing of securities: Determined by demand and supply. (iii) Safety of transaction: Regulated membership and defined legal framework.
3	State any three 'Regulatory functions' of SEBI. Answer: (i) Registration of brokers and other market players (ii) Regulation of mutual funds (iii) Regulation of underwriters, merchant bankers (iv) Takeover regulation (v) Inspections (vi) Levying fees (vii) Exercising powers under Securities Contract Act
4	State any three 'Protective functions' of SEBI. Answer: (i) Prohibits unfair trade practices (ii) Controls insider trading (iii) Investor protection (iv) Promotes fair practices
5	State any three Development functions of SEBI. Answer: (a) Training of intermediaries (b) Conducting research (c) Development of capital markets
6	State four objectives of SEBI Answer: 1) To regulate stock exchanges and the securities industry to promote their orderly functioning 2) To protect the rights and interests of investors, particularly individual investors and to guide and educate them. 3) To prevent trading malpractices. 4) To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers etc., with a view to making them competitive and professional
	LONG ANSWER TYPE QUESTIONS (6 marks)
1	Explain the first six steps in the trading and settlement procedure on a stock exchange. Answer: 1. Selection of Broker : In order to trade on a stock Exchange first a broker is selected who should be a member of stock exchange as they can only trade on the stock exchange. 2. Opening demat account- The investor has to open a 'demat' account or 'beneficial owner' (BO) account with a depository participant (DP) for holding and transferring securities in the demat form. 3. Placing the order : After selecting a broker, the investors specify the type and number of securities they want to buy or sell.

	4. Broker goes online- to find the best match 5. Executing the order : The broker will buy or sell the securities as per the instructions of the investor. 6. Issue of contract note- After the trade has been executed, within 24 hours the broker issues a Contract Note. This note contains details of the number of shares bought or sold, the price, the date and time of deal, and the brokerage charges.
2	What is a stock exchange? State any five functions of stock exchange. Answer: Stock exchange is an institution which provides a platform for buying and selling of existing securities . It is an Organized marketplace for securities. Functions(explanation from the summary) • Provides liquidity • Price determination • Investor protection • Encourages savings/investment • Economic barometer
3.	Differentiate between Capital Market and Money Market on any six basis .CBSE 2025 Answer: Refer summary.

TIME: 40 min.

WORKSHEET- 1

M.M :20

Q.No.		Marks
1.	_____ is the instrument, which is traded in Money Market. CBSE 2025 (A) Equity share (B) Debenture (C) Commercial paper (D) Bond	1
2	It is a process that allocates or directs funds available for investment into their most productive instrument opportunity'. This is known as: (A) Financial planning (B) Financial Intermediation (C) Allocative function (D) Capital budgeting	1
3	Statement I: A financial market facilitates the transfer of savings from savers to investors. Statement II: It gives savers the choice of different investments and helps to channelize surplus funds into the most productive use. Choose the correct option from the following: (A) Statement I is true and Statement II is false. (B) Statement II is true and Statement I is false. (C) Both the Statements are true. (D) Both the Statements are false.	1
4	In the ----- market, prices are determined and decided by the management of the company. (A) Primary (B) Secondary (C) Money (D) Stock	1
5	Differentiate between 'Money Market' and 'Capital Market' on any three bases	3
6	State any three objectives of Securities and Exchange Board of India	3

7	'Tech Work' an Artificial Intelligence (AI) startup started in 2024. It was earning good profits. It wanted to expand its business and for its research and development, it required ₹100 crores. The Chief Executive Officer of 'Tech Work' consulted the Finance Manager who suggested that there is a market which facilitates transfer of investible funds from savers to entrepreneurs seeking to establish new enterprises or expand existing ones through the issue of securities. The management of 'Tech Work' decided to raise funds from the investors by issuing equity shares ₹200 per share for the first time. (CBSE 2025) (i) Name the type of capital market through which 'Tech Work' decided to raise funds for its expansion. (ii) State three features of the market identified in (i) above.	4
8	Explain the first six steps in the trading procedure on a stock exchange	6

ANSWER KEY

	1.C	2. B	3 C	4A
5.	Any three difference between Primary Market and Secondary market			1x3=3
6	OBJECTIVES OF SEBI 1. To regulate stock exchange and the securities market to promote their orderly functioning. 2. To protect the rights and interests of investors and to guide & educate them. 3. To prevent trade malpractices such as internal trading, Insider trading etc			1x3=3
7	(i) Primary Market (ii) Features of the Primary market: (Any three) (a) There is sale of securities by new companies or further (new issues of securities by existing companies to investors). (b) Securities are sold by the company to the investor directly (or through an intermediary). (c) The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation. (d) Only buying of securities takes place in the primary market, securities cannot be sold there. (e) Prices are determined and decided by the management of the company. (f) There is no fixed geographical location.			1+4=4
8	1. Selection of Broker : In order to trade on a stock Exchange first a broker is selected who should be a member of stock exchange as they can only trade on the stock exchange. 2. Opening demat account 3. Placing the order : After selecting a broker, the investors specify the type and number of securities they want to buy or sell. 4. Broker goes online 5. Executing the order : The broker will buy or sell the securities as per the instructions of the investor. 6. Issue of contract note			1x6=6

Time: 40 min.**WORKSHEET- 2****M.M: 20**

1.	The XYZ Ltd. wants to raise Rs. 500 crore to fulfill its expansion plans by issue of equity shares. Identify the market, ABC Ltd. will look for raising funds. (a) Primary market (b) Secondary market (c) Both (a) and (b) (d) None of these	1
2.	Rina's grandmother in her will gave shares worth Rs.50 lac in her name, when she opened the bank locker to get the share certificates, she found all were in very bad shape, half torn, etc. To overcome this problem, financial market has started a new concept called..... (a) Dematerialisation (b) Demutualisation (c) Both (a) and (b) (d) Materialisation	1
3	Which of the following functions of the Stock Exchange gives investors the chance to disinvest and re-invest in securities? CBSE 2025 (A) Pricing of securities (B) Safety of transactions (C) Providing liquidity and marketability to existing securities (D) Providing scope for speculation	1
4	Which of the following is not a protective function of Securities and Exchange Board of India: CBSE 2025 (A) Prohibition of fraudulent and unfair trade practices. (B) Controlling insider trading and imposing penalties for such practices. (C) Promotion of fair practices and code of conduct in securities market. (D) Undertaking measures to develop the capital markets by adapting a flexible approach.	1
5	State any four 'Development functions' of Securities and Exchange Board of India	3
6	Explain the following functions of Stock Exchange: (i) Providing liquidity and marketability to existing securities (ii) Pricing of securities (iii) Safety of transaction	3
7	Differentiate between 'Primary Market' and 'Secondary Market' on any four bases	4
8	If an investor wishes to buy or sell any security, he/she has to first approach a registered broker or sub-broker and enter into an agreement with him. An investor has to sign a broker-client agreement and a client registration form before placing an order to buy or sell securities. Thereafter, the investor has to open a 'Demat' account or 'Beneficial owner' account with a depository participant for holding and transferring securities in the demat form and a bank account for cash transactions in the securities market. (a) Identify the first two steps of 'Trading and Settlement procedure' in stock market have been discussed in the above lines. (b) State the next four steps . (CBSE 2025 modified)	6

ANSWER KEY

1.A	2. A	3 C	4D	
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5.	Development Function of SEBI (i) Training of intermediaries of the securities market. (ii) Conducting research and publishing information useful to all market participants. (iii) Undertaking measures to develop the capital markets	1x3=3
6	(i) 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. It gives investors the chance to disinvest and reinvest. (ii) Pricing of securities A stock exchange is a mechanism of constant valuation through which the prices of securities are determined by the forces of demand and supply. (iii) Safety of transaction The membership of the stock exchange is well regulated and its dealings are well defined according to the existing legal framework. This ensures that the investing public gets a safe and fair deal on the market.	1x3=3
7	Any four difference	1x4=4
8	(a) Selection of broker , Opening of demat account. (b) Next four steps – (i) Placing an order The investor then places an order with the broker to buy or sell shares. Clear instructions have to be given about the number of shares and the price at which the shares should be bought or sold. (ii) Broker goes online -The broker will then go online and connect to the main stock exchange and match the share and best price available. (iii) Executing the order - When the shares can be bought or sold at the price mentioned, it will be communicated to the broker's terminal and the order will be executed electronically (iv) Issue of contract note -After the trade has been executed, within 24 hours the broker issues a contract note.	2+4

CHAPTER-11

MARKETING MANAGEMENT

MARKETING : Marketing is a social process whereby people exchange goods & services for money or for something of value to them.

FEATURES OF MARKETING :- 1. **Need and want** : Satisfaction of the needs and wants of individuals and organisations. 2. **Creating a market offering** : Complete offer for a product of service. 3. **Customer value** : greatest benefit or value for the money. 4. **Exchange mechanism** : Exchange of products / services for money / value

MARKETING MANAGEMENT - It deals with planning, organizing, directing and controlling the activities related to the marketing of goods and services to satisfy the consumer's wants.

MARKETING MANAGEMENT PHILOSOPHIES:-

1. Production Concept: - The focus is on lowering the cost of production by means of mass production and distribution

2. Product concept:- Product concept stresses on **quality of production** rather than quantity of production.

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

4. Marketing Concept: - Marketing 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.

5. Societal concept: - Customer satisfaction with in ethical and ecological boundaries of our society.

Basis	Production	Product	Selling	Marketing	Societal
Starting point	Factory	Factory	Factory	Market	Market, Society
Main Focus	Quantity of production	Quality , features of product	Existing customer	Customer needs	Customer needs and society's well being
Means	Availability and affordability of product	Product improvement	Selling and promotion	Integrated marketing	Integrated marketing
Ends	Profit maximisation through volume of production	Profit maximisation through product quality	Profit maximisation through sales volume	Profit maximisation through customer satisfaction	Profit maximisation through customer satisfaction & society's welfare

FUNCTIONS OF MARKETING:-

- 1) **Gathering and analysing market information (market research)**- One of the important functions of a marketer is to gather and analyze market information to identify the needs of the customers
- 2) **Marketing planning** - develop appropriate marketing plans to achieve the marketing objectives of the organization
- 3) **Product planning development** -designing and developing the product in such a way that it attracts the target customer

- 4) **Standardization and grading** -designing and developing the product in such a way that it attracts the target customer
- 5) **Packaging and labelling** - Packaging refers to designing and developing the package for the products for its protection. Labelling refers to designing and developing the label containing information about the product to be put on the package.
- 6) **Branding**- The process of giving a name or a sign or a symbol, etc., to a product is called branding. Various items related to branding are brand, brand name, brand mark, trademark
- 7) **Customer support services** -developing customer services such as after-sale services, handling customer complaints, maintenance services, etc
- 8) **Pricing of products** - The price of a product refers to the amount of money customers have to pay to obtain a product
- 9) **Promotion & Selling** - It involves informing the customers about the firm's product, its features, etc., and persuading them to purchase these products. The four important methods of promotion include advertising, personal selling, sales promotion, and public relations
- 10) **Physical distribution**- It involves decision regarding channels of distribution, marketing intermediaries (like wholesalers,retailers, agents)
- 11) **Transportation** - It involves the physical movement of goods from one place to the other
- 12) **Storage and warehousing**- there is a time gap between the production and procurement of goods and their sale or use. Therefore, to maintain a smooth flow of products in the market, there is a need for proper storage of the products

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 to achieve its objectives in the target 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 Mix:-Product mix includes all those decisions related to the product such as quality, design, packaging of product etc.

Important components of Product Mix:- Branding: - Branding is the process of giving a name or a sign or a symbol or both to a product for its identification .Such as Polo, LG, Nike, Sony etc.It helps in product differentiation, advertising the product, differential pricing, 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 which helps in Product identification, Product protection, Facilitating use of the product, Product promotion, Rising standard of health and sanitation etc.

Levels of Packaging:- a) **Primary Packaging:-**It refers to the product's immediate container, Like-toothpaste tube. b) **Secondary Packaging:** - It refers to the additional package, which provides additional layer protection to the product. Like- Card board box for toothpaste.

c) **Transportation Packaging:-**These are packaging's used for storing or transporting the goods. Like- corrugated boxes used to shift Ruffle Lays etc.

Labelling: - Labelling means putting identification marks on the package. Label is the carrier of information which describes the product and specify its contents, helps in grading ,identifying the product and promotes sales.

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

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

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

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

C. PLACE/ PHYSICAL DISTRIBUTION :- 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.

Components of Physical Distribution 1. Order Processing 2. Transportation 3. Warehousing 4. Inventory Control 5. Channels of distribution.

Channels of distribution :

1. Direct Channel (Zero level): Manufacturer---- Consumer
2. One level : Manufacturer----- Retailer----- Consumer
3. Two level: Manufacturer-----Wholesaler----- Reatiler----- Consumer
4. Three level : Manufacturer-----Agent-----Wholesaler----- Reatiler----- Consumer

D. PROMOTION:—It is concerned with activities that are undertaken to communicate with customers & distribution channels with the twin objective of informing about a product and persuading them to buy it.

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

Elements of Promotion Mix: 1-Advertising, 2-Personal Selling, 3- Sales Promotion and, 4-Public relations.

1. **Advertising:**— It is defined as any paid form of non-personal presentation and promotion of ideas, goods or services by an Identified Sponsor.
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 relation involves variety of programmes to promote or protect a company's image and its individual products in the eyes of the public.

QUESTION BANK

	MCQ (1 MARKS)
1.	Which of the following is a feature of marketing process? A Satisfying needs and wants of the consumers C Developing an exchange mechanism B Creating a market offering D All of the above
2.	Identify the level of packaging: (a) Primary level (b) Secondary Level (c) Transportation Level (d) None of these 
3.	The labelling of a pack of oats cookies explains how the product is beneficial in adding fibre to the diet and the other related health benefits. Identify the related function of labelling being described in the given case. A Describes the product and specifies its content C Grading of products B Identification of the product or brand D Helps in promotion of the products.
4.	Riya refused to buy an insulated lunch box for 1200 as she felt that the real worth of the product was much less than its monetary value. Identify the factor related to pricing decision being described in the given case. A Cost of the product B The utility and demand C Government and legal regulations D Pricing objectives
5.	Identify the part of Brand marked in the given picture . A. Brand Name B. Brand Mark C. Trade Mark D. Brand 
6.	Ramesh Limited is marketing its products online. Identify the channel of distribution being adopted by the company. A Zero level channel B One level channel C Two level channel D Three level channel
7.	While the sets the lower limit of the price, thesets the upper limit of price of a product. A. Product Cost, Utility and demand B. Utility and demand, Product Cost C. Product Cost, Competition D. Utility and demand, Marketing objectives

8.	To reach the mass customer in non personnel manner, the following element of promotion mix is used. A Advertisement B Sales Promotion C.Personal Selling D Public Relation										
9.	In a government school chalk is used throughout the year. So, they purchase that in bulk. Recently, they placed an online order for 200 chalk boxes. The boxes were delivered to them in a corrugated box. Identify this level of packaging which facilitated movement of the product. A Primary package B Secondary packaging C Transportation packaging D None of the above										
10.	."It is the process of classification of products into different groups, on the basis of some of its important characteristics such as quality, size, etc. which is particularly necessary for products which are not produced according to predetermined specifications." Identify the function of marketing: A. Labelling B. Standardisation C. Grading D. Packaging										
11.	.Statement I : A brand or part of a brand that is given legal protection is called trademark Statement II: All decisions related to product come under promotion mix. Choose the correct option from the options given below: A. Statement I is true and II is false B. Statement II is true and I is false C. Both the statements are true D. Both the statements are false										
12.	From the picture given below identify the promotional tool used by the organisation to achieve its communication objectives: (a) Advertising (b) Personal Selling (c) sales promotion (d) Public relations 										
13.	.A toothpaste brand offers free toothbrushes along with its pack. This strategy is aimed at increasing sales. What type of promotion is this? A Personal selling B Sales promotion C Advertising D Public relations										
14.	.Match the marketing philosophies with their focus areas: <table border="1"> <thead> <tr> <th>List I – Marketing Philosophies</th><th>List II – Focus Areas</th></tr> </thead> <tbody> <tr> <td>A. Production Concept</td><td>1.Aggressive selling</td></tr> <tr> <td>B. Product Concept</td><td>2.Customer satisfaction + social welfare</td></tr> <tr> <td>C. Selling Concept</td><td>3.Quality and innovation</td></tr> <tr> <td>D. Societal Marketing Concept</td><td>4.Large-scale production & low cost</td></tr> </tbody> </table>	List I – Marketing Philosophies	List II – Focus Areas	A. Production Concept	1.Aggressive selling	B. Product Concept	2.Customer satisfaction + social welfare	C. Selling Concept	3.Quality and innovation	D. Societal Marketing Concept	4.Large-scale production & low cost
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	A A-4, B-3, C-1, D-2 C A-2, B-4, C-1, D-3	B A-1, B-2, C-3, D-4 D A-3, B-1, C-4, D-2
15.	.Assertion (A): Selling concept emphasizes increasing sales. Reason (R): It focuses on customer needs. 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.	

ANSWERS TO MCQS

1	D	6	A	11	A
2	C	7	A	12	C
3	A	8	A	13	B
4	B	9	C	14	A
5	C	10	C	15	C

SHORT ANSWERS 3/4 MARKS

1	Distinguish between advertising and personal selling on any four basis. Ans.Mode, Cost, Personalization, Reach.													
2	Differentiate between 'Marketing Concept' and 'Selling Concept' of marketing management philosophies on the basis of the following: CBSE 2025 (i)Meaning (ii)Main Focus (iii)Means Answer <table border="1" style="width: 100%;"> <thead> <tr> <th>Basis</th><th>Marketing Concept</th><th>Selling Concept</th></tr> </thead> <tbody> <tr> <td>Meaning</td><td>It believes that the profit can be maximised by identifying the needs of the consumers and satisfying it.</td><td>It believes that profit can be maximised by increasing sales and using aggressive selling and promotion techniques</td></tr> <tr> <td>Main Focus</td><td>Main focus is on the needs of the consumers</td><td>Main focus is on existing product</td></tr> <tr> <td>Means</td><td>Uses integrated marketing as a means to achieve the objectives</td><td>Uses selling and promotion as a means to achieve the objectives</td></tr> </tbody> </table>	Basis	Marketing Concept	Selling Concept	Meaning	It believes that the profit can be maximised by identifying the needs of the consumers and satisfying it.	It believes that profit can be maximised by increasing sales and using aggressive selling and promotion techniques	Main Focus	Main focus is on the needs of the consumers	Main focus is on existing product	Means	Uses integrated marketing as a means to achieve the objectives	Uses selling and promotion as a means to achieve the objectives	
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3	Zylo Ltd. launched a new organic face cream named "GlowHerb". The product is packed in eco-friendly containers and displays the label "100% chemical-free". The company also started an Instagram campaign and offered free samples at malls and salons. (A)Identify and explain two elements of the marketing mix used by Zylo Ltd. (2 marks) (B)What type of promotional tools is the company using? (1 mark) ©Explain any one function of labelling from the case above. (1 mark) Ans.Product (eco-friendly + organic cream), Promotion (Instagram, free samples) Sales promotion, advertising Labelling: gives product information like "100% chemical-free"													
4	CoolWheels Ltd. is a car manufacturing company. Initially, they focused only on increasing production. Later, they realized that just producing was not enough, so they started aggressive advertising to boost sales. Eventually, the company shifted focus to													

	customer needs and social welfare by designing fuel-efficient and low-emission vehicles. Identify and briefly explain the three marketing philosophies mentioned in the case. (3 marks) Ans. Production Concept → increase supply Selling Concept → aggressive promotion Societal Marketing Concept → customer + environment	
5	Kritika started a home-based chocolate business. She sells directly to customers through Instagram and WhatsApp. On Diwali, she tied up with a local store to keep gift packs. Next year, she partnered with distributors to reach other cities. Identify the different levels of distribution channels used by Kritika. (2 marks) What are the benefits of using a zero-level channel? (1 mark) Which channel would help Kritika expand nationally? Why? (1 mark) ANSWERS: Zero-level (direct), one-level (local store), two-level (distributors) Zero-level: low cost, direct control Two-level helps in wide market coverage	
6	Explain the following functions of Marketing: CBSE 2025 i (i) Marketing Planning ii (ii) Customer support services Ans (i) Marketing planning • A marketer has to develop appropriate marketing plans so that the marketing objectives of the organisation can be achieved. • A market plan covers various aspects including the plan for increasing the level of production, promotion of the products etc. and specify the action programmes to achieve these objectives. (ii) Customer support services • Customer support services include after sale services, handling customer complaints, maintenance services etc. • It provides maximum satisfaction to the customers. It is effective in bringing repeat sales and developing brand loyalty for a product.	
7	FreshMunch packs its snacks in airtight, resealable pouches with colorful designs. The labels include ingredients, expiry date, and a “FSSAI approved” mark. Customers appreciate the packaging and often reuse the packs for storing items. Mention two functions of packaging mentioned in the case. (2 marks) How does labelling help in gaining customer trust? (1 mark) Ans. Protection, convenience, reuse Labelling: displays food safety approval, builds trust	
8	A company named "PureSip" introduced a water purifier that uses new AI technology to detect impurities. It priced the product competitively and appointed dealers in urban areas. It also ran full-page ads in newspapers and TV. Identify the four elements of marketing mix used by the company. (4 marks) Answer : Product: AI-based water purifier Price: Competitive pricing Place: Urban dealers Promotion: Newspaper & TV ads	
9	Best Electronics started manufacturing washing machines, under the brand name "Amaze". Once the washing machines were manufactured, packaged, branded, priced and promote	

	they had to be made available to the customers at the right place, in the right quantity and the right time. "Best Electronics" provided for accurate and speedy processing of orders so the washing machines reach the customers in time, in the right quantity and specifications. They also ensured that the washing machines are physically made available to the customer. Further, "Best Electronics" arranged for facilities to store the washing machines at different locations near the market to minimize the charges on transportation. Explain any three components of physical distribution discussed in the above case. Ans. The case of Best Electronics highlights several components of physical distribution. Here are three key components: 1. Order Processing: Best Electronics ensured accurate and speedy processing of orders to deliver washing machines to customers on time, in the right quantity, and with the correct specifications. 2. Inventory Management: The company stored washing machines at various locations near the market to minimize transportation costs. This strategic storage ensures timely availability and reduces logistics expenses. 3. Transportation: Best Electronics arranged for efficient transportation to make washing machines physically available to customers. This includes managing transportation modes, routes, and schedules to ensure timely delivery.	
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LONG ANSWER QUESTIONS (6 MARKS)

1	Sound-it' is a startup planning to launch a line of wireless earbuds. Before launching, the company decides to gather feedback from customers through online surveys and interactive websites. From this research, they identify their target market as young, tech-savvy people, who value good sound quality, durability and comfort. The research also shows that customers want earbuds with long battery life, water resistance and the ability to easily connect with other devices. Using this information, 'Sound-it' designs earbuds that meet these needs of the customer. The earbuds are comfortable with soft eartips, include advanced noise-cancelling technology, a lightweight design and good water-resistance, making them perfect for sports and outdoor activities. The design not only improves sound and comfort, but also gives it a competitive edge in the market. It decides to charge an amount lower than their competitors to attract customers who want good quality at an affordable price after evaluating various factors like production costs, competitor prices, the product's utility and demand, etc. To inform the customers about its earbuds, 'Sound-it', runs digital advertisement on social media and offers special discounts and free gift offers on its earbuds. Identify and explain the four marketing functions discussed in the above case. Ans. Functions of Marketing: 1. Gathering and Analysing Market Information: • Marketer collect and analyse market information to identify the needs of the customers and take various decisions for the marketing of the products. • It is important to analyse available opportunities and threats as well as strengths and weaknesses of the organisation. 2. Product Designing and Development: • The design of the product contributes to making the product attractive to the target customers. • A good design can improve performance of a product and give it a competitive advantage in the market. 3. Pricing of Product: • Price is the amount of money customers have to pay to obtain the product.	1 ½ x4 =6
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	• It involves decisions regarding the basic price of the product, discount to customers, traders, credit terms etc. 4. Promotion: • Promotion refers to communicating availability, features, merits, etc. of the products and services to the target customers and persuading them to buy it. • It uses a combination of promotional tools such as advertising, personal selling and sales promotion techniques.	
2	Explain any four factors affecting the price of a product. Ans. Factors: Cost, demand, competition, government regulation, Utility and demand (explain)	1 ½ x4 =6
3	Explain the combination of elements used by a business to prepare its market offering. Ans. Combination of elements used by a business to prepare its market offering are: (i) Product/ Product Mix Product means goods or services or anything of value which is offered to the market for sale. It relates to decisions regarding planning, designing and developing the right type of products and services for the consumers. It includes branding, labelling and packaging. (ii) Price Mix Price is the amount of money customers have to pay to obtain the product. It involves decisions regarding the basic price of the product, discount to customers, traders, credit terms etc. (iii) Place/ Physical distribution Place/ Physical distribution includes activities that make firm's products available to the target customers. It includes decisions like selection of dealers or intermediaries (channels of distribution), providing support to the intermediaries, managing inventory, storage and warehousing and transportation of goods from the place it is produced to the place it is required by the buyers. (iv) Promotion Mix Promotion refers to communicating availability, features, merits, etc. of the products and services to the target customers and persuading them to buy it. It uses a combination of promotional tools such as advertising, personal selling and sales promotion techniques	1 ½ x4 =6

TIME: 40min.

WORKSHEET-1

M.M:20

<u>Q.1</u>	Which of the following is not a function of marketing? a) Gathering and analyzing market information b) Buying of goods and services c) Product designing and development d) Standardisation and grading	<u>1</u>
<u>Q.2</u>	Which one of the following is a part of the 'marketing mix'? a) Market research b) Advertising c) Salesmanship d) Product	<u>1</u>
<u>Q.3</u>	"Every time I travelled, people asked me to bring them chips, khakra and pickles from all over the Country," says Anoushka. Finally, she and her colleague, Sumeet, decided to make out of it. They launched a face book bags, asked people what they wanted, and they came up with a list of about 100 places and tried up with two dozen vendors to begin with. They were servicing people from Jaipur who wanted spices from Kerala, people from Panipat who wanted halwa from Jammu and people from Delhi who ordered for fresh tea	<u>3</u>

	leaves from Darjeeling. Through their business they wished to bridge the gap between sellers and buyers. The business is now worth millions. Explain any two important activities that Anoushka and Sumeet will have to be involved in for making the goods available to the customers at the right place, in the right quantity and at the right time.	
<u>Q.4</u>	A company named FitPro Ltd. launched a new protein snack bar targeting urban youth. They have priced the bar competitively and are promoting it heavily through social media influencers and fitness events. Identify and explain any three elements of the marketing mix highlighted in the above case.	<u>3</u>
<u>Q.5</u>	Radha found a worm crawling out of newly opened tetra pack of a juice manufactured by a reputed company, Zest, Ltd. She went back to the shopkeeper from whom the pack was purchased who directed her to call up the customer care centre. When all her efforts failed, she went to a consumer activist group to seek help. The group decided to help Radha and taken measures to impose restrictions on the sale of the firm's products of the particular batch and urge customers to refrain from buying the products of the company. Zest Ltd. lost its image in the market. The CEO gives the responsibility of bringing back the lost image of the company to a Manager. 1. Identify the concept of Marketing Management which will help the Manager getting the firm out of the above crisis. 2. Also explain the role of above identified concept by stating any three points.	<u>6</u>
<u>Q.6</u>	'Pushpanjali Ltd.', is manufacturing chocolates, biscuits, cakes and other similar products. The company is not generating enough profits. Saurabh, the Marketing manager of the company got a survey conducted to find out the reasons. The finding of the survey revealed that in spite of better quality, the customers were not able to distinguish the products of the company from its competitors. Though the customers wanted to buy the products of 'Pushpanjali Ltd.' again and again because of its goods quality, but they were not able to identify its products in the market. Because of this, the sales of the company could not pick up resulting in inadequate profits. Saurabh, the Marketing manager now realised that 'Pushpanjali Ltd.' had forgotten to take one of the most important decisions related to the product. What decision should 'Pushpanjali Ltd.' take so that its customers are able to identify its products in the market? Explain the benefits that may result to 'Pushpanjali Ltd.' and its customers if the above decision is taken.	<u>6</u>
	ANSWER KEY	
<u>1</u>	B	<u>D</u>
<u>3</u>	Activities / Components of Physical Distribution: (any two) 1. Order processing; 2. Transportation; 3. Warehousing	
<u>4</u>	Product – FitPro Ltd. has launched a new protein snack bar, which is the product offered to fulfill the needs of health-conscious urban youth. □ Price – The company has priced the product competitively, indicating the pricing strategy to attract more customers. Promotion – The use of social media influencers and fitness events represents promotional strategies used to increase product awareness.	
<u>5</u>	Public Relations 2. Role of Public Relations: 1. Product Publicity: 2. Counseling:	

6	The decision which 'Pushpanjali Ltd.' should take so that its customers are able to identify its products in the market is Branding. Benefits that may result to Pushpanjali Ltd.: i) Enables marking product differentiation. (ii) Helps in advertising and display programmes. (iii) Differential pricing. (iv) Ease in introduction of new product	
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TIME: 40 min.

WORKSHEET -2

M.M:20

Q.1	Branding helps in: a) Reducing cost b) Easy identification of products c) Increasing competition d) None of the above	1
Q.2	The process of classifying products into groups on the basis of size, quality, etc. is called: a) Standardisation b) Packaging c) Grading d) Branding	1
Q.3	ABC Crackers Ltd., a fire-cracker manufacturing company, launched some new products on the eve of Diwali in the market which attracted many buyers. To meet the increasing demand, the company employed people from nearby villages where there was a lot of unemployment. Because of the good behaviour of the management with the employees, more and more people wanted to join the company. As the products were in great demand in the market, a competitor imitated the products. The products of the competitor were not accepted by the consumers as it was a status symbol to buy the Products of ABC Crackers Ltd. because of their quality.. Identify and explain the product-related decision because of which consumers preferred the products of ABC Crackers Ltd.	3
Q.4	An electronics company introduces a new smart TV with 4K display and AI features. The company ensures attractive packaging and gives it a catchy brand name " ViewSmart. " Identify and explain any three components of the product mix used by the company.	3
Q.5	FreshAura Pvt. Ltd. , a startup in the organic beauty segment, launched a range of eco-friendly skincare products like face wash, moisturizers, and sunscreens. The company ensures that all products are free from chemicals and packaged in recyclable containers. The pricing is premium, targeting health-conscious urban customers. The products are promoted through social media campaigns, celebrity endorsements, and customer reviews. They are sold through the company's website and selected high-end retail outlets in metro cities. On the basis of the above case, identify and explain any six elements/functions of marketing or marketing mix strategies adopted by the company.	6
Q.6	TechNova Pvt. Ltd. is launching a smart wearable device called " LifeBand " that monitors fitness, heart rate, and sleep patterns. It is sleek, waterproof, and comes in multiple colors. The company has decided to price it lower than its competitors to attract more customers. For promotion, it offers introductory discounts, partners with health influencers, and sets up demo stalls in gyms. It will be available both online and through electronic stores. Identify and explain six components of the marketing mix adopted by TechNova Pvt. Ltd. in the above case.	6
ANSWER KEY		

	Q.1 B Q.2 C Q.3 Branding is the product-related decision because of which consumers preferred the products of ABC Crackers Ltd. Branding is the process of assigning a name (brand name), sign or symbol (brand mark) or a combination of all to a product. Branding facilitates product differentiation, assists in advertising and display programmes, facilitates differential pricing, promotes consumers loyalty	
Q.4	☐ Product Quality/Features – The smart TV has a 4K display and AI features, indicating focus on high-quality and advanced product features. ☐ Branding – The TV is branded as “ViewSmart,” which helps in product identification and brand recall. ☐ Packaging – Attractive packaging is mentioned, which protects the product and attracts customers.	
Q.5	Product: FreshAura has launched organic skincare products, which are eco-friendly and chemical-free. This shows a clear focus on quality and customer needs, which is a key element of the product strategy. Branding, Packaging, Pricing, Promotion: Place (Physical Distribution):	
Q.6	Product ,Pricing Strategy, Sales Promotion,Personal Selling,Place/Distribution:	

CHAPTER-12

CONSUMER PROTECTION

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: -	From Businessmen's point of view: -
(a) Consumer Ignorance (b) Unorganized sector (c) Widespread Exploitation of consumers	(a) Long –term Interest of Business (b) Business Uses Society 's Resources (c) Social Responsibilities (d) Moral/Ethical Justification (e) Government Intervention (f) Consumer is the Purpose of Business.

. RIGHTS OF CONSUMERS

The Consumer Protection Act provides six rights to consumers which 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(choose): -The consumer has the **freedom to choose from a variety of products**. The marketers should offer a wide variety of product and allow the consumer to make a choice and choose the product which is most suitable for him/her.

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

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

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

RESPONSIBILITY OF CONSUMERS

(1) Consumer **must exercise his Rights**.

(2) **Insist for Cash Memo** on purchase of goods and services. This would serve as a proof purchase made.

(3) **Filing Complaints** for the Redressal of Genuine Grievances.

(4) Consumer must be **Quality-Conscious**.

(5) Respect the environment. **Avoid waste**, littering and contributing to pollution

(6) **Discourage black marketing**, hoarding and choose only legal goods and services.

(7) **Form consumer societies** which could play an active part in educating consumers and safeguarding their interest.

WHO CAN FILE A COMPLAINT (UNDER CPA, 2019)

A complaint before the appropriate consumer forum can be made by:

- (i) Any consumer
- (ii) Any registered consumer association.
- (iii) The central or state government.-
- (iv) One or more consumers on behalf of numerous consumers having same interest.
- (v) A legal heir or representative of a deceased consumer.

RELIEFS/REMEDIES AVAILABLE TO CONSUMERS

- To remove the defect in goods or services.
- To replace the defective product with new one free from defect.
- To refund the price paid for the product/service.
- To pay compensation for the loss or injury suffered by the consumer due to product/service.
- To pay punitive damages in appropriate circumstances.
- To discontinue the unfair trade practice and not to repeat them.
- Not to offer hazardous goods for sale.
- To withdraw the hazardous goods from sale.
- To cease manufacture of hazardous goods
- Compensate for any loss or injury suffered by consumer under product liability action and withdraw hazardous products from being offered for sale etc.

ROLE OF NGO'S IN INDIA

Several consumer organizations and non-governmental organizations (NGOs) are playing an active role in protection and promotion of consumers' interest:

1. Educating the general public
2. Publishing periodicals
3. Carrying out comparative testing of consumer products
4. Encouraging consumers to strongly protest
5. Providing legal assistance to consumers
6. Filing complaints in appropriate consumer courts

7. Taking an initiative in filing cases in consumer courts in the interest of the general public

Redressal mechanism

Legal redressal machinery under Consumer Protection Act, 2019.

Basis	District Commission	State commission	National Commission
Level	District	State	National
Size of complaint (value of goods and services paid as consideration)	Upto Rs.50 lakhs	More than Rs.50 lakhs upto Rs.2 crore	More than Rs.2 crore
Appeal against the order to the Next authority	Within 45 days to State Commission	Within 30 days to National Commission	Within 30 days to the Supreme Court

Mediation process: Either on the first hearing or at any later stage, it appears to district commission that there exists 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.**

QUESTION BANK

MCQ (1 Mark)

1	As per the _____ the consumer has right to acquire knowledge and to be a well informed consumer through life. (a) Right to be informed (b) Right to consumer education (c) Right to choose (d) Right to be heard	1
2	Who, of the following, cannot be considered a consumer? (a) A person who buys things to further sell them consideration. (b) A person who gets things without consideration. (c) A person who uses things without the permission of the purchasers. (d) All the above.	1
3	Manisha purchased a new car for 15 lakh. Immediately after the purchase, she noticed some defect in its engine. Soon she contacted the dealer. But the dealer paid no heed to her complaint. Suggest where she has to approach to file a complain? (a) District Commission (b) State Commission (c) National Commission (d) Supreme Court	1
4	Mention the quality mark which a consumer should look for while purchasing jewellery. (a) ISI Mark (b) FSSAI Mark (c) Eco Mark (d) Hall Mark Match	1

5	Informing consumer about the contents of the product, its usage, etc. is part of (a) Right to Safety (b) Right to Information (c) Right to Consumer Education (d) Right to be Heard.		1							
6	Government is actively advertising for ‘Jago Grahak Jago’. Which consumer rights is highlighted in the above statement? (a) Right to be informed (b) Right to consumer education (c) Right to be heard (d) Right to seek redressal		1							
7	<table><tr><td>Picture Of quality mark</td><td>Where it is used</td></tr><tr><td></td><td>1 .Pulses, cereals, essential oils, vegetable,oils, fruits and vegetables</td></tr><tr><td></td><td>2.Packaged fruit beverages, fruit-jams,crushes and squashes, pickles</td></tr><tr><td></td><td>3.Gold Jewellery for its purity and fineness.</td></tr></table> In the above table some standardized marks and also where these marks are used. Match them and select the correct option--- (a).A2 , B1 , C3 (b).A1 , B3 , C2 (c).A3 , B2, C1 (d).A2, B3, C1	Picture Of quality mark	Where it is used		1 .Pulses, cereals, essential oils, vegetable,oils, fruits and vegetables		2.Packaged fruit beverages, fruit-jams,crushes and squashes, pickles		3.Gold Jewellery for its purity and fineness.	1
Picture Of quality mark	Where it is used									
	1 .Pulses, cereals, essential oils, vegetable,oils, fruits and vegetables									
	2.Packaged fruit beverages, fruit-jams,crushes and squashes, pickles									
	3.Gold Jewellery for its purity and fineness.									
8	Which of the following will not be considered as consumers as per Consumer Protection Act, 2019? (1) (a) A person, who avails any service for a consideration which has been partly paid. (b) Any user of goods if such use is made with the approved of the buyer. (c) A person who purchases goods through online means. (d) A person who obtains goods for resale purposes.		1							
9	Amrit filed a case against Volvo Ltd in the State Commission but he was not satisfied with the orders of the State Commission. Name the authority to which he can appeal against the decisions of State Commission. A) District commission B) National Commission C) Supreme Court D) None of the above		1							

MCQ Answers

1	B-Right to consumer education	1
2	D- All the above.	1
3	District Commission (Consumer Complaint upto 50 lakhs)	1
4	D- Hall Mark Match	1
5	(b) Right to consumer education	1
7	D. A2, B3, C1	1
8	D- A person who obtains goods for resale purposes.	1
9	B- National Commission	1

SHORT ANSWER TYPE QUESTION (3/4 marks)

1	Sumit buys a packet of dry cake from a cake shop without asking for the bill. The pack does not bear any information other than the name of shop. After reaching home he finds the cake to be stale. a) Identify the consumer right that has been violated. b) State any two responsibilities that a consumer must keep in mind while purchasing any good. ANSWER a) Right to Information b) consumer responsibilities i. Be aware about various goods and services available in the markets so that an intelligent and wise Choice can be made. ii. Buy only standardized goods as they provide quality assurance. Thus, look for ISI mark on electrical Goods, FPO mark on food products, Hallmark on jewelry etc.	3
2	Radhyeshyam purchase a book for Rs. 250. Later on, he found that MRP of book was Rs. 200 only and the shopkeeper had put a sticker of Rs. 250 on the original MRP. Answer the following question: i Which right of Radhyeshyam is violated in the given case? ii Can he recover the extra money? iii Whether any option is available against the bookseller? ANSWER i Right to be informed is violated; ii Yes, Radhyeshyam can recover extra money of Rs.50; iii Radhyeshyam also has more option: (a) He can ask for refund after returning the book; (b) He can also sue bookseller for unfair practices	
3	Explain any three points of importance of consumer protection from the point of view of business.	3



	ANSWER From the point of view of Business: i) long term interest of business: It is in the long-term interest of the business to take care of the interest and satisfaction of the customers. ii) Business uses society's resources: Business organizations earn profits by using resources of the society. So they have the responsibility to supply such goods and services which are in public interest. iii) Social Responsibility: A business has social responsibility towards various interest groups	
4	Aryan went to purchase a pack of chocolate for his son from a shop in the nearby market. Despite his preference to buy a pack of particular brand the shopkeeper forced him to buy the pack of chocolate of another brand by giving some odd justifications. After coming back home, Aryan was feeling very dissatisfied. (a) Identify and explain the right of the consumers being violated in the above mentioned case. (b) Briefly explain any two points highlighting the importance of consumer protection from the consumer's point of view. ANSWER (a) The Right to be assured (choose). The consumers has the freedom to choose from a variety of products at competitive prices. (b) Importance of Consumer Protection: From Consumers point of view: (a) Consumer Ignorance: In the light of widespread ignorance of consumers about their rights and reliefs available to them, it becomes necessary to educate them so as to achieve consumer's awareness. (b) Unrecognized Consumers: Consumers need to be organized in the form of consumer organizations which would take care of their interest	4

LONG ANSWER QUESTION (6-MARKS)

1	Explain the three-tier machinery under The Consumer Protection Act for redressal of consumers' grievances. ANSWER The three tier machinery under the Consumer Protection Act for redressal of consumer's grievances consists of: <table><tr><th>Basis</th><th>District Commission</th><th>State commission</th><th>National Commission</th></tr><tr><td>Level</td><td>District</td><td>State</td><td>National</td></tr><tr><td>Size of complaint (value of goods and services paid as consideration)</td><td>Upto Rs. 50 lakhs</td><td>More than Rs. 50 lakhs & upto Rs.2 crores</td><td>More than Rs.2 crore</td></tr><tr><td>Appeal against the order to the Next authority</td><td>Within 45 days to State Commission</td><td>Within 30 days to National Commission</td><td>Within 30 days to the Supreme Court</td></tr></table>	Basis	District Commission	State commission	National Commission	Level	District	State	National	Size of complaint (value of goods and services paid as consideration)	Upto Rs. 50 lakhs	More than Rs. 50 lakhs & upto Rs.2 crores	More than Rs.2 crore	Appeal against the order to the Next authority	Within 45 days to State Commission	Within 30 days to National Commission	Within 30 days to the Supreme Court	6
Basis	District Commission	State commission	National Commission															
Level	District	State	National															
Size of complaint (value of goods and services paid as consideration)	Upto Rs. 50 lakhs	More than Rs. 50 lakhs & upto Rs.2 crores	More than Rs.2 crore															
Appeal against the order to the Next authority	Within 45 days to State Commission	Within 30 days to National Commission	Within 30 days to the Supreme Court															

2	Aman, a young graduate was living away from home in another city. He had problems in cooking and heating food. He decided to purchase a microwave oven for the same. He went to the market, visited many shops and compared various microwave oven brands available in the market. He compared features, price, after-sale-service and customer reviews etc. to make an informed choice as per his needs. After selecting the oven, he checked that it should have an ISI mark. This gave him confidence about the safety, standards and quality of the oven. After reaching home he followed the manufacturer's instructions for safe installation and use of microwave oven. This helped him in avoiding any risk associated with the usage of microwave oven. By doing all this Aman kept in mind various responsibilities while purchasing and using the microwave oven. Still he left some of the responsibilities that were not fulfilled by him. State any four such responsibilities. (2025) Ans. Responsibilities that were not fulfilled by Aman: (Any four) (i) Be honest in your dealings. Choose only from legal goods and services and discourage unscrupulous practices like blackmarketing, hoarding, etc. (ii) Ask for a cash memo on purchase of goods or services. This would serve as a proof of the purchase made. (iii) File a complaint in an appropriate consumer forum in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small. (iv) Form consumer societies which would play an active part in educating consumers and safeguarding their interests. (v) Respect the environment. Avoid waste, littering and contributing to pollution.	4
3	State any six reliefs available to a consumer under the Consumer Protection Act, 2019 ANSWER The reliefs available to a consumer under the CPA, 2019 are: -To remove the defects in goods or deficiency in services. -To replace the defective product with a new one, free from any defect. -To refund the price paid for the product. -To pay punitive damages. -Not to offer hazardous goods for sale. -To cease manufacture of hazardous goods. -To pay adequate costs to appropriate party. -To Issue coeffective advertisement, in place of misleading advertisement.	6

<u>1</u>	Radhika purchased an attractive new toaster for her house. In the beginning it worked fine and she enjoyed using it every morning. However, one morning as she was using the toaster, it caught fire and her fingers got partially burnt, Identify the Right' under which she can be protected. (A) Right to be informed (B) Right to be assured (C) Right to safety (D) Right to consumer education	<u>1</u>
<u>2</u>	Which of the following will not be considered as consumers as per Consumer Protection Act, 2019? (a) A person, who avails any service for a consideration which has been partly paid. (b) Any user of goods if such use is made with the approval of the buyer. (c) A person who purchases goods through online means. (d) A person who obtains goods for resale purposes.	<u>1</u>
<u>3</u>	As per Consumer Protection Act, 2019, "the consumer has a right to get relief in case the product or service falls short of his expectations." Which consumer right is discussed in the above statement? (a) Right to be heard (b) Right to be assured (c) Right to seek redressal (d) Right to safety	<u>1</u>
<u>4</u>	If any of the parties are not satisfied by the order of the District Commission, they can appeal against such order to the State Commission on the grounds of facts or law within a period of from the date of order. (A) 45 days (B) 30 days (C) 60 days (D) 15 days	
<u>5</u>	Sarita bought a flat from Sugan Developers for ₹5 crore and was shocked to discover that the quality of construction was bad, roof leaked during the rainy season and plaster was coming off at various places. Which consumer forum should she approach for redressal of her grievance? (a) District Commission (b) State Commission (c) National Commission (d) Supreme Court	<u>1</u>
<u>6</u>	Niyati is working as a teacher in a school in Mansarovar Garden. She always tells the children at the school not to pollute the environment, and not to throw wrappers of chips and chocolates here and there. She always carries a bag with her to collect the wrappers and put them in the dustbin. By doing this, which responsibility of a consumer is she discharging: (A) Reading labels carefully (B) Asserting to get a fair deal (C) Respecting the environment (D) Being honest in the dealings	<u>1</u>
<u>7</u>	The legal framework in India requires the manufacturers to provide information about ingredients, date of manufacture, quantity, price, directions for use, etc., on the label of the product. From the following, identify the consumer right that is satisfied by the firm by fulfilling the requirement: (A) Right to safety (B) Right to be informed (C) Right to be assured (D) Right to be heard	<u>1</u>
<u>8</u>	Payal was working in a Multinational company. Her father gifted her a smart phone worth ₹ 40,500 on her birthday. The mobile phone was purchased by her father from	<u>1</u>

	his friend's shop. After few months, the mobile phone started creating problems. Payal tried to contact the manufacturer many times but he did not respond. Ultimately Payal decided to file a complaint against the manufacturer. The appropriate grievance redressal machinery where Payal can file a complaint is: (A) District Forum/Commission (b) State Commission (c) National Commission (d) Supreme Court	
<u>9</u>	State the role of consumer organizations and nongovernmental organizations for the protection and promotion of consumers interests on the basis of any four points.	<u>6</u>
<u>10</u>	Rajneesh purchased a 500 ml bottle of fruit juice for ₹60 in Ahmedabad from a local store. While consuming it, he found an insect floating in it. He sent a legal notice to the company immediately and decided to approach a Consumer Disputes Redressal Agency for a relief of ₹2 lakhs. (i) Which Consumer Disputes Redressal Agency did Rajneesh approach, out of the three-tier machinery set up under Consumer Protection Act, 2019 for redressal? (ii) If Rajneesh is not satisfied by the order of the above Agency, where can he appeal against such order and within how many days? (iii) State any four reliefs that can be granted to Rajneesh in the above case.	<u>6</u>

ANSWER KEY

<u>1</u>	(C) Right to safety	
<u>2</u>	(d) A person who obtains goods for resale purposes.	
<u>3</u>	(c) Right to seek redressal	
<u>4</u>	(A) 45 days	
<u>5</u>	(b) National Commission	
<u>6</u>	(C) Respecting the environment	
<u>7</u>	(B) Right to be informed.	
<u>8</u>	(A) District Forum/Commission	
<u>9</u>	Role of Consumer Organizations and NGOs in protecting consumer's interest: (Any four) (i) Educating the general public about consumer rights by organizing training programmers, 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 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. (If the examinee has listed the points only, ½ mark each to be awarded)	<u>4</u>

10	(i) Rajneesh can approach District Consumer Disputes Redressal Commission (District Commission).	1
	(ii) If Rajneesh is not satisfied by the order of District Consumer Disputes Redressal Commission (District Commission), he can appeal against such order to the State Consumer Disputes Redressal Commission (State Commission) within 45 days from such order.	+
	(iii) Reliefs that can be granted to Rajneesh (any four):	1/2
	(a) To replace the defective product with a new one.	+
	(b) To refund the price paid for the product.	1/2
	(c) To pay a reasonable amount of compensation for any loss suffered by the consumer due to the negligence of the opposite party.	+
	(d) To pay punitive damages.	1*2
	(e) Not to offer such (hazardous) goods for sale.	1+1+2
	(f) To withdraw such (hazardous) goods from sale.	=4

TIME: 20 min.

WORKSHEET-2

M.M:20

1	Gaurav purchased a pack of sweets for his son from a shop in the nearby market. After consuming those sweets, the condition of his son deteriorated and he had to be hospitalized. Later on through a laboratory test, it was certified that the sweets were adulterated. State any one precaution that he should have taken while purchasing packed sweets.	1
2	Preeti wants to buy gold bangles on the occasion of Diwali. As a well-informed consumer which quality certification marks she will look for before buying the gold bangles?  (a).  (b).  (c).  (d).	1
3	Assertion (A) and Reason (R). Choose the correct alternative from the options given below: Assertion (A): Many enlightened business firms have set up their 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. (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	Read the following statements carefully: Statement I: While buying electrical appliances, a consumer should buy only ISI mark products. Statement II: It is the responsibility of a consumer to buy only standardised goods as they provide quality assurance. In the light of the given statements, choose the correct alternative from the	1

	following: (A) Statement I is true and Statement II is false. (B) Statement I is false and Statement II is true. (C) Both Statement I and Statement II are true. (D) Both Statement I and Statement II are false.	
5	Due to the negligence of the doctors, John passed away within a week's time after his surgery of the spine. Which of the following parties can not file a case in this regard? (a) The consumer (b) Any registered consumers' association (c) A legal heir or representative of a deceased consumer (d) All of the above	1
6	Raman bought a bottle of soft drink of a famous beverage company and found a gutka pouch floating inside the bottle. He forwarded a legal notice to the company, accusing it of the deficiency in service that could cause health hazard to the consumer. Identify the right of consumer being violated in the given case. (a) Right to safety (b) Right to be heard (c) Right to seek redressal (d) Right to consumer education	1
7	Where can the aggrieved party appeal further in case he is not satisfied with the order of the District Forum? (a) National Commission (b) State Commission (c) Supreme Court of India (d) All of the above	1
8	Sara bought a flat from Suman Developers for 25 crore and was shocked to discover that the quality of construction was bad, roof leaked during the rainy season and plaster was coming off at places. Which consumer forum should she approach for redressal of her grievance ? (a) District Commission (b) National Commission (c) State Commission (d) Supreme Court	1
9	Ankush bought a high-end microwave on Diwali from a leading electronic store. The microwave had ISI mark and Ankush diligently went through the instruction manual so that he could use it properly. However, due to faulty wiring there was a short circuit in the microwave. He called up the consumer helpline of the company many times, but no solution was provided by the company. Ankush now decided to file a case in the consumer court. (a) Identify and explain the right which Ankush will exercise. (b) State two responsibilities which Ankush had fulfilled while purchasing and using the microwave	3
10	Manisha purchased a new car for 15 lakh. Immediately after the purchase, she noticed some defect in its engine. Soon she contacted the dealer. But the dealer paid no heed to her complaint. Then she filed her complaint with District Commission. State any three reliefs she may get .	3
11	On Mohini's birthday her mother gave her a pair of gold ear-rings. After one month Mohini observed that the ear-rings are losing their shine. She checked the mark on the ear-rings and found that it was not a proper Hallmark and her	3

	mother had been cheated by the shopkeeper. So, she filed a complaint in the district Commission which rejected it. Not satisfied by the decision of district Commission, she was very much disturbed and after two months decided to appeal further. Can Mohini appeal against the decision of the district Commission? Give reason in support of your answer.	
12	Abha had guests at home. She ordered vegetable, biryani from 'Biryani House'. The biryani came in a beautiful packaging and Abha opened it with lot of excitement. However, when she started serving biryani to the guests, she realised that it was non-vegetarian. She checked the package and noticed that there was no indication whether it was a vegetarian or non-vegetarian biryani. She contacted 'Biryani House' for the same. The manager at 'Biryani House' apologized and immediately sent a vegetarian biryani along with complimentary sweet dish. Identify and explain the two consumer rights discussed in the above case.	3

ANSWERS

1	Should have checked the quality assurance mark on the product								1
2	C	3	B	4	C	5	A	6	A
7	B		8		B				
9	Right to seek redressal,Reading the instructions ,Checking quality marks								3
10	Removal of defect in the car Refund of the amount Replacement								3
11	No, Mohini cannot appeal now as the appeal has to be filed within 45 days of passing of the order by the District Commission								3
12	The two consumer rights discussed in the above case are: (a) Right to be informed - The consumer has a right to have complete information about the product he intends to buy such as, ingredients, date of manufacture, price, quantity etc. § It is because of this reason that the legal framework in India requires the manufacturers to provide such information on the package and label of the product.(b) Right to seek redressal - § The consumer has a right to get relief in case the product or service falls short of his expectations. § The Consumer Protection Act provides relief to customers such as replacement of product, removal of defect in the product, compensation for any loss or injury suffered by the consumer.								3

QUICK REVISION (IMPORTANT TOPICS AT A GLANCE)

PROCESS

Process of PLANNING	Process of ORGANISING	Process of STAFFING
1. Setting objectives for the entire organisation and each department or unit within the organisation. 2. Developing planning premises, i.e., assumptions about the future, which are the base material upon which plans are to be drawn. 3. Identifying alternative courses of action – Finding different ways to achieve the objectives and targets. 4. Evaluating alternative courses of action: The positive and negative aspects of each alternative are evaluated. 5. Selecting an alternative: The best plan has to be adopted and implemented, which is the most profitable and with least negative aspects. 6. Implementing the plan i.e., putting the plan into action. This step involves organising for labour and purchase of machinery. 7. Follow-up Action: It means to see whether plans are being implemented and activities are being performed according to plans.	1. Identification and division of work into manageable activities (called jobs) so that duplication of efforts and resources can be avoided. 2. Departmentalisation where activities of a similar nature are grouped together. On the basis of functions- Functional, Basis of products- Divisional 3. Assignment of duties to job positions according to their skills and abilities. 4. Establishing reporting relationships (Reporting Relationship)-so that each individual knows from whom he has to take orders and to whom is he accountable	1. Estimating Manpower Requirements: It means estimating the number and types of persons required in the organisation. It involves workforce (workers available) and workload (workers needed) analysis. 2. Recruitment: Recruitment is the process of searching for prospective employees and encouraging them to apply for jobs in the organisation. 3. Selection: Selection is the process of identifying and choosing the best person 4. Placement and Orientation: Placement refers to the employee occupying the position or post. Orientation refers to the process of introducing the newly selected employees 5. Training and Development: The process of increasing the knowledge, skills and abilities of employees for doing a specific job. Development refers to the learning opportunities designed to help the employees to grow 6. Performance Appraisal: Performance appraisal means evaluating (checking) an employee's performance against certain pre-determined standards. 7. Promotion and Career Planning: 8. Compensation: Compensation refers to all forms of pay or rewards given to employees like salary, bonus, etc.

Process of SELECTION	Process of CONTROLLING	Process of TRADING PROCEDURE IN STOCK EXCHANGE
1. Preliminary Screening: To eliminate unfit job seekers. 2. Selection Tests : To measure certain characteristics of individuals. Example: intelligence, aptitude, personality, trade test, interest test etc. 3. Employment Interview: Interview is a formal, in-depth conversation 4. Reference and Background Checks: Names, addresses and telephone numbers of persons who know the applicant. 5. Selection Decision: From among the candidates who pass the tests, interviews and reference checks 6. Medical Examination: ie, medical fitness test. 7. Job Offer : Job offer is made through a letter of appointment/ 8. Contract of Employment: Regarding pay, hours of work, duties, leave rules, etc.	1. Setting Performance Standards- Standards are the criteria against which actual performance is measured. 2. Measurement of Actual Performance- the actual performance should be measured 3. Comparing Actual Performance with Standards- The comparison of actual with the standard will reveal the deviation if any 4. Analysing Deviations- (a) Critical point control: It means keeping focus on some Key Result Areas (KRAs) which are critical to the success of an organisation. Management by exception: Only significant deviations which go beyond permissible limit should be brought to the management. 5. Taking Corrective Action- Taking corrective measures like training, additional workers ,etc.	1. Selection of Broker : first a broker is selected who should be a member of stock exchange 2. Opening demat account- pan no. compulsory. Bank A/c ,Trading A/c and Demat A/c 3. Placing the order : The investors specify the type and number of securities they want to buy or sell. 4. Broker goes online- to find the best match 5. Executing the order : The broker will buy or sell the securities broker will issue a trade confirmation slip. 6. Issue of contract note- A legal document with all details no. of shares, date,time,etc. 7. Delivery of shares/ pay cash (pay-in day) 8. T+2 Settlement :.. 9. Pay out Day 10. Delivery of shares in demat account

FEATURES/CHARACTERISTICS

Characteristics of MANAGEMENT	Nature of PRINCIPLES OF MANAGEMENT	Features of BUSINESS ENVIRONMENT
1. Goal oriented 2. All Pervasive 3. Multidimensional 4. Continuous process 5. Intangible 6. Group Activity 7. Dynamic Function	(1) Universal Applicability (2) General Guidelines (3) Formed by practice and experimentation (4) Flexible (5) Mainly Behavioural (6) Cause&effect relationship (7) Contingent	DISTURC D-Dynamic Nature (changeable nature) I-Inter-relatedness (co-related with others) S-Specific and general forces T-Totality of external forces U-Uncertainty R-Relativity C-Complexity
Features of PLANNING	Characteristics of DIRECTING	Features of MOTIVATION
1. Focuses on Achieving Objectives: 2. Primary Function of Management 3. Pervasive: 4. Continuous: 5. Futuristic: 6. Involves Decision Making 7. Mental Exercise:	(ICDT = I Can Do This) 1. I nitiates action (or Executive function) 2. C ontinuous process 3. D irecting flows from top to bottom 4. T akes place at every level of management	(IPCC) 1. I nternal feeling 2. P roduces goal directed behaviour 3. C an be either positive or negative: Positive motivation provides positive rewards ,Negative motivation uses negative means like punishment, 4. C omplex process:
Features of LEADERSHIP	Features of CONTROLLING	Features of MARKETING
(ABC-IE) 1. A bility of an individual to influence others. 2. B ring change in the behaviour of others. 3. C ontinuous process. 4. I nter-personal relations between leaders and followers. 5. E xercised to achieve common goals of the organisation	1. Goal-oriented function. 2. Controlling is a pervasive 3. Controlling is both a backward looking as well as forward looking 4.Controlling is a continuous function	1. Need and want : Satisfaction of the needs and wants of individuals and organisations. 2. Creating a market offering : Complete offer for a product of service. 3. Customer value : greatest benefit or value for the money. 4. Exchange mechanism : Exchange of products / services for money / value
Features of ADVERTISING	Features of PERSONAL SELLING	
1. Non-personal 2. Identified Sponsor. 3. Paid form of communication	1. Personal form of communication. 2. Development of Relation 3. Feedback	

FUNCTIONS

<u>Functions OF STOCK EXCHANGE (ELPS3)</u>	<u>Functions OF SEBI</u>	<u>Functions OF MARKETING</u>
1. (i) Provides Liquidity and marketability to existing securities.- securities are bought and sold. (ii) Ensures Safety of transactions- stock exchange is well- regulated by legal framework. (iii) Contributes to Economic growth-Through stock exchange the savings are put into productive investment leading to capital formation and economic growth (iv) Spreads out equity cult- Stock exchange take steps in educating the public about investments. (v) Determines Price of securities- Share prices on a stock exchange are determined by the forces of demand and supply (vi) Provides Scope for speculation- The stock exchange provides chance for speculation guided by law.	I. Regulatory Functions (4RCL): (i) Registration of players in the market. (ii) Registration of investment schemes. (iii) Regulation of intermediaries. (iv) Regulation of takeover bids. (v) Calling for information. (vi) Levying fees. (vii) Others as delegated by the Govt. of India. II. Developmental Functions (DTC) (i) Training of intermediaries. (ii) Conducting research. (iii) Developing capital markets. III. Protective Functions (PIC) : (i) Check unfair trade practices. (ii) Controlling insider trading. (iii) Investors' protection. (iv) Promotion of fair practices and code of conduct	1. Gathering and analyzing market information Identify the needs of customers and analyse (SWOT) opportunities, threats, strength and weakness of the firm 2. Marketing plan- Develop proper marketing plan 3. Product designing and development The product should be developed and designed to meet the customer needs . 4. Standardization and grading Standardization refers to producing goods in <u>predetermined standards</u> such as quality, price, packaging etc. to bring uniformity Grading -Grading is the process of <u>classifying products</u> into different classes on the basis of <u>quality, size, weight</u> etc. It is needed in <u>agricultural products</u>. 5. Packaging and Labelling Package is a <u>container or a wrapper</u> or a box in which a product is enclosed It is done for <u>protecting</u> the goods from damage and establish the brand for promotion. Labelling refers to designing and developing the label to be put on the package to give <u>the information</u> about the product in the package 6. Branding It is the process of giving a <u>name or symbol</u> or both to a product for <u>identifying and differentiating</u> 7. Customer support service These are after sales services, handling customer complaints. 8. Pricing Price of a product means the amount of money that have to be paid to obtain a product . 9. Promotion It means informing the customers about the firm's products and persuading them to buy these products. Advertising+Sales Promotion+Personal Selling+Public Relations. 10. Physical distribution It involves activities related to flow of materials and finished goods from producer to the customer . <u>distribution channel</u> 11. Transportation Transportation involves physical movement of goods from one place to the other..It creates <u>place utility</u>. 12. Storage or warehousing – Fills the time gap between the production & procurement of goods and their sale or use. It creates <u>time utility</u>.

IMPORTANT DIFFERENCES

PRIMARY & SECONDARY MARKET			MONEY & CAPITAL MARKET		
BASIS	PRIMARY MARKET	SECONDARY MARKET	BASIS	MONEY MARKET	CAPITAL MARKET
Meaning	The market place for new securities is called primary market.	The place where already issued securities are bought & sold .	Definition	It is a market for short term funds dealing in securities of maturity less than 1 year	It is a market for long term securities .
Involvement of company	Buying directly from companies , so involved	Between buyer and seller of securities, company is not involved.	Instrument s involved	Commercial Papers, Treasury Bills, Certificate of Deposit, etc.	Bonds, Debentures, Shares, Asset, etc.
Purpose	Directly promotes Capital Formation	Improves liquidity and indirectly promotes Capital Formation	Participant s	Stockbrokers, insurance comp., Commercial banks, RBI underwriters, etc.	Commercial banks, non-financial institutions, central bank, general public etc.
Activity	Only buying of securities	Both buying and selling of securities .	Liquidity	Money markets are highly liquid -short period and DFHI	Capital markets are comparatively less liquid .
Link	Between Company and Investors	Between buyer and seller of securities.	Risk Involved	Money markets have low risk .	Capital markets are riskier .
Price determination	Fixed price determined by the company	depends on the demand and supply force	Duration	Instruments mature within a year .	Instruments take longer time to attain maturity
			Investment outlay	Requires huge amounts .	Does not require huge amounts.
			Return	Return is less	Return is more

DELEGATION & DECENTRALISATION

BASIS	DELEGATION	DECENTRALISATION
Nature	Delegation is a compulsory act because no individual can perform all tasks on his own.	Decentralisation is an optional policy decision. It is done at the discretion of the top management.
Freedom of action	More control by superiors hence less freedom to take own decisions	Less control hence greater freedom of action.
Status	It is a process followed to share tasks .	It is the result of the policy decision of the top management
Scope	It has narrow scope as it is limited to superior and his immediate subordinate.	It has wide scope as it implies extension of delegation to the lowest level of management.
Purpose	To lessen the burden of the manager.	To increase the role of the subordinates in the organisation by giving them more autonomy.

FUNCTIONAL & DIVISIONAL**FORMAL & INFORMAL**

BASIS	FUNCTIONAL STRUCTURE	DIVISIONAL STRUCTURE	BASIS	FORMAL	INFORMAL
Formation	It is based on functions.	It is based on product lines and is supported by functions.	Meaning	Structure of authority relationships created by the management	Network of social relationships arising out of interaction among employees
Responsibility	It is difficult to fix responsibility on a department.	It is easy to fix responsibility for performance.	Origin	Arises as a result of company rules and policies	Arises as a result of social Interaction
Specialisation	Functional specialization	Product specialisation.	Authority	Arises by virtue of position in management	Arises out of personal Qualities
Managerial Development	It is difficult, as each functional manager has limited skill development.	It is easier, as the chance to perform multiple functions helps in managerial development.	Behaviour	It is directed by rules	There is no set behaviour pattern
Cost	It is economical as the functions are not duplicated.	It is costly as there is duplication of resources in various departments.	Flow of communication	Communication takes place through the scalar chain	Flow of communication is not through a planned route. It can take place in any direction
Coordination between departments	It is difficult for a multiproduct company.	It is easy, because all functions related to a particular product are integrated in one.	Nature	Rigid.	Flexible
Suitability	It is most suitable when the size of the organisation is large, has diversified activities and operations require a high degree of specialisation.	It is suitable for those business enterprises where a large variety of products are manufactured using different productive resources.	Leader	Managers are leaders	Leaders are chosen by the group

ADVERTISEMENT & PERSONAL SELLING**TRAINING & DEVELOPMENT**

BASIS	ADVERTISING	PERSONAL SELLING	BASIS	TRAINING	DEVELOPMENT
Form	Impersonal	Personal	Meaning	It is a process of increasing knowledge and skills to perform a particular job.	It is a process of learning and growth
Flexibility	Inflexible- Standardised-same message to all	Flexible- Customised-message can be changed	Purpose	It is to help the employee to do the job better.	It is to help in the overall growth of the employee
Coverage	Wide Coverage	Limited no. of people can be covered	Orientation	It is a job oriented process	. It is a career oriented process.
Cost per person	Is low	Cost per person is high			
Time	Can be covered in short time	Takes more time			
Feedback	No Feedback	Direct feedback from customers			
Medium	Mass media- TV , Internet, Newspapers, Bill boards etc.	Salesman			

MARKETING MANAGEMENT PHILOSOPHIES

BASIS	PRODUCTION	PRODUCT	SELLING	MARKETING	SOCIETAL
Starting point	Factory	Factory	Factory	Market	Market, Society
Main Focus	Quantity of production	Quality , features of product	Existing customer	Customer needs	Customer needs and society's well being
Means	Availability and affordability of product	Product improvement	Selling and promotion	Integrated marketing	Integrated marketing
Ends	Profit maximisation through volume of production	Profit maximisation through product quality	Profit maximisation through sales volume	Profit maximisation through customer satisfaction	Profit maximisation through customer satisfaction & society's welfare

ALL FACTORS

Factors affecting DIVIDEND DECISION	Factors affecting CAPITAL BUDGETING DECISION	Factors for determining PRICING OF A PRODUCT (MARKETING)
1. Earning-. 2. Stability in earnings : 3. Stability of dividends: 4. Growth opportunity- 5. Cash flow position :— 6. Legal constraints—.. 7. Shareholders preference- 8. Stock market reaction : 9. Access to capital market 10. Contractual Constraints 11. Taxation Policy	1. Cash flow position of the project 2. Rate of return 3. Investment Criteria Involved	1. Pricing objective:- 2. Product cost:- 3. Extent of competition in the market: - 4. Customer's demand and utility: - 5. Government and legal regulations: - 6. Marketing methods used:-
Factors affecting choice of CAPITAL STRUCTURE (3ratios , 3Cost,3Cs, F 2RST)	Factors affecting requirement of WORKING CAPITAL (3Same,2Cycle,2Credits, ASOIL)	Factors affecting requirement of FIXED CAPITAL
1. Risk consideration: 2. Cost of debt 3. Tax rate 4. Return on investment: 5. Cash flow position of the company : 6. Flotation cost :. 7. Control considerations: 8. Flexibility: 9. Interest coverage ratio : 10. Stock market conditions: 11. Capital structure of other companies: 12. Regulatory framework 13. Debt Service Coverage ratio 14. Cost of equity	1. Nature/Type of business: 2. Scale of operations: 3. Business cycle: 4. Seasonal factors: 5. Production /Processing cycle 6. Level of competition: 7. Credit allowed:. 8. Credit Aailed : 9. Availability of raw materials: 10. Growth prospectus : 11. Inflation:. 12. Operating efficiency	1. Nature of business.- 2. Scale of operation. – 3. Choice of technique.- 4. Technology upgradation. 5. Growth prospects.- 6. Diversification. – 7. Financing alternatives.- 8. Level of Collaboration_

रोल नं.

Roll No.

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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,

नोट	NOTE
(I) कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ 31 हैं।	(I) 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।	(II) 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।	(III) 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।	(IV) 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। #	(V) 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

Time allowed : 3 hours

अधिकतम अंक : 80

Maximum Marks : 80

66/7/1

1

[P.T.O.]

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 questions carrying **3** marks may be from 50 to 75 words.*
- (v) *Answers to questions carrying **4** marks may be in about 150 words.*
- (vi) *Answers to questions carrying **6** marks may be in about 200 words.*
- (vii) *Attempt all parts of a question together.*

*Questions no. 1 to 20 are Multiple Choice Questions (MCQs), carrying **1** mark each.* *20×1=20*

1. Which of the following is **not** a protective function of Securities and Exchange Board of India ?
 - (A) Controlling insider trading and imposing penalties for such practices
 - (B) Training of intermediaries of securities market
 - (C) Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulation, etc.
 - (D) Promotion of fair practices and code of conduct in securities market
2. Shreyansh and Sudhir were close friends and were studying in a reputed engineering college. During campus recruitment in the final year of engineering, both of them got their dream jobs. Shreyansh's consultancy firm was in India and Sudhir's was a manufacturing firm situated out of India. Both looked forward to join their respective organisations after completing their engineering degree.

One month after joining the organisation, Sudhir came to India on an assignment and both friends decided to meet. Shreyansh looked happy and was all praise for the management of his company. He told Sudhir that there was complete orderliness in his organisation and that all employees were happy and satisfied with the work and the working environment. Targets of the organization too were met as per the plans. Sudhir, in contrast was unhappy with his job and was thus on the lookout for another job.

The characteristic of management being highlighted in the above case by Shreyansh is :

 - (A) Management is a group activity.
 - (B) Management is a dynamic function.
 - (C) Management is an intangible force.
 - (D) Management is all pervasive.

3. Read the following statements carefully :

Statement I : Any deviation, whether significant or insignificant, should be brought to the notice of the management.

Statement II : Control should focus on those Key Result Areas which are critical to the success of an organisation.

In the light of the above statements, choose the correct alternative from the options given below :

- (A) Statement I is true and Statement II is false.
- (B) Statement I is false and Statement II is true.
- (C) Both Statement I and Statement II are false.
- (D) Both Statement I and Statement II are true.

4. Read the following statements : Assertion (A) and Reason (R).

Assertion (A) : The cost of debt is lower than the cost of equity for a firm.

Reason (R) : Lender's risk is lower than the shareholder's risk. Additionally, interest paid on debt is a deductible expense for computation of tax liability, whereas dividends are paid out of after tax profit.

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).
- (C) Assertion (A) is true, but Reason (R) is false.
- (D) Assertion (A) is false, but Reason (R) is true.

5. 'Apex Shoes', a popular footwear brand had grown rapidly over the years. It decided to open its own retail outlets across major cities. To ensure smooth operations, the retail outlets were managed by store managers who were responsible for day-to-day operations like inventory management, customer service and sales targets etc. However, for key decisions such as offering discounts or processing refunds etc., managers had to seek approval from corporate headquarters.

Quite often, customers would ask for a discount or want to return the shoes and get a refund. The store managers did not have the authority to approve this. They had to call the head office for approval, which caused a delay. These delays affected both customer satisfaction and footwear sales.

Realizing the need for faster decisions, the Chief Executive Officer of the company, Atul, decided to selectively disperse the authority to the store managers to approve discounts, returns and other customer-related decisions. He believed that store managers could assume responsibility for effective implementation of their decisions. This led to faster service, satisfied customers and an increase in sales.

The concept used by Atul to improve customer satisfaction and store performance was :

- | | |
|--------------------|----------------------|
| (A) Responsibility | (B) Authority |
| (C) Delegation | (D) Decentralisation |

6. The Go-Vegan Movement has been an integral part of western nations owing to its numerous health and environmental benefits. India too has witnessed a propelling vegan food market. Concerned with the quality of life, people have shifted to a variety of plant-based food alternatives that offer great taste and health benefits and strengthen the immune system.

The dimension of business environment discussed above is :

- | | |
|-------------------------------|---------------------------|
| (A) Economic environment | (B) Social environment |
| (C) Technological environment | (D) Political environment |

7. Match the statements given in Column I with the external source of recruitment given in Column II.

<i>Column I</i>	<i>Column II</i>
1. Many reputed business organisations keep a <u>database of unsolicited</u> applicants in their offices. A list of such job-seekers can be prepared and can be screened to fill the vacancies as they arise.	(i) Recommendation of employees
2. A notice is placed on the notice board <u>of the enterprise specifying details of the jobs available.</u> Job-seekers assemble outside the premises of the organisation on the specified date and selection is done on the spot.	(ii) Campus recruitment
3. Many big organisations maintain a <u>close liaison with the universities,</u> vocational schools and management institutes to recruit qualified personnel for various jobs.	(iii) Direct recruitment
4. Applicants <u>introduced by present</u> employees or their friends and relatives.	(iv) Casual callers

Choose the correct option from the following :

- (A) 1-(iii), 2-(ii), 3-(i), 4-(iv) (B) 1-(ii), 2-(i), 3-(iii), 4-(iv)
 (C) 1-(iv), 2-(iii), 3-(ii), 4-(i) (D) 1-(iii), 2-(i), 3-(ii), 4-(iv)
8. Radhika purchased an attractive new toaster for her house. In the beginning it worked fine and she enjoyed using it every morning. However, one morning as she was using the toaster, it caught fire and her fingers got partially burnt.

Identify the 'Right' under which she can be protected.

- (A) Right to be informed (B) Right to be assured
 (C) Right to safety (D) Right to consumer education

9. Identify the marketing function displayed in the picture given below :



- (A) Product designing and development
- (B) Branding
- (C) Marketing planning
- (D) Packaging and labelling

Note : The following question is for the **Visually Impaired Candidates** only in lieu of Q. No. 9.

Which of the following functions of marketing gives detailed information to the consumers about the product, ensures safety of product and also serves as a promotional tool ?

- (A) Product designing and development
- (B) Branding
- (C) Marketing planning
- (D) Packaging and labelling

10. A garment manufacturing firm had set a target of manufacturing 1000 garments per day. The manager of the firm saw that the production consistently fell short of the target. It was observed that employees were spending too much time taking lunch, reporting late and leaving early on one pretext or the other.

A control mechanism was installed to address the issue. Card punching was implemented in the organisation. It was made mandatory for employees to record their entry or exit every time they enter or leave. Their working hours were monitored and irregularities addressed. This helped the organisation to meet its daily production targets.

Identify the point of importance of 'Controlling' highlighted in the above case.

- (A) Judging accuracy of standards
- (B) Accomplishing organisational goals
- (C) Making efficient use of resources
- (D) Ensuring order and discipline

11. Selection test is a mechanism that attempts to measure certain characteristics of individuals ranging from aptitudes, to intelligence, to personality. It is one of the steps in the process of selection. Place the subsequent steps of process of selection in an organisation in the correct order.
- (A) Employment interview, reference and background checks, selection decision, medical examination, job offer, contract of employment
 - (B) Employment interview, reference and background checks, medical examination, selection decision, job offer, contract of employment
 - (C) Employment interview, medical examination, job offer, reference and background checks, selection decision, contract of employment
 - (D) Employment interview, selection decision, reference and background checks, job offer, medical examination, contract of employment
12. Identify the ***incorrect*** statement with respect to 'importance of consumer protection' from the business point of view.
- (A) Enlightened businesses realise that it is in their long-term interest to satisfy their customers.
 - (B) It is the moral duty of any business to take care of consumer's interest and avoid any form of their exploitation.
 - (C) Due to widespread ignorance of consumers about their rights and reliefs available to them, it becomes necessary to educate them about the same, so as to achieve consumer awareness.
 - (D) A business engaging in any form of exploitative trade practices would invite government intervention which can tarnish the image of the company.
13. 'An institution constituted for the purpose of assisting, regulating or controlling the business of buying and selling or dealing in existing securities' is known as :
- (A) Securities and Exchange Board of India (SEBI)
 - (B) Stock Exchange
 - (C) Capital Market
 - (D) Money Market

14. Read the following statements : Assertion (A) and Reason (R).
Assertion (A) : Increased life expectancy of people and increased awareness for health care have increased the demand for many health products and services.
Reason (R) : Different elements of business environment are not inter-related.
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).
 - (C) Assertion (A) is true, but Reason (R) is false.
 - (D) Assertion (A) is false, but Reason (R) is true.
15. If any of the parties are not satisfied by the order of the District Commission, they can appeal against such order to the State Commission on the grounds of facts or law within a period of _____ from the date of order.
- (A) 45 days
 - (B) 30 days
 - (C) 60 days
 - (D) 15 days
16. Identify the **incorrect** statement with respect to financial leverage.
- (A) The proportion of debt in the overall capital is called financial leverage.
 - (B) With the increase in financial leverage, the financial risk increases.
 - (C) The proportion of equity in the overall capital is called financial leverage.
 - (D) As the financial leverage increases, the cost of funds declines.
17. Which of the following factors affect the capital budgeting decision of a company ?
- (A) Investment criteria involved
 - (B) Floatation costs
 - (C) Tax Rate
 - (D) State of Capital Market

18. Rajni, the Chief Executive Officer of a multinational company, maintained a simple and elegant look. Now she wanted a change, so she decided to colour her hair in a vibrant colour. After reading the label carefully, she purchased a well-known hair colour of good quality. Before applying the colour, she read the instructions carefully.

However, while applying the colour on her hair, she forgot the instructions and without testing it on a patch of her skin, she applied the colour. This led to an allergic reaction with redness and itching on her scalp, ears and neck.

Identify the responsibility that was ignored by Rajni as a consumer while using the hair colour.

- (A) Be aware about various goods and services available in the market so that an intelligent and wise choice can be made.
 - (B) Learn about the risks associated with products and services, follow manufacturer's instructions and use the product safely.
 - (C) Assert yourself to ensure that you get a fair deal.
 - (D) Ask for a cash-memo on purchase of goods or services.
19. Which of the following factors affect the fixed capital requirements of a company ?
- 1. Financing alternatives
 - 2. Level of collaboration
 - 3. Production cycle
 - 4. Choice of technique
 - 5. Seasonal factors
 - 6. Level of competition
- Choose the correct alternatives from the following :
- (A) 2, 3 and 6
 - (B) 3, 4 and 5
 - (C) 3, 4 and 6
 - (D) 1, 2 and 4

20. Read the following statements carefully :

Statement I : Training is the process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased.

Statement II : Training is a job-oriented process.

In the light of the above statements, choose the correct alternative from the options given below :

- (A) Statement I is true and Statement II is false.
- (B) Statement I is false and Statement II is true.
- (C) Both Statement I and Statement II are true.
- (D) Both Statement I and Statement II are false.

21. (a) State any three points of importance of business environment. 3

OR

(b) State any three features of demonetisation. 3

22. (a) Explain the following features of 'Planning' : 3

- (i) Planning focuses on achieving objectives.
- (ii) Planning is a mental exercise.

OR

(b) Explain the following types of plans : 3

- (i) Strategy
- (ii) Policy

23. 'Capro Ltd.', an IT services firm was perceived as a passive provider focusing on fulfilling clients' orders without much innovation. In an attempt to change its image, the Chief Technical Officer of 'Capro Ltd.' called a meeting of technical heads in the conference room. The meeting was important as it was regarding launching programmes to encourage employees to generate ideas for value addition that their clients would appreciate and would help in changing the company's image.

Shrinivas, a technical head was last to enter the conference room for the meeting and got a seat near the door of the conference room. As there was constant movement near the conference room, he could not attentively focus on the meeting, missing out on important points discussed in the meeting.

- (a) Identify and state the elements in the communication process that led to Shrinivas missing out on important points discussed in the meeting.
- (b) State any two other elements of the communication process other than the one identified in (a) above. 3

24. Amrit Ltd. and Nimrit Ltd. are two companies manufacturing automotive parts for automobile companies. Amrit Ltd. had a capital employed of ₹ 80 lakhs comprising of equity share capital of ₹ 40 lakhs divided into 40,000 shares of ₹ 100 each and debt of ₹ 40 lakhs at 6%. Nimrit Ltd. also had capital employed of ₹ 80 lakhs divided into 80,000 equity shares of ₹ 100 each.

Return on Investment (ROI) of both the companies is 10% and tax rate is 50%.

- (a) Calculate Earning Per Share (EPS) for both the companies.
- (b) Which of the two companies has better Earning Per Share and why ? 3

25. 'Mefco Ltd.' has been in online grocery e-commerce business for the last six years. Recently, it started facing increasing competition in the market. Understanding that speed of delivery is the key differentiator amongst online business firms, 'Mefco Ltd.' planned to launch 'Mefco Fast', a service designed to deliver the products to the customers within 10 minutes. It studied the market and made assumptions about the future regarding the convenience offered by such a service to the consumers who are increasingly seeking faster delivery options.

- (a) Identify the step of the planning process highlighted in the above case.
- (b) State the next three steps to be followed by 'Mefco Ltd.' after the step identified in (a) above. 4

26. 'Heights Engineering College' is one of the top engineering colleges in India known for its excellent academic programmes and strong industry connections. The college has a separate placement cell which maintains a close liaison with the universities, vocational schools and management institutes to recruit qualified persons for various jobs. It works tirelessly to connect students with some of the best companies for job opportunities.

Shikhar, a brilliant Environmental Engineering student was excited when he was chosen by 'Nero', a major car manufacturing company for the post of Production Manager. He received the employment contract which included the terms, conditions and date of joining. Shikhar happily accepted the employment offer. On his first day at the company, Shikhar was given a brief presentation about the company and was introduced to his superiors, subordinates and colleagues. He was taken around the workplace and given charge of the job for which he was selected. Three months later, after settling into the job, Shikhar was called by his superior and given positive feedback about his current performance as per certain pre-determined standards.

State four steps of the staffing process discussed in the above case.

4

27. (a) Explain 'Organisational Climate' and 'Employee Recognition' as non-financial incentives.

4

OR

- (b) Explain any two psychological barriers to effective communication.

4

28. (a) State any four features of 'Motivation' as an element of Directing.

4

OR

- (b) State any four points of importance of 'Directing' function of management.

4

29. 'Reliable Appliances' and 'Modern Appliances' are two reputed companies, both manufacturing refrigerators. They have been in this business for many years, have a good reputation and a large customer base. The companies follow different marketing management philosophies and cater to different kinds of customers.

'Reliable Appliances' focuses on producing large quantities of affordable basic refrigerators that meet the essential needs of customers. It follows a belief that customers will prefer products that are widely available and affordable. The company focuses on mass production to keep costs low. As a result, it attracts budget conscious consumers. On the other hand, 'Modern Appliances' operates in the premium segment of the refrigerator market, attracting affluent buyers. It focuses on manufacturing refrigerators with advanced features such as Wi-Fi connectivity, built-in touch screen interface and advanced cooling systems, etc. It believes that customers will prefer products that offer superior quality with innovative features. For this, the company continuously improves its products' features and quality to differentiate itself from its competitors.

- (a) Identify the 'Marketing Management Philosophies' of 'Reliable Appliances' and 'Modern Appliances'.
- (b) Differentiate between the marketing management philosophies identified in (a) above on the basis of the following :
 - (i) Main focus
 - (ii) Means
 - (iii) Ends

4

30. 'Silver Mills' started their business as a B2B supplier of high quality millet seeds. The firm was set up in a backward area of Ransdhan. The firm was earning just enough revenues to cover its cost. Over a period of time, due to rising awareness amongst people about the health benefits of millets and with the year 2023 declared as 'International Year of Millets', the demand for millets increased and the firm was able to earn profits. This gave a vital incentive to the firm to continue its successful operations. It then expanded its operations and introduced millet flour, millet-based snacks and millet-based beverages. With increase in its operations, it provided employment opportunities specially to women involving them in dehusking, cleaning and packing of millets.

State the objectives of management highlighted in the above case. 4

31. (a) Explain the following principles of Scientific Management : 6
- (i) Science not Rule of Thumb
 - (ii) Harmony, not Discord
 - (iii) Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity

OR

- (b) Explain the following features of principles of management : 6
- (i) Universal applicability
 - (ii) Cause and effect relationships
 - (iii) General guidelines

32. 'TnG' is a leading manufacturer of baby care and feminine care products and has a good market reputation. It has Production, Marketing, Human Resources, Customer Service and Research and Development departments. To capitalise on its brand name and to take advantage of new business opportunities, the company decided to diversify into manufacturing of new range of products like 'Beauty and Wellbeing', 'Home Care', 'Personal Care', 'Nutrition', etc. For this, the company had to add more employees and create more departments and choose a good organisational structure which would help the company in achieving its objectives.

- (a) Explain the organisational structure that 'TnG' should choose after it decided to diversify. Also give reason in support of your answer.
- (b) State how the organisational structure explained in (a) above will help the organisation and the heads of different departments. Give two points in favour of each.

6

33. (a) Explain the following factors affecting requirements of working capital of a company :

6

- (i) Nature of business
- (ii) Inflation
- (iii) Seasonal factors
- (iv) Growth prospects

OR

(b) Explain the following factors affecting dividend decisions of a company :

6

- (i) Stability of dividend
- (ii) Shareholders' preference
- (iii) Access to capital market
- (iv) Legal constraints

34. Recognising the growing demand for luxury, convenience and personalised experience due to increased disposable income and busy work schedules, 'Ramneek Bros'. had launched a high end concierge service company two years ago. The company offers customised exclusive services to ultra wealthy clients such as making restaurant reservations, booking private jets, arranging tickets for shows, etc.

Ramneek Bros. charges premium prices for their services reflecting the exclusive and top quality offerings they provide. The company also provides a mobile app allowing their clients to access and request for services from anywhere in the world. To communicate availability and features of their services, Ramneek Bros. advertises in high class magazines and depends upon word of mouth recommendations from existing clients. As a result, the company has successfully established itself as a market leader in their field.

Quoting lines from the above case, identify and explain any three elements of marketing mix.

6

Senior Secondary School Certificate Examination
March -----2025
Marking Scheme
Subject---Business Studies(054) 66/7/1

1	2	3	4	5	6	7	8	9	10
B	C	B	A	D	B	C	C	D	D
11	12	13	14	15	16	17	18	19	20
A	C	B	C	A	C	A	B	D	C
21	Importance of business environment are: (Any three) 1.It enables the firm to identify opportunities early and get the first mover advantage and be the first to exploit them instead of losing them to competitors. 2. Environmental awareness helps the firm to identify threats and serve as early warning signals. 3. Understanding business environment enables the enterprise in tapping useful resources so that it can convert those resources into outputs that the environment desires. 4. It helps the managers in coping with rapid changes by understanding and examining the dynamic environment and developing suitable courses of action. 5. It helps in assisting in planning and policy formulation by understanding and analysing the environment which becomes the basis for deciding the future course of action (planning) or framing guidelines for decision making (policy). 6. It helps in improving performance in present and future as enterprises continuously monitor their environment and adopt suitable business practices. (If an examinee has given only headings, ½ mark for each heading should be awarded) OR (i) Demonetisation is viewed as a tax administration measure and people with black money had to declare their unaccounted wealth and pay taxes at a penalty rate. (ii) Demonetisation is also interpreted as a shift on the part of the government indicating that tax evasion will no longer be tolerated or accepted. (iii) Demonetisation led to tax administration channelizing savings into the formal financial system. (iv) It creates a less-cash or cash-lite economy, thus improves tax compliance. (If an examinee has only listed the underlined points, ½ mark for each point should be awarded)								1X3=3 MARKS
22	Features of ‘Planning’: i Planning focuses on achieving objectives: ii Specific goals are set out in the plans along with the activities to be undertaken, to achieve the goals. iii Hence, planning contributes to the achievement of predetermined organizational goals. iv.Planning is a mental exercise: v.Planning requires application of the mind involving foresight, intelligent imagination and sound judgement. vi. It is an intellectual activity of logical thinking , because planning determines the action to be taken. It must be based on analysis of facts and forecast.								1 ½ + 1 ½ =3 marks

OR

(b) Strategy:

- A strategy refers to future decisions defining the organisation's direction and scope in the long run.
 - It is a comprehensive plan for accomplishing organisation's objectives and involves determining long term objectives, adopting a particular course of action and allocating necessary resources.
- Whenever a strategy is formulated, the business environment needs to be taken into consideration.
 - ii) **Policy:** Policy is a general statement that guides thinking and channelizes energies towards a particular direction. It brings uniformity in decision making for achievement of predetermined objectives.
 - It defines the broad parameters within which a manager may function.
 - A manager may use his discretion to interpret and apply a policy.

- 23 (a) The element in the communication process that led to Shrinivas missing out on important points discussed in the meeting is **Noise**.
Noise means some obstruction or hindrance caused to sender, message or receiver in the process of communication.
- (b) **Other elements of the communication process are: (Any two)**
- i Sender is the person who conveys his thoughts or ideas to the receiver.
 - ii Message is the content of ideas, feelings, suggestions, order, etc., intended to be communicated.
 - iii Encoding is the process of converting the message into communication symbols such as words, pictures, gestures etc.
 - iv Media is the path through which encoded message is transmitted to receiver.
 - v Decoding is the process of converting encoded symbols of the sender.
 - vi Receiver is the person who receives communication of the sender.
 - vii Feedback includes all those actions of receiver indicating that he has received and understood message of the sender.
- (If an examinee has only listed the underlined points, ½ mark for each point should be awarded)*

(½ mark for identifying + ½ mark for statement)

Particulars	Amrit Ltd.	Nimrit Ltd.
Capital employed	₹80 lakhs	₹80 lakhs
Equity share capital	₹40 lakhs (40,000 shares @ ₹100 each)	₹80 lakhs (80,000 shares @ ₹100 each)
6% Debt	₹40 lakhs	-----
ROI	10%	10%
Earnings Before Interest and Tax (EBIT)	₹8,00,000	₹8,00,000
Less: Interest on debt (6%)	₹2,40,000	-----
Earnings Before Tax (EBT)	₹5,60,000	₹8,00,000
Less: Tax @50%	₹2,80,000	₹4,00,000
Earnings After Tax (EAT)	₹2,80,000	₹4,00,000
Earning Per Share (EPS) = EAT/Number of equity shares	₹7 per share (2,80,000/40,000)	₹5 per share (4,00,000/80,000)

1 ½ marks

+

(½ for the name of the company + 1 mark for reason) = 1 ½

= 3 marks

- 25 (a) The step of the planning process highlighted in the above case is '**Developing**'

1 mark

	premises’. (b) Next three steps to be followed by ‘Mefco Ltd.’ after the step identified above are: - Identifying alternative courses of action, by discussing amongst the members of the organization. - Evaluating alternative courses of action by weighing pros and cons of each alternative in the light of the objectives to be achieved. - Selecting an alternative which is most feasible, profitable and with least negative consequences. (If an examinee has only listed the underlined points, ½ mark for each point should be awarded)	+ 1x3=3 = 4 marks
26	Steps of the staffing process discussed in the above case are: (a). Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs in the organisation in order to create a pool of the prospective job candidates. (b). Selection is the process of choosing the most suitable candidate from the pool of prospective candidates, in order to ensure that the organisation gets the best among available candidates. (c). Placement and Orientation refer to employee occupying the post for which he has been selected and introducing the selected employees to his seniors, subordinates and colleagues as well as familiarising him with the rules and policies of the organisation. (d). Performance appraisal involves evaluation of an employee’s current/past performance as against certain predetermined standards and providing feedback. (If an examinee has given only the headings, ½ mark for each heading should be awarded)	1x4 = 4 marks
27	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. Employee Recognition: - It means acknowledging and appreciating the work performed by the employees by congratulating them, giving them awards - When such appreciation is given to the work performed by employees, they feel motivated to perform/work at higher level. • OR Psychological barriers to effective communication (Any two with suitable explanation): - Premature evaluation - Lack of attention - Loss by transmission and poor retention - Distrust (If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)	2+2=4 (½ mark for naming the barrier and 1 ½ marks for explanation) 2 x 2 = 4 marks
28	Features of ‘Motivation’ as an element of Directing are: - Motivation is an internal feeling as the urge, drives, desires, aspirations, striving or needs of human being influence human behaviour. - Motivation produces goal directed behaviour, with the objective of improving employees’ performance.	1x4=4 marks

	iii Motivation can be either positive like increase in pay, promotion, recognition etc. or negative like punishment, stopping increments, threatening etc. iv Motivation is a complex process as any type of motivation may not have uniform effect on all the members because they are heterogeneous in their expectations, beliefs. OR Importance of Directing function (Any four) (i) Directing helps to initiate action by people in the organisation towards attainment of desired objectives by guiding the people and clarifying the doubts in performing a task. (ii) Directing integrates employees' efforts in the organisation in such a way that every individual effort contributes to the organisational performance. (iii) Directing guides employees to fully realise their potential and capabilities by motivating and providing effective leadership. (iv) Directing facilitates introduction of needed changes in the organisation by reducing resistance to change through motivation, communication and leadership. (v) Effective directing helps to bring stability and balance in the organisation by fostering cooperation and commitment among the people. v (If an examinee has only listed the underlined points, ½ mark for each point should be awarded)													
29	(a). Reliable Appliances used 'Production' marketing management philosophy and Modern Appliances used 'Product' marketing management philosophy. (b). <table border="1"> <thead> <tr> <th>Bases</th><th>Production philosophy</th><th>Product philosophy</th></tr> </thead> <tbody> <tr> <td>(i)Main focus</td><td>Its main focus is on quantity of product.</td><td>Its main focus is on quality, performance and features of product.</td></tr> <tr> <td>(ii)Means</td><td>According to this philosophy, products are to be made available at an affordable price.</td><td>According to this philosophy, product improvements are key to success.</td></tr> <tr> <td>(iii)Ends</td><td>Its objective is to earn profit through volume of production.</td><td>Its objective is to earn profit through product quality.</td></tr> </tbody> </table>	Bases	Production philosophy	Product philosophy	(i)Main focus	Its main focus is on quantity of product.	Its main focus is on quality, performance and features of product.	(ii)Means	According to this philosophy, products are to be made available at an affordable price.	According to this philosophy, product improvements are key to success.	(iii)Ends	Its objective is to earn profit through volume of production.	Its objective is to earn profit through product quality.	½ + ½ = 1 mark + 1x3
Bases	Production philosophy	Product philosophy												
(i)Main focus	Its main focus is on quantity of product.	Its main focus is on quality, performance and features of product.												
(ii)Means	According to this philosophy, products are to be made available at an affordable price.	According to this philosophy, product improvements are key to success.												
(iii)Ends	Its objective is to earn profit through volume of production.	Its objective is to earn profit through product quality.												
30	Objectives of management highlighted in the above case are: (a) Organisational objectives: The main objective of any organization should be to utilize human and material resources to the maximum possible advantage to fulfil the economic objectives of a business. These are: Survival, Profit and Growth. i In order to survive, an organisation must earn enough revenues to cover costs. ii Profit provides vital incentive and is essential for covering costs and risks of the business. iii A business needs to add to its prospects in the long run, hence management must exploit fully the growth potential of the organisation to remain in the industry. (b). Social objectives involve consistently creating economic value for various constituents of society by using environmental friendly methods of production, providing employment opportunities, etc. (If an examinee has only listed the points, ½ mark for each point should be awarded)	1½ + 1 ½ + 1 =4 marks												
31	Principles of Scientific Management:	2 + 2 +2=												

	i Science, not Rule of Thumb: •It states that there is only one best method to maximise efficiency, which can be developed through work study and analysis. This best method should substitute 'Rule of Thumb' throughout the organisation. •Scientific method involves unifying the best practices and developing a standard method to be followed throughout the organisation. i Harmony, not Discord: •This principle emphasises that there should be complete harmony between the management and the workers. Both should realise that each one is important. There should be complete mental revolution on the part of both management and workers and both should transform their thinking. •Management should share the gains of the company, if any, with the workers. At the same time, workers should work hard and be willing to embrace change for the good of the company. i Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity: ii It states that each person should be scientifically selected and assigned work to suit their physical, mental and intellectual capabilities. To increase efficiency of the workers, they should be trained to learn the best method developed through scientific study. iii Efficient employees would produce more and earn more. This will ensure greatest efficiency and prosperity for both the company and the workers. OR Ans. Features of principles of management: i Universal applicability: ii The principles of management are intended to apply to all types of organisations, business as well as non-business, small as well as large, etc. iii However, the extent of their applicability would vary with the nature of the organisation, business activity, scale of operations, etc. i Cause and effect relationships: • The principles of management are intended to establish relationship between cause and effect so that they can be used in similar situations in a large number of cases. ii • The principles of management are less than perfect since they mainly apply to human behaviour and in real life, situations are not identical, so accurate cause and effect relationships may be difficult to establish. i General guidelines: • The principles are guidelines to action but do not provide readymade solutions to all managerial problems. ii • This is so because real business situations are very complex and dynamic and are a result of many factors.	6
32	Ans. (a) TnG should choose divisional structure after it decided to diversify. This organisational structure comprises of separate business units or divisions, each unit having a divisional manager responsible for its performance. <i>(If an examinee has only identified the organisational structure and not explained it, ½ mark should be awarded)</i> Reason: Divisional structure is suitable when an organisation grows and starts manufacturing a large variety of products using different productive resources. (b) Advantages of divisional structure to the organization: i Divisional heads are accountable for profits, as revenues and costs related to different departments can be easily identified and assigned to them, which	1+1+2+2=6

	helps the organization in fixation of responsibility. i 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. Advantages of divisional structure to the heads of different departments: i Product specialisation helps in the development of varied skills in a divisional head and prepares him for higher i Each division functions as an autonomous unit which helps the divisional head in faster decision making as well as promotes flexibility and initiative. <i>(If an examinee has only listed the underlined points, ½ mark for each point should be awarded)</i>	
33	Factors affecting requirements of working capital of a company : Nature of business: A trading organisation usually needs a smaller amount of working capital as compared to a manufacturing organisation because there is usually no processing. Service industries which usually do not have to maintain inventory require less working capital. Inflation: With rising prices, larger amounts are required even to maintain a constant volume of production and sales. The working capital requirement of a business becomes higher with higher rate of inflation. Seasonal factors: In peak season, because of higher level of activity, larger amount of working capital is required by the business. As against this, the level of activity as well as the requirement for working capital will be lower during the Growth prospects: If the growth potential of a concern is higher, it will require larger amount of working capital. This is to enable it to meet higher production and sales target whenever required OR Stability of dividend: Companies generally follow a policy of stabilising dividend per share. The increase in dividends is generally made when there is confidence that their earning potential has gone up and not just the earnings of the current year. Shareholders' preference: If the shareholders desire that at least a certain amount is paid as dividend, in general the companies are likely to declare the same. There are always some shareholders who depend upon a regular income from their investments. Access to capital market: Large and reputed companies depend less on retained earnings to finance their growth as they have easy access to the capital market. Such companies pay higher dividends than the smaller companies which have relatively low access to the market. Legal constraints: Certain provisions of the Companies Act place restrictions on payouts as dividend. Such provisions must be adhered to while declaring the dividend.	1 ½ X 4= 6

34	Elements of Marketing Mix – Product Mix Quote: <i>“The company offers customized exclusive services to ultra wealthy clients such as making restaurant reservations, booking private jets, arranging tickets for shows, etc.”</i> Product means goods or services or ‘anything of value’, which is offered to the market for sale. It relates to decisions regarding planning, designing and developing the right type of products and services for the consumers. It includes branding, labelling and packaging. Price/Price mix: Quote: <i>“Ramneek Bros. charges premium prices for their services reflecting the exclusive and top quality offerings they provide.”</i> Price is the amount of money customers have to pay to obtain the product. It involves decisions regarding the basic price of the product, discount to customers, traders, credit terms etc. Place/Physical Distribution mix: Quote: <i>“The company also provides a mobile app allowing their clients to access and request for services from anywhere in the world.”</i> Place or Physical Distribution include activities that make firm’s products available to the target customers. It includes decisions like selection of dealers or intermediaries (channels of distribution), providing support to the intermediaries, managing inventory, storage and warehousing and transportation of goods from the place it is produced to the place it is required by the buyers Promotion/Promotion mix: Quote: <i>“...Ramneek Bros. advertises in high class magazines and depends upon word of mouth recommendations from existing clients.”</i> Promotion refers to communicating availability, features, merits, etc. of the products and services to the target customers and persuading them to buy it. It uses a combination of promotional tools such as advertising, personal selling and sales promotion techniques.	(½ mark for identifying the element + ½ mark for quoting + 1 mark for explanation =2 marks)
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रोल नं.

Roll No.

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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.

नोट	NOTE
(I) कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ 23 हैं।	(I) Please check that this question paper contains 23 printed pages.
(II) कृपया जाँच कर लें कि इस प्रश्न-पत्र में 34 प्रश्न हैं।	(II) Please check that this question paper contains 34 questions.
(III) प्रश्न-पत्र में दाहिने हाथ की ओर दिए गए प्रश्न-पत्र कोड को परीक्षार्थी उत्तर-पुस्तिका के मुख-पृष्ठ पर लिखें।	(III) 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.
(IV) कृपया प्रश्न का उत्तर लिखना शुरू करने से पहले, उत्तर-पुस्तिका में यथा स्थान पर प्रश्न का क्रमांक अवश्य लिखें।	(IV) 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।	(V) 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

Time allowed : 3 hours

अधिकतम अंक : 80

Maximum Marks : 80

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.

1. The risk related to inability to meet fixed financial charges like interest payment and other repayment obligations is known as : 1
(A) Operating risk (B) Financial risk
(C) Business risk (D) None of the above

2. Bimal Rai is working in Funny Bunny Ltd. The company manufactures games and toys for children. The basic task of Bimal Rai is to integrate diverse elements and coordinate the activities of different departments. He also analyses the business environment and its implications for the survival of the firm. The level of management at which Bimal Rai is working is : 1
(A) Top level (B) Middle level
(C) Operational level (D) Both Middle and Operational level

3. Salim and Karim are good friends. They started a business of selling high quality seeds for growing organic vegetables. They are offering 200 varieties of vegetable seeds suitable for terrace gardens, balconies and backyards. Due to the growing trend towards healthy consumption habits, there is a huge demand for their seeds. The dimension of business environment being discussed above is : 1
(A) Economic Environment (B) Political Environment
(C) Social Environment (D) Legal Environment

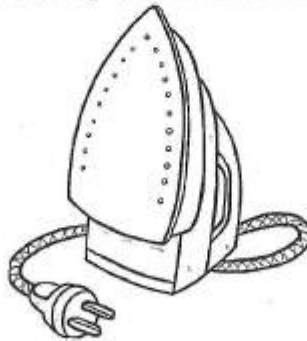
66/1/1

3

[P.T.O.]



4. 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 1
- (A) Product Designing and Development
(B) Marketing Planning
(C) Customer Support Services
(D) Branding
5. Which of the following statement is correct with respect to 'Exchange Mechanism', a feature of Marketing ? 1
- (A) For an exchange it is necessary that there should be involvement of atleast three parties.
(B) The parties do not have the freedom to reject other parties offer.
(C) The acceptance of the offer for each party has to take place on the basis of compulsion.
(D) For an exchange it is necessary that each party should be capable of offering something of value to the other.
6. One of the responsibilities of an aware consumer is to buy only standardised goods as they provide quality assurance. Identify the quality certification mark to be seen by a consumer in the picture given below : 1



- (A) ISI Mark (B) Agmark
(C) Hallmark (D) FPO/FSSAI Mark

For Visually Impaired Candidates :

Madhu wants to buy Jewellery for her daughter's marriage. Which of the following quality certification mark should she look for while buying Jewellery :

- (A) FPO/FSSAI Mark (B) ISI Mark
(C) Hallmark (D) Eco-mark

66/1/1

5

[P.T.O.]

13. **Statement – I** : Motivation is a complex process as individuals are heterogeneous in their expectations, perceptions and reactions.

Statement – II : Motivation can be either positive or negative.

Choose the correct option from the following :

1

- (A) Statement I is true and Statement II is false.
- (B) Statement II is true and Statement I is false.
- (C) Both Statement I and Statement II are true.
- (D) Both Statement I and Statement II are false.

14. Alfa Graphics Ltd. was a reputed Indian company which had been in business for many years. The Chief Executive Officer of the company, Rohit Gupta always believed in understanding the business environment as well as responding and adapting to it.

When he found that a foreign multinational company, Leno Graphics, is entering the Indian market with new substitutes, he prepared to meet this threat by reducing cost and creating good quality and aesthetically appealing layouts, advertisements, logos etc. As a result, Alfa Graphics Ltd. was not only able to retain its own customers, but also started getting new projects.

The point of importance of Business Environment discussed above is :

1

- (A) Tapping useful resources.
- (B) Identifying threats and early warning signals
- (C) Improving performance
- (D) Identifying opportunities and getting first mover advantage.

15. Organising provides a clear description of jobs and related duties. This helps to avoid confusion and duplication.

The point of importance of organizing described above is :

1

- (A) Adaptation to change
- (B) Effective administration
- (C) Development of personnel
- (D) Expansion and growth

66/1/1

11

[P.T.O.]



16. **Statement – I** : Regulation of takeover bids by companies is one of the Regulatory functions of Securities and Exchange Board of India.

Statement – II : Training of intermediaries of securities market is one of the Development functions of Securities and Exchange Board of India.

Choose the correct option from the following :

1

- (A) Statement I is correct and Statement II is incorrect.
(B) Statement II is correct and Statement I is incorrect.
(C) Both Statement I and Statement II are correct.
(D) Both Statement I and Statement II are incorrect.

17. 'High inflation rates generally result in constraints on business enterprises as they increase the various costs of business such as the purchase of raw materials and payment of wages and salaries to employees etc.' The dimension of business environment referred to above is :

1

- (A) Political Environment (B) Technological Environment
(C) Social Environment (D) Economic Environment

18. Match the concepts of marketing in Column – I with their respective explanations in Column – II :

1

Column – I	Column – II
(a) Product concept	(i) Its main focus is on quality, performance and feature of the product.
(b) Selling concept	(ii) Its main focus is on satisfaction of customer needs.
(c) Marketing concept	(iii) Its main focus is on aggressively persuading buyer to purchase the existing product.
(d) Societal concept	(iv) Its main focus is on satisfaction of customer needs and society's well-being.

Choose the correct options from the following :

- (a) (b) (c) (d)
(A) (iv) (iii) (ii) (i)
(B) (iii) (ii) (i) (iv)
(C) (ii) (i) (iii) (iv)
(D) (i) (iii) (ii) (iv)

66/1/1

13

[P.T.O.]



19. Sadhna, a graduate of a reputed institute of management, is a successful manager. She applies her acquired knowledge in a personalised and skillful manner in difficult situations at work. She uses her imagination and creativity in handling these situations.

The aspect of the nature of management highlighted in the above case is : 1

- (A) Management as an Art
- (B) Management as a Science
- (C) Management as a Profession
- (D) Management both as a Science and as a Profession

20. 'The principles of management can be modified by the managers when the situation so demands.' This highlights which of the following feature of principles of management : 1

- (A) General guidelines
- (B) Flexible
- (C) Contingent
- (D) Mainly behavioural

21. P. Madhav is the production manager of 'Trendy Style Pvt. Ltd.', a firm manufacturing office furniture. His objective is to increase production by 20% in the next one year. But the Sales Manager, R. Shetty does not approve of the increase in production, till changes are brought about in the quality of wood, locks, handles etc. to incorporate latest trends. This kind of conflict brings to light an important concept of management that can help to link the activities of various departments. 3

- (i) Identify and explain the concept discussed above.
- (ii) State any two points of importance of the concept identified in (i) above.

66/1/1

15

[P.T.O.]



22. (a) Give meaning of 'Communication'. State first two elements in the process of communication. 3

OR

- (b) State any three 'Organisational barriers' to Communication. 3
23. Madhwan was appointed as a Human Resource Manager in 'Health Grow Ltd.' six months back. As a Human Resource Manager, he has to perform many specialised activities and duties like analyzing jobs by collecting information about jobs and prepare job descriptions, training and development of employees etc.
- State three other specialized activities that Madhwan must perform in addition to the above as a Human Resource Manager of Health Grow Ltd. 3

24. (a) State any three points of importance of Financial Planning. 3

OR

- (b) State any three factors that affect the fixed capital requirements of a company. 3
25. (a) State any four points of importance of 'Directing' function of Management. 4
- OR**
- (b) State any four limitations of internal sources of recruitment. 4

26. (a) Explain the following external sources of recruitment : 4
- (i) Direct Recruitment
 - (ii) Casual Callers

OR

- (b) Explain the following non-financial incentives which motivate employees for higher performance : 4
- (i) Employee participation
 - (ii) Organisational climate



27. Abha had guests at home. She ordered vegetable, biryani from 'Biryani House'. The biryani came in a beautiful packaging and Abha opened it with lot of excitement. However, when she started serving biryani to the guests, she realised that it was non-vegetarian. She checked the package and noticed that there was no indication whether it was a vegetarian or non-vegetarian biryani. She contacted 'Biryani House' for the same. The manager at 'Biryani House' apologized and immediately sent a vegetarian biryani along with complimentary sweet dish.

Identify and explain the two consumer rights discussed in the above case. 4

28. 'Tech Work' an Artificial Intelligence (AI) startup started in 2024. It was earning good profits. It wanted to expand its business and for its research and development, it required ₹ 100 crores.

The Chief Executive Officer of 'Tech Work' consulted the Finance Manager who suggested that there is a market which facilitates transfer of investible funds from savers to entrepreneurs seeking to establish new enterprises or expand existing ones through the issue of securities.

The management of 'Tech Work' decided to raise funds from the investors by issuing equity shares @ ₹ 200 per share for the first time.

- (i) Name the type of capital market through which 'Tech Work' decided to raise funds for its expansion.
- (ii) State three features of the market identified in (i) above.

4

29. Ganesh Jain is the Marketing Manager at 'KL Foods Ltd'. He has a team of four employees working under him – Kavya, Ritesh, Pooja and Madhav. Kavya and Ritesh are temporary employees while Pooja and Madhav's job is permanent. All four of them have been working hard and consistently met all targets. Ganesh Jain wanted to reward them for their good performance. He understood that in all human beings, there exists a hierarchy of needs. So, he identified the need level of each of the employees to provide motivation to them.

Kavya and Ritesh were made permanent in the job with a good pension plan while Pooja and Madhav were given an autonomy status.

- (i) Identify and state the need of employees recognized by Ganesh Jain in the above case.
- (ii) State any two assumptions on which Maslow's Need Hierarchy Theory is based on.

4



30. VK Ltd. is a fast moving consumer goods company. It has shareholders spread all over India. Most of its shareholders depend upon a regular income from their investment.

VK Ltd. has been earning consistent profits. The management of the company keeps in mind the preference of the shareholders regarding payment of dividend. Since its shareholders, in general, desire that atleast a certain amount is paid as dividend to them every year, the company declares dividend every year.

Atul, the Finance Manager of the company identified promising growth opportunities. He suggested to the Chief Executive Officer to retain the earnings to finance the required investments instead of declaring dividend every year. For this, the Chief Executive Officer decided to call a General Body Meeting of the shareholders.

- (i) Identify two factors affecting dividend decision discussed above.
- (ii) State two other factors that affect the dividend decision of a company.

4

31. (a) Explain the following principles of General Management :

6

- (i) Scalar chain
- (ii) Equity
- (iii) Initiative

OR

- (b) 'Objectives of Management can be classified into organisational, social and personal objectives.' Explain these objectives.

6

32. (a) Explain the following points of importance of 'Planning' function of management :

6

- (i) Planning provides directions.
- (ii) Planning promotes innovative ideas.
- (iii) Planning reduces the risk of uncertainty.

OR

- (b) Explain 'Objectives', 'Rule' and 'Budget' as types of plans.

6

66/1/1

21

[P.T.O.]



33. DG Ltd., an E-plane car company has developed a revolutionary flying car for passenger mobility. This hybrid flying car can accommodate upto two persons and features innovative wing like doors for comfortable entry. The seats are designed for utmost comfort, crafted from high quality materials.

The distinguishing feature of this flying car is that its production will be in India and it will utilise biofuel alongside electricity, ensuring a sustainable mode of transportation.

DG Ltd. has obtained the first testing approval for its category. Priced at ₹ 2.5 crores, the company has to take decisions in respect of discounts to customers, credit terms etc., so that the customers perceive the price to be in line with the value of the product.

To make the flying car available to the target customers, DG Ltd. is in the process of selecting dealers or intermediaries to reach the customers, providing support to the intermediaries etc.

To communicate the availability, features, merits etc. of the product to the target customers and persuade them to buy the flying car. DG Ltd. decided to go in for digital marketing campaigns, press releases and demos conducted by influencers and journalists.

The above case describes the combination of elements used by DG Ltd. to prepare its market offering.

Quoting lines from the above para, identify and explain the elements.

6

34. 'Royal Glaze Ltd.' continues to maintain its position as one of the largest consumer goods companies in the world. Its organisational structure is designed to facilitate the achievement of its objectives in alignment with its vision statement. The company maintains two distinct product divisions in its organisational structure – 'Foods' and 'Home Care'.

Looking ahead, the company is focusing on embracing changes so that it can continue to be the market leader. As part of its expansion plans, it is planning to venture into the electronics segment in the near future.

- (i) Identify the organisational structure of 'Royal Glaze Ltd'.
- (ii) Draw the organisational structure chart of 'Royal Glaze Ltd.' considering its future plans to enter into Electronics segment.
- (iii) State any three advantages of the type of organisational structure drawn in (ii) above.

6

Senior Secondary School Certificate Examination

March -----2025

Marking Scheme---Business Studies 66/1/1

1	B	2	A	3	C	4	C	5	D
6	A	7	D	8	D	9	C	10	A
11	D	12	D	13	C	14	B	15	B
16	C	17	D	18	D	19	A	20	B

21.	Ans. (i) Coordination Co-ordination is the process by which a manager synchronises the activities of different departments towards the achievement of a common goal. (or any other correct meaning) <u>Importance of co-ordination: (Any two)</u> (i) With the growth in size and the number of people employed by the organisation increases, coordination is needed to integrate their efforts and activities and to harmonize individual goals and organisational goals. (ii) Functional differentiation in an organisation leads to creation of departments, divisions and sections like finance, production etc. and coordination helps in linking the activities of various departments. Modern organisations have high degree of specialisation where specialists usually think that they only are qualified to evaluate, judge and decide and do not take advice from others leading to conflict. Coordination helps in reconciling their differences. (If an examinee has given only the headings, ½ mark for each heading should be awarded)	(½ mark for identifying + ½ mark for meaning) + (1 x 2) = 3
22.	Ans. <u>Meaning of 'Communication'</u> Communication is the process of exchange of ideas, views, facts, feelings, etc., between or among people to create common understanding. (or any other correct meaning) <u>First two elements in the process of communication are:</u> (i) <u>Sender</u>: The person who conveys his thoughts or ideas to the receiver. (ii) <u>Message</u>: It is the content of ideas, feelings, suggestions, order etc. intended to be communicated. (If an examinee has only given the name of the two elements, ½ mark for each correct element is to be awarded) OR Ans. <u>Organisational barriers to communication</u>: (Any three) (i) <u>Rigid Rules and regulations</u> may delay communication. (ii) <u>Status</u> of the superior may not allow his subordinates to express their feelings freely.	1+2=3 1x3=3

	(iii) <u>Complexity in organization structure</u> leads to delayed and distorted communication. (iv) <u>Lack of organizational facilities</u> like frequent meetings, suggestion box etc. may discourage free flow of communication. (If an examinee has given only the heading, ½ mark for each correct heading should be awarded)	
23.	Ans. Other specialized activities that Madhwan must perform in addition to the above as a Human Resource Manager of Health Grow Ltd. are: (Any three) (i) Recruitment, i.e., search for qualified people. (ii) Developing compensation and incentive plans. (iii) Maintaining labour relations and union management relations. (iv) Handling grievances and complaints. (v) Providing for social security and welfare of employees. (vi) Defending the company in law suits and avoiding legal complications.	1x3=3
24.	Ans. Importance of Financial Planning (any three): (i) It helps in <u>forecasting</u> what may happen in future under different situations and face the eventual situation in a better way. (ii) It helps in <u>avoiding business shocks</u> and surprises and helps the company in preparing for the future. (iii) It helps in <u>co-ordinating various business functions</u>, like sales and production functions, by providing clear policies and procedures. (iv) It helps to <u>reduce waste</u>, duplication of efforts and gaps in planning. (v) It tries to <u>link the present with the future</u>. (vi) It provides <u>a link between investment and financing decisions</u> on a continuous basis. (vii) It makes the <u>evaluation</u> of actual performance easier by spelling out detailed objectives for various business segments. (If an examinee has only listed the points, ½ mark for each point should be awarded) OR Ans. Factors affecting Requirement of Fixed Capital (Any three): (i) <u>Nature of business</u> affects the fixed capital requirement as a trading concern needs lower investment in fixed assets compared with a manufacturing organisation. (ii) <u>Scale of operation</u> affects the fixed capital requirement as a large organisation operating at a higher scale needs higher investment in fixed assets as compared to a small organisation. (iii) <u>The choice of technique</u> affects the fixed capital requirement as a capital intensive organisation requires higher investment in plant and machinery, whereas a labour intensive organisation requires less investment in fixed assets. (iv) Industries requiring <u>technology upgradation</u> need a higher investment in fixed assets as their assets become obsolete sooner and need to be replaced faster. (v) Higher <u>growth</u> of an organisation generally requires higher investment in fixed assets, consequently larger fixed capital. (vi) With <u>diversification</u>, fixed capital requirement increases as more investment is to be made in fixed assets. (vii) <u>Financing alternatives</u> affect the requirement of fixed capital as availability of leasing facilities may reduce the funds required to be invested in fixed assets as compared to buying an asset. (viii) <u>Collaboration</u> reduces the level of investment in fixed assets as organisations share each other's facilities. (If given only the heading, ½ mark for each heading should be awarded)	1x3=3

25.	Ans. Importance of Directing function (Any four): (i) Directing <u>helps to initiate action</u> by people in the organization towards attainment of desired objectives by guiding the people and clarifying the doubts in performing a task. (ii) Directing <u>integrates employees' efforts</u> in the organization in such a way that every individual effort contributes to the organizational performance. (iii) Directing <u>guides employees to fully realize their potential</u> and capabilities by motivating and providing effective leadership. (iv) Directing <u>facilitates introduction of needed</u> changes in the organization through effective motivation, communication and leadership. (v) Directing <u>helps to bring stability and balance</u> in the organization by fostering co-operation and commitment among the people. (If an examinee has only listed the points, ½ mark for each point should be awarded) OR Ans. Limitations of internal sources of recruitment: (Any four) (i) When vacancies are filled through internal promotions, the <u>scope for induction of fresh talent is reduced</u>. (ii) The employees may become <u>lethargic</u> if they are sure of timebound promotions. (iii) A new enterprise cannot use internal sources of recruitment and <u>no organisation can fill all its vacancies from internal sources</u>. (iv) The <u>spirit of competition</u> among the employees may be <u>hampered</u>. (v) <u>Frequent transfers</u> of employees may often reduce the productivity of the organisation. (If an examinee has only listed the points, ½ mark for each point should be awarded)	1x4=4
26.	Ans. (i) Direct Recruitment ▪ It is a source of recruitment, in which, a notice is placed on the notice board of the enterprise specifying the details of the jobs available. ▪ Job-seekers (skilled or semi-skilled) assemble outside the premises of the organisation on the specified date and selection is done on the spot. (ii) Casual callers ▪ It is a source of recruitment in which the business organisations keep a database of unsolicited applications in their offices to be used as a valuable source of manpower. A list of such job seekers can be prepared and can be screened to fill the vacancies as they arise. OR Ans. (i) Employee Participation ▪ It refers to involving employees in decision-making of the issues related to them. Employee participation may be in the form of joint management committees, work committees, etc. (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.	2+2=4
27.	Ans. The two consumer rights discussed in the above case are: (a) <u>Right to be informed</u> ▪ The consumer has a right to have complete information about the product he intends	2+2=4

	to buy such as, ingredients, date of manufacture, price, quantity etc. It is because of this reason that the legal framework in India requires the manufacturers to provide such information on the package and label of the product. (b) Right to seek redressal ▪ The consumer has a right to get relief in case the product or service falls short of his expectations. ▪ The Consumer Protection Act provides relief to customers such as replacement of product, removal of defect in the product, compensation for any loss or injury suffered by the consumer. (If an examinee has explained 'Right to be Heard' instead of 'Right to seek redressal' with its correct explanation, full credit is to be given)	
28.	Ans. (i) Primary Market/ New Issue Market (ii) Features of the Primary market: (Any three) (a) There is sale of securities by new companies or further (new issues of securities by existing companies to investors). (b) Securities are sold by the company to the investor directly (or through an intermediary). (c) The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation. (d) Only buying of securities takes place in the primary market, securities cannot be sold there. (e) Prices are determined and decided by the management of the company. (f) There is no fixed geographical location. (If an examinee has only listed the points, ½ mark for each point should be awarded)	1+ 1x3=4
29.	Ans. (i) Needs of employees recognized by Ganesh Jain in the above case is: Need of Kavya and Ritesh- Safety and Security Needs These needs provide security and protection from physical and emotional harm. Need of Pooja and Madhav- Esteem Needs These needs refer to the need for self-respect, autonomy status, recognition and attention. (ii) Assumptions on which Maslow's Need Hierarchy Theory is based on: (Any two) (a) People's behaviour is based on their needs. Satisfaction of such needs influences their behaviour. (b) People's needs are in hierarchical order, starting from basic needs to other higher level needs. (c) A satisfied need can no longer motivate a person; only next higher level need can motivate him. (d) A person moves to the next higher level of the hierarchy only when the lower need is satisfied.	(½ mark for identifying the need + ½ mark for stating the need) x2 1 x 2 = 2+2 = 4 marks
30.	Ans. (i) Two factors affecting dividend decision discussed above are: ▪ Shareholders' Preference ▪ Growth Opportunities (ii) Other factors that affect the dividend decision of a company are: (Any two) (i) <u>Amount of Earnings</u> affect dividends as they are paid out of current and past earnings. (ii) <u>Stability of earnings</u> affects dividends as a company having stable earnings is in a better position to declare higher dividends as compared to a company with unstable earnings. (iii) <u>Stability of dividends</u> also affects dividend decision as companies generally follow a policy of stabilising dividend per share and the increase in dividend is	4(½ x 2) + (1½ x 2) = 1+3 = 4 marks

	generally made when the earning potential goes up. (iv) <u>Cash Flow position</u> affects the dividend decision as availability of enough cash in the company is necessary for declaration of dividend. (v) <u>Taxation policy</u> affects the tax treatment of dividend and capital gains as when tax on dividend is higher, it is better to pay less by way of dividends . (vi) As <u>stock markets react positively</u> to increase in dividend, it is an important factor considered by the management while taking a decision about it. (vii) Large and reputed companies generally have easy <u>access to the capital market</u>, and therefore, may depend less on retained earnings to finance their growth, and therefore, pay high dividends. (viii) Certain <u>legal constraints</u> like provisions of the Companies Act place restrictions on payouts as dividends, which must be adhered to while declaring the dividend. (ix) <u>Contractual constraints</u> affect the dividend decision as companies are required to ensure that the dividend does not violate the terms of the loan agreement. (If an examinee has given only the heading, ½ mark for each heading should be awarded)	
31.	Ans. (i) Scalar Chain ▪ The formal lines of authority from highest to lowest ranks are known as Scalar chain. Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates. This chain should not be violated in the normal course of formal communication. However, in case of any emergency, a shorter route named gang plank may be used to avoid delay in communication. (ii) Equity ▪ The principle of Equity states that there should be no discrimination against anyone on account of gender, religion, language, caste, belief, nationality etc. ▪ This principle emphasises kindness and justice in the behaviour of managers towards the workers to ensure loyalty and devotion. (iii) Initiative ▪ Initiative means taking the first step with self motivation. Principle of initiative states that the workers should be encouraged to develop and carry out their plans for improvements. ▪ A good company should have an employee suggestion system whereby initiative/ suggestions which result in substantial reduction in cost/ time should be rewarded but it does not mean going against the established practices of the company. (or any other suitable explanation) OR Ans. Management seeks to achieve various objectives. These are: (i) Organisational objectives The main objective of any organization should be to utilize human and material resources to the maximum possible advantage to fulfill the economic objectives of a business. These are: (a) <u>Survival</u>- For the survival of the business, management must strive to earn enough revenues to cover costs. (b) <u>Profit</u>- Mere survival is not enough, so the management has to ensure that organisation earns a profit which is essential for covering cost and risk of the business. (c) <u>Growth</u>- A business needs to add to its prospects in the long run, hence management must exploit fully the growth potential of the organization to remain in the industry.	2+2+2=6

	(ii) Social objectives It refers to consistently creating economic value for various constituents of society. This includes using environmental friendly methods of production, giving employment opportunities to the underprivileged sections of society and providing basic amenities like schools and healthcare etc. (iii) Personal objectives People working in the organisations have diverse needs like financial needs, social needs and higher level needs. Management aims to reconcile personal goals with organizational objectives for harmony in the organisation.	
32.	Ans. (i) Planning provides directions - Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction. - If goals are well defined, employees are aware of what the organisation has to do and what they must do to achieve those goals. (ii) Planning promotes innovative ideas - Planning promotes innovative ideas as new ideas can take the shape of concrete plans. - It is the most challenging activity for the management as it guides all future actions leading to growth and prosperity of the business. (iii) Planning reduces the risk of uncertainty - Planning is an activity which enables a manager to look ahead and anticipate changes. - By deciding in advance the tasks to be performed, planning shows the way to deal with changes and uncertain events. Changes or events cannot be eliminated but they can be anticipated and managerial responses to them can be developed. OR (b) Objectives - Objectives are the ends, which the management seeks to achieve. They are usually set by top management of the organisation and focus on broad, general issues. Objectives need to be expressed in specific terms i.e. they should be measurable in quantitative terms and are to be achieved within a given time period. <u>Rule</u> - Rule is a specific statement that informs what is to be done and not to be done. It does not allow for any flexibility or discretion. - It reflects a managerial decision that a certain action must or must not be taken. <u>Budget</u> - A budget is a statement of expected results expressed in numerical terms. It is a plan which quantifies future facts and figures. - Since budget represents all items in numbers, it becomes easier to compare actual figures with expected figures and take corrective action. (Or any other correct explanation)	2+2+2=6
33.	Ans. Combination of elements used by DG Ltd. to prepare its market offering are: (i) Product/ Product Mix <i>"This hybrid flying car can accommodate upto two persons and features innovative wing like doors for comfortable entry. The seats are designed for utmost comfort, crafted from high quality materials."</i> or <i>"The distinguishing feature of this flying car is that its production will be in India and it will utilise biofuel alongside electricity, ensuring a sustainable mode of</i>	Mark for naming each element + ½ mark

	transportation.” Product means goods or services or anything of value which is offered to the market for sale. It relates to decisions regarding planning, designing and developing the right type of products and services for the consumers. It includes branding, labelling and packaging. (ii) Price/ Price Mix <i>“Priced at 2.5 crores, the company has to take decisions in respect of discounts to customers, credit terms etc., so that the customers perceive the price to be in line with the value of the product”</i> Price is the amount of money customers have to pay to obtain the product. It involves decisions regarding the basic price of the product, discount to customers, traders, credit terms etc. (iii) Place/ Physical distribution <i>“To make the flying car available to the target customers, DG Ltd. is in the process of selecting dealers or intermediaries to reach the customers, providing support to the intermediaries etc.”</i> Place/ Physical distribution includes activities that make firm’s products available to the target customers. It includes decisions like selection of dealers or intermediaries (channels of distribution), providing support to the intermediaries, managing inventory, storage and warehousing and transportation of goods from the place it is produced to the place it is required by the buyers. (iv) Promotion/ Promotion Mix <i>“To communicate the availability, features, merits etc. of the product to the target customers and persuade them to buy the flying car. DG Ltd. decided to go in for digital marketing campaigns, press releases and demos conducted by influencers and journalists.”</i> Promotion refers to communicating availability, features, merits, etc. of the products and services to the target customers and persuading them to buy it. It uses a combination of promotional tools such as advertising, personal selling and sales promotion techniques.	for quoting + ½ mark for correct explanation) = (1½ x 4) = 6 marks
34.	Ans. (i) Divisional Structure (ii)  <pre> graph TD MD[Managing Director] --> Cosmetics MD --> Germicide MD --> Footwear MD --> Skin_care[Skin care] Germicide --> HR[Human Resources] Germicide --> Marketing Germicide --> RnD[Research and Development] Germicide --> Purchasing </pre> (or any other correct diagram) (ii) Advantages of divisional structure (Any three): (i) Product specialisation helps in the development of varied skills in a divisional head and this prepares him for higher positions. (ii) It helps in fixation of responsibility in case of poor performance of the division because the divisional heads are accountable for profits (iii) It promotes flexibility and initiative because each division functions as an autonomous unit which leads to faster decision making. (iv) 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 one has only listed the underlined points, ½ mark for each point should be awarded)	1 2 1x3=3 1+2+3=6

Series : Y2XWZ



SET ~ 1

प्रश्न-पत्र कोड
Q.P. Code

66/2/1



रोल नं.

Roll No.

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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.

नोट	NOTE
(I) कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ 31 हैं।	(I) Please check that this question paper contains 31 printed pages.
(II) कृपया जाँच कर लें कि इस प्रश्न-पत्र में 34 प्रश्न हैं।	(II) Please check that this question paper contains 34 questions.
(III) प्रश्न-पत्र में दाहिने हाथ की ओर दिए गए प्रश्न-पत्र कोड को परीक्षार्थी उत्तर-पुस्तिका के मुख-पृष्ठ पर लिखें।	(III) 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.
(IV) कृपया प्रश्न का उत्तर लिखना शुरू करने से पहले, उत्तर-पुस्तिका में यथा स्थान पर प्रश्न का क्रमांक अवश्य लिखें।	(IV) 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। ~	(V) 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

Time allowed : 3 hours

अधिकतम अंक : 80

Maximum Marks : 80

66/2/1

764-1



[P.T.O.]

[illegible]

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.

1. 'It is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.' Identify the process.
(A) Management (B) Organising
(C) Staffing (D) Directing
2. Kavi works as a Marketing Manager in stationery mart. It deals in various types of stationery items for many schools across the country. When new session starts in schools, Kavi forecasts the sales of different stationery products for each school for every month. All items are represented in numbers so that it becomes easier for him to compare the actual sales with expected sales.
The type of plan discussed above is :
(A) Strategy (B) Policy
(C) Programme (D) Budget
3. Given below are two statements, Assertion (A) and Reason (R) :
Assertion (A) : Directing facilitates introduction of needed changes in the organization.
Reason (R) : Directing increases resistance to changes in the organization.
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) Assertion (A) is true, but Reason (R) is false.
(C) Assertion (A) is false, but Reason (R) is true.
(D) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

3

[P.T.O.]



4. CVX Ltd. was a leading company, manufacturing home appliances like food processors, juicers and mixer grinders. The company was earning good profits and was paying high dividends to its shareholders consistently. The company now decided to manufacture soup-making machines, pop-up toasters and electric irons. The company wanted to enter into emerging markets out of India also. Entering these markets will require additional capital investment which will facilitate in production and distribution infrastructure etc. For this, the management decided to retain money out of their earnings to finance the required investment and distribute smaller dividend to the shareholders.
- The factor affecting dividend decision which was kept in mind by the management of CVX Ltd. for entering into emerging markets and launching new products was : 1
- (A) Amount of Earnings (B) Stability of Earnings
(C) Stability of Dividends (D) Growth Opportunities
5. Read the following statements carefully : 1
- Statement – I** : Staffing is that part of the process of management which is concerned with obtaining, utilizing and maintaining a satisfied and satisfactory workforce.
- Statement – II** : Staffing is a continuous process.
- In the light of 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, but Statement II is false.
(D) Statement II is true, but Statement I is false.
6. Choose the statement that correctly highlights the benefit of using internal sources of recruitment. 1
- (A) It helps in simplifying the process of selection.
(B) It provides wider choice while selecting the employees.
(C) It brings new blood in the organization.
(D) It is an expensive and time consuming source.

66/2/1

5

[P.T.O.]



7. Atul was working as an employee in a readymade garments factory. He was very sincere and dedicated and always completed his work in time. It pained him to see that his colleagues were reluctant to do the work even though they had the ability to do it.

Due to his good behaviour and willingness to work, he was promoted to the post of the supervisor of the same team in which he was a worker earlier. He understood very well that it was not always possible to get the best of work from employees merely by exercising formal authority. He had insights into the causes of behaviour of people. He knew how to get the work done by the workers in a desired manner to achieve the organizational objectives. Under his supervision even the workers who were reluctant to work started working efficiently and effectively.

From the following, identify the concept used by Atul, as a supervisor to get the work completed :

1

- (A) Leadership (B) Financial Incentives
(C) Motivation (D) Non-financial Incentives

8. 'Isha Sweets' was set by Isha Sharma to prepare and sell organic, vegan and healthy sweets alternatives like hazelnuts date ladoos, dry fruit date burfi, stuffed mejdool date etc. For the last many years, the demand for her products was very high as people these days prefer to buy healthier alternatives for consumption as well as gifting purposes. But this year suddenly, the cost of dates, dry fruits and other ingredients used for preparing these healthy sweets had increased. With rising prices of raw materials, larger amounts of funds were required to maintain a constant volume of production and sales. As a result, the working capital requirement of 'Isha Sweets' became higher.

The factor which led to an increase in the working capital requirements of 'Isha Sweets' was :

1

- (A) Availability of raw material (B) Inflation
(C) Scale of business (D) Production cycle

9. 'The process of organizing allows a business enterprise to accommodate changes in the business environment. It allows the organization structure to be suitably modified to pave the way for a smooth transition.'

The point of importance of organizing function of management highlighted in the above lines is :

1

- (A) Benefits of specialization
(B) Clarity in working relationships
(C) Optimum utilization of resources
(D) Adaptation to change

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7

[P.T.O.]



10. A buyer buys a product or service for what it does for him / her or the benefit it provides to him / her. There can be three type of benefits, a consumer may seek to satisfy from the purchase of a product : (i) Functional benefits, (ii) Social benefits and (iii) 1
- (A) Technological benefits (B) Economic benefits
(C) Psychological benefits (D) Environmental benefits
11. Nimesh was working as a Production Manager in H.L. Ltd., an electrical wire manufacturing company. One of the vendors who was supplying copper to H.L. Ltd. wanted to close down his business within 15 days as he had to go abroad to live with his son. The vendor was selling all his stocks at 60% discount. Nimesh wrote a letter to the General Manager to seek approval for procurement of this material. But due to rigid rules and cumbersome procedures there was delay in getting sanction and order could not be placed.
- The type of communication barrier that led to procedural delay was : 1
- (A) Semantic barrier (B) Psychological barrier
(C) Organizational barrier (D) Personal barrier
12. 'The right of an individual to command his subordinates and to take action within the scope of his position' is called : 1
- (A) Decentralization (B) Authority
(C) Responsibility (D) Accountability
13. As per the Consumer Protection Act, 2019 which of the following statement is correct ? 1
- (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.



14. Identify the dimension of business environment illustrated by the given picture :

1



- (A) Social (B) Political
(C) Technological (D) Economic

For Visually Impaired Candidates :

Shifts in demand from steam locomotives to electric engines, from fountain pens to ball-point pens, from typewriters to computer based word processors highlights which of the following dimension of business environment ?

- (A) Economic (B) Technological
(C) Political (D) Social

66/2/1

11

[P.T.O.]



15. Given below are two statements, Assertion (A) and Reason (R) : 1

Assertion (A) : Planning involves looking ahead and preparing for the future.

Reason (R) : The purpose of planning is to meet future events effectively to the best advantage of an organization.

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, but Reason (R) is false.
(D) Assertion (A) is false, but Reason (R) is true.
16. Match the techniques of scientific management given in Column – I with their meaning given in Column – II : 1

Column – I	Column – II
(a) Method Study	(i) It refers to the study of movements like lifting, putting objects, sitting and changing positions etc. which are undertaken while doing a typical job.
(b) Motion Study	(ii) It determines the amount and frequency of rest intervals in completing a task.
(c) Time Study	(iii) It determines the standard time taken to perform a well defined job.
(d) Fatigue Study	(iv) It determines one best way of doing a job.

Choose the correct option from the options given below :

- (a) (b) (c) (d)
(A) (ii) (iii) (i) (iv)
(B) (i) (iv) (ii) (iii)
(C) (iv) (i) (iii) (ii)
(D) (iii) (ii) (iv) (i)

66/2/1

13

[P.T.O.]



17. Akshara runs a business in the name of 'AK Solutions' in a well reputed area of her city where people provide spaces to students as library, as study centres and as training and event centres to businesses. Akshara provides only conference halls to big and small enterprises for their meetings and events.

Suddenly, in July 2024, floods affected some libraries and study centres in her neighbouring area. The exams were fast approaching and students were facing a lot of problems as these study centres and libraries had to be closed.

Taking advantage of this opportunity and to help the students 'AK Solutions' adapted itself to the needs of the environment, they decided to convert some of their conference halls into libraries and study centres. They also decided to provide food and other facilities required by the students at subsidized rates. This initiative increased their business manifold and earned them significant goodwill.

The feature of management highlighted in the above case is : 1

- (A) Management is a continuous process.
- (B) Management is an intangible force.
- (C) Management is a dynamic function.
- (D) Management is a group activity.

18. 'Increase in the profit earned by the equity shareholders due to the presence of fixed financial charges like interest' is called : 1

- (A) Financial planning
- (B) Dividend decision
- (C) Financing decision
- (D) Trading on equity

66/2/1

15

[P.T.O.]



19. Read the following statements carefully :

1

Statement – I : The cost of debt is more than the cost of equity.

Statement – II : Lenders risk is lower than the equity shareholders risk.

In the light of 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, Statement II is false.
- (D) Statement I is false, Statement II is true.

20. 'To ensure that enough funds are available at right time to honour the commitments and to carry out the plans' is discussed in which of the following concepts ?

1

- (A) Capital Structure
- (B) Financial Leverage
- (C) Financial Planning
- (D) Investment Decision

21. (a) Explain the following functions of Stock Exchange :

3

- (i) Providing liquidity and marketability to existing securities
- (ii) Pricing of securities
- (iii) Safety of transaction

OR

(b) Differentiate between 'Primary Market' and 'Secondary Market' on the basis of any three points.

3

66/2/1

17

[P.T.O.]



22. Radhika started a business of supplying high class facial kits to beauty parlours in various cities of the country. Initially, the business was doing well and her products were popular. Despite the high quality of the products, Radhika faced difficulties in certain parlours, especially in Kagpur city, where her products failed to gain a strong market presence. 3

To understand the cause, she appointed a qualified marketing manager. The marketing manager discovered that there was no proper exchange of facts, ideas and views etc. between the incharge of Kagpur city and the employees at different parlours at Kagpur. Vicky, who was the incharge and responsible for overseeing all parlours in Kagpur, was unable to effectively foster a common understanding of the product among the employees. As a result, the employees did not grasp the key benefits and features of the high class facial kits. In turn, the employees were not able to convince potential clients about the product's value.

- (i) Identify the concept discussed in the above case.
 - (ii) The concept identified in (i) above can be defined as a process having various elements. State first five elements of this process.
23. (a) Give the meaning of 'Capital Market'. Differentiate between 'Capital Market' and 'Money Market' on the basis of : 3
- (i) Participants
 - (ii) Instruments

OR

- (b) State any three 'Regulatory functions' of Securities and Exchange Board of India. 3

66/2/1

19

[P.T.O.]

~



24. Aman, a young graduate was living away from home in another city. He had problems in cooking and heating food. He decided to purchase a microwave oven for the same. He went to the market, visited many shops and compared various microwave oven brands available in the market. He compared features, price, after-sale-service and customer reviews etc. to make an informed choice as per his needs. 3
- After selecting the oven, he checked that it should have an ISI mark. This gave him confidence about the safety, standards and quality of the oven. After reaching home he followed the manufacturer's instructions for safe installation and use of microwave oven. This helped him in avoiding any risk associated with the usage of microwave oven.
- By doing all this Aman kept in mind various responsibilities while purchasing and using the microwave oven. Still he left some of the responsibilities that were not fulfilled by him.
- State any three such responsibilities.
25. (a) Explain the following principles of management given by Fayol : 4
- (i) Division of work
 - (ii) Authority and Responsibility
- OR**
- (b) Explain the following points of significance of principles of management : 4
- (i) Providing managers with useful insights into reality.
 - (ii) Optimum utilization of resources and effective administration.
26. (a) Explain the following features of co-ordination : 4
- (i) Co-ordination integrates group efforts.
 - (ii) Co-ordination is the responsibility of all managers.
- OR**
- (b) Explain the following features of management : 4
- (i) Management is a goal-oriented process.
 - (ii) Management is a continuous process.



27. Nisha had given some old dresses of her own to her house-helper Beenu. After a few days, Nisha was happily surprised when she saw Beenu wearing one of the dresses beautifully refurbished. On enquiry, Beenu told Nisha that this was done by her daughter who had just completed her Class 12th studies. Beenu also told Nisha that she was a little concerned as her daughter did not want to study further. Nisha was very much impressed by the creativity of Beenu's daughter, so she decided to setup a small business for her. Nisha bought 15 sewing machines and appointed 15 girls to refurbish the old dresses. Nisha also arranged old dresses from various sources and employed a person who will sell these dresses at a very low cost for the one's who could not purchase new dresses due to their low income.

4

Nisha divided the girls in three equal groups, each having five sewing machines. Each group was given a target of refurbishing 150 old dresses in a fortnight with a cost of Rs. 30 per dress.

After a fortnight, Nisha who was supervising this business with Beenu was informed that Group I was able to meet the target by refurbishing 150 old dresses at a cost of Rs. 30 per dress. Group II was able to refurbish 150 old dresses at a cost of Rs. 35 per dress, whereas Group III could refurbish only 140 old dresses but at a cost of Rs. 27 per dress.

- (i) Identify the concepts of management discussed above for each of the three groups giving reason in support of your answer.
- (ii) Give meaning of the concepts identified in (i) above and state which one is important for the management and why ?



28. Prachi is working as an academic counsellor for specially abled students at one of the top school to provide special support and guidance to these students. She clearly states in advance the methods of teaching and tackling the students. She ensures that the goals are clearly stated for each and every teacher so that they act as a guide for deciding what action should be taken and in which direction. 4

Her well laid plans will serve as a basis for coordinating the activities and efforts of teachers teaching different subjects to these students. It helps the teachers in bringing clarity of thought and action to their work.

Identify and explain the two points of importance of 'Planning' function of management highlighted in the above para.

29. Going to gym and following a protein diet has become a popular trend these days. However, with the busy work culture, many people, especially the youth struggle to find time for weight loss programmes. 4

Anika was working in a multi-national company, wanted to join a gym for weight loss but could not find time. There is no good gym near her house. One day, Anika was walking out of the office during lunch time and saw an attractive poster of a gym which was near her house. Anika was curious to enquire about their weight loss programme. Next day, when she went to the gym, she was surprised to know about various schemes offered by the gym. They were not only offering 50% discount on the fee of weight loss programme, but were also providing free coach facility and free protein diet for the customer. But these offers were valid only for 10 days. Attracted by these schemes Anika immediately submitted the fee and joined the gym.

- (i) Identify and give the meaning of the element of marketing-mix discussed above.
- (ii) The element of marketing-mix identified in (i) above includes various tools of communication. Identify and explain the tools highlighted in the above para.



30. The demand for take away food business is increasing day-by-day. People working in multi-national companies have to work till night very often and they are reluctant to cook food. Taking advantage of this opportunity, Amit and Bijoy started 'Langar', a take away food business. The food became famous because of its good quality and standards of hygiene followed by them. 4

Over the years, the business became very profitable. They decided to expand the business by opening more branches in different cities. To ensure consistent food quality at all branches and to maintain the hygiene and quality they planned to import machines with advanced technology. The cost of each machine was Rs. 12 crores. They knew that this decision has to be taken very carefully, as it involves a huge cost and that the decision, once taken is irreversible.

- (i) Identify and state the financial decision discussed in the above para.
 - (ii) Explain any two factors affecting the decision identified in (i) above.
31. (a) Explain the following steps in the process of selection : 6
- (i) Preliminary Screening
 - (ii) Selection Tests
 - (iii) Employment Interview
 - (iv) Reference and Background Checks

OR

- (b) Explain the following non-financial incentives : 6
- (i) Status
 - (ii) Organisational climate
 - (iii) Job Enrichment
 - (iv) Employee participation

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27

[P.T.O.]



32. Asha was running a business of producing and selling pickles, murabbas and papad etc. She was earning a good profit for the last many years. Now, she wanted to add some new products in her product line. Seeing the growing demand of millets, she decided to add some millet products. After doing a lot of market research, she found out that the demand for millet noodles, pasta and ready to eat millet cereals was increasing day-by-day. To give a different taste and to have uniqueness in her products, she prepared a new tasty herb based sauce for cooking these products and decided to launch this along with millet products in the market.

6

For this Asha hired 10 additional women workers specially trained for the same. However, despite adding more workers, to her surprise, production was not upto the mark.

Concerned about this and to ensure that the activities were performed as per the plans, and that the resources were being used effectively and efficiently for the achievement of predetermined goals, Asha appointed a supervisor Nabita. Nabita monitored the activities and discovered that two of the newly hired workers were spending their whole day gossiping and distracting the other workers. As a result the production was low.

- (i) Identify and state the function of management discussed above.
- (ii) State any five points of importance of the function identified in (i) above.

33. (a) State any three advantages and any three limitations of formal organization.

6

OR

- (b) State any six advantages of functional structure of organization.

6



34. Ravi and Megha started 'Energylights' a company manufacturing energy-efficient LED lighting after realizing an increasing demand for the same. Manufacturing high-quality LED lights with some unique features required substantial investment in technology and high-grade materials. This pushed up their cost of manufacturing. To determine the price of their LED lights they not only wanted to cover all costs but also wanted to earn a margin of profit over and above the costs. This will set for them the minimum level or the floor price at which the LED lights would be sold. The high demand and the utility provided by these lights will set the upper limit of the price.

6

Though there was enough competition in LED lights business, even then they kept the price of their lights higher than the competitors because of good quality and its features. They justified the higher price because of the product differentiation and unique methods of advertising and sales promotion etc.

Quoting lines from the above para, identify and explain any three factors which were taken into consideration by Ravi and Megha to determine the price of their LED lights.

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Marking Scheme---Business Studies 66/2/1

1	A	2	D	3	B	4	D	5	A
6	A	7	C	8	B	9	D	10	C
11	C	12	B	13	D	14	C	15	A
16	C	17	C	18	D	19	D	20	C

21.	Ans. (i) 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. It gives investors the chance to disinvest and reinvest. (ii) Pricing of securities A stock exchange is a mechanism of constant valuation through which the prices of securities are determined by the forces of demand and supply. (iii) Safety of transaction The membership of the stock exchange is well regulated and its dealings are well defined according to the existing legal framework. This ensures that the investing public gets a safe and fair deal on the market. OR <table border="1"> <thead> <tr> <th></th><th>Primary market</th><th>Secondary market</th></tr> </thead> <tbody> <tr> <td>(i)</td><td>There is sale of securities by new companies or further (new issues of securities by existing companies to investors).</td><td>There is trading of existing shares only.</td></tr> <tr> <td>(ii)</td><td>Securities are sold by the company to the investor directly (or through an intermediary).</td><td>Ownership of existing securities is exchanged between investors. The company is not involved at all.</td></tr> <tr> <td>(iii)</td><td>The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation</td><td>Enhances encashability (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation</td></tr> </tbody> </table>		Primary market	Secondary market	(i)	There is sale of securities by new companies or further (new issues of securities by existing companies to investors).	There is trading of existing shares only.	(ii)	Securities are sold by the company to the investor directly (or through an intermediary).	Ownership of existing securities is exchanged between investors. The company is not involved at all.	(iii)	The flow of funds is from savers to investors, i.e. the primary market directly promotes capital formation	Enhances encashability (liquidity) of shares, i.e. the secondary market indirectly promotes capital formation	1x3
	Primary market	Secondary market												
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22.	Ans. (i) Communication (i) First five elements involved of the communication process are: (a) <u>Sender</u>: The person who conveys his thoughts or ideas to the receiver (b) <u>Message</u>: It is the content of ideas, feelings, suggestions, order etc. intended to be communicated (c) <u>Encoding</u> : It is the process of converting the message into communication symbols such as words, pictures, gestures etc. (d) <u>Media</u> : It is the path through which encoded message is transmitted to receiver. The channel may be in written form, face to face, phone call, Internet etc. (e) <u>Decoding</u>: It is the process of converting encoded symbols of the sender.	½ mark (½ x 5) = ½ + 2 ½ =3												

23.	Ans.<u>Meaning of Capital Market</u> Capital Market means the facilities and institutional arrangements through which long term funds, both debt and equity, are raised and invested. Difference between Capital Market and Money Market <table><tr><th></th><th>Basis</th><th>Capital Market</th><th>Money Market</th></tr><tr><td>(i)</td><td>Participants</td><td>The participants in Capital market are financial institutions, banks, corporates, foreign investors and retail investors.</td><td>The participants in Money market are RBI, financial institutions, banks, corporates.</td></tr><tr><td>(ii)</td><td>Instruments</td><td>Instruments like shares, debentures and bonds are traded in Capital market.</td><td>Instruments like treasury bill, commercial paper, certificates of deposit, call money and commercial bill are traded in money market</td></tr></table> OR Ans. <u>Regulatory functions of Securities and Exchange Board of India are (Any three):</u> (i) Registration of brokers and sub brokers and other players in the market. (ii) Registration of collective investment schemes and mutual funds. (iii) Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers. (iv) Regulation of takeover bids by companies. (v) Calling for information by undertaking inspection, conducting enquiries and audit of stock exchanges and intermediaries. (vi) Levying fee or other charges for carrying out the purposes of the SEBI Act, 1992. Performing and exercising such powers under Securities Contract (Regulation) Act 1956 as may be delegated by the Government of India		Basis	Capital Market	Money Market	(i)	Participants	The participants in Capital market are financial institutions, banks, corporates, foreign investors and retail investors.	The participants in Money market are RBI, financial institutions, banks, corporates.	(ii)	Instruments	Instruments like shares, debentures and bonds are traded in Capital market.	Instruments like treasury bill, commercial paper, certificates of deposit, call money and commercial bill are traded in money market	1 + 1x2=2 1+2=3
	Basis	Capital Market	Money Market											
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(ii)	Instruments	Instruments like shares, debentures and bonds are traded in Capital market.	Instruments like treasury bill, commercial paper, certificates of deposit, call money and commercial bill are traded in money market											
24.	Ans. <u>Responsibilities that were not fulfilled by Aman: (Any three)</u> (i) <u>Be honest in your dealings.</u> Choose only from legal goods and services and discourage unscrupulous practices like blackmarketing, hoarding, etc. (ii) <u>Ask for a cash memo</u> on purchase of goods or services. This would serve as a proof of the purchase made. (iii) <u>File a complaint in an appropriate consumer forum</u> in case of a shortcoming in the quality of goods purchased or services availed. Do not fail to take an action even when the amount involved is small. (iv) <u>Form consumer societies</u> which would play an active part in educating consumers and safeguarding their interests. (v) <u>Respect the environment.</u> Avoid waste, littering and contributing to pollution. (If an examinee has only listed the underlined points, ½ mark for each point should be awarded)	1x3=3												

25.	Ans. (i) Division of Work ▪ The principle of Division of work suggests that work can be performed more efficiently if it is divided into specialised tasks. ▪ A trained specialist who is competent, is required to perform each job leading to specialization which results in efficient and effective output. (ii) Authority and Responsibility ▪ The principle of Authority and Responsibility suggests that managers require authority commensurate with their responsibility. ▪ An organisation should build safeguards against abuse of managerial power. At the same time, a manager should have necessary authority to carry out his responsibility. OR Ans. (i) Providing managers with useful insights into reality Principles of management provide useful insights into reality by enabling the managers to learn from past mistakes and conserve time by solving recurring problems quickly. ▪ Adherence to these principles adds to their knowledge, ability and understanding of managerial situations and circumstances thereby increasing managerial efficiency. (ii) Optimum utilization of resources and effective administration. Principles of management help in optimum utilisation of resources by equipping managers to foresee the cause and effect relationships thereby reducing the wastages associated with trial and error approach. ▪ Principles of management help in effective administration by limiting the boundaries of managerial discretion so that decisions are free from personal prejudices.	2+2=4
26.	Ans. (i) Co-ordination integrates group efforts Coordination unifies unrelated or diverse interests into purposeful work activity. It gives a common focus to group effort to ensure that performance is as it was planned and scheduled. (ii) Co-ordination is the responsibility of all managers ▪ Coordination is the function of every manager in the organisation. ▪ Top level managers need to coordinate with their subordinates to ensure that the overall policies for the organisation are duly carried out. Middle level management coordinates with both the top level and first line managers. Operational level management coordinates the activities of its workers to ensure that work proceeds according to plans. OR Ans. (i) Management is a goal-oriented process An organisation has a set of basic goals which are the basic reason for its existence. These should be simple and clearly stated. Management unites the efforts of different individuals in the organisation towards achieving these goals. (ii) Management is a continuous process ▪ The process of management is a series of continuous, composite, but separate functions (planning, organising, directing, staffing and controlling). ▪ These functions are simultaneously performed by all managers all the time.	2+2=4

27.	Ans. (i) Efficiency and Effectiveness are the concepts discussed above <u>Group I</u> is effective as well as efficient as they were able to meet the target of refurbishing 150 old dresses at a cost of Rs.30 per dress. <u>Group II</u> is effective but not efficient as they were able to meet the target of refurbishing 150 old dresses but at a higher cost. <u>Group III</u> is not effective but efficient as they were able to refurbish only 140 old dresses but were able to do it at a lower cost. (ii) <u>Efficiency</u>- Efficiency means doing the task correctly and with minimum cost. <u>Effectiveness</u>- Effectiveness means doing the right task, completing activities and achieving goals. For management, it is important to be both effective and efficient.	4
28.	Ans. Two points of importance of 'Planning' function of management highlighted in the above para are: (i) Planning provides directions - Planning ensures that the goals or objectives are clearly stated so that they act as a guide for deciding what action should be taken and in which direction. - If goals are well defined, employees are aware of what the organisation has to do and what they must do to achieve those goals. Departments and individuals in the organisation are able to work in coordination. (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. - Since planning ensures clarity in thought and action, work is carried on smoothly without interruptions. Useless and redundant activities are minimised or eliminated.	(½ mark for the heading + 1½ marks for each explanation) x 2 = 4 marks
29.	Ans. (i) Promotion Mix/ Promotion Promotion mix refers to combination of promotional tools used by an organisation to achieve its communication objectives. (ii) Tools of communication highlighted in the above para are: (a) Advertising It refers to impersonal form of communication which is paid for by an identified sponsor/marketer to promote some goods or services. It means that there is no face to face contact between the prospect and the advertiser, the identified sponsor has to bear the cost of communication. (b) Sales promotion It refers to short term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service. Sales promotion activities include offering cash discounts, sales contests, free gift offers, and free sample distribution.	(½ mark for identifying the element + ½ mark for its meaning) + (½ mark for identifying each tool + 1 mark for the explanation) x 2 = 1+3 = 4
30.	Ans. (i) Investment decision/ Capital budgeting decision The investment decision relates to how the firm's funds are invested in different assets so that they are able to earn the highest possible return for their investors (ii) Factors affecting capital budgeting decision: (Any two) (a) Cash flows of the project	(½ mark for identifying + ½ mark for stating) (½ mark for the

	(b) Rate of return of the project (c) Investment criteria involved (If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)	heading + 1 mark for the explan ation) x 2
31.	Ans. (i) Preliminary Screening Preliminary screening helps the manager eliminate unqualified or unfit job seekers based on the information supplied in the application forms. Preliminary interviews help reject misfits for reasons, which did not appear in the application forms. (ii) Selection Tests An employment test is a mechanism (either a paper and pencil test or an exercise) that attempts to measure certain characteristics of individuals. These characteristics range from aptitudes, such as manual dexterity, to intelligence to personality. For this, various tests are used which may be Intelligence tests, Aptitude tests, Personality tests etc. (iii) Employment Interview Interview is a formal, in-depth conversation conducted to evaluate the applicant's suitability for the job. The role of the interviewer is to seek information and that of the interviewee is to provide the same. (iv) Reference and Background Checks Many employers request names, addresses, and telephone numbers of references for the purpose of verifying information and, gaining additional information on an applicant. Previous employers, known persons, teachers and university professors can act as references. OR Ans. (i) Status ▪ Status means ranking of positions in the organisation. ▪ The authority, responsibility, rewards, recognition, perquisites and prestige of job indicate the status given to a person holding a managerial position. (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 Enrichment ▪ It is concerned with designing jobs that include a greater variety of work content, require higher level of knowledge and skill, gives workers more autonomy and responsibility and provides opportunity for personal growth. If jobs are enriched and made interesting, the job itself becomes a source of motivation to the individual. (iv) Employee participation ▪ It refers to involving employees in decision-making of the issues related to them. It may be in the form of joint management committees, work committees etc.	1½ x 4 = 6 marks
32.	Ans. (i) Controlling is the process of measurement of accomplishment against the standard and correction of deviations to assure attainment of objectives according to plans. (ii) <u>Importance of controlling:</u> (any five)	1 mark + 1 x 5 =

	(a) It helps in <u>accomplishing organisational goals</u> by measuring progress, bringing to light deviations, if any, and indicating corrective action. (b) It helps in <u>judging accuracy of standards</u> by verifying whether the standards set are accurate and objective or not, and reviewing and revising standards in the light of change taking place in the organisation and in the environment. (c) It helps in <u>making efficient use of resources</u> by reducing wastage and spoilage and ensuring that each activity is performed in accordance with pre-determined standards. (d) It <u>improves employee motivation</u> and helps them to give better performance as they know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. (e) It <u>ensures order and discipline</u> among employees and minimises dishonest behaviour on the part of the employees by keeping a close check on their activities. (f) It <u>facilitates coordination</u> in action as each department is governed by pre-determined standards which are well coordinated with one another, thereby providing direction to all activities and efforts for achieving organisational goals. (If an examinee has given only the headings, ½ mark for each heading should be awarded)	1+5 = 6 marks
33.	<u>Ans. Advantages of Formal Organisation: (Any three)</u> (i) It is <u>easier to fix responsibility</u> since mutual relationships are clearly defined. (ii) It helps in <u>avoiding duplication of effort</u> since there is no ambiguity in the role that each member has to play. It helps in <u>maintaining unity of command</u> through an established chain of command. (iii) It <u>leads to accomplishment of goals</u> by providing a framework for the operations to be performed. It <u>provides stability to the organisation</u> because there are specific rules to guide behaviour of employees. (If an examinee has only listed the points, ½ mark for each point should be awarded) <u>Limitations of Formal Organisation: (Any three)</u> (i) It may lead to <u>procedural delays</u> as the established chain of command has to be followed which <u>increases the time taken for decision making</u>. (ii) Poor organisation practices <u>may not provide adequate recognition to creative talent</u>, since it does not allow any deviations from rigidly laid down policies. It is difficult to understand all human relationships in an enterprise as it places <u>more emphasis on structure and work</u> OR <u>Advantages of Functional structure:</u> (i) It leads to <u>occupational specialisation</u> since emphasis is placed on specific functions. This promotes efficiency in the utilisation of manpower. (ii) It promotes <u>control and coordination</u> within a department because of similarity in the tasks being performed. (iii) It increases <u>managerial and operational efficiency</u> resulting in increased profit. (iv) It leads to minimal duplication of effort which results in economies of scale and this <u>lowers cost</u>. (v) It makes <u>training of employees easier</u> as it focuses on a limited range of skills. (vi) It ensures that different <u>functions get due attention</u>. (If an examinee has only listed the points, ½ mark for each point should be awarded)	1 × 3 + 1 × 3 = 6

34.	Ans. Factors taken into consideration by Ravi and Megha to determine the price of their LED lights were: (i) Product cost Product cost includes the cost of producing, distributing and selling the product. It determines the minimum level or the floor price at which the product may be sold. <i>‘To determine the price of their LED lights they not only wanted to cover all costs but also wanted to earn a margin of profit over and above the costs’ or</i> <i>‘This will set for them the minimum level or the floor price at which the LED lights would be sold’</i> (ii) The utility and demand Utility and demand set the upper limit of the price which the buyer would be prepared to pay. The buyer may be ready to pay up to the point where the utility from the product is at least equal to the sacrifice made in terms of the price paid. However, the seller would, however, try to at least cover the costs. ‘The high demand and the utility provided by these lights will for set the upper limit of the price’ (iii) Extent of competition in the market In lesser competition, the price will tend to reach the upper limit while in free competition; the price will tend to be set at a lower level. Not only the price but the quality and the features of the competitive products must be examined carefully before fixing the price. ‘Though there was enough competition in LED lights business, even then they kept the price of their lights higher than the competitors because of good quality and its features’	(½ mark for identifying the factor + ½ mark for quoting + 1 mark for explanation) = 2 x 3 = 6 marks
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