व्यवसायी अध्ययन
Business Studies

कक्षा / Class XII

2025-26

विद्यार्थी सहायक सामग्री
Student Support Material



केन्द्रीय विद्यालय संगठन~Kendriya Vidyalaya Sangathan

संदेश

विद्यालयी शिक्षा में शैक्षिक उत्कृष्टता प्राप्त करना एवं नवाचार द्वारा उच्च - नवीन मानक स्थापित करना केन्द्रीय विद्यालय संगठन की नियमित कार्यप्रणाली का अविभाज्य अंग है। राष्ट्रीय शिक्षा नीति 2020 एवं पी. एम. श्री विद्यालयों के निर्देशों का पालन करते हुए गतिविधि आधारित पठन-पाठन, अनुभवजन्य शिक्षण एवं कौशल विकास को समाहित कर, अपने विद्यालयों को हमने ज्ञान एवं खोज की अद्‌भुत प्रयोगशाला बना दिया है। माध्यमिक स्तर तक पहुँच कर हमारे विद्यार्थी सैद्धांतिक समझ के साथ-साथ, रचनात्मक - विशेषणात्मक एवं आलोचनात्मक चिंतन भी विकसित कर लेते हैं। यही कारण है कि वह बोर्ड कक्षाओं के दौरान विभिन्न प्रकार के मूल्यांकनों के लिए सहजता से तैयार रहते हैं। उनकी इस यात्रा में हमारा सतत योगदान एवं सहयोग आवश्यक है - केन्द्रीय विद्यालय संगठन के पांचों आंचलिक शिक्षा एवं प्रशिक्षण संस्थान द्वारा संकलित यह विद्यार्थी सहायक- सामग्री इसी दिशा में एक आवश्यक कदम है । यह सहायक सामाग्री कक्षा 9 से 12 के विद्यार्थियों के लिए सभी महत्वपूर्ण विषयों पर तैयार की गयी है। केन्द्रीय विद्यालय संगठन की विद्यार्थी सहायक- सामग्री अपनी गुणवत्ता एवं परीक्षा संबंधी - सामग्री संकलन की विशेषज्ञता के लिए जानी जाती है और शिक्षा से जुड़े विभिन्न मंचों पर इसकी सराहना होती रही है। मुझे विश्वास है कि यह सहायक सामग्री विद्यार्थियों की सहयोगी बनकर निरंतर मार्गदर्शन करते हुए उन्हें सफलता के लक्ष्य तक पहुँचाएगी।

शुभाकांक्षा सहित ।

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

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

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
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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.

Unit 2: Principles of Management

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

Unit 3: Business Environment

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

Unit 4: Planning

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

Unit 5: Organising

Organising: Concept and importance	• Understand the concept of organizing as a structure and as a

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

Unit 6: Staffing

Staffing: Concept and importance of staffing	• Understand the concept of staffing. • Explain the importance of staffing
Staffing as a part of Human Resource Management concept	• Understand the specialized duties and activities performed by Human Resource Management
Staffing process	• Describe the steps in the process of staffing
Recruitment process	• Understand the meaning of recruitment. • Discuss the sources of recruitment. • Explain the merits and demerits of internal and external sources of recruitment.
Selection – process	• Understand the meaning of selection. • Describe the steps involved in the process of selection.
Training and Development - Concept and importance, Methods of training - on the	• Understand the concept of training and development.

job and off the job - vestibule training, apprenticeship training and internship training	• Appreciate the importance of training to the organisation and to the employees. • Discuss the meaning of induction training, vestibule training, apprenticeship training and internship training. • Differentiate between training and development. • Discuss on the job and off the job methods of training.

Unit 7: Directing

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

Unit 8: Controlling

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

Part B: Business Finance and Marketing

Unit 9: Financial Management

Financial Management: Concept, role and objectives	• Understand the concept of financial management. • Explain the role of financial management in an organisation. • Discuss the objectives of financial management
Financial decisions: investment, financing and dividend - Meaning and factors affecting	• Discuss the three financial decisions and the factors affecting them.
Financial Planning - concept and importance	• Describe the concept of financial planning and its objectives. • Explain the importance of financial planning.
Capital Structure – concept and factors affecting capital structure	• Understand the concept of capital structure. • Describe the factors determining the choice of an appropriate capital structure of a company.
Fixed and Working Capital - Concept and factors affecting their requirements	• Understand the concept of fixed and working capital. • Describe the factors determining the requirements of fixed 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

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

Unit 13: Project Work

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

Efficiency: Doing the task correctly at minimum cost.

Effectiveness: Completing tasks on time to achieve goals..

Characteristics of Management

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

Functions of Management

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

Objectives of Management

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

Importance of Management

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

Levels of Management

• **Top-level** – Strategy formulation (e.g., CEO, MD) **Functions**:	• Functions: • Acts as a link between top and lower levels.	• Functions: • Directly oversees the day-to-day activities of workers.

• Lays down the **vision, mission, and policies** of the organization. • Sets **long-term goals and strategies**. • Organizes **resources** for implementation. • Responsible for the **overall success** and survival of the company. • Maintains relations with **external stakeholders** (like government, investors). • **Middle-level** – Departmental heads (e.g., Sales Manager)	• Implements policies and plans made by top management. • Prepares departmental plans. • Assigns duties and supervises junior managers. • Motivates employees to achieve targets. • Lower-level – Supervisors, Foremen (Operational execution)	• Ensures quality and quantity of work. • Provides feedback to middle management. • Maintains discipline and builds team spirit. • Ensures proper use of resources.

Nature of Management

1. **As an Art** – Involves creativity, personalized application, and practice
2. **As a Science** – Has principles, cause-effect relationships, and can be tested

As a Profession – Requires formal education, ethical code, and service motive (Partially fulfills criteria as it has only well-defined body of knowledge and Professional associations)

3. Coordination: The Essence of Management

- **Meaning**: The synchronization of activities and efforts of different units

Features:

 Unity of Action: Ensures all departments and individuals work toward common goals.
 Integration: Harmonizes individual efforts and departmental activities.
 Continuity: Coordination is a continuous and ongoing process.
 Deliberate Effort: It requires conscious planning and communication, not automatic.
 Responsibility of Managers: Though everyone contributes, it's primarily a managerial function.
 Pervasive **Function**: Present at all levels and in all departments of an organization.

Importance of coordination

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

KEYWORDS

Management	• Deliberate process · Group Activity · Term used for taking charge of different activities · Guiding activity for achievement of goals · Concerned with efficient use of resources.
Effectiveness	· Finishing the task · Doing right task · Completing activities · Concerned with end result.
Efficiency	· Doing the task correctly · Minimum cost · Cost-benefit analysis · Less input more output.
Nature of Management	Art or Science or Profession
Management as Art	Observation

	· Experience · Personalised application
Management as Science	Systemised body of knowledge · Experimentation · Universal validity
Management as Profession	Emphasis on managed business concerns
Levels of Management	Hierarchy · Authority-responsibility relationship
Coordination	● Process , Synchronize , Force , Common thread · Minimum of conflict , Integration of efforts

MULTIPLE CHOICE QUESTIONS (MCQs)

Q.1 In order to be successful, an organisation must change itself and its goal according to the need of the environment.' Which characteristics of management is being highlighted here?
(A)Management is all pervasive (B)Management is Multidimensional
©Management is Group activity (D)Management is dynamic function **(CBSE Compartment 2021) 1 Mark**
Ans:- Management is dynamic function

Q.2 The objectives of management which consistently creates economic values for various constituents of society is:
(A) Organisational objectives (B) Social objectives (C) Personal objectives (D) Both Social and Personal Objectives (**CBSE Compartment 2020) 1 Mark**
Ans: - (B) Social objectives

Q.3 At times a business may concentrate on producing goods with fewer resources but cannot achieve the targeted production. In such a case the business is said to be:
(A) Effective but not efficient (B) Efficient but not effective (C) Both effective and efficient
(D) Neither effective and nor efficient
Ans: (D) Neither effective and nor efficient **(CBSE 2022-Term 1) 1 Mark**

COMPETENCY BASED QUESTIONS (CBQs)

Q.1 Ram Murty, a Professor of Management conducted a class on Management principles and explained to his students the significance of Management principles. In the next class, the Professor asked his students to play roles of different managers. He gave them various situations and asked them to think like managers and provided solutions to the problems given in these situations. Each student applied the principles of management to the given situation in his own personalised manner. depending upon his creativity.
The nature of management highlighted in the above case is: **(CBSE 2022 Term-1)**
a. Management as Science
b. Management as an Art
c. Management both as an Art as a Science
d. Management as a Profession
Ans- b. Management as an Art

Q.2 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.
Ans:- (d) Both the statements are true**. (CBSE2023) 1 mark**

Q.3 'SORT-IT Ltd. is a leading software development company. The company is satisfying the diverse needs of its employees. Its employees are given competitive salaries and perks. They have been given a chance

for their personal growth and development. For harmony in organisation management has to reconcile personal goals with organisational objective of SORT-IT Ltd

Identify the objective of management being met by "SORT-IT Ltd". **(CBSE 2022-Term 1)**

(a)Social

(b) Personnel

(c) Organisational

(d) Both Social and Personnel

Ans: - (b) Personnel

ASSERTION AND REASON QUESTIONS

Q.1 Assertion (A): Management is concerned with efficient use of resources.

Reason (R): For management both efficiency and effectiveness need to be balanced.

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

(b) Both Assertion (A) and Reason (R) are true 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

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

Q.2 Assertion (A): Management is multidimensional.

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

(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

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

Q.3 Assertion (A): Two dancers, two speakers, two actors, or two writers will always differ in demonstrating their art based on practice and creativity.

Reason (R): Art is a very personalised concept.

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

Ans:- Both Assertion(A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

CASE STUDIES Q.1 Chandrika Bhattacharya is working in Olax Ltd., a company manufacturing room heater. She is responsible for all the activities of the business and for its impact on the society. Her job demands long hours and commitment to the organisation.

(a) Identify the level at which Chandrika Bhattacharya is working.

(b) State three more functions required to be performed by Bhattacharya at this level. **(CBSE 2017) 4 Marks**

Ans:- Ans. Top Level.

Functions of the top level of management: (Any three)

1. To co-ordinate the activities of different departments.
2. To be responsible for welfare and survival the organisation.
3. To formulate overall organisational goals and strategies for their achievement. goals

4. To be responsible for all the activities of the business and for its impact on the society.

Q.2 Top management plans for the entire organization. According to these plans the organizational structure is developed and staffed. In order to ensure that these plans are executed according to plans, directing is required. Any discrepancies between actual and realized activities are then taken care of at the stage of controlling. Name and explain the process highlighted above which started at the planning stage itself and is implicit and inherent in all the functions of management in an organization.

Ans: Coordination The process by which a manager synchronizes the activities of different departments is known as coordination. Coordination is the force that binds all the other functions of management. It is the common thread that runs through all activities. It is implicit and inherent in all functions of an organization.

CBSE Sample Paper 2022-23 (3 marks)

Q.3 Pallavi started a wedding planner company 'Dream Unlimited in 2016' and her target was to be amongst the top 10 companies in this field within the next three years. For this she employed people having different skills. She worked hard and united the efforts of different people to achieve this goal. The requirements of the customers in this industry changed very fast and the company adapted to keep pace with the changing environment. As planned, the company achieved its target within three years. All the employees of the organisation were happy and satisfied and the effect of management was noticeable in the organisation. The way Pallavi was managing her business highlights some of the features of management. By quoting lines from the above paragraph, explain any two such features. **(CBSE 2023 compartment) 4 Marks**

Ans: - (i) Management is goal oriented "…. united the efforts of different people to achieve this goal."
(ii) Management is a dynamic function "…. The company adapted to keep pace with the changing environment."
(iii) Management is an intangible force "All the employees of the organisation were happy and satisfied and the effect of management was noticeable in the organisation."

CHAPTER 2

PRINCIPLES OF MANAGEMENT

INTRODUCTION

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

NATURE/FEATURES OF PRINCIPLES OF MANAGEMENT

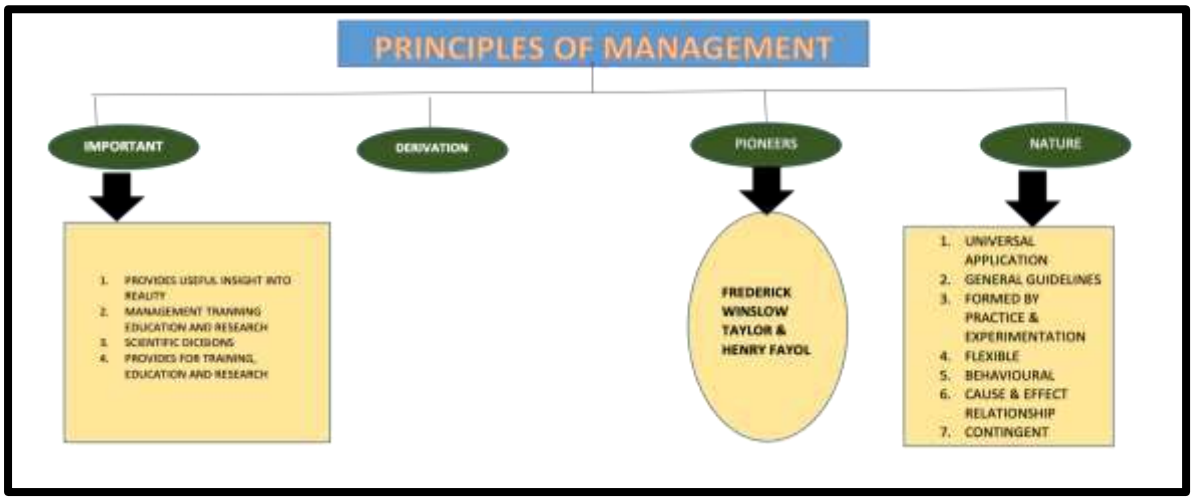
Universal applicability	Flexible	General guidelines	Contingent, i.e. based on situation	Cause and effect relationship
Influencing human behavior	Formed by practice and experimentation			

IMPORTANCE OF MANAGEMENT PRINCIPLES

Provide managers with useful insight into reality.	Helps in thoughtful decision-making, i.e. scientific decisions.	Helps in optimum utilization of resources and effective administration.	Helps the managers in meeting changing environment requirements.	Fulfilling social responsibility.
Basis of management training, education and research.				

FAYOL'S PRINCIPLES OF MANAGEMENT DAD U SEE UCCR OIC

- **Division of work** - Every employee should be assigned only one type of work leading to specialization.
- **Authority and responsibility** - Authority and responsibility should bear a logical balance to complete the task by the employees.
- **Discipline** - Discipline means obedience to rules, application of policies, good superiors at all levels, clear and fair agreements, commitment towards organisation and judicious application of penalties.
- **Unity of command** -A subordinate should receive orders from one superior only at a given point of time.
- **Unity of direction** -One unit and one plan for the group of activities having the same objective.
- **Subordination of individual interest to general interest** -The interest of the organisation must prevail upon the personal interests of individuals.
- **Remuneration of personnel** -The employees must be remunerated fairly for their services rendered to the concern.
- **Centralization and decentralization** -According to Fayol, in an organisation, there is a need to balance subordinate involvement through decentralization with managers' retention of final authority through centralization.
- **Scalar chain** -There should be a clear line of authority from top to bottom linking managers at all levels and this chain should be followed for communication as well
- **Order**- People and material must be at suitable places at appropriate time for maximum efficiency.
- **Equity** -Sense of fairness and justice to all workers working in an organisation.
- **Stability of tenure**- There should be reasonable security of jobs, and personnel should get a reasonable time to show results.
- **Initiative** -The managers of an undertaking should encourage its subordinates to take initiative in thinking out and executing plans. Suggestion system should be installed, where good suggestions should be rewarded.
- **Esprit de corps**- It means unity is strength. Management should promote unity and harmony among employees.



F W TAYLOR'S SCIENTIFIC MANAGEMENT

Science, not rule of thumb Decisions should be made on the basis of facts developed by the application of scientific methods.	**Harmony, not discord** There should be harmony between the management and the workers. Mental revolution was proposed for attaining harmony.	**Cooperation, not individualism** There should be cooperation between workers and management.	**Development of each and every person to his/her greater efficiency and prosperity** Industrial efficiency depends on the efficiency of workers.

Taylor's techniques of scientific management are

(i) **Work study techniques** FW Taylor conducted a number of experiments in various areas of production.

(a) **Time study** It refers to determining the standard time required to complete a particular activity.

(b) **Motion study** This is the analysis of physical movements of workers while they are doing work.

(c) **Method study** It refers to identifying the most suitable way to do a particular activity.

(d) **Fatigue study** Study of the nature of work to determine the standard time for finishing the job and to find out when the workers need rest.

(ii) **Functional foremanship There should be specialist foremen for each job**.

(iii) **Standardisation** It refers to the process of setting standards for every business activity.

(iv) **Simplification** It aims at eliminating unnecessary varieties, sizes and dimensions of products.

(i) **Differential piece wage system** Wages are paid on the basis of amount of work done and not on the basis of time spent in doing the work.

(ii) **Mental revolution** It refers to change in mind on the part of both workers and management, towards each other from competition to cooperation.

(iii) KEYWORDS

Principles of Management	Broad guidelines
Science, Not rule of thumb	Method of Scientific enquiry One best method developed through study and analysis Investigation of traditional methods

Harmony, Not Discord	'Get work done' from the workers Kind of class conflict Mental Revolution Prosperity for employer accompanied by prosperity of employees
Co-operation, Not Individualism	Complete co-operation b/w workers and management Competition replaced by co-operation Reward for suggestions Paternalistic style of management
Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity	Workers' training Scientific selection of workers Work assigned should suit capabilities.
Functional Foremanship	Improving factory set up. Separation of Planning and Execution. Shop Floor. Extension of Principle of Division of Work and Specialisation. Eight specialists.
Standardisation	Process of setting standards. Benchmarks. To reduce a given line or product to fixed types. To establish interchangeability.
Simplification	Eliminating superfluous varieties, sizes and dimensions Eliminating unnecessary diversity of products. Results in saving of cost of labour, reduced inventories, fuller utilization and increased turnover.
Method Study	Find one best way of doing the job. Concept of assembly line. Objective is to minimize the cost of production and maximize the quality and satisfaction of customers.
Motion Study	Study movements like lifting, putting objects, sitting and changing positions. Eliminating unnecessary movements. Use of stop watches, symbols, colours to identify different motions.
Time study	Standard time for tasks. Objective is to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs.
Fatigue study	Rest while working. Regain stamina. Objective is to determine the amount and frequency of rest intervals.
Differential Piece Wage System	Differentiate efficient and inefficient workers.

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

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

MCQ (1 MARK EACH)

1 The objective of which of the following techniques of scientific management is to determine the number of workers to be employed in an organization? CBSE 2016

(a) Method study (b) Motion study (c) Time study (d) Differential piece wage system

Ans. (c) Time study

2. Identify the principle of management given by Fayol according to which "The intent of this principle is to produce more and better work with the same effort". CBSE 2017

(a) Division of work (b) Unity of direction (c) Scalar chain (d) Equity

Ans. (a) Division of work

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

(a) Science, not rule of thumb (b) Harmony, not discord (c) Co-operation, not individualism

(d) Development of each and every person to his or her greatest efficiency and prosperity

Ans. (c) Co-operation, not individualism

CBQ (3 MARKS EACH)

1. Explain 'order' and 'initiative' as principles of general management. CBSE 2017

(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. Ans (d)

2.Assertion: Scientific management helps to find out the best method or way of performing the job. Reason: Methods must be the one which brings maximum benefits with minimum cost. So, the organization objectives must be achieved. **CBSE 2020**

(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 Ans (a)

3. Assertion: According to Division of work the whole work is divided into small task or unit of work should be assigned to one person according to the capacity, qualification and experience of the person. Reason: When a person is performing a part again and again he will become perfect and get the benefit of specialization. **CBSE 2021**

(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 Ans (a

CASE STUDIES

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

Ans. The principles of scientific management followed in the above case are
(i) Science, not rule of thumb
(ii) Development of each and every person to his/her greatest efficiency According to this principle
(a) Each person should be scientifically selected and then assigned work as per their specialization.
(b) If training is required, then impart training to them as efficient employees would produce more and earn more'. Worker training is essential to learn the 'best method' developed as per the scientific approach. This would ensure greatest efficiency for both, workers and the organisation.

The techniques of scientific management followed in this case are
(i) Standardization It is the process of setting standards for every business activity, process, raw materials, time, machinery and methods, to achieve efficiency. Standardization of product implies that the size, design, quality, shape etc. of the product should meet the requirements and tastes of consumers. Simplification means eliminating superfluous sizes, varieties and dimensions. Its aim is to
(a) Eliminate unnecessary diversity of products and thereby reduce costs.
(b) Help in achieving economy in the use of required machines and tools.
(ii) Method studies This technique of scientific management is conducted to find out the 'one best method or way' of performing a particular task.
The objective of this study is to minimize the cost of production and maximize the quality and satisfaction of the customer.

2. Vaibhav Sharma was working as the Production Manager in Crescent Pharmaceuticals Pvt. Ltd. To get his son admitted in school he wanted to take leave from the office but on the same day, an important meeting

with the Chief Executive Officer (CEO) of the company was scheduled to discuss some new medicines to be manufactured. Considering the significance of the meeting, he did not take leave. The CEO appreciated his exemplary behaviour as he gave priority to the organizational interest over his personal interest. Name and explain the principle of management being followed by Vaibhav Sharma in the above case. **CBSE 2018**

Ans. Subordination of individual interest to general interest principle is being followed by Vaibhav Sharma. The interest of an organisation is to achieve its goals. These goals are achieved after integrating the efforts of different individuals who are working in the organisation to satisfy their own personal needs. Sometimes, an individual starts giving priority to his own interest. Thus, the interests of various stakeholders, i.e. owners, shareholders, creditors, financers and the society cannot be sacrificed for one individual.

CHAPTER 3
BUSINESS ENVIRONMENT

Meaning of Business Environment

- Business Environment: The **sum total of all external forces** that affect the business operations.
- It includes economic, social, political, legal, and technological factors**. (SLEPT)**

Features of Business Environment

1. **Totality of external forces**: Includes all external factors.
2. **Specific and general forces**:
   . *Specific*: Direct impact (e.g., customers, competitors)
   . *General*: Indirect impact (e.g., social, political)
3. **Inter-relatedness**: All forces are connected.
4. **Dynamic nature**: Keeps changing frequently.
5. **Uncertainty**: Difficult to predict changes.
6. **Complexity**: Difficult to understand its impact fully.
7. **Relativity**: Varies from region to region and country to country.

Importance of Business Environment

1. **Identification of business opportunities and getting the first mover advantage –**Identification of opportunities at an early stage helps the firm to be able to exploit them without losing them to competitors. E.g., Maruthi Udyog Ltd. became the leader in the segment of small car market.

2. Identifying threats and early warning signals – Environmental awareness helps the managers to identify various threats; it provides the business early warning signals to plan its future course of action. E.g., Entry of multinational companies in the Indian market gave warning signals for the domestic industries to make some preparations like cost reduction, improving quality, reducing wastages etc.

3. Tapping useful resources – Environment provides various resources to the business-like materials, machinery, water, finance, electricity, labour etc.

4. Coping with rapid changes – Business environment is highly dynamic such as change in market condition, technology, competition etc. To cope with these changes managers must be dynamic. This is possible through proper environment scanning.

5. Assisting in planning and policy formulation – Environment scanning gives vital information which can be taken as the basis for deciding future course of action (planning) or framing guidelines for decision making (policy formulation).

6. Helps in improving performance – Those enterprises which continuously monitor their environment and adopt suitable policies will improve their performance.

Dimensions of Business Environment

1. Economic Environment

- Includes factors like inflation rate, interest rates, economic policies, income levels, etc.
- These affect purchasing power and demand for products.

2. Social Environment

- Refers to social trends, values, customs, lifestyle, education levels, and demographics.
- Businesses must adapt to changing social preferences and cultural norms.

3. Technological Environment

- Involves advancements in technology, innovation, automation, and R&D.
- Helps improve efficiency and create new products/services.

4. Political Environment

- Includes the political stability, government policies, and attitude towards business.
- A stable and supportive political climate is good for business growth.

5. Legal Environment

- Refers to laws, regulations, and legal frameworks like labour laws, consumer protection laws, etc.

- Ensures businesses operate fairly and responsibly.

Demonetisation- the withdrawal of a currency of a certain denomination from its use as legal tender.
Features:

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

KEYWORDS

Business Environment	· Sum total of all individuals and forces.
First mover advantage	· Early identification of opportunities. · First to exploit opportunities.
Identify threats and early warning signals	· Threats refer to external env. trends and changes that hinder firm's performance. · Environmental awareness.
Tapping useful resources	· Assemble various resources. · Convert input resources into output.
Coping with rapid changes	· Turbulent market conditions, Less brand loyalty, Fragmentation (division) of markets. · Increasing dynamic environment. · Examine environment and develop suitable course of action.
Assisting in planning and policy formulation	· Deciding future course of action (planning). · Training guidelines for decision making (policy). · Think afresh about how to deal with situation.
Improving performance	· Continuous monitoring of environment. · Understanding business environment to make a difference in performance.
● Economic	● Interest rates, price, income, rate of growth.
● Social	● Life expectancy, birth rate/death rate, quality of life, population shifts, family, habits, traditions, values, education, literacy rate.
● Technological	● New methods/techniques, new ways of production, scientific improvements and innovations.
● Legal	● Legal Act, Court order, legal regulations, statutory warning on products like cigarettes or tobacco etc.
● political	● Government policies, elected government decisions, political conditions, attitude of government etc.
● Demonetisation	● The Government of India, made an announcement on November 8, 2016. The two largest denomination notes, Rs.500 and Rs.1,000 were 'demonetised'. Ceasing to be legal tender except for a few specified purposes such as paying utility bills.
● Aim	● The aim of demonetisation was to curb--corruption ,counterfeiting the use of high denomination notes for illegal activities; Accumulation of 'black money' generated by income that has not been declared to the tax authorities.
● Features	Demonetisation is viewed as a tax administration measure. Demonetisation also indicates that tax evasion will no longer be tolerated or accepted. Demonetisation also led

	to tax administration channelizing savings into the formal financial system. Another feature of demonetisation is to create a less-cash or cash-lite economy, i.e., channeling more savings through the formal financial system and improving tax compliance.
• Impact of demonetisation • Money/Interest rates	• Decline in cash transactions. Bank deposits increased. • Increase in financial savings.
• Private wealth	• Declined since some high demonetised notes were not returned and real estate prices fell.
• Public sector wealth	• No effect
• Digitisation	• Digital transactions amongst new users (RuPay/AEPS) increased
• Real estate	• Prices declined
• Tax collection	• Rise in income tax collection because of increased • disclosure

MULTIPLE CHOICE QUESTIONS (MCQs)

Q.1 Reserve Bank of India has reduced the REPO rate for providing cheaper loans to the industries during COVID-19 pandemic. Which dimension of business environment is being discussed here? **(CBSE Compartment 2021) 1 Mark**

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

Ans:- (B) Economic

Q.2 Which of the following headings does not highlight the importance of business environment? **(CBSE Compartment 2021) 1 Mark**

(A) Tapping useful resources (B) Coping with rapid changes

C) Improving performance (D) Promoting innovative ideas

Ans. (D) Promoting innovative ideas

Q.3 Which of the following is a component of economic environment? **(CBSE Compartment 2020) 1 Mark**

(A) Concern with quality of life (B) Rates of saving and investment

(C) Extent of government intervention in business (D) Birth and death rates

Ans. (B) Rates of saving and investment

COMPETENCY BASED QUESTIONS (CBQs)

Q.1 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) **(CBSE 2023) 1 Mark**

Ans: (c) A (iii), B (i), C (ii)

Q.2 As per Plastic Waste Management Rule 2022, single use plastic items were prohibited in Delhi from 1st July, 2022. The dimension of business environment referred to here is:

(a) Economic environment (b) Legal environment

(c) Technological environment (d) Political environment **(CBSE2024) 1 Mark**

Ans:- (b) Legal environment

Q.3 Business environment is said to be uncertain as: **[CBSE 2021] 1 Mark**

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

(b) It differs from country to country.

(c) It is difficult to predict future happenings especially when environment changes are taking place too frequently.

(d) It consists of numerous inter-related forces which arise from different sources.

Ans:- (c) It is difficult to predict future happenings especially when environment changes are taking place too frequently.

ASSERTION AND REASON QUESTIONS

Q.1 Assertion (A): Business Environment is aggregative in nature.

Reason (R): Business environment is the sum total of all things which are external to business.

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

Ans:- Both Assertion(A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

Q.2 Assertion (A): Early identification of opportunities helps the enterprise in getting first mover advantage.

Reason (R): Environmental awareness helps managers to identify threats on time.

(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

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

Q.3 Assertion (A): Political factors play a major role in shaping the environment in which business firms operate.

Reason (R): Political instability builds up confidence among the business people to invest in the long-term projects.

(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

Ans:- Assertion (A) is true but Reason (R) is false

CASE STUDIES

Q.1 'Konark Ltd.' is an electric goods manufacturing enterprise situated in Shivpuri, Madhya Pradesh. It is earning a very low revenue in comparison to a competing electronic goods manufacturing enterprise, 'Nova Ltd.' situated in Mumbai. Both Konark's and Nova's operations are affected directly by the

investors, customers, competitors and suppliers, which are unique to their respective locations. In addition to this, individual forms of this field are affected indirectly by the factors like the money supply in the economy, composition of the families, the technological changes, etc. **(CBSE 2018) 4 Marks**

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

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

Ans:- (a) Specific and General Forces

(b) Importance of business environment: (**Any four**)

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

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

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

Q.2 With change in the consumption habits of people, Neelesh, who was running a sweets shop shifted to chocolate business. On the eve of Diwali, he offered chocolates in attractive packages at reasonable prices. He anticipated huge demand and created a website chocolove.com for taking orders online. He got lot of orders online and earned huge profit by selling chocolates.

Identify and explain the dimensions of business environment discussed in the above case. **(CBSE 2017) 4 Marks**

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

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

Q.3 'Express Tours Ltd.' is a travel agency which books air tickets on commission basis. It takes two days for Express Tours to get the tickets from airport reservation counter and deliver the same to customers. During the last one year, there has been drastic decrease in its business as most of the customers have shifted to another travel agency, 'Shiva Tours and Travels', which provides tickets within half-an-hour through internet.

(a) Name and explain the dimension of business environment that is being overlooked by 'Express Tours Ltd.'.

(b) Explain another dimension of business environment other than that identified in (a) above**. (CBSE 2020 C) 3 Marks**

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

(b) Another dimension of business environment is:

(i) Social environment (ii) Political environment

(iii) Economic environment (iv) Legal environment **(any one)**

CHAPTER 4

PLANNING

Meaning of Planning

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

Features of Planning

1. **Focuses on achieving objectives –** Planning starts with determining goals.
2. **Primary function of management –** Precedes all other functions.
3. **Pervasive –** Required at all levels of management.
4. **Continuous process –** Planning is an ongoing process.
5. **Futuristic** – Looks ahead and prepares for the future.
6. **Involves decision making –** Choosing from various alternatives.

Importance of Planning

1. **Provides direction –** Guides employees towards objectives.
2. **Reduces risk of uncertainty –** Anticipates changes and prepares accordingly.
3. **Reduces overlapping and wasteful activities** – by coordinating efforts and activities of different individuals, departments and divisions.
4. **Promotes innovative ideas –** Encourages creative thinking.
5. **Facilitates decision-making –** Provides clear guidelines.
6. **Establishes standards for controlling –** objectives help in measuring actual performance.

Limitations of Planning

1. **Rigidity –** May not allow flexibility in decision-making.
2. **May not work in dynamic environment –** External factors can disrupt plans.
3. **Huge Cost –** Planning is a very expensive and time-consuming process which involves the collection of data, analysis, interpretation etc. Hence it is not suitable for quick decisions as well as for small concerns.
4. **Reduces creativity –** Limits initiative by employees as they are restricted follow the plans as it is.
5. **Expensive and time-consuming –** Involves cost, time, and effort.
6. **Does not guarantee success** – implementation is key to be replaced by the efforts are required to implement the previously tested plans in the changing circumstances.
7. **Time-consuming** –Involves cost, time, and effort. to be replaced by Sometimes a lot of time and efforts are made to prepare a plan but no time left for implementation.

Planning Process (Steps in Planning)

1. Setting the objectives – The first step in planning is the establishment of objectives.The objectives must be clear and specific.

2. Develop Planning Premises – Planning is done for the future which is uncertain, certain assumptions are made about the future environment. These assumptions are known as planning premises.

3. Identifying alternatives – There are alternative ways for achieving the same goal. For example, to increase sales, different ways are there, like advertisement, reducing prices, improve quality etc.

4. Evaluating alternatives – The positive and negative aspects of each alternative should be evaluated based on their feasibility and consequences.

5. Selecting the best alternative – After analysing the merits and demerits of each alternative, the most appropriate one is to be selected by evaluating cost, risk, benefit to organization etc.

6. Implementation of plans – Implementation means putting plans into action to achieve the objective. For the successful implementation, the plans are to be communicated to the lower levels at every stage.

7. Follow Up – Plans are to be evaluated regularly to check whether they are proceeding in right way, shortfalls can be located and remedial actions can be taken well in advance.

Plans

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

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

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

Types of plan:-

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

KEYWORDS

Planning	· A process · Function of management. · Formulate an idea to do work. · Concerned with both ends and means. · Choosing best alternative course of action. · Deciding in advance what to do and how to do. · Planning process is structuring the work.
Premises	· Assumptions are called premises. · Assumptions are the base material upon which plans are made.
Single Use Plans	· Plan developed for one time event or Project. · Not likely to repeat in future. · Budgets, programmes, projects
Standing Plan	· Plan for activities that occur regularly. · Repeatedly used plans. · Policies, Procedures, Rules, Methods.
Objective	· Neither single-use nor standing plan. · End points OR end results. · Plans set by Top Management. · Serve as guide for overall planning. · Expressed in Specific terms like increase in 20% sales. · Define future state of affairs.
Strategy (Dimensions) · Determining long term objectives. · Adopting particular course of action. · Allocating resources necessary to achieve objectives.	· Neither single-use nor standing plan. · Broad Contours · Comprehensive plan. · Future decisions defining orgranisations' direction and scope in the long run
Policy	· General statements · Basis for interpreting and implementing strategy. · Guides to managerial action. · Broad parameters · Recruitment policy, pricing policy, purchase policy etc.
Procedure	· Routine steps. · Procedures detail exact manner to perform task. · Chronological order. · Specified steps. · Procedures are meant for insiders to follow. · Sequence of steps or action to attain pre-determined objectives. · Procedures are steps to be carried out within a broad policy framework.
Method	· Prescribed ways or manner. · It comprises one step of a procedure. · Training methods, selection method, orientation programmes method, lecture method or seminar method.

Rule	· Specific statements that inform what is to be done. · No flexibility · Simplest type of plan. · No compromise or change in rule unless policy decision is taken.
Programme	· Detailed statements · Outlines objectives, policies, procedures, rules, budget and human and physical resources. · The minutest details are worked out.
Budget	· Statement of expected results expressed in numerical terms. · Plan which quantifies future facts and figures.

MULTIPLE CHOICE QUESTIONS (MCQs)

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

(A) Making assumptions about the future.

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

(C) Allocation of jobs to members of each department.

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

Ans. (C) Allocation of jobs to members of each department. **(CBSE Compartment 2020)**

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

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

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

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

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

ANS:- c. Relying on a previously tried and tested successful plan just because it had worked before and will work again. **(CBSE 2022 Term 1)**

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

(a) Implementing the plan (b) Follow up action (c) Developing premises (d) Selecting an alternative

Ans:- (a) Implementing the plan **(CBSE 2022 Term 1)**

COMPETENCY BASED QUESTIONS (CBQs)

Q.1 Match the features of planning given in Column I with their respective explanation given in Column II.

Column I	**Column II**
A. Planning is a mental exercise	(i) Planning involves thorough examination and evaluation of each alternative and choosing the most appropriate one
B. Planning is allpervasive	(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 requires logical and systematic thinking rather than guess work or wishful thinking

(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 compartment 2023) 1 Mark**

Ans: (b) A-(iii), B-(ii), C-(i)

Q.2 Match the terms related to Planning in Column I with their respective statements in Column II, and choose the correct alternative:

Column I	**Column II**
A. Planning Premises	(i) Peeping into future, analysing it and predicting
B. Futuristic	(ii) Choice from amongst alternatives
C. Facilitates decision-making	(iii) Assumptions about future

(a) A - (ii) B- (iii), C - (i) (b) A - (i) B - (iii), C – (ii)

(c) A- (iii), B - (i) , C – (ii) (d) A - (i) B (ii), C – (iii)

Ans:- (c) A- (iii), B - (i) , C – (ii)

Q.3 Statement I: Procedure are routine steps on how to carry out activities.

Statement II: Procedures detail the exact manner in which any work is to be performed.

In given statement of assertion followed by a statement of reason is given. Choose the correct answer out of the following choices.

(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

Ans: - (c) Assertion (A) is true but Reason (R) is false

ASSERTION AND REASON QUESTIONS

Q.1 Assertion (A): Planning bridges the gap from where we are to where we want to go.

Reason (R): It involves setting objectives and developing appropriate courses of action to achieve these objectives.

(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

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

Q.2 Assertion (A): Planning is futuristic.

Reason (R): Planning is concerned with the future which is certain and does not require forecast.

(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

Ans:- (c)Assertion (A) is true but Reason (R) is false

Q.3 Assertion (A): Rules are the simplest type of plans**.**

Reason (R): There is no change or compromise in rules unless a policy decision is taken.

(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

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

CASE STUDIES

Q.1 Vardan Patel started the business of preparation and supplying sweets through home delivery at a production cum show-room 'Express Sweets' at Ahmedabad. He made a plan forecasting the sales of different types of sweets in various localities of Ahmedabad for each month of the year to earn a profit of 20% on Capital employed. He set a sales target of ` 20,00,000 in the current year with a 10% increase every year. He then set the criteria for selecting suppliers from whom he would make purchases of raw material. The planning paid off and the business was able to achieve its targets.

(a) Identify any two types of plans by quoting the lines from the above.

(b) Also give the meaning of the types of plans identified in part (a) above**. (CBSE 2018 C) 4 Marks**

Ans.(a) The two types of plans are: (i) Objective 'He set a sales target of Rs. 20,00,000 in the current year with a 10% increase every year.'

'He made a plan forecasting the sales of different types of sweets in various localities of Ahmedabad for each month of the year to earn a profit of 20% on Capital employed.' (ii) Policy 'He then set the criteria for selecting suppliers from whom he would make purchases of raw material.' (b)

Objective: An objective is the end which the management seeks to achieve within a given time period, expressed in quantitative terms.

Policy : A policy is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.

Q.2 Two years ago Mayank obtained degree in food technology. For some time he worked in a company manufacturing Bread and Biscuits. He was not happy in the company and decided to have his own Bread and Biscuits manufacturing unit. For this he decided the objectives and the targets and formulated action plan to achieve the same. One of his objectives was to earn 50% profit on the amount invested in the first year. It was decided that raw materials like flour, sugar, salt etc. will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Harsh as a Production-Manager who decided the exact manner in which the production activities are to carried out. Harsh also prepared a statement showing the requirement of workers in the factory throughout the year. Mayank informed Harsh about his sales target for different products, areawise for the forth coming quarter. While working on the production table a penalty of 150 per day was announced for not wearing the helmet, gloves and apron by the workers.

Quoting lines from the above para identify and explain the different types of plans discussed. (CBSE 2017) 5 Marks

Ans:- The different types of plans are:

(I)Objective 'One of his objectives was to earn 50% profit on the amount invested in the first year'. An objective is the end which the management seeks to achieve within a given time period.

(II)Policy 'It was decided that raw materials like flour, sugar, salt etc. will be purchased on two-month credit'. Policy is a general guideline which brings uniformity in decision making for achievement of predetermined objectives.

(III)Procedure 'He also decided to follow the steps required for marketing the products through his own outlets.' OR 'He appointed Harsh as a Production Manager who decided the exact manner in which the production activities are to be carried out.' It consists of sequence of routine steps on how to carry out activities. It details the exact manner in which any work is to be performed.

(iv) Budget 'Harsh also prepared a statement showing the requirement of workers in the factory throughout the year. ' OR 'Mayank informed Harsh about his sales target for different products, area wise for the forth coming quarter.' A budget is plan which states expected results of a given future period in numerical terms. It may be expressed in time, money or physical units.

(V) Rule 'While working on the production table a penalty of ₹150 per day was announced for not wearing the helmet, gloves and apron by the workers.' A rule is a statement that specifies what is to be done or not to be done.

Q.3 Ananta Ltd. is firm manufacturing electronic goods. To increase its sales and earn profits, its General Manager, Kamal is thinking in advance what to do and how to do it. He is also preparing forecasts to reduce the risk of uncertainty and to achieve its targets. By doing so Kamal is performing an important function of management.

Identify and state the function of management highlighted above. Also state any two points of importance of this function. **(CBSE 2023 C) 3 Marks**

Ans:- Planning Planning is the process of setting objectives for a given time period, formulating various courses of action to achieve them and then selecting the best possible alternative from among the various courses of action available.

Importance of planning (any two):

(i) Planning provides direction by stating in advance how the work is to be done.

(ii) Planning reduces risk of uncertainty by looking ahead and anticipating changes.

(iii) Planning reduces overlapping and wasteful activities by co-ordinating the activities of different divisions.

(iv) Planning promotes innovative ideas requiring application of mind and foresight.

(V)Planning facilitates decision making by making a choice from among the alternative courses of action.

CHAPTER 5 : ORGANISING

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

Process of organizing:

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

Importance of Organising

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

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

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

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

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

Differences between functional and divisional structures

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

Differences between formal and informal organization

	Basis	Formal organization	Informal organization
1	Meaning	Structure of authority relationships created by the management	Network of social relationships arising out of social interactions
2	Origin	Arises as a result of company rules and policies	Arises as a result of social interactions

3	Authority	Arises by virtue of position in management	Arises out of personal qualities
4	Behavior	It is directed by rules	There is no set behavior pattern
5	Flow of communication	Through scalar chain	Not through a planned route
6	Nature	Rigid	Flexible
7	Leadership	Managers are leaders	Leaders chosen by the group

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

Elements of Delegation

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

Importance of delegation:

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

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

(iii) Motivation of employees : When a superior entrusts a subordinate with a task, it is not merely the sharing of work but involves trust on the superior's part and commitment on the part of the subordinate.

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

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

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

Importance of decentralisation:

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

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

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

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

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

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

Difference between delegation and decentralization

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

KEYWORDS

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

EXERCISE

Q.1. …… ensures that the subordinate performs task on behalf of the manager thereby reducing his workload and providing him with more time to concentrate on important matters. **(CBSE / SQP / Term 1 / 2021-22)**

a. Decentralization b. Delegation of Authority

c. Authority d. Accountability

Ans. B. Delegation of authority

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

a) Coordination b) Departmentalization

c) Delegation of authority d) Organisation structure

Ans. b) Departmentalization

Q.3. Which type of organizational structure will you suggest for a firm which has diversified activities and operations requiring a high degree of specialization? **CBSE/SQP/Term 1/2021-22)**

a. Centralized structure b. Decentralized structure

c. Functional structure d. Divisional structure

Ans. c. Functional structure

Q.4. "Put simply, decentralization refers to delegation of authority throughout all the levels of the organization." In the light of the above statement give the meaning of and difference between Delegation of authority and decentralization. **(CBSE/SQP/2017-18)**

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

Q.5. "Delegation of authority, undoubtedly empowers an employee to act for his superior, but the superior would still be accountable for the outcome. Explain the elements of delegation of authority discussed above. **(CBSE/SQP/2019-20)**

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

Q.6. Name and state the concept that refers to the number of subordinates that can be effectively managed by a superior and determines the number of levels of management in the organisation. **(CBSE/SQP/Term 1/ 2021-22)**

Ans. Span of management (Give meaning)

Q.7. Assertion (A): Delegation helps a manager to extend his area of operations as without it, his activities would be restricted to only what he himself can do.

Reason (R): A manager, no matter how capable he is, cannot manage to do every task on his own. The volume of work makes it impractical for him to handle it all by himself.

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

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

Q.8. For the following two statements choose the correct option:

Statement I: Accountability can be delegated

Statement II: Responsibility can be delegated completely

Choose the correct option from the options given below:

a) Statement I is correct and II is wrong
b) Statement II is correct and I is wrong
c) Both the statements are correct
d) Both the statements are incorrect **(CBSE/SQP/Term 1/2021-22)**

Ans. Both the statements are incorrect

Q.9. Assertion (A): Under formal organization, it is easier to fix responsibility.

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

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

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

Q.10. In a school fete, the whole activity is divided into task groups each dealing with a specific area like the food committee, the decoration committee, the ticketing committee and so on. These are under the overall supervision of the official in-charge of the event. Coordinating relationships are established among the various groups to enable smooth interaction and clarity about each group's contribution towards the event.

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

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

Ans. Hint- a) Organizing (give meaning)

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

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

Q.11. Shan Spices Ltd. are the manufacturer of different food specific spices like Rajma masala, Cholley masala, Aloo Parantha masala etc. Mr. Raghav, the owner of the company has created different departments for purchase, production, marketing, finance and human resource. There are 30 employees working in the organisation. Planning is of paramount importance to the company as Mr. Raghav believes that effective planning leads to achievement of organizational objectives. So, in order to make employees focus on objectives, he issued instructions that during working hours only official matters will be discussed. He made certain rules and code of conduct for employees to follow, according to which employees are not allowed to visit and talk to employees of other departments except for official work. He emphasized on work performance which resulted in smooth functioning of the organization.

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

Ans. Hint -State the meaning of formal organisation

Q.12. Infocom has diversified itself into several product lines: Telecommunications, Engineering, financial services. Each subsidiary is self-sufficient with their own administrative functions propagating the belief that people can assume the responsibility for the effective implementation of their decisions and should be given autonomy. This has reduced the need for direct supervision by superiors, has promoted flexibility, initiative and faster decision making. The orders of customers are never delayed, as a result of good policy decisions of top management.

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

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

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

CHAPTER : STAFFING

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

Importance of Staffing:

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

Staffing Process:

1. Estimating the manpower requirements: It means assessment of how many persons we need and of what type ? It involves workload analysis and workforce analysis.
2. Recruitment: It refers to searching for prospective employees & stimulating them to apply for job.
3. Selection: It refers to choosing the best person out of a number of prospective candidates for a job.
4. Placement & Orientation:
   Placement : Occupying the position or post for which the person has been selected.
   Orientation : introduction of selected employees with other employees & familiarizing them with rules & policies.
5. Training & Development: it is beneficial for both organisation as well as employees. it is necessary to facilitate the employees learning and providing them opportunity for career advancement.
6. Performance Appraisal: It means evaluating employee's current performance against standards & provide feedback. It includes: a) Defining the job, b) appraising performance c) providing Feedback
7. Promotion & Career Planning: Every organisation needs to design activities for career related issues & promotional opportunities for their employees.
8. Compensation: It refers to all forms or pay or rewards to employee, it may be direct financial benefit or indirect payments by employer.

Selection Process:

1. Preliminary Screening: It helps to eliminate unfit job seekers based on information supplied in application forms.
2. Selection Test (may be paper - pencil or any exercise): It is a mechanism to measure certain characteristics of individual.
   a. Intelligence Test : To check the IQ level/learning ability/decision making ability.
   b. Aptitude Test : To measure the individual's potential for learning new skills
   c. Personality Test : To measure emotions, reactions, maturity or values of persons
   d. Trade Test : To measure the actual skills possessed
   e. Interest Test : To know the pattern of interests or involvement of person.
3. Employment Interview: Formal , in-depth conversation conducted to evaluate the applicants suitability for job
4. Reference & Background checks: To verify information and gaining additional information , employers may request names, addresses and contact no. of references.
5. Selection Decision: Final decision from candidates who pass the tests, interviews and reference checks
6. Medical Examination: To clear the medical fitness test
7. Job Offer: Giving letter of appointment, candidate must report within specified time period mentioned.

8. Contract of Employment: It includes following information : Job title, duties, responsibilities, date of employment started, pay, allowances, hours of work, leave rules, grievance procedure etc.

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

Benefits of training to the organisation:

(i) Training is a systematic learning, always better than hit and trial methods which lead to wastage of efforts and money.

(ii) It enhances employee productivity both in terms of quantity and quality, leading to higher profits

iii) Training equips the future manager who can take over in case of emergency.

(iv) Training increases employee morale and reduces absenteeism and employee turnover.

(v) It helps in obtaining effective response to fast changing environment – technological and economic.

Benefits to the Employee

(i) Improved skills and knowledge due to training lead to better career of the individual.

(ii) Increased performance by the individual help him to earn more.

(iii) Training makes the employee more efficient to handle machines. Thus, less prone to accidents.

(iv) Training increases the satisfaction and morale of employees

Training methods

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

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

1. Apprenticeship programmed (Put the trainee under the guidance of a master worker. Suitable for skill based jobs like plumbers, electricians)

2. Internship (Joint Programme of training with educational institutions & business firms, where candidates carry on regular studies & for practical knowledge work in business firms)

3.Vestibule Training (Actual work environment created in class rooms & trainees use same materials and equipment's , they will be using, it is suitable for sophisticated machinery)

4.Induction training: It help a new employee in settling down quickly into the job by becoming familiar with the people, the surroundings, the job and the business.

Sources of Recruitment

Internal sources (from within the organization)

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

External sources (from outside the organisation)

1. Direct Recruitment : Here notice is placed on the notice board of business and on the spot recruitment is made.

2. Casual Callers : Every business keeps database of unsolicited applicants in their office. This database can be used whenever vacancy arises.

3. Advertisement : May be given in Newspaper, professional journals etc.

4. Employment Exchange : It is run by govt. It provides link between job seekers and employers.

5. Placement agencies & Management Consultants: These private agencies keep database of job-seekers. They act as a link between job seekers and employers. They are suitable for middle level and top level recruitment.

6. Campus Recruitment : Recruitment from educational institutions.

7. Recommendations of existing employees when Existing employees suggest names of their friends, relatives or any known .

8. Labor Contractors : They maintain close contacts with laborers. They can provide required no. of unskilled workers at short notice.
9. Advertisement On T.V.
10. Web Publishing : Recruitment through internet. Many websites are there for this purpose, like www.naukri.com

KEYWORDS

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

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

Exercise

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

(CBSE/SQP/2019-20)

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

Ans. a. Direct recruitment

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

(statement as per QP/CBSE/2022-66/1/1)

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

Ans. c. Placement and orientation

Q.3. Resolutions Pvt. Ltd. is a publishing company. Its book on business studies for class XII is in great demand. As a result, the employees in the marketing department are always racing against time. The employees have to work overtime and on holidays to cater to the demand.

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

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

(statement as per QP/ CBSE/SQP/2016-17)

a. Estimating manpower requirement b. Recruitment

c. Selection d. Performance appraisal

Ans. a. Estimating manpower requirement

Q.4. Identify and state the type of test in the selection process that measures the potential of an employee for learning new skills. **(CBSE/Copt./2022-66/6/1)**

Ans. Hint- State the meaning of Aptitude test

Q.5. "Frequent transfer of employees often reduces the productivity of the organization, still it is being used as a good source of filling the vacancies internally." Why ? State any two reasons.

(CBSE/Comptt./2022-66/6/1)

Ans. Hint- State any two benefits of internal source of recruitment

Q.6. Name and state the process which is job oriented and is used to increase the skills and abilities of employees to perform a specific job. **(CBSE/Comptt./2022-66/6/1)**

Ans. Hint- State the meaning of Training to employees

Q.7. Assertion (A): Under staffing is not good for an organization; however, over staffing is a desirable situation.

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

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

Ans. d) Assertion is false and Reason is true.

Q.8. Assertion (A): Promotion helps to improve the motivation, loyalty and satisfaction level of employees

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

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

Ans. Both A assertion and reason are correct and Reason is the correct explanation of Assertion.

Q.9. Statement 1: Training is any process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased.

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

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

Ans. Both statement 1 and statement 2 are correct

Q.10. The IT GIPRA is terminating the employment of its senior managers, if after evaluating their performance against pre-determined standards if it is found lacking. With this disruption analysts say a large portion of the employees may become irrelevant unless they learn new skills and apply the knowledge to work on emerging technologies. GIPRA is ready to facilitate employee learning, through its in-house centers.

a) Name the function of management performed by GIPRA to maintain a satisfactory work force.

b) Identify and explain the two steps in the process of the function of management discussed above.

c) Also state any two steps of the function of management discussed, that the firm had to perform before performing the above steps**.** **(CBSE/SQP/2017-18)**

Ans. a) Staffing

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

c) State Estimating manpower requirement, recruitment, selection , placement & orientation (Any two)

Q.11. Gautam Natarajan is the founder of 'Brewed Beans Coffee', a famous chain of 21 outlets in South India, selling high quality filter coffee.

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

a) Identify the function of management that has been emphasized by Gautam Natarajan.
b) State any four points of importance of function identified in (a) above.

(CBSE/2021-22/ Term 2- 66/1/1)

Ans. Hint- a. Staffing

b. State any four points of importance of staffing

Q.12. In an interview with a leading news channel, Mr. Rakesh Kwatra, CEO of 'Get My Job' has suggested that the companies which want more and more people to apply for jobs in their organization should make the

process of applying for jobs easier and candidate friendly. It is for this reason, he said, that most progressive companies today have a short application process. He also said that the application form filled by the candidate is very important as it is the information supplied in the application forms, which helps the manager in eliminating unqualified or unfit job seekers. The company can create a mechanism that attempts to measure certain characteristics of individuals like aptitude, manual dexterity, and intelligence to personality. The candidate may then be called for an in-depth conversation to evaluate their suitability for the job.

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

b. Also explain the next three steps in the process which can be subsequently performed by the company.

(CBSE/SQP/Term 2/2021-22)

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

b. Explain :- Reference and background check, selection decision and medical examination

Unit-7 Directing

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

Features/Characteristics of Directing function:-

a. Directing initiates action b. Continuing function c. Directing takes place at every level

d. Directing flows from top to bottom e. Performance oriented.

Importance of Directing Function:-

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

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

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

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

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

Elements of Directing.

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

2.**Motivation 3. Communication and 4. Leadership. Motivation: -** It refers to that process which encourages people to work for the attainment of a desired objective.

Features/Characteristics/Nature of Motivation:-

(a) Motivation is a psychological phenomenon. (b)Motivation produces goal-directed behaviors.

(b) Motivators can be positive as well as negative (d)Motivation is a complex process.

Maslow's Need Hierarchy Theory-

1. *Physiological need.: for ex. food, cloth, shelter*
2. *Safety and security needs:- includes two categories* - Physical Security and Economic security.: ex. Job Security

3. Social needs affiliation/belonging need: for ex. acceptance
4. Esteem needs: means Status
5. Self-Actualization needs: means self-fulfillment



(Source-NCERT-Solution)

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

Types of incentives-

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

(i) Financial Incentives:-The reward or incentive which can be calculated in terms of money.Like - Pay & allowances, Profit sharing, Co-partnership, Bonus, Commission, perquisites and Retirement benefits etc.

(ii) Non-Financial Incentives:- The incentives which cannot be calculated in terms of money.Like - Status, Organizational Climate, Career advancement, Employees recognition, Job security, Job enrichment, Empowerment and Employees participation in management etc.

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

Features of Leadership

a. Process of influencing people b. Brings behavioral changes
c. Inter-personal relationship between a leader and a follower d. Continuous process
e. Exercised to achieve common goals

Leadership Styles-

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

Communication-

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

Type of Communications:

(a) Formal Communication: - It refers to official communication at official peace between the people who are officially related to each other.

(b) Informal Communications:-It is between different members of organisation who are not officially attached to each other.

Elements of Communication Process:

a. **Sender :** who have to convey message. **b. Message :** Any idea, thought, feeling etc.

c. Encoding : Converting message into symbols. d. **Media : M**edium to transmit message

e. Decoding : Translating encoded message into language.

f.Receiver : who have to receiving the message. g. **Feedback :** Reaction of receiver to the sender.

h. Noise : Hindrances in effective communication process.

Barriers of effective communications:-

Semantic Barriers: This barrier is related with the words, signs and figures used in the communication.

Sometimes they cannot convey the same message which they want to. It can be

i. Badly expressed message ii.Symbols and words with different meaning

iii. Faulty translation and soon iv.Unclarified assumptions.

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

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

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

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

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

(a) Fear of authority,

(b) Lack of confidence of superior in his subordinates

(c) Lack of incentive.

(d) Unwillingness to communicate.

- **Measures for effective Communication :**
  - **(i)** Clarify the ideas before communication
  - **(ii)** Communicate according to the need of the receiver
  - **(iii)** Consult others before communicating

(iv) Be aware of the language, tone and content of the message

(v) Convey things of help and value to listeners

(vi) Ensure proper feedback

(vii) Communicate for the present as well as for the future

(viii) Follow up communications

(ix) Be a good listener

KEYWORDS

· Directing (Function of management)	· Managerial Process of instructing, guiding, counseling, motivating and leading the people.
Elements of directing	· Motivation · Leadership Communication
Motivation	· Element of directing · Internal feeling · Complex process of stimulating or inspiring people · Positive or negative motivation.
Motivation process.	· Unsatisfied need----- Tension------ Drives------ Search----- Behaviour----- satisfied needs---- Reduction of Tension
Leadership	· Influencing the behaviour of people
Leadership style	· Autocratic or Authoritarian leader · Democratic or Participative leader · Laissez faire or Free-Rein leader
Autocratic or Authoritarian leader	· Boss centered approach (A is the leader and others are subordinates) · Only one way communication. · Leader gives orders and expects subordinates to obey the orders. · Leader is DOGMATIC i.e. does not wish to be contradicted. · Based on assumption that both reward and punishment can be given. · Only boss (Supervisor) is responsible for production on time · Quick decision making. · Listen to everyone's ideas but decision will be their own.
Democratic or Participative leader	· Group Centered Approach · Leader develops action plans. · Leader takes decision in consultation with his subordinates. · Encourage subordinates to participate. · Based on the assumption that People perform best if they have set their own objectives. · Respect others' opinion and support subordinates · Leader exercise more control by using forces within the group.
Laissez faire or Free Rein leader	· Subordinate Centered Approach · Leader does not believe in the use of power unless essential. · Followers/ subordinates are given high degree of

	independence to make their own objectives. · The group members work on their own tasks and solve issues themselves. · Manager only supports them and provides required information to subordinates. · Subordinate assumes responsibility for the work to be done.
Communication	· Process of exchange of ideas, views, facts, feelings etc to reach common understanding.
Barriers of Communication	· Semantic barriers · Psychological barriers · Organizational barriers · Personal barriers
Semantic barriers	· Branch of linguistics dealing with meaning of words and sentences. · Problems in the process of encoding and decoding of message into words.
Badly expressed Message	· Inadequate vocabulary. · Usage of wrong words. · Omission of needed words.
Symbols with different meanings	· Word having several meanings. · Wrong perception
Faulty translations	· Difficulty in understanding language.
Unclarified assumptions	· Implied instructions. Like 'take care of guest' means all things should be considered while welcoming guest whether said or not.
Technical jargon	· Use of technical words
Body language and gesture decoding	· Body movement and gestures wrongly perceived.
Psychological barriers	· Emotional factors (worry, anger, confusion)
Premature evaluation	· Evaluate message before listening complete message. · Pre-conceived notions or prejudices against the communication.
Lack of attention	· Pre-occupied mind of receiver · Non-listening of message.
Loss by transmission and poor retention	· Communication passing through various levels, · Successive transmission of message results in loss of or transmission of inaccurate information.
Distrust	· If sender do not believe receiver or vice versa, then they can't understand each other in original sense.
Organisational barriers	· Factors related to org. structure · Authority relationships, · Rules and regulations
Organizational policy	· Highly centralised pattern in an org. makes communication difficult.

Rules and regulations	· Rigid rules and cumbersome procedures · Prescribed channel may result in delayed communication.
Status	· Status cause psychological distance b/w sender and receiver. · Conscious man may not allow subordinate to express freely.
Complexity in organizational structure	· Large number of managerial levels. · Delayed and distorted due to large number of filtering points.
Organizational facilities	· Lack of frequent meetings, Suggestion box, Complaint box, Social-cultural gathering, Transparency in operations etc.
Personal barriers	· Personal factors of both sender and receiver.
Fear of challenge to authority	· If superior perceives (thinks) that a particular communication may adversely affect his authority.
Lack of confidence of superior on his subordinates	· Superior does not have confidence on competency of his subordinates. · Does not ask their advice or opinions.
Unwillingness to communicate	· If subordinate perceives that a particular communication may adversely affect their interests.
Lack of proper incentives	· Employees lack initiative due to no motivation or no incentive. · No reward and no appreciation for employees' suggestions.

MCQ's

Q1. Which of the following is not a type of semantic barriers?
(a) Badly expressed message (b) Unclarified assumptions
(c) Technical jargon (d) Premature evaluation
Ans- (d) Premature evaluation
Q2. _____ refers to all measures which are used to motivate people to improve performance,
(a) Leadership (b) Motivation (c) Incentives (d) Communication
Ans- (c) Incentives
16. Which of the following is not an example of financial incentive?
(a) Perquisites (b) Job Enrichment (c) Profit Sharing (d) Co-partnership
Ans- (b) Job Enrichment

ARQ's

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

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

b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
c) Assertion (A) is true but Reason (R) is False
d) Assertion (A) is False but Reason (R) is True.
Q1. Assertion (A): Informal Communication arises from the social interaction of people.
Reason (R): The information system of communication is generally referred to as the Grapevine.
Ans – b)
Q2.Assertion (A): Job Security often makes people complacent and they do not perform efficiently.
Reason (R): There is no risk of job in case of Job Security.
Ans- a)
Q3. Assertion (A): Motivation is a complex process.
Reason (R): Individuals are heterogenous in their expectations, perceptions and reactions.
Ans- (a)

Competency Based Questions

Q1. Identify the type of one of the element of Directing which helps in implementation of Principle "Scalar Chain".
Ans- Formal Communication.
Q2. In an organization employees always feel they are under stress. They take least initiatives and fear to express their problem before the manager. Which element of directing is missing in the manager? Why do you think so?
Ans- Leadership…(**Reason for the same-**)
Q3. Name the need in which employees desire affection, companionship and friendship. How can such needs be fulfilled by the organization?
Ans- Social needs The ways by which this need be fulfilled-by making clubs, by arranging social programs and by maintaining cordial relation between superiors and subordinates.

Case Studies:

Question 1 A. S. Environs Ltd. is dealing in Environment Consultancy. To get the business, the team leader and his team used to travel to different states to give presentations to the clients. As per the policy of the company, the team leader used to travel by air whereas his team travelled by road/train. It was not only time-consuming but also forced the female team members to travel alone at times.

As a result, the subordinates were not acting in a desired manner to achieve the organisational goals. The CEO of the company came to know about it. He called the team leader, discussed the matter with him and decided to change the travel policy of the company. It was decided that in future, all the members including the leader would travel together and usefully utilise the travelling time in discussion about the presentation to be given to the clients. This made a positive impact and every member of the team started acting in a manner as desired by the team leader.
State the features of the element of the function of management used by the CEO. **(CBSE Main Exams Outside 2017-Set-3---(4 Marks)**
Answer: The CEO of A. S. Environs Ltd. has used Motivation, which is an element of directing

function of management in order to deal with the situation effectively.

The features of motivation are explained below:

Motivation is an internal feeling: An urge, drives, or needs of human being, which are internal, but likely to influence human behavior.

- **Motivation produces goal directed behavior:** A motivated employees is likely to act in a desired manner and contribute effectively.
- **Motivation can be either positive or negative:** Positive motivation can be provided through rewards like increase in pay, promotion, recognition etc. Negative motivation involves use of negative means like punishment, stopping increments, threatening etc. which also may prompt a person to act in the desired way.
- **Motivation is a complex process:** as any type of motivation may not have a uniform effect on all the members, so it is a complex process.

Question 2.

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

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

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

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

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

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

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

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

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

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

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

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

(c) Two recommendations are: 1. The language, tone and content of the information should be appropriately chosen so that it is easily understood and does not harm anybody's sentiments.
2. The sender of the information should also be a patient listener. He should be open to communication from the other end (receiver) as well.

Question- 3 Agrima, Arunima and Avika are pursuing MBA from reputed institution. Now it is the time of their placement. a. Agrima wants to work in a company which would provide her more authority for fulfilling her duties and will give recognition, rewards, perquisites and prestige of job.b. Arunima wants to work in an organisation in which behavior of individuals is influenced by its characteristics like autonomy, reward orientation, consideration to employees, risk taking etc.c. Avika wants to join the organisation which has appropriate skill development programs and sound promotion policy that encourages employees to exhibit improved performance.Identify and state the incentives about which Agrima, Arunima and Avika are talking about. **(CBSE Term-II 2022- 23 Marks)**

Answer: Agrima is talking about 'Status' which means ranking of positions in the organization.Arunima is talking about 'Organizational climate' which indicates the characteristics describing an organization and distinguish one organization from the other.Avika is talking about 'Career Advancement Opportunity' which means managers should provide opportunity to employees to improve their skills and be promoted to the higher-level job.

Unit-8 Controlling

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

Actual Performance = Standards = Zero deviation

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

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

Features of Controlling:-

(a) Controlling is a goal-oriented function. (b)Controlling is an all pervasive.

(b) Controlling is both backward looking as well forward looking function.

(c) Controlling is a continuous function.

Importance of controlling:-

a. Helps in achieving organisational goals. b. Judging accuracy of standards.

c. Making efficient use of resources d. Improves employee's motivation.

e. Ensures order and discipline.

Process of Controlling:-

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

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

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

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

Critical point control: Focus only on Key Result Areas (KRAs). Management by Exception: Concentrate only on major deviations only.(Controlling of everything means controlling nothing)

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

Feedback in controlling: Feedback refers to communication regarding the reasons for mismatch between actual and plan output and corrective actions.

Relationship between Planning and Controlling:

(i) **Both are interrelated and interdependent :**

(a) Planning based on facts makes controlling easier and effective.

(b) Controlling improves future planning by providing information derived from past experience.

(ii) **Planning is prescriptive and controlling is evaluative :**

(a) Planning prescribes appropriate action.

(b) Controlling evaluates performance.

(iii) **Both are backward looking as well as forward looking :**

(a) Planning is based on the past experiences and done for future.

(b) Controlling evaluates past activities and improves the future performance.

KEYWORDS

Controlling	· Process · Function of management · Ensuring that activities are performed as per plans. · Controlling completes one cycle of management process and improves planning in the next cycle. · It should not be understood as last function of management. · Brings to light the deviations. · Corrective action.
Relationship b/w Planning and Controlling	· Planning and Controlling are inseparable twins of management.
Planning without Controlling is meaningless	· Once a plan becomes operational, controlling is necessary to monitor the progress, discover deviations and initiate corrective measures to ensure that events conform to plans.
Controlling is blind without planning	· If the standards are not set in advance, managers have nothing to control. When there is no plan, there is no basis of controlling.
Planning is pre-requisite for controlling	· Controlling could not be accomplished without planning.
Difference b/w Planning and Controlling	· Planning is intellectual process involving thinking, articulation and analysis to prescribe appropriate course of action. · Planning is prescriptive. · Controlling checks whether decisions have been translated into desired action. · Controlling is evaluative.
Planning is looking ahead while controlling is looking back	· The statement is partially correct. · Plans are prepared for future and are based on forecasts about future conditions. Thus it is forward looking. · Controlling is like a postmortem of past activities to find out deviations from the standards. Thus, Controlling is backward looking.
Planning is backward looking	· Planning is guided by past experiences.
Controlling is forward looking	· Controlling aims to improve future performance by corrective action.
Critical Point Control	· Key Result Areas (KRA) is set as the critical points. · If anything goes wrong at the critical points, the entire organisation suffers. · Focus on KRAs.
Management by Exception	· Attempt to control everything results in controlling nothing. · Significant deviations which go beyond permissible limit should be taken care of. · Insignificant deviations may be ignored. · Deviations within permissible limit can be ignored.

MCQ's

Q 1. Which of the following is not an importance of controlling function?

(a) It ensures order and discipline. (b) It restricts co-ordination in action.

(c) It helps in judging accuracy of standards. (d) It improves employee motivation.

Ans- (b) It restricts co-ordination in action.

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

a) Measuring of performance b) Compare performance against standard
c) Analysing deviation d) Taking corrective action
Ans- a) Measuring of performance
Q3. Controlling function of an organisation is:
a) Forward looking b) Backward looking c) Both a) and b) d) None of the above
Ans – c)

ARQ's

Read the statements and choose the appropriate option from the options given below;
(a) Both Assertion (A) and Reason(R) are true and Reason (R) is correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason(R) are true but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason(R) is false
(d) Assertion (A) is false but Reason(R) is true

Q1. Assertion(A): Planning and controlling are interdependent and interlinked.
Reason(R): Planning provides the goals and objectives that the controlling function uses to measure performance.
Q2. ASSERTION(A): controlling helps in making efficient use of resources
REASON(R): An efficient control system keeps a check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of changes.
Q3. ASSERTION(A): Controlling ensures that resources are used in the most efficient and effective manner.
Reason(R): In Controlling, all activities are performed in accordance with predetermined standards and norms.

CBQ's

Q1. 'Analysing deviations' is an important step in the process of controlling. It is therefore important to bring significant deviations to the notice of the management which go beyond the permissible limit.
Identify and give the meaning of the concept discussed above.
Ans. Management by Exception.
Management by Exception is a principle of management control, based on the belief, that an attempt to control everything results in controlling nothing. Therefore, only significant deviations which go beyond the permissible limit should be brought to the notice of management.
Q2. Gagan is trying to apply a function of management in his department. First he lets his team perform according to their best potential. Then in a meeting he calls ody and asks his team to check what they have performed. One day it was found that the total number of units produced were 20 less than the set target. It was decided that no worker will go home unless and until this gap of 20 units is overcome.
Which function of management is being performed by Gagan and his team?
What is '20' in the above case?
At which stage of management do you think the target was set? What is its signi-ficance now?
Answer:
In the above case the function performed by Gagan and his team is controlling.
'20' in the above case is deviation. Gap between actual performance and set standards.
The target was set at the planning stage of management. The significance of planning is that it sets standards in the form of targets so that controlling could be done by minimizing deviations.
Question 3.
Savita has been assigned the job of quantity controller. She knows this is a tough job but she also realises the importance of it. Her daily routine is to send alarm to the manufacturing department about the deviations in

the number of units produced so that the target of the day could be achieved. This helps the whole department to focus towards its main plan of action. However one day she realises that the number of units which are to be produced is 500 which is very high and creates chaos at the shop floor. She discusses it with the management and the target is reduced to 450. This has helped the manufacturing department in maintaining quality of the work done. There are 10 workers at the shop floor where Savita does inspection. She divided the task into 45 units for each worker so that by the end of the day the target of the department is completed.
Which benefits of controlling have been highlighted in the above case?
Name one department where controlling should be applied in proper coordination with the manufacturing department for proper quality control of the manufactured products.

Answer:

The benefits of controlling highlighted in the above case are:

Controlling helps in accomplishing organisational goals. Her daily routine is to send alarm to the manufacturing department about the deviations in the number of units produced so that the target of the day could be achieved.

Controlling helps in judging accuracy of set standards. However one day she realises that the number of units which are to be produced is 500 which is very high and creates chaos at the shop floor, she discusses it with the management and the target is reduced to 450.

Controlling helps in facilitating coordination in action. She has divided the task into 45 units for each worker so that by the end of the day the target of the department is completed.

One department where controlling should be applied in proper coordination with the manufacturing department for proper quality control of the manufactured products is purchase department. Unless and until input is good output can never be good. For high quality manufactured product the raw material should be of high quality and this is the area of concern of the purchase department.

Case Based Questions:

Q1. Vinber Ltd. set up a manufacturing unit at Bhiwadi in Himachal Pradesh to manufacture electric geysers and supply them to dealers all over the country. Their production target was 500 geysers per week. It was decided by the management that variation in production upto 10 units would be acceptable.

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

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

(b) Also, state the step(s) that have not been discussed in the above para. (CBSE 2019)

SOLUTION:

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

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

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

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

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

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

Line: 'On investigation, fluctuations was...

iv) Analysing deviations: Every organisation faces deviations in the actual performance as against the pre-defined standards. It is important for managers to find the deviations that are beyond the permissible range. Once the deviations are recognised, it is necessary to identify the cause for it. There can be a number of factors causing deviations in performance such as infeasible standards, deficiencies in process, under-utilisation of resources and changes in business environment.
Line: 'On investigation, it was found that fluctuations in production was due to irregular supply of electricity.
b. The step which was missing is: Taking Corrective measures. When deviations go beyond the admissible limits, there arises a need for the manager to take corrective action.

Q 2. 'A.S. Ltd.' is a large company engaged in assembly of air-conditioners. Recently the company had conducted the 'Time' and 'Motion' study and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air-conditioners per day is 800 units only. To find out the reason the company compared actual performance of each worker and observed through C.C.T.V. that some of the workers were busy in gossiping.
A. Identify the function of management discussed above.
B. State those steps in the process of the function identified which are discussed in the above paragraph.
Answer:
A.Function of management – Controlling.
B.Following steps of controlling are identified in the given para:
i.Setting performance standards which are the criteria against which the actual performance would be measured.
'…. and concluded that on an average a worker can assemble ten air-conditioners in a day.'
ii.Measurement of actual performance with the standards in an objective and reliable manner.
.'Even then the assembly of air-conditioners per day is 800 units only.'
iii.Comparing actual performance with standards to find out any deviations.
.'…. the company compared actual performance of each worker and observed through C.C.T.V'
(iv) Analysing deviations – "Observed through C.C.T.V. that some of the workers were busy in gossiping."

Question 3.
Saurabh is working in an MNC. He has created an atmosphere of proper control in his department. In order to do so he keeps himself aware about any dishonest behaviour and takes a stern action immediately. Recently he has installed CCTV cameras to keep vigil on the employees.
In the above case, which importance of controlling has been implemented by Saurabh?
Name one more importance of controlling other than the above highlighted.
Can you suggest one more way by which Saurabh could have implemented controlling?
Answer:
The importance of controlling implemented in the above case by Saurabh is: Controlling ensures proper order and discipline in the organisation.
One more importance of controlling. Controlling helps in making efficient use of resources.
Saurabh could have implemented controlling by issuing balance score card to every employee. In this way could check their performance and contribution to the organisation on a daily basis.

CHAPTER 9 FINANCIAL MANAGEMENT

INTRODUCTION TO FINANCIAL MANAGEMENT

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

According to Weston and Brighan, "Financial management is an area of financial decision-making harmonising individual motives and enterprise's goals."

ROLE OF FINANCIAL MANAGEMENT

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

Primary objective of Financial Management: Maximization of Shareholders' wealth.
The primary aim of financial management is to maximise shareholders' wealth which means maximisation of the market value of equity shares. The market price of a company's shares is linked to the three basic financial decisions. The market price of equity shares increases, if the benefit from a decision exceeds the cost involved.

OBJECTIVES OF FINANCIAL MANAGEMENT Ensuring availability of funds at reasonable cost.

(i) Ensuring effective utilisation of funds.
(ii) Ensuring safety of funds by creating reserves, reinvestment of profits, etc.

Financial Decisions These are the decisions which are concerned with the selection of best financing alternative or best investment alternative. These are broadly concerned with three aspects, viz investment, financing and dividend.

Classification of Financial Decisions

1. **Investment Decision** The investment decision relates to how the firm's funds are invested in different assets. Investment decision may be long-term or short-term. Long-term investment decision is called capital budgeting decision and short-term investment decision is called working capital decision.

(a) Capital budgeting decisions or long-term investment decisions. Factors affecting capital budgeting decisions are
- Rate of return
- Cash flow of the projects
- Investment criteria involved

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

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

1. Cost 2. Risk 3. Floatation costs 4. Cash flow position of the company
5. Fixed operating costs 6. State of the capital market 7. Return on investment
8. Tax rate 9. Flexibility 10. Regulatory framework Control considerations

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

Factors affecting dividend decisions are

(a) Earnings (b) Stability of earnings (c)Stability of dividends (d)Growth opportunities
(e) Cash flow position (f) Shareholders' preference (g) Taxation policy (h) Stock market reaction
(i) Access to capital market (i) Legal constraints (j) Contractual constraints

MEANING OF FINANCIAL PLANNING

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

IMPORTANCE OF FINANCIAL PLANNING

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

Objectives of Financial Planning

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

Capital structure of a business affects both the profitability and financial risk of business. Since, use of equity and debt in the capital structure has both its merits and demerits, a judicious mix of both are used in the capital structure. Optimal Capital Structure A capital structure is said to be optimal when the proportion of debt and equity is such that it results in the increase of shareholders' wealth.

Factors Affecting Capital Structure

a. Cash flow position b. Interest coverage ratio c. Debt service coverage ratio
d. Return on Investment e. Cost of debt f. Tax rate g. Cost of equity h. Floatation costs
i. Risk considerations j. Flexibility k. Control l. Regulatory framework m. Stock market conditions
n. Capital structure of other companies

FIXED CAPITAL

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

(I)Nature of business (II) Scale of operations(III) Choice of techniques(IV) Technology upgradation
(V) Growth prospects and diversification(VI) Financing alternatives(VII) Collaboration

WORKING CAPITAL

It is that part of total capital which is required for holding current assets. It may also be defined as excess of current assets over current liabilities. Net Working Capital = Current Assets - Current Liabilities Factors Affecting Working Capital Requirements

(I)Nature of business (II)Scale of operations(III)Business cycle(IV)Seasonal factors (V)Production cycle(VI)Credit availed(VIII) Credit allowed (IX) Operating efficiency(X) Availability of raw materials

(XI) Growth prospects Level of competition

KEYWORDS

Business Finance	· Money required carrying out business activities. · Finance is required to establish a business, to run it, to expand it, to modernize it, or to diversify it.
Financial Management	· It is concerned with optimal procurement as well as the usage of finance. · It aims at reducing the costs of funds procured, keeping the risk under control and achieving effective deployment of funds. · It also aims at ensuring availability of enough funds whenever required and avoiding idle funds.
Objective of Financial Mgt.	· To maximize Shareholders' Wealth. · Shareholders' Wealth = No. of Equity Shares X Market value of shares.
Poor Financial Decisions.	· Decisions which result in decrease in M.V. of shares
Investment Decisions	· Concerned with decisions relating to investment in assets. · These decisions include- ϖ Capital Budgeting Decisions ϖ Working Capital Investment Decisions
Capital Budgeting Decisions	· Long term investment decision. · Huge amount of Investment · Irreversible decisions. · e.g Rep
Working Capital Investment Decisions	· Short term Investment Decisions. · Concerned with the decisions about levels of cash, inventory and receivables. · Affect day- to- day working of a business.
Financing Decisions	· It is concerned with quantum of finance to be raised from various long term sources. · Short term sources are studied under Working Capital Management. · Main sources are Owned Funds and Borrowed Funds.
Dividend Decision	· It is concerned with how much of the profit is to be distributed to the shareholders and how much should be retained in the business.
Financial Risk	· The risk of default of payment is called financial risk.
Floatation Cost.	· The cost of raising funds is called floatation cost
Objectives of Financial Planning	· To ensure availability of funds whenever required. · To see that the firm does not raise resources unnecessarily.
Capital Structure	· It refers to mix between owners' funds and borrowed funds.
Financial Leverage	· The proportion of debt in the overall capital is called financial leverage.
Trading on Equity	· It refers to the increase in EPS due to use of debt.

MCQ (1 MARKS EACH)

1. The board of directions of Medex Pharma Ltd. decided to issue debentures worth ₹ 40 lakhs in order to finance a major research and development project. This would increase the debt equity ratio from 1 : 1 to 2 : 1. However, at the same time it would increase the earnings per share. The reason that will justify the above situation is **CBSE 2019**

(a) Unfavourable financial leverage, as the financial risk will be higher.
(b) Unfavourable financial leverage, as return on investment is lower than the cost of debt.
(c) Favourable financial leverage as debt is easily available.
(d) Favourable financial leverage, as return on investment is higher than cost of debt
Ans. (d) Favourable financial leverage, as return on investment is higher than cost of debt

2. …… refers to the increase in profit earned by the equity shareholders due to the presence of fixed financial charges like interest. **CBSE 2018**

(a) Capital structure (b) Earning per share
(c) Trading on equity (d) Return on investment
Ans. (c) Trading on equity

3. A decision to acquire a new and modem plant to upgrade an old one is known as ……. decision.
(a) Financing decision (b) Working capital decision (c) Investment decision (d) Dividend decision

(c) Investment decision

CBQ

(6 MARKS EACH)

Case 1

Mr. Bose is running a successful business. Mr. Bose is the owner of R. K. Cement Ltd. Mr. Bose decided to expand his business by acquiring a Steel Factory. This required an investment of ₹ 60 crores. To seek advice in this matter, he called his financial advisor Mr. T. Ghosh who advised him about the judicious mix of equity (40%) and debt (60%). Employ more of cheaper debt may enhance the EPS. Mr. Ghosh also suggested him to take loan from a financial institution as the cost of raising funds from financial institutions is low. Though this will increase the financial risk but will also raise the return to equity shareholders. He also apprised him that issue of debt will not dilute the control of equity shareholders. At the same time, the interest on loan is a tax deductible expense for computation of tax liability. After due deliberations with Mr. Ghosh, Mr. Bose decided to raise funds from a financial institution.

(i) Identify the concept of financial management as advised by Mr. Ghosh in the above situation.
(a) Capital Budgeting (b) Capital Structure
(c) Dividend Decision (d) Working Capital Decision
Ans. (b) Capital Structure

(ii) In the above case Mr. Ghosh suggested to raised more funds from debt. Higher debt-equity ratio results in
(a) Lower financial risk (b) Higher degree of operating risk
(c) Higher degree of financial risk (d) Higher earning of profit
Ans. (c) Higher degree of financial risk

(iii) "Mr. T. Ghosh who advised him about the judicious mix of equity (40%) and Debt (60%)". The proportion of debt in the overall capital is called ……. .
(a) Working capital (b) Financial leverage (c) Total assets (d) None of these
Ans. (b) Financial leverage

(iv) Employ more of cheaper debt may enhance the EPS. Such practice is called **CBSE 2021**
(a) Equity trading (b) Financial leverage
(c) Investment decision (d) Trading on equity
Ans. (d) Trading on equity

Case 2

Sunrises Ltd. dealing in readymade garments, is planning to expand its business operations in order to cater to international market. For this purpose the company needs additional ₹ 80,00,000 Lakhs for replacing machines with modem machinery of higher production capacity. It involves committing the finance on a long term basis. These decisions are very crucial for any business since they affect its earning capacity in the long-run. The company wishes to raise the required funds by issuing debentures. The debt can be issued at an estimated cost of 10%. The EBIT for the previous year of the company was ₹ 8,00,000 lakh and total capital investment was ₹ 1,00,00,000 crore. Instead of issuing 10% Debenture the Company can issue Equity Shares

for raising the fund. The financial manager of the company would normally opt for a source which is the cheapest.

(i) What is the other name of long-term decision?

(a) Capital Budgeting (b) Gross Working Capital

(c) Financial Management (d) Working Capital

Ans. (a) Capital Budgeting

(ii) A decision for replacing machines with modem machinery of higher production capacity is a

(a) Financing decision (b) Working capital decision

(c) Investment decision (d) None of the above

Ans. (c) Investment decision (iii) A decision for raising fund of ₹ 80,00,000 Lakhs either from 10% Debenture or Equity Shares is a (a) Financing decision (b) Dividend decision (c) Investment decision (d) None of these Ans. (a) Financing decision (iv) The financing decisions are affected by various factors. Which one of the following factor is discussed in the above case?

(a) Cash Flow Position of the Company (b) Cost

(c) Amount of Earnings (d) Taxation Policy

Ans. (b) Cost

Case 3.State any four factors affecting the financial decision that is concerned with raising of finance using shareholders' funds and borrowed funds. CBSE SOP 2022-23 Or Explain the following as factors affecting financing decision (i) Cost (ii) Cash flow position of business (iii) Control considerations (iv) Floatation cost CBSE Delhi 2021

Ans. (i) Cost The cost of raising funds through different sources are different. A prudent financial manager would normally opt for a source which is the cheapest. Debt is considered the cheapest of all sources, tax deductibility makes it still cheaper. (ii) Cash flow position of business A stronger cash flow position may make debt financing more viable than funding through equity. Therefore, in order to take advantage of cheap finance, companies prefer debt to equity. (iii) Control considerations The ultimate control of the company is that of the equity shareholders. Greater the number of equity shareholders, the greater will be the control in the hands of more people. This is not a good situation. Therefore, from this point of view the equity share capital should be avoided. (iv) Floatation cost From the point of view of floatation costs, higher the floatation cost, less attractive the source becomes.

ARQ

1. Assertion (A): Trading on Equity raises the return of equity shareholders.
   Reason (R): Cost of debt is lower than the cost of equity and interest paid on debt is a deductible expense.

Alternatives:

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

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

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

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

Ans – a)

2. Assertion (A): The primary objective of financial management is to maximise the wealth of equity shareholders.

Reason (R): Investment Decision is concerned with the investment of a firm's funds in different assets.

Alternatives:

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

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

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

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

Ans – b

3.Assertion (A): Collaboration of an organisation with another organisation reduces the need of fixed capital.

Reason (R): Availability of leasing facilities reduces the fixed capital requirement of a company.

Alternatives:

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

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

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

CASE STUDIES (3 MARKS EACH)

1. 'G Motors' is the manufacturer of sophisticated cranes. The Production Manager of the company, reported to the Chief Executive Officer, Ashish Jain that one of the machines used in manufacturing sophisticated cranes had to be replaced to compete in the market, as other competitors were using automatic machines for manufacturing cranes. After a detailed analysis, it was decided to purchase a new automatic machine having the latest technology. It was also decided to finance this machine through long-term sources of finance. Ashish Jain compared various machines and decided to invest in the machine which would yield the maximum returns to its investors. CBSE All India 2019

(i) Identify the financial decision taken by Ashish Jain.

(ii) Explain any three factors affecting the decision identified in (i) above.

Ans. (i) Financial decision taken by Ashish Jain is investment (Long-term/Capital budgeting) decision. (ii) For factors affecting capital budgeting decision,

(ii) Three factors affecting capital budgeting decision:

(i) Cash flow of the project : G. Motors should expect a regular amount of cash flow through investments in the new automatic machines with latest technology to meet the daily requirements of their operations.
(ii) Returns from investment : The selection of new machines requiring investments is identified based on possible benefits or returns which G. Motors will obtain through an appropriate appraisal method.
(iii) Investment criteria : The investment proposal on purchase of new machines is prepared on the basis of availability of raw materials, labour, etc., along with the extent of risks and uncertainties associated.

2.The Return on Investment (RoI) of a company ranges between 10-12% for the past three years. To finance its future fixed capital needs, it has the following options for borrowing debt. Option 'A' : Rate of interest 9% Option 'B' : Rate of interest 13% Which source of debt, 'Option A' or 'Option B', is better? Give reason in support of your answer. Also state the concept being used in taking the decision. CBSE 2018

Ans. The company should use 'Option A' as in this case the Return on Investment (10-12%) will be more Than the Cost of Debt (9%). The concept being used in the above case is 'trading on equity'. The use of debt alongwith equity increases Earnings Per Share (EPS). This use of fixed financial charge, i.e. interest, increases the profit earned by shareholders. This concept is known as trading on equity. If the company opts for Option A, it will lead to favourable trading on equity as in this case RoI > CoD. Where RoI - Return on Investment (10-12%) CoD - Cost of Debt (9%)

3. 'X Ltd', issued 14% debentures of ₹ 4,00,000 and 10,000 equity shares of ₹ 60 each. This investment resulted in a net profit of ₹ 2,00,000 before interest and tax. The tax rate was 50%.

(i) Calculate the 'Return on Investment and Earning per Share of 'X Ltd'. (ii) State with reason whether the above example is that of favourable or unfavourable leverage. CBSE 2021

Ans. (i) EPS = **Profit for Equity/ No.of Equity Share** EBIT 2,00,000 (-) Interest on 14% debentures (56,000) EBT 1,44,000 (-) Tax @ 50% (72,000) Profit for equity 72,000

EPS = 72,000 /10,000 = 7.2

RoI = Earnings Before Interest and Tax (EBIT)/ Total Investment × 100 = 2,00,000/10,00,000 x 100

CHAPTER 10 FINANCIAL MARKET

INTRODUCTION TO FINANCIAL MARKET

In an economy, there are two major sectors, viz. households and producers. Households usually save a part of their income to earn returns on it through investment. On the other hand, producers and business firms are in need of finance at all times for conducting business activities. Financial markets and banks act as intermediaries in the **allocative** function of matching the demand and supply of funds. If the allocative function of directing funds available for investment into most productive investment opportunity is performed well.

Functions of Financial Market:

1. Mobilisation of Savings and Channelling them into the most Productive Uses: A financial market facilitates the transfer of savings from savers to investors. It gives savers the choice of different investments and thus helps to channelise surplus funds into the most productive use.

2. Facilitating Price Discovery: The forces of demand and supply help to establish a price for a commodity or service in the market. In the financial market, the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market.

3. Providing Liquidity to Financial Assets: Financial markets facilitate easy purchase and sale of financial assets. In doing so they provide liquidity to financial asset.

4. Reducing the Cost of Transactions: Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend.

Difference between Primary Market and Secondary Market

Basis	Primary market (New issue market)	Secondary market (Stock exchange)
Securities	Sale of securities by new companies or new issues of securities	Trading of only existing securities takes place.
Buying/ Selling	Only buying of securities takes place in the primary market. Securities cannot be sold there.	Both buying and selling of securities can take place on the stock exchange
Purpose	Securities are issued by the company directly (or through an intermediary).	Ownership of existing securities is exchanged between investors. Company is not involved at all.
Capital formation	The flow of funds is from savers to investors, i.e. primary market directly promotes capital formation. Enhances liquidity of securities	. the secondary market indirectly promotes capital formation
Price determination	Prices of securities are determined by the management of the company	Prices are determined by demand and supply of the securities
Location	There is no fixed geographical location	Located at specified place

Difference between Capital Market and Money Market

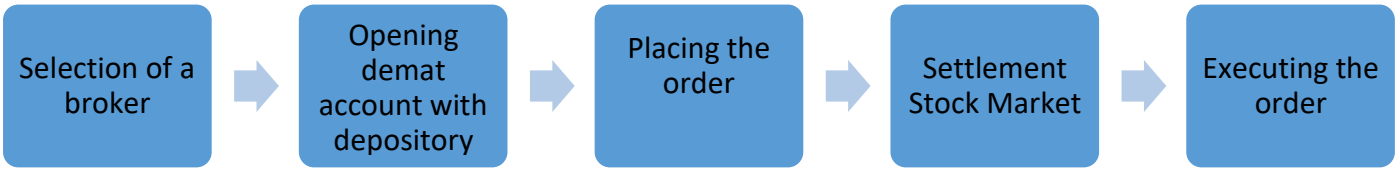
Basis	Capital market	Money market
Participants	Individual investors as well as institutional investors like financial institutions, banks, corporate houses and foreign investors	The participants are RBI, Commercial Banks financial institutions, mutual funds and corporate houses. Individual

	participate in the capital market transactions	investors do not participate in money market.
Instruments traded	The instruments of capital market include equity shares, preference shares, bonds, debentures, etc.	Some of the main instruments used in money market are commercial paper, treasury bills, trade bills, certificate of deposit, etc.
Duration of securities traded	The capital market deals in medium and long-term securities which are for more than one year.	Money market deals in short-term securities having a maximum tenure of one year.
Expected return	Higher returns on investment	There is always a trade-off between risk and return
Safety	Capital market is riskier	The instruments of money markets are safe, less risky due to short duration and soundness of issuers

Meaning of Stock Exchange According to Securities Contracts (Regulation) Act, 1956, "Stock exchange means anybody of individuals, whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying and selling or dealing in securities."

Functions of Stock Exchange

Pricing of securities	Contributes to economic growth	Provides liquidity and marketability of existing securities
Spreading of equity cult	Provides scope for speculation	Safety of transactions



Trading Procedure on a Stock Exchange

Trading Procedure on a Stock Exchange: (EXPLANATION) The trading procedure involves the following five steps:

1. Selecting a Broker: The stock market involves trading through only authorised brokers. These brokers can be individuals, companies, or even partnerships. To begin the trading process, one should select a registered broker.

2. Opening a Demat Account: De mat is short for dematerialised. The Demat account is opened with the help of depositories, which include brokers and banks. It is through this account that trading activities take place. This is an electronic system. The depository helps keep the investor or account holder informed about their transactions and the status of their investments.

3. Placing an Order: Once a Demat account is opened, investors can place orders in different ways, such as through brokers or themselves. The order comprises the buying and selling of shares in the stock market.

4. Execution of the Order: Once an order is placed, it is executed by the broker. Once executed, a contract note is issued, which informs the investor of all transaction details or orders, such as date, time, and amount.

5. Settlement: This is the final step in the trading procedure. It involves the actual transfer of securities between the buyer and the seller. This also needs to be carried out by the broker. The two main kinds of settlement are On-the-spot settlement, where funds are immediately transferred and exchanged on the second working day of the transaction, and Forward settlement, which implies that the transfer or exchange will be carried out at some point in the future.

Vocabulary

(i) Dematerialisation of securities (Demat account) Converting physical certificates into electronic form.

(ii) Demutualisation It refers to separation of ownership and control of stock exchanges from the trading rights of members.

Depository -Depository is an institution/ organisation which holds securities e.g. Shares, debentures, bonds, mutual funds, etc. in electronic form, in which trading is done.

Depository Participant (DP) A depository participant is an agent of the depository which interacts with the investors. DP acts as a link between depository and investors. Securities and Exchange Board of India (SEBI) SEBI was established by Indian Government in 1988, under the administrative control of the Finance Ministry. Later, it became a statutory body having perpetual succession and a common seal under the Securities and Exchange Board of India Act, 1992.

FUNCTIONS OF SEBI:

Regulatory Functions: 1. Registration of brokers and sub-brokers and other players in the market. 2.Registration of collective investment schemes and Mutual Funds. 3.Regulation of stock brokers, portfolio exchanges, underwriters and merchant bankers and the business in stock exchanges and any other securities market. 4.Regulation of takeover bids by companies. 5.Calling for information by undertaking inspection, conducting enquiries and audits of stock exchanges and intermediaries.

Development Functions 1. Training of intermediaries of the securities market. 2.Conducting research and publishing information useful to all market participants. 3.Undertaking measures to develop the capital markets by adapting a flexible approach.

Protective Functions 1. Prohibition of fraudulent and unfair trade practices like making misleading statements, manipulations, price rigging etc. 2.Controlling insider trading and imposing penalties for such practices. 3.Undertaking steps for investor protection. 4.Promotion of fair practices and code of conduct in securities market.

Functions of SEBI

Reasons for Setting up of SEBI

A. Private placements B. Rigging of prices C. Unofficial premium on new shares

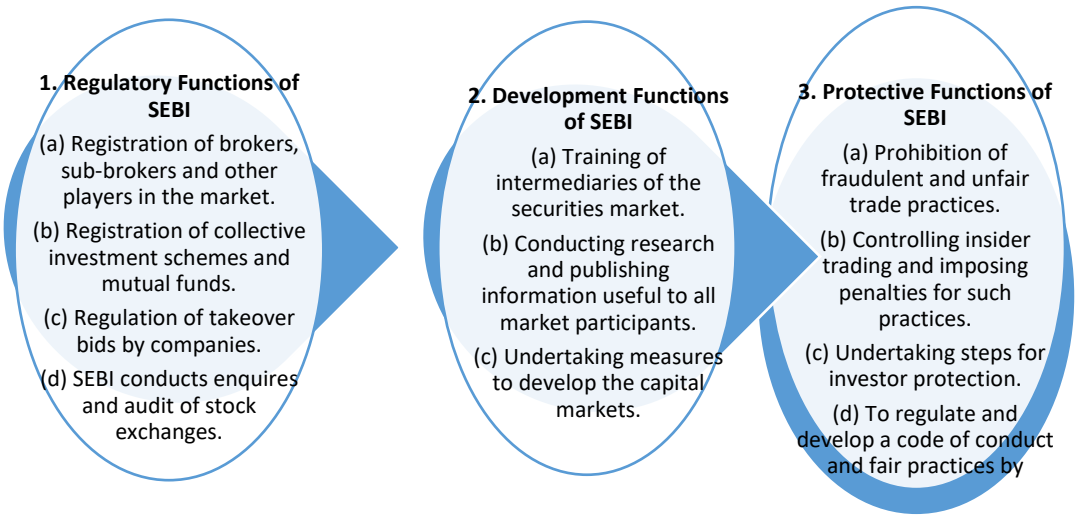
D. Non-adherence of Companies Act E. Violation of rules and regulations of stock exchanges

F. Delay in delivery of share

Objectives of SEBI

A. Regulate stock exchanges B. Protect rights and interests

C.Prevent trading malpractices D. Develop a code of conduct



KEYWORDS

Financial Markets	A financial market is a market for the creation and exchange of financial assets.
Money market	Deals in short term securities maturing in less than one year. Treasury bills, Commercial papers, Certificates of Deposits, Call Money and Commercial bill.
Capital market	Deals in long term securities maturing in more than one year like Equity shares, Preference shares, Debentures etc.
Primary Market	Also known as New Issue Market. Deals with new securities being issued for the first time.
Secondary Market	It is a market for sale and purchase of existing securities.
Stock Exchange	It is an institution which provides a platform for buying and selling of existing securities.
Dematerialisation	The process of holding securities in an electronic form is called Dematerialisation.
Depository	Depository is like a bank and keeps securities in electronic form on behalf of the investor.

MCQ

1. Raghav's friend Raman works as a Chartered Accountant in Solutions Ltd. Raman in a meeting with the Board of Directors of the Company came to know that the firm would soon be declaring a bonus issue which would result in increase in the price of shares. Considering this, Raman advised Raghav to purchase the shares of Solutions Ltd., who acted on his advice and bought the shares before time. Which function of SEBI can control such malpractices? CBSE 2019

(a) Protective functions (b) Regulatory functions (c) Development functions (d) All of the above

Ans. (a) Protective functions

2. …… is a number assigned to each transaction by the stock exchange and is printed on the contract note. CBSE 2021

(a) Client code number (b) Unique order code(c) Permanent account number(d) Depository participant number

Ans. (b) Unique order code

3. Which of the following statements is incorrect? CBSE 2017

(a) Providing liquidity to securities is one of the functions of stock exchange

(b) Process of holding shares in electronic form is known as dematerialisation

(c) Securities Exchange Board of India performs the regulatory function of controlling insider trading and imposing penalties for such practices

(d) Capital market consists of commercial banks development banks and stock exchanges

Ans. (c) Securities Exchange Board of India performs the regulatory function of controlling insider trading and imposing penalties for such practices

CBQ

1. 'Stock exchange not only contributes to the economic growth, but also performs many other functions. Explain any three such functions. (CBSE All India 2016.)

Ans. A stock exchange provides a platform for disinvestment and reinvestment of savings into most productive avenues. Thus, it leads to economic growth. However, stock exchange performs following functions

(i) Provides liquidity and marketability of existing securities Stock exchange provides a ready and continuous market where securities are bought and sold. It gives investors the chance to disinvest or reinvest. Thus, regular dealing provides both liquidity and marketability to existing securities.

(ii) Pricing of securities -The stock exchange helps in determining the prices of various securities that reflect their real worth. It enables correct pricing of securities through the interplay of demand and supply.

(iii) Safety of transaction -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 in the market.

2. (i) Name the process of holding securities in an electronic form.

(ii) Name any two participants of money market.

(iii) Name the depositories that hold securities in electronic form.(CBSE 2023)

Ans. (i) Dematerialisation is a process where securities held by the investor in physical form are cancelled and the investor is given an electronic number or entry so that he can hold it as an electronic balance in an account.
(ii) The major participants in the money market are Reserve Bank of India, Commercial Banks, Non-Banking Finance Companies, State Governments, Large Corporate Houses and Mutual Funds.
(iii) There are two depositaries (a) NSDL (National Securities Depositories Limited) (b) CDSL (The Central Depository Services Limited)

3.'Financial Markets are classified on the basis of the maturity of financial instruments traded in them 'a. Name the market in which the instruments with more than one year maturity are traded. b. Also state any three features of this market(CBSE All India 2016).
Ans. a) Capital Market
b) Financial Market is a market for creation and exchange of financial assets. It helps in mobilisation and channelising the savings into most productive uses. Financial markets also help in price discovery and provide liquidity to financial assets.

ARQ

1.Assertion (A): Investment in the capital Market i.e. securities don't necessarily require a huge financial outlay.
Reason (R): The value of units of securities is generally low i.e. Rs.10 and Rs. 100 and so is the case with a minimum trading lot of shares which is kept small i.e.5,50,100 or so.
Read the above Assertion (A) and Reason (R) select the correct alternatives.
a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
b. Both Assertion (A) and Reason (R) are true but Reason (R) is the not correct explanation of Assertion (A).
c. Assertion (A) is true and Reason (R) is false.
d. Assertion (A) is false and Reason (R) is true.
ANS. a
Assertion (A): Screen based trading ensures transparency in sale and purchase of securities.
Reason (R): Electronic trading systems have enabled a large number of participants to trade with each other.
Read the above Assertion (A) and Reason (R) select the correct alternatives.
a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
b. Both Assertion (A) and Reason (R) are true but Reason (R) is the not correct explanation of Assertion (A).
c. Assertion (A) is true and Reason (R) is false.
d. Assertion (A) is false and Reason (R) is true.
ANS. B

CASE STUDIES

Q-1.Mr Sanjay Nehra was the Chairman of 'Taran Bank'. The bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. The bank was about to announce taking over of 'Vena Bank'. Mr Sanjay Nehra knew that the share price of 'Taran Bank' would rise on this announcement. Being a part of the bank, he was not allowed to buy shares of the bank. He called one of his rich friends Sudhir and asked him to invest t 5 crore in shares of his bank promising him the capital gains. As expected, the share prices went up by 40% and the market price of Sudhir's shares was now ₹ 7 crore. He earned a profit of ₹ 2 crore. He gave ₹ 1 crore to Mr Sanjay Nehra and kept ₹ 1 crore with himself. On regular inspection and by conducting enquiries of the brokers involved, Securities and Exchange Board of India (SEBI) was able to detect this irregularity. The SEBI imposed a heavy penalty on Mr Sanjay Nehra. By quoting the lines from the above para identify and state any two functions that were performed by SEBI in the above case. CBSE Delhi 2016
Ans. The two functions performed by SEBI in the above case are as follows
(i) SEBI conducts inspections, enquiries and audit of stock exchanges. It is one of the regulatory functions of SEBI. Lines from the above para which indicate that the above function was performed are "On regular inspection …….. was able to detect this irregularity."
(ii) SEBI controls insider trading and imposes penalty for such practices. It is one of the protective functions of SEBI. Lines from the above para which indicate that the above function was performed by SEBI are "SEBI imposed ……. on Vikas Mehra."

Q-2. Radhika got 10, 00,000 rupees after selling her parental property which she had got as a gift from her grandmother. Her friend advised her to invest in securities in the stock market. Radhika was unaware of the procedure for the same. Her friend introduced her to a stock broker, who was registered with the National Stock Exchange. Radhika approached the broker. The broker guided her to open a DEMAT account with a Depository, as well as a Bank account. Radhika opened a Bank account & DEMAT account with Exim Bank.
(a) Identify the steps in the trading procedure for buying and selling of securities which have been discussed above.
(b) State the next four steps of the trading procedure.
Ans a. The steps discussed in above para are

i. Selection of broker- The buying & selling can be through SEBI broker. The first step is to select a broker who will buy/sell securities on behalf of investor.
ii. Opening DEMAT account with a depository participant. (1x2=2)
b. The next four steps of the trading procedure:
1. Placing an order- Investor places an order with the broker to buy or sell shares. Brokers go ahead with the deal & order confirmation slip is issued to the investor by the broker.
2. Match the order- The broker will go online& match the share & the price.
3. Executing order- When the shares can be bought & sold at the price mentioned it will be communicated to the broker terminal & order will be executed electronically. The broker will issue trade confirmation slip to investor.
4. Issue of contract note- After the trade has been executed within 24 hours the broker issues contract note. It contains details regarding no. & price of shares.

Q-3.Ashish selects a person who is authenticated to buy or sell securities on his behalf. He is registered by SEBI. Then through this person Ashish opens an account with a bank. Then he takes the next step. He gives this person an order in which he specifies the number and types of securities to be bought or sold. The process moves forward. After getting the instructions from Ashish the selected person buys and issues a paper. The paper contains the name and price of securities, brokerage charges and the name of the parties involved. Then comes the concluding stage of the process. Here, the trading of securities is done by the selected persons on behalf of Ashish.
1. Identify the process highlighted in the above case.
2. Which type of account is being indicated here?
3. What is the role of bank here?
4. What is the role of the person he has chosen?
5. What one condition should be met when giving orders for the purchase of securities?
6. What is the name of the paper highlighted above?

ANS. 1. The process highlighted in the above case is ‘Trading procedure on a Stock Exchange’.
2. The type of account indicated here is ‘Demat Account’.
3. The bank is the ‘Depository Participant’.
4. The person chosen here is the ‘Broker’.
5. The condition which must be met is that the securities traded should be of the listed companies.
6. The name of the paper which is highlighted above is ‘Contract Note’.

UNIT- 11: MARKETING MANAGEMENT

Marketing Management: - It deals with planning, organizing and controlling the activities related to the marketing of goods and services to satisfy the consumer 's wants. Its aim is to achieve the organizational goals at minimum cost by: -Analysing and planning marketing activities, implementing the marketing plans, setting control mechanism.

Meaning of Marketing: Marketing is a social process where in people interact with others, in order to persuade them to act in a particular way, say to purchase a product or a service, rather than forcing them to do so.

Features of Marketing:

1. Needs and Wants: The process of marketing helps individuals and groups in obtaining what they need and want.
2. Creating a Market Offering: Market offering refers to a complete offer for a product or service, having given features like size, quality, taste, etc; at a certain price; available at a given outlet or location and so on.
3. Customer Value: The buyers make buying decisions on their perceptions of the value of the product or service in satisfying their need, in relation to its cost. A product will be purchased only if it is perceived to be giving greatest benefit or value for the money.
4. Exchange Mechanism: The process of marketing involves exchange of products and services for money or something considered valuable by the people.

Marketing Management philosophies/ THINKING: -

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

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

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

Main Focus: Good quality, added features in product.

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

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

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

Main Focus: Customer satisfaction.

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

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

Functions of Marketing:-

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

Marketing Mix

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

Elements of Marketing Mix:

Product + Price + Place + Promotion = Marketing Mix.

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

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

Important components of Product Mix: -

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

Advantages of branding:

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

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

Levels of Packaging: –

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

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

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

Label performs following functions:-

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

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

Price Mix:–It includes all those factors which are considered while fixing the price of a product.
The factors kept in mind while fixing the price of a commodity or services:-

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

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

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

Concept of Distribution Place element of marketing mix is concerned with making the goods and services available at the right place, so that the people can purchase them. Channels of Distribution It is the path through which ownership as well as possession of goods passes from producers to consumers.

Types of channels of distribution are as follows

(i) Direct or zero level channel Manufacturer —> Consumer

(ii) One level channel Manufacturer —> Retailer —> Consumer

(iii) Two level channel Manufactuer —> Wholesaler —> Retailer—> Consumer

(iv) Three level channel Manufacturer —> Agent —> Wholesaler —> Retailer —> Consumer

Factors Determining Choice of Channels (i) Product Related Factors (ii) Company Characteristics (iii) Market Factors (iv) Competitive Factors (v) Environmental Factors

Physical Distribution -The physical handling and movement of goods from place of production to the place of distribution, is called physical distribution, it covers all the activities required to physically move the goods from the manufacturers to the customers.

Components of Physical Distribution The main components of the process of physical distribution are (i) Order processing (ii) Transportation (iii) Warehousing (iv) Inventory control

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

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

Elements of Promotion Mix-

1-Advertising, 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 relations means maintaining public relations with public. By maintaining public relations companies create goodwill.

KEYWORDS

Market (traditional sense)	Place where buyers and sellers gather to enter into transactions involving exchange of goods and services.
Market (modern sense)	It refers to set of actual and potential buyers of a product or a service.
Marketing (traditional sense)	It referred to as performance of business activities that direct the flow of goods and services from producers and consumers.
Marketing (modern sense).	Marketing is a social process wherein people interact with others, in order to act in a particular way, rather than forcing them to do so
Marketing management	Choosing a target market. Focus on getting, keeping and growing the customers. (creating demand) Creating and developing superior values for customers.
The Production Concept	Problem was number of producers were limited. Focus on production of goods at large scale and reducing average cost of production
The Product Concept	Mere availability and low price could not ensure increased sale. Emphasis was shifted from quantity of products to quality of products.
The Selling Concept	The product quality and availability did not ensure the survival and growth of firms anymore. It was assumed customers will

	not but unless they are convinced and motivated. Focus on aggressive selling and promotional techniques.
The Marketing Concept	It assumes that in long run profits maximization can be done by identifying the needs of prospective buyers and satisfying them. Focus on Customers' satisfaction. Role of firm is to 'identify a need and fill it'.
The Societal Marketing Concept	Extension of marketing concept. Any activity which satisfies human needs but is detrimental to the interests of the society cannot be justified. Long term welfare of society.
Marketing Mix	The Combination of controllable variables chosen by a firm to prepare its market offering is called Marketing Mix. Marketing mix can be described as set of marketing tools that a firm uses to achieve its marketing objectives in a target market.
Elements of Marketing Mix	Product Mix Price Mix Place or Physical Distribution Mix Promotion Mix.
Product Mix	Product means goods or services or 'anything of value' or tangible and intangible attributes of a product which is offered to the market for sale. Product is offered for attention, acquisition, use or consumption.
Branding	The process of giving a name or sign or a symbol etc. to a product is called branding.
Packaging	Act of designing and producing the container or wrapper of a product.
Labelling	Process of indicating and providing detailed information about the product, its contents, brand name, method of use, ingredients etc.
Price Mix	Price money represents the sum of values that consumers exchange for the benefit of having or using the product. Price may be defined as the amount of money paid by a buyer in consideration of the purchase of a product or a service. Pricing is used as a regulator of the demand of the product. Price is the single most important factor affecting the revenue and profits of the firm.
Physical Distribution Mix	It is concerned with making the goods and services available at the right place, so the people can purchase the same. There are two decisions relating to this aspect- Physical movement of goods and services from producers to consumers. √ Channels or intermediaries in the distribution process.
Promotion mix	Promotion refers to the use of tools of communication with the twin objectives of a) informing potential customers about the product and b) Persuading them to purchase it.

MULTIPLE CHOICE QUESTIONS

Q 1. To identify the needs of the customers and to take various decisions related to successful marketing of the products and services, it is important to make an analysis of the available opportunities and threats, as well as strengths and weaknesses of the organisation and decide what opportunities can be best pursued by it', highlights one of the functions of marketing, that is:

(A) gathering and analysing market information
(B) marketing planning
(C) product designing and development
(D) branding **(CBSE 2025 ,66/6/1) 1 M**

ANS. (A) Gathering and analysing Market information.

Q 2. One of the responsibilities of an aware consumer into 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-



(A) ISI Mark (B) Agmark (C) Hallmark (D) FPO/FSSAI Mark.**(CBSE 2025 ,66/1/3) 1 M**

Ans. (A) ISI Mark

Q 3. 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.**(CBSE 2025 ,66/1/3) 1 M**

ANS. (C) Hallmark

Q4. Shridhan wanted to purchase an electric car. He visited a retail showroom of a car company where these cars were displayed. The Marketing Manager of this showroom told Shridhan that the company offers credit facilities, Maintenance services and many other services that help in bringing repeat sales and developing brand loyalty for their cars. The marketing function being discussed by the Marketing Manager in the above case is

(A) Product Designing and Development (B) Marketing Planning
(C) Customer Support Services (D) Branding. **(CBSE 2025 ,66/1/3) 1 M**

ANS. (C) Customer Support Services

Q 5. Which marketing management philosophy lays emphasis on bringing continuous improvement in the quality of the product?

(a) Production concept (b) Product concept
(c) Marketing concept (d) Societal marketing concept **(CBSE Term I 2021)**

Ans. (b) Product concept

Q 6. The function of marketing that involves physical movement of goods from one place to another is called

(a) promotion (b) transportation (c) storage and warehousing (d) customer support services **(CBSE Term I 2021)**

Ans. (b) transportation

Q 7. Which product-related decision is concerned with providing detailed information about the product on its package?

(a) Branding (b) Packaging (c) Labelling (d) Both Branding and Packaging **(CBSE Term I 2021)**

Ans. (c) Labelling

Q 8. 'Product Cost' as a factor affecting price determination of a product includes (a) Cost of producing, distributing and selling the product.
(b) Utility provided by the product.
(c) Nature and degree of competition.
(d) Maximising profit in the short-run.

Ans. (a) Cost of producing, distributing and selling the product. (**CBSE Term I 2021)**

Assertion (A) and Reason (R) BASED QUESTIONS:

Q 1 . Read the following statements: Assertion (A) and Reason (R)

Assertion (A): Marketing is only a post-production activity.

Reason (R): Marketing includes activities like identification customer needs, collection of information for developing suitable product package and the product, designing giving it a brand name.
Choose the correct alternative from the options given below:
Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(B) Both Assertion (A) and Reason (R) are false.
Assertion (A) is true, but Reason (R) is false.
Assertion (A) is false, but Reason (R) is true. **(CBSE 2025 ,66/5/1) 1 M**

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

Q 2. Statement I If the demand of a product is inelastic, the firm is in a position to fix higher prices.
Statement II In case the degree of competition is high, the firm is in a position to set high prices.
Alternatives
(a) Statement I is correct and Statement II is wrong
(b) Statement II is correct and Statement I is wrong
(c) Both statements are correct
(d) Both statements are wrong

Ans. (a) Statement I is correct and Statement II is wrong …. (CBSE Term I 2021)

Q3. Statement I Advertising is an impersonal form of communication.
Statement II Advertising lacks direct feedback. Alternatives
(a) Statement I is correct and Statement II is incorrect
(b) Statement II is correct and Statement I is incorrect
(c) Both statements are correct
(d) Both statements are incorrect (**CBSE Term I 2021)**

Ans. (C) Both statements are correct

Q4. Q 2. Read the following statements: Assertion (A) and Reason (R).

Assertion:
Branding plays a critical role in establishing a strong emotional connection with customers, which drives customer loyalty.

Reasoning:
A well-executed branding strategy helps differentiate a company's products from competitors, creating a unique identity that customers resonate with, leading to repeated purchases and advocacy.

Which of the following is correct?
A) Both Assertion and Reasoning are correct, and the Reasoning is the correct explanation of the Assertion.
B) Both Assertion and Reasoning are correct, but the Reasoning does not explain the Assertion.
C) The Assertion is correct, but the Reasoning is incorrect.
D) The Assertion is incorrect, but the Reasoning is correct.

ANS. A) Both Assertion and Reasoning are correct, and the Reasoning is the correct explanation of the Assertion.

COMPETENCY BASED QUESTIONS

Q 1. Match the concept of marketing in Column I with their respective definition in Column II

Column I	**Column II**
A. Product Concept	(i) relates to maintaining high quality of the product
B. Selling Concept	(ii) relates to satisfying customer needs
C. Marketing Concept	(iii) relates to aggressively persuading buyer to purchase the product

Codes : A B C

(a) (i) (ii) (iii)
(c) (iii) (ii) (i)
(b) (ii) (i) (iii)
(d) (i) (iii) (ii)

Ans. (d) (i) (iii) (ii) **(CBSE 2020-21)**

Q2. 'Stay Fit', a probiotic drink was launched in the market by Dabal India Ltd. and is available in various cities across the country. Doctors are recommending it as it is very useful for the stomach. The company is also using various tool to inform and persuade customers about its product. It has recently started free distribution of its samples to encourage the customers to know about it benefits to buy this probiotic drink in future. The company has also appointed a large number of salespersons, who contact the prospective buyers and communicate with them to make sales. This way, the company is able to develop personal rapport with its customer. In order to create awareness and to increase its popularity among school children, it also organise workshops for student and teacher. It also arranged visits of students and teachers to the factory to create awareness about the standards of hygiene adopted in processing and packaging, etc. This helps the company to build a positive image of its product in the society. This way the company is using a combination of communication tools to inform and persuade customers about their firm's product. Identify and explain these tools. **CBSE 2020 (C)3 M**

Ans. Tools used by the company to inform and persuade customers about their product are

(i) **Sales promotion** -Sales promotion refers to short-term incentives, which are offered to encourage the buyers to make immediate purchase of a product or service.

(ii) **Personal selling-** It refers to the oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. Companies appoint sales persons to contact prospective buyers and create awareness about the product and develop product preferences with the aim of making sale.

(iii) **Public relations** -The concept of public relations involves a variety of programmes to promote and protect a company's image or its products. It is the sustained and planned effort to influence public opinion and to establish and maintain mutual understanding between an organisation and the public.

Q 3 JTM Ltd. launched 'Buddyline', an exercise book and comprehensive stationery brand name comprising of ball pens, gel pens and geometry boxes after identifying the target market and understanding the needs and wants of the consumers of that market. All their products were of good quality and eco-friendly but expensive. They wanted to distinguish their products from that of their competitors. They spent lot of efforts, time and money in creating the brand name, as they knew that without a brand name, they can only create awareness for the generic products and can never be sure of the sale of their products. The effort paid off and the demand for the products started growing. The customers liked the brand and became habitual to it. They did not mind paying a higher price. 'Over a period of time, it became a status symbol to buy 'Buddyline' brand because of its quality. The consumers felt pride in using them. (i) Identify the marketing management philosophy followed by JTM Ltd. (ii) Explain the advantages of branding to the marketers highlighted in the above case.

CBSE All India 2019, 3 M

Ans. (i) Marketing management philosophy followed by JTM Ltd. is **'Societal marketing'. (1)**

(ii) **Advantages of branding to marketers are**

(a) Enable product differentiation Due to proper branding, products can be easily differentiated which help in increasing the sales.

(b) Helps in introduction of new product Once brand is established through correct use of branding, new products can be easily introduced. (2)

CASE STUDIES :

Q 1. Explain any four major components of physical distribution. (**CBSE 2025 ,66/6/3) 6 M**

OR

The choice of an appropriate channel of distribution depends upon a number of factors. Explain any four such factors. **(CBSE All India 2015) 6 M**

OR

'Choice of channels of distribution depends on various factors.' Explain any four factors which affect the choice of channels of distribution. **(CBSE All India 2013; Delhi 2012 ©6 M 6 M**

OR

'Choice of an appropriate channel of distribution is a very important marketing decision, which depends on various factors'. Explain any three such factors. **(CBSE All India 2013)6 M**

OR

Medi Instruments Ltd. is a company dealing in the distribution of medical instruments. The company recently imported 15000 units of sugar testing machines to test the sugar levels without taking blood samples. For deciding the marketing strategy, the Chief Executive Officer of the company called a meeting of the marketing heads of different zones. 'In the meeting, Sanjay, the North Zone Marketing Head, suggested that since the machines were sophisticated they need to visit hospitals personally to explain its working to the hospital staff who would be using the machines. He also suggested that additional trained people may be recruited for the same. Hitesh another Zonal Head, added that since lot of money had been spent on the import of the machines, the company was short of funds to pay the additional staff, as suggested by Sanjay. Revansh, a newly appointed Zonal Head of South Zone, suggested that since the size of the order was not large a detailed study of the factors determining the choice of channels of distribution was required before making the right choice.

(i) Identify the factors influencing the choice of channels of distribution which were discussed in the meeting.

(ii) Also, explain briefly the other consideration to be taken care of in each factor identified in part (i).

CBSE All India 2017; Delhi 2017, 6 M

ANS. (i)The factors influencing choice of channels of distribution discussed here are

(a) **Product related factor** -Product complexity Since, the product marketed by the company require technical detailing by the personnel, shorter channels of distribution will be preferred. As against this, non-complex products usually prefer longer channels.

(b) **Company related facto**r- Financial strength Since, the company is running short of funds, it may make use of indirect channels of distribution. If the financial position of the company had been strong, direct channels could have been used.

(c) **Competitive facto**r- Size of the order In the given case, the size of the order is not very large, therefore the company may prefer longer channels of distribution. If the order would have been large, direct channels could have been used. (1 x 3 = 3)

(ii) The other consideration related to each of the factor identified above are

(a) **Product related factor-** 'Nature of the product' While industrial goods are usually technical, made to order and expensive products purchased by few buyers, they require shorter channels. Whereas, consumer goods which are standardised, non expensive, less bulky and frequently demanded, require longer and indirect distribution channels.

(b) Company related factor 'Degree of control If the management wants to have greater control over distribution, shorter or direct channels will be preferred and vice-versa.

© **Market facto**r -'Number of buyers' When the number of buyers is small and concentrated in a small place, shorter channels may be used. But, if the number of buyers is large and market is widespread, longer channels should be preferred. (1 x 3 = 3)

Q2 . A company was marketing 'Juicers' which were very popular due to their quality and after sale services provided to the customers. The company was a leading company in the market and earning huge profits. Because of huge profits, the company ignored the after sales services. As a result its relations with the customers got spoiled and the image of the company in the public was damaged. Top management became concerned when the profits for the current quarter fell steeply. On analysis, it was revealed that ignoring the after sales services was its reason. Therefore, the company took all possible measures to protect and promote its favourable image. As a result the goodwill of the company improved in the society.

(i) Name and state the communication tool used by the marketer in the above case to improve its image.

(ii) Also explain role of the tool as identified in part (i). **CBSE All India 2016 , 6 M**

ANS. (i) The communication tool used by the marketer in the above case is '**Public Relations.**' Public relation is an important element of marketing. It means maintaining relations with public. By

maintaining such relations, companies create goodwill. Public relations evaluate public attitudes, identify the policies and procedures of an organisation with the public interest to earn public understanding and acceptance. Public does not mean only customers, but it includes shareholders, suppliers, intermediaries, customers, etc. Thus, it helps in maintaining and establishing mutual understanding between an organisation and public.

(ii) **Role of public relations -**

The role of public relations can be discussed with respect to functions performed by public relations department.

These functions are-

(a) **Smooth functioning of business**- It helps in analysing trends, predicting their consequences, counselling organisational leaders and implementing planned programme of action and thus helps in smooth functioning of business and achievement of objectives.

(b) **Building corporate image and brand equity**- Public relations covers a wide range of tactics, tools and programmes to promote and protect company's image and products. It uses the tools to build corporate image which ultimately affects favourably on its products. (c) Launching new products The good image promotion itself lends credibility to new launches of the organisations.

(d) **Press relations**- The public relations department is in contact with the media to present true facts and a correct picture about the company, otherwise, news can get distorted if it is taken from some other source.

(e) **Corporate communication** -The public relations department promotes the image of the company by communicating with the public and the employees of the organisation.

(f) **Lobbying** -The public relations department is liable to maintain healthy relationships with government officials, ministers of industry and finance, associations of commerce and industry and etc. At the same time, they have to be proactive in promoting or defeating regulations that affect them.

(g) **Counselling-** The public relations department advises the management on general issues that affect the general public and the goodwill of the company.

Q 3. After acquiring the necessary knowledge and skills on starting an Aloevera Farm, Ashok wanted to be the leading manufacturer of Aloevera products worldwide. He observed that the products were expensive as the demand of the products was more than the supply. He was also keen to promote methods and practices that were economically viable, environmentally sound and at the same time protecting public health. Ashok's main consideration was about the amount of money paid by the consumers in consideration of the purchase of Aloevera product. He also thought that competitors prices and their anticipated reactions must also be considered for this. After gathering and analysing information and doing correct marketing planning, he came to know that the consumers compare the value of a product to the value of money they are required to pay. The consumers will be ready to buy a product when they perceived that the value of the product is at least equal to the value of money which they would pay. Since, he was entering into a new market, he felt that he may not be able to cover all costs. He knew that in the long run the business will not be able to survive unless all costs are covered in addition to a minimum profit. He examined the quality and features of the products of the competitors and the anticipated reactions of the consumers. Considering the same he decided to add some unique features to the packaging and also decided to provide free home delivery of the products. The above case relates to a concept which is considered to be an effective competitive marketing weapon. In conditions of perfect competition most of the firms compete with each other on this concept in the marketing of goods and services.

(a) Identify the concept.

(b) Explain briefly any four factors discussed in the above case related to the concept so identified.

CBSE 2018, 6 M

ANS. Pricing It refers to the process of determining the price of a product. Price of a product refers to the amount of money that the customer has to pay to obtain a product from the market. Pricing is considered as a regulator of demand of a product, because, when the price of the product is increased, demand falls, and vice-versa. Under Perfect Competition, most firms compete with each other on the basis of this factor. Therefore, firms give great importance to the fixation of price for their goods and services. (1) (b) Four factors discussed in the above case are

(i) **Product cost** -The total cost of product includes production, selling and distribution costs. In the long run the firm strives to cover all their costs. The cost sets the minimum level or floor price for a product. In addition to that firm aims to earn profit margin over and above the costs.

(ii) **The utility and demand-** It is necessary to anticipate the utility and demand of a product, while fixing the price, as if a product is offering higher utility, one can easily charge high price from the customer. Whereas, if utility is low, one cannot charge high price for such products. On the other hand, if the demand is elastic, price should be set at a lower level and if the demand is less elastic or inelastic price can be set at a higher level.

(iii) **Extent of competition-** in the market The price of a product can be set upto the higher limit, if the extent of competition is low in the market, and vice-versa. Competitors' price, their reactions, their product, quality and features must be considered before fixing the price.

(iv) **Government and legal regulations-** To protect the interest of general public, the government has all the rights to control the prices of various products and services by including the products in the category of essential commodities such as drugs, some food items, LPG, etc. With government intervention, there can be a check on the activity of monopolist as they cannot charge unfairly high price for essential commodities.

Value Points

Amount of money to be paid by customer to obtain product.

Anticipate the utility and demand of a product while fixing the price.

Extent of competition available in the market.

OR

Q 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. Though there was enough competition in LED lights business, even . Competition 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. **(CBSE 2025 ,66/2/1) 6 M**

Ans "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 cost."- **Product Cost**.

Product cost -The total cost of product includes production, selling and distribution costs. In the long run the firm strives to cover all their costs. The cost sets the minimum level or floor price for a product. In addition to that firm aims to earn profit margin over and above the costs.

"The high demand and the utility provided by these lights will set the upper limit of the price" **- Utility and Demand**

The utility and demand- It is necessary to anticipate the utility and demand of a product, while fixing the price, as if a product is offering higher utility, one can easily charge high price from the customer. Whereas, if utility is low, one cannot charge high price for such products. On the other hand, if the demand is elastic, price should be set at a lower level and if the demand is less elastic or inelastic price can be set at a higher level

"Though there was enough competition in LED lights business, even . Competition then they 'kept the price of their lights higher than the competitors because of good quality and its features".-**Level of Competition.**

Extent of competition- In the market, the price of a product can be set upto the higher limit, if the extent of competition is low in the market, and vice-versa. Competitors' price, their reactions, their product, quality and features must be considered before fixing the price.

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UNIT- 12: CONSUMER PROTECTION

Meaning: - Consumer protection means protecting the interest of consumes from unfair trade practices and exploitation from manufactures and intermediaries.

Importance of Consumer Protection: -

From Consumers point of view: -

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

From Businessmen's point of view:

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

The consumer protection act, 2019

It extends to the whole of India. It is applicable to all types of businesses whether a manufacturer or a trader and whether supplying goods or providing services including e-commerce firms. The Act confers certain rights to consumers with a view to empowering them and to protect their interests.

Rights of Consumers: -

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

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

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

(3) Right to be Assured: -The consumer has the freedom to access variety of products at competitive prices. This implies that the marketers should offer a wide variety of products in terms of quality, brand, prices, size, etc.

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

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

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

Responsibility of consumers: -

(a) Consumer must exercise his Rights.
(b) Insist for Cash Memo on purchase of goods and services. This would serve as a proof purchase made.
(c) Filing Complaints for the Redressal of Genuine Grievances.
(d) Consumers must be Quality-Conscious.
(e) Respect the environment. Avoid waste, littering and contributing to pollution
(f) Do not get carried Away by Advertisements.
(g) Discourage black marketing, hoarding and choose only legal gods and services.
(h) Form consumer societies which could play an active part in educating consumers and safeguarding their interest.

Meaning of Consumer -Consumer is any person who buys any goods or avails any service for consideration, which has been paid or promised, or partly paid and partly promised, or under any scheme of deferred payment. The term includes any other user of such goods, when such use is made with the approval of the buyer, but does not include a person who obtains goods for resale or any commercial purpose.

Who can File a Complaint?

(i) Any consumer

(ii) Any consumer association registered under Companies Act, 2013
(iii) The Central or any State Government
(iv) A legal heir or representative of a deceased consumer

Against Whom a Complaint can be Filed?

(i) A complaint can be filed against seller, manufacturer or dealer of goods, whose goods are defective.
(ii) It can be filed against the provider of services, if they are deficient in any manner.

Redressal agencies Under The consumer Protection act-

For the redressal of consumer grievances, the Consumer Protection Act 2019 provides for setting up of a three-tier enforcement machinery at the District, State, and the National levels. As per the **Consumer Protection Rules 2021,** the jurisdiction of District Commission, State Commission and the National Commission is as follow:

1. **District Commission**: District commission has a jurisdiction to entertain complaints where value of goods or services paid as consideration does not exceed fifty lakh rupees. Either on the first hearing or at any later stage, it appears to district commission that there exist elements of settlement which may be acceptable to the parties, it may direct them to give their consent for settlement of dispute through mediation within five days.

If any of the parties are not satisfied by the order of District Commission can appeal against such order to the State Commission on the grounds of facts or law within a period of **forty-five days** from the date of order.

2. **State Commission:** It is established by the respective state government and ordinarily function at the state capital. State Commission has a jurisdiction to entertain complaints where value of goods and services paid as consideration that exceeds rupees fifty lakh but does not exceed two crores.

If any of the parties are not satisfied by the order of State Commission can appeal against such order to the National Commission within a period of **thirty days** of such order.

3. National Commission: The National Commission has territorial jurisdiction over the whole country. National Commission has a jurisdiction to entertain complaints where value of goods or services paid as consideration exceeds two crores of rupees.

If any of the parties are not satisfied by the order of National Commission can appeal against such order to the Supreme Court of India within a period of **thirty days** of such order.

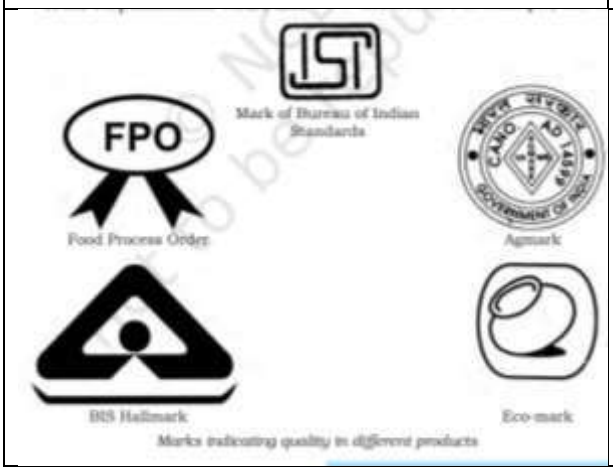
Relief Available-

Where District or State or National Commission is satisfied about defect in goods, or deficiency in services on any unfair trade practice or claim for compensation under product liability, issues an order:
(i) To remove the defect in goods or deficiency in service.
(ii) To replace the defective product with a new one, free from any defect.
(iii) To refund the price paid for the product, or the charges paid for the service.
(iv) To pay a reasonable amount of compensation for any loss or injury suffered by the consumer. due to the negligence of the opposite party.
(v) To pay punitive damages in appropriate circumstances.
(vi) To discontinue the unfair/ restrictive trade practice and not to repeat it in the future.
(vii) Not to offer hazardous goods for sale.
(viii) To withdraw the hazardous goods from sale.
(ix) To cease manufacture of hazardous goods and to desist from offering hazardous services.
(x) Compensate for any loss or injury suffered by consumer under product liability action and withdraw hazardous products from being offered for sale etc.

Role of consumer organizations and NGOs in protecting consumers' interests:

(i) Educating the general public about consumer rights by organising training programmes, seminars and workshops.
(ii) Publishing periodicals and other publications to impart knowledge about consumer problems, legal reporting, reliefs available and other matters of interest.
(iii) Carrying out comparative testing of consumer products in accredited laboratories to test relative qualities of competing brands and publishing the test results for the benefit of consumers.
(iv) Encouraging consumers to strongly protest and take an action against unscrupulous, exploitative and unfair trade practices of sellers.
\(v) Providing legal assistance to consumers by way of providing aid, legal advice etc. in seeking legal remedy.
(vi) Filing complaints in appropriate consumer courts on behalf of the consumers. (
vii) Taking an initiative in filing cases in consumer courts in the interest of the general public, not for any individual.

KEYWORDS

Complaint	Any allegation in writing made by the complainant for obtaining relief w.r.t restrictive trade practice, defect in goods or deficiency in services provided, overcharging of price or offer of goods or service injurious to life and safety.
Complainant	: means one or more consumers, or any voluntary consumer association, central or state government or the central authority or a legal heir or legal representative or a parent or legal representative in case of a minor.
Spurious goods	Goods that are falsely claimed to be genuine
Unfair trade practice	A trade practice for the purpose of promoting sale, use or supply of any goods or service falsely represents its quality, standard, quantity, composition, style or model
Right to Safety:	● protection against goods and services which are hazardous to life, health and property. ●
Right to be informed	complete information about the product he intends to buy
Right to be assured	freedom to access variety of products at competitive prices.
Right to be heard	● file a complaint and to be heard in case of dissatisfaction with a good or a service
Right to seek redressal	To get relief against unfair trade practice
Right to Consumer Education	to acquire knowledge and to be a well-informed consumer throughout life.
	District Commission: consideration does not exceed 50 lakh rupees. Appeal period 45 days State Commission 50 lakhs to 2 crores Appeal period-30 days National Commission More than 2 crores Appeal Period 30 days

Multiple choice Questions

Q. 1. Who among the following is not considered a consumer under the Consumer Protection Act, 2019?
(a) A person who buys any goods for a consideration which has been paid.
(b) A person who avails of any service for a consideration which has been promised.
(c) A person who avails of a service for a commercial purpose.
(d) Any user of goods when such use is made with the approval of the buyer.
Ans. (c) A person who avails of a service for a commercial purpose. CBSE 2020
Q 2. Aarushi purchased a pack of biscuits. When she opened it, she felt the biscuits were stale. She carefully read the label on the pack of biscuits which mentioned "If you are not satisfied with the product quality, write to our Customer Care Cell at Bell Foods Pvt. Ltd. B/321, Jalandhar, Punjab." The biscuit company has set up its own consumer service and grievance cell to promote and protect the following right
(a) Right to Safety (b) Right to be Heard

(c) Right to be Informed (d) Right to Consumer Education **CBSE 2020 (C)**

Ans. (b) Right to be Heard

Q3. Sheela went to a free eye camp and got her eyes operated for cataract. The surgery was not done properly, due to which she lost her vision. Where can she file a complaint under Consumer Protection Act?

(a) At district forum (b) State commission (c) National commission (d) None of these (**CBSE 2019)**

Ans. (d) She cannot file a complaint as she does not fall in the category of consumer.

Q 4. Under ....., the consumer has a right to get relief for replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer in case the product/service falls short of his expectations.

(A) Right to safety (B) Right to seek redressal

(C) Right to be assured (D) Right to be heard **(CBSE 2025 ,66/6/1) 1 M**

Ans. (B) Right to seek redressal

Q5. Which of the following statement is incorrect in respect of responsibility of a consumer while purchasing using and consuming goods and services?

Check ISI mark on food products before buying.

Ask for a cash-memo on purchase of goods and services

Read labels carefully so as to have information about prices, net weight, manufacturing and expiry dates, etc

Assert yourself to ensure that you get a fair deal. **(CBSE 2025 ,66/5/1) 1 M**

ANS. (A) Check ISI mark on food products before buying.

Q 6. As per the Consumer Protection Act, 2019 which of the following statement is correct?

(A) In case the aggrieved party is not satisfied with the order of the District Commission, he can directly appeal before the National Commission.

(B) In case the aggrieved party is not satisfied with the order of the District Commission, he can directly appeal before the Supreme Court.

(C) In case the aggrieved party is not satisfied with the order of the State Commission, he can directly appeal before the Supreme Court. ,

(D) In case the aggrieved party is not satisfied with the order of the National Commission, he can appeal before the Supreme Court. **(CBSE 2025, 66/2/1) 1M**

ANS. **(D) In case the aggrieved party is not satisfied with the order of the National Commission, he can appeal before the Supreme Court.**

Assertion (A) and Reason (R) based questions:

Q 1. Read the following statements: Assertion (A) and Reason (R).

Assertion (A): A buyer buys a product or service for what it does for him/her or the benefit it provides to him/her.

Reason (R): From the customer's point of view, a product is a bundle of utilities which is purchased because of its capability to provide satisfaction of a certain need.

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. **(CBSE 2025 ,66/6/3) 1 M**

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

Q2. Read the following statements: Assertion (A) and Reason (R).

Assertion (A): A consumer can seek replacement of goods if the product is found to be defective.

Reason (R): The Consumer Protection Act, 2019 provides for various reliefs, including refund, replacement, and compensation.

Options: Which of the following is correct?

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.

Answer: A. Both A and R are true, and R is the correct explanation of A.

Q 3. Read the following statements: Assertion (A) and Reason (R).
Assertion (A): A responsible consumer checks the expiry date before purchasing any product.
Reason (R): It is the manufacturer's duty to inform consumers about the risks associated with their products.
Options: Which of the following is correct?
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.
Correct Answer: B. Both A and R are true, but R is *not* the correct explanation of A.

Competency based questions

Q 1. After moving to Dama from his home town in Rasha, Ramu and his family were staying in a rented accommodation for the last 5 years. Ramu and one of his office colleagues decided to buy a flat each in close proximity to their office. After a lot of research, they settled for a housing project which would cost them Rs. 1.25 crore each for a three-bedroom flat. The housing project developers promised to deliver their flats within 36 months. An amount of Rs. 20 lakh each was paid to the developers of the housing project at the time of booking the flat. Since the payment schedule was time bound, they paid additional Rs. 80 lakh each over a period of 2 years. The balance of Rs. 25 lakh was to be paid at the time of registration. Despite having taken the major part of the cost of the flats, the housing project developers hadn't started the construction work. Ramu and his colleague asked to refund the amount paid. On refusal of refund of the amount paid by the housing project developers, Ramu and his colleague decided to approach the consumer court. The redressal agency which Ramu and his colleague should approach for redressal of their grievance is:
(A) District Commission (C) National Commission (B) State Commission (D) Local Commission
Ans. State Commission (CBSE 2025 ,66/6/3) 1 M

Q 2. Raghu, on waking up early in the morning, often complained about back pain. When his pain persisted, he consulted a doctor who advised him to purchase a good quality orthopaedic mattress. That would ensure correct spinal alignment and reduce the back pain. Raghu surveyed the market and purchased a good quality orthopaedic mattress. As the price of the mattress was very high, he wanted to avoid paying GST. The shopkeeper suggested that he can do so if he does not take a receipt for the purchase of the mattress. Raghu readily agreed for the same. After few months of using the mattress, his back pain recurred. He realised that the mattress had caved in from the centre. He approached the shopkeeper who refused to entertain Raghu. Raghu wanted to approach the court for redressal of his grievance. However, one of his friends told him that he would not be able to do so as he had not fulfilled one of his responsibilities. From the following, identify the responsibility which Raghu failed to fulfil:
A. Respect the environment, avoid waste littering and contributing to pollution.
B. Ask for a Cash Memo on purchase of goods and services.
C. Assert yourself to ensure that you get a fair deal
D. Learn about the risks associated with products and services, follow manufacturer's instructions and use the product safely. **(CBSE 2025 ,66/6/1) 1 M**
ANS. B. Ask for a Cash Memo on purchase of goods and services.

Q 3. Sumit purchased an ISI marked washing machine of a famous brand 'MG' from TG Electronics Ltd. The shopkeeper asked him to wait for two days for installation of the machine. His friend, Vivek, was very fond of experimenting with new electronic products. He told Sumit that there is no need to wait for the company's representative to install the machine and that he could do it. So, both of them installed the machine without following the manufacturer's instructions. Initially, the machine worked effectively and the wash was good. But after two days, the machine started stopping in between the wash cycle. Sumit and Vivek tried their best to start the machine but failed in their efforts. Sumit, therefore, approached TG Electronics Ltd., which refused to provide any service on the plea that the installation of the machine was not done by the company.
(i) State the responsibility which Sumit had to fulfil as an aware consumer to get the services of the company.
(ii) Explain briefly any two rights which Sumit could have exercised had he fulfilled his responsibility identified in part (i). **CBSE 2018 , 3 M**
Ans. (i) As an aware consumer, the responsibility that Sumit should have followed is 'following the manufacturer's instructions and user manuals carefully before using the product for safety purposes.
(ii) If Sumit had fulfilled his responsibility, then he could have enjoyed the following rights
(a) Right to be heard Under this right, a consumer has the right to file a complaint under appropriate forms established by the government, in case of any grievance or dissatisfaction.

(b) Right to seek redressal Under this right, a consumer has the right to seek redressal and compensation in case of any exploitation.

Value Points For getting maximum marks, following value points can be included in the answer

- Follow manufacturer's instructions and user manual carefully.
- Consumer has the right to seek compensation in case of any exploitation.

CASE BASED QUESTIONS

Q 1. Manuj bought a packet of chips from a local shopkeeper and found that the ingredients given on the label were not legible. He complained about it to the company. The company sent a written apology stating that they will make sure that existing packets are withdrawn from the market and new packets with legible labels are soon made available. State the consumer right which Manuj exercised.

CBSE Delhi 2016, (3 M)

Ans. Right to seek redressal-

The consumer has a right to get relief against unfair trade practice of restrictive trade practices or unscrupulous exploitation in case the product or a service falls short of his expectations. The Consumer Protection Act 2019 provides for redressal to the consumers including replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer, etc.

Q2. Rita Sharma who works as a guard in a school, purchased two shirts for ₹ 460 each for her son. When she went back home, she realised that the shirt was small in size for her son. She decided to ask for return of money of exchange of the shirt with an appropriate size. But the store owner refused to return the money or exchange the shirt. Rita Sharma was disheartened. Her friend advised her to go to 'Seva Sadan', an autonomous voluntary organisation working for the protection of consumer welfare. The organisation helped her by explaining to her the legal procedure, as well as educated her about her rights as a consumer and helped her in filing the compliant and getting relief. With the help of the organisation, Rita was able to get her money back from the store. Enumerate the rights of a consumer which Rita Sharma was able to exercise with the help of the voluntary organisation. **CBSE 2019**

Ans. Rita Sharma was able to exercise following rights

(i) 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. Many consumer organisations are also working towards this direction and helping consumers in redressal of their grievances

(ii) Right to seek redressal - The consumer has a right to get relief against unfair trade practice of restrictive trade practices or unscrupulous exploitation in case the product or a service falls short of his expectations. The Consumer Protection Act 2019 provides for redressal to the consumers including replacement of the product, removal of defect in the product, compensation paid for any loss or injury suffered by the consumer, etc.

(iii) Right to consumer education - The consumer has a right to acquire knowledge and to be a well-informed consumer throughout life. He should be aware about his rights and the reliefs available to him in case of a product or service falling short of his expectations. Many consumer organisations and some enlightened businesses are taking an active part in educating consumers in this respect.

Q 4. 'VOICE' is an important consumer organisation. It organised workshops in the months of December in Delhi/NCR for consumers. The theme was 'Organic Food-From Farm to Plate', to spread awareness on the importance of organic farming and to encourage consumers to switch from conventional food, that contains chemicals and pesticides to organic food. Expert speakers from farmers' community explained the harmful effects of usage of pesticides in farming and the importance of organic food. People were informed that the organisation regularly tests samples to detect adulteration like presence of heavy metals or pesticides. The results of the tests are published in their monthly magazine 'Consumer Voice' to make people aware of quality of different products. It also provides aid and legal advice to the consumers in seeking a remedy. State the functions performed by the Consumer Voice for the protection and promotion of consumer interest by quoting lines from the above para. **CBSE Delhi 2019 , 4 M**

Ans. Functions performed by VOICE are

(i) Creating awareness about consumer rights "It organised …….. pesticides to organic food."
(ii) Imparting knowledge: "Expert speakers …… food."
(iii) Testing of consumer products: "People were …… products."
(iv) Providing legal assistance to consumers: "It also provides ……. a remedy."

Series EF1GH/1

SET~1

प्रश्न–पत्र कोड **Q.P. Code** **66/1/1**

रोल नं.

Roll No.

परीक्षार्थी प्रश्न-पत्र कोड को उत्तर-पुस्तिका के मुख-पृष्ठ पर अवश्य लिखें ।

Candidates must write the Q.P. Code on the title page of the answer-book.

व्यावसायिक अध्ययन

BUSINESS STUDIES

*

निर्धारित समय : 3 घण्टे *अधिकतम अंक : 80*

Time allowed : 3 hours *Maximum Marks : 80*

नोट / NOTE :

(i) *कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ* ***23*** *हैं ।*

Please check that this question paper contains ***23*** *printed pages.*

(ii) *प्रश्न-पत्र में दाहिने हाथ की ओर दिए गए प्रश्न-पत्र कोड को परीक्षार्थी उत्तर-पुस्तिका के मुख-पृष्ठ पर लिखें ।*

Q.P. Code given on the right hand side of the question paper should be written on the title page of the answer-book by the candidate.

(iii) *कृपया जाँच कर लें कि इस प्रश्न-पत्र में* ***34*** *प्रश्न हैं ।*

Please check that this question paper contains ***34*** *questions.*

(iv) ***कृपया प्रश्न का उत्तर लिखना शुरू करने से पहले, उत्तर-पुस्तिका में प्रश्न का क्रमांक अवश्य लिखें ।***

Please write down the serial number of the question in the answer-book 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 छात्र केवल प्रश्न-पत्र को पढ़ेंगे और इस अवधि के दौरान वे उत्तर-पुस्तिका पर कोई उत्तर नहीं लिखेंगे ।*

15 minute time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

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 **1** to **20** are Multiple Choice Questions (MCQs), carrying **1** mark each.* *20×1=20*

1. '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.

2. 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) Digilockers 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)

3. _____ refers to retention of decision-making authority by higher management levels.

(a) Decentralisation

(b) Departmentalisation

(c) Span of Control

(d) Centralisation

4. Umang was working as a 'Production Manager' at 'LG Papers Ltd.' The company had launched new eco-friendly paper straws in the market. He was given a target of producing 5,000 straws a day, by the General Manager. In spite of making the employees work overtime, Umang could not meet the target.

On investigation, it was found that the employees had not received the right training to manufacture these eco-friendly paper straws. So the employees were sent for special training.

The function of management which helped Umang in identifying that he could not meet the target is :

(a) Planning

(b) Organising

(c) Directing

(d) Controlling

5. *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.

6. Which of the following is ***not*** a step in the process of 'Controlling' function of management ?

(a) Setting performance standards

(b) Assignment of duties

(c) Taking corrective action

(d) Comparing actual performance with standards

7. _____ as an element of marketing mix includes the activities that make the firm's products available to the target customers.

(a) Promotion

(b) Place

(c) Product

(d) Price

8. The process of defining and grouping the activities of the enterprise and establishing authority relationship among them is :

(a) Directing

(b) Staffing

(c) Management

(d) Organising

9. Sangeeta visited 'Smile Dental Clinic' for treatment of toothache. She observed that the receptionist was seated at the reception desk, the place fixed for her. Dental instruments were laid neatly in dental instrument trays and the used instruments were placed in the sterilisation area. There was a fixed place for everything and it was present there. There was no hindrance in the work of the dentist and she was working with her maximum efficiency.

The principle of management followed at the 'Smile Dental Clinic' was :

(a) Equity

(b) Discipline

(c) Order

(d) Initiative

10. 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)

11. 'Management has its own vocabulary of terms and concepts. Managers need to communicate with one another with the help of a common vocabulary for the better understanding of their work situation.'

Which characteristic of 'Management as a Science' is highlighted in the above statement ?

(a) Principles based on experimentation

(b) Systematised body of knowledge

(c) Universal validity

(d) Personalised application

12. '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

(b) Profit

(c) Personal

(d) Growth

13. During the Covid-19 pandemic, the restaurant industry faced many challenges. The slowdown led to huge decrease in demand. From April 2022, the effect of Covid started reducing. The economy started picking up and a boom was noticed in the restaurant industry. As a result, larger amount of working capital was required with increased production and sales.

The factor affecting the working capital requirement discussed above is :

(a) Seasonal factor

(b) Production cycle

(c) Operating efficiency

(d) Business cycle

14. Adapting to a change in consumer preference towards online shopping, 'Fast-Service' started a grocery delivery app. It is a platform that ensures 10-minute deliveries of groceries. Because of this service, 'Fast-Service' earned huge profit within a year. It planned to expand its operations and decided to raise funds by directly issuing its securities to investors.

The market through which 'Fast-Service' has decided to raise funds for its expansion is :

(a) Money market

(b) Primary market

(c) Secondary market

(d) Both Primary and Secondary markets

15. 'Capital Market instruments are riskier both with respect to returns and principal repayment as compared to Money Market instruments.'

This highlights the following point of difference between 'Capital Market' and 'Money Market' :

(a) Instruments

(b) Duration

(c) Safety

(d) Liquidity

16. Which of the following statements does ***not*** highlight the importance of financial planning ?

(a) Detailed plans of action prepared under financial planning increase waste, duplication of efforts and gaps in planning.

(b) It helps in forecasting what may happen in future under different business situations.

(c) It provides a link between investment and financing decisions on a continuous basis.

(d) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.

17. 'Roma Ltd.' identified the needs of the customers for the successful marketing of their products. This was important for making an analysis of the available opportunities, threats, weaknesses and strengths of the organisation and help in deciding what opportunities can best be pursued by it.

By doing so, which of the following functions of marketing is being performed by 'Roma Ltd.' ?

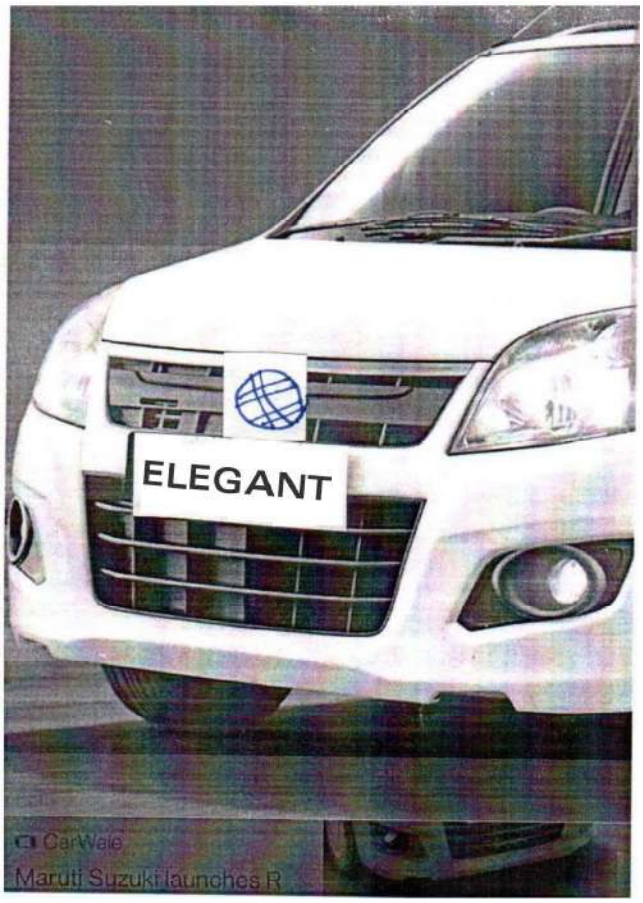
(a) Standardisation and grading

(b) Product designing and development

(c) Marketing planning

(d) Gathering and analysing market information

18.



The symbol which appears on all the 'Elegant' cars and which is not utterable is known as its :

(a) Brand
(b) Brand name
(c) Brand mark
(d) Trade mark

19. 'A good physical distribution system should provide for an accurate and speedy processing of orders in the absence of which goods will reach the customers late or in wrong quantity.'

The component of physical distribution highlighted above is :

(a) Warehousing
(b) Order Processing
(c) Transportation
(d) Inventory Control

20. _____ involves a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public.

(a) Personal selling
(b) Public relations
(c) Sales promotion
(d) Advertising

21. Hitesh is the Chief Executive Officer of 'Kids Garments Ltd.' Due to festive season, Hitesh got an additional order of 10,000 garments which he had to supply within two days. Due to his goodwill in the market, he did not want to lose the order. So, he decided to achieve the target by operating on double shifts. He achieved the target and supplied the order within two days. But due to double shifts, his cost of production was higher than the regular production cost.

Identify and give the meaning of the two concepts of management discussed in the above para. *3*

22. 'The attitudes, skills and abilities of employees to perform specific jobs are increased by adopting a specific process.' This process benefits the organisation in many ways.

State any three benefits of this process to the organisation. *3*

23. (a) (i) Name the process of holding securities in an electronic form.

(ii) Name any two participants of Money Market.

(iii) Name the depositories that hold securities in electronic form. *3*

OR

(b) State any three factors affecting the dividend decision. *3*

24. (a) Explain the following as points of importance of 'Controlling' function of management : *3*

(i) Judging accuracy of standards

(ii) Making efficient use of resources

OR

(b) Explain the relationship between 'Planning' and 'Controlling' with the help of any three points. *3*

25. Nitya is a student of class XII of a well-known school. She has a preconceived notion that her teacher always finds fault in her work. One day while checking the project work of class XII, her teacher wanted to appreciate Nitya for her hard work and good performance, but before she could complete her sentence, Nitya left the room without listening to her teacher.

(a) Identify the 'barrier to communication' and also the type/category of barrier to which it is related.

(b) Explain two other communication barriers of the type/category identified in (a) above. *4*

26. 'X Ltd.' issued 14% Debentures of ₹ 4,00,000 and 10,000 Equity shares of ₹ 60 each. This investment resulted in a net profit of ₹ 2,00,000 before interest and tax. The tax rate was 50%.

(a) Calculate the 'Return on Investment' and 'Earning per Share' of 'X Ltd.'

(b) State with reason whether the above example is that of favourable or unfavourable financial leverage. *4*

27. 'Zeto Ltd.' offers its employees shares at a price which is less than the market price.

(a) Identify the incentive offered by the company and state the type of incentive discussed above.

(b) State two other incentives of the type of incentive identified in (a) above. *4*

28. Identify and give the meaning of the concepts highlighted in the following statements :

(a) The process of finding possible candidates for a job.

(b) An assessment of the number and types of human resources necessary for the performance of various jobs.

(c) Introducing the selected employees to other employees and familiarising them with the rules and policies of the organisation.

(d) It ensures that the organisation gets the best employees amongst the employees available. *4*

29. (a) 'Stock Exchange not only provides liquidity and marketability to existing securities, but performs many other functions.'

Explain any two such functions of Stock Exchange. *4*

OR

(b) Distinguish between primary market and secondary market on any four bases. *4*

30. (a) State the role of consumer organisations and non-governmental organisations for the protection and promotion of consumers interests on the basis of any four points. *4*

OR

(b) State any four reliefs available to the consumers if the consumer court is satisfied about the genuineness of the complaint. *4*

31. (a) Explain the following principles of management : *6*

(i) Discipline

(ii) Unity of Command

(iii) Unity of Direction

OR

(b) Explain the following techniques of Scientific Management : *6*

(i) Fatigue study

(ii) Motion study

(iii) Time study

32. 'Setting objectives is the first step in the process of one of the significant functions of management.'

(a) Identify the function of management referred above.

(b) State the next five steps of the process. *6*

33. 'Sweets and More' is one of India's most popular brand for snacks and sweets. It offers a wide range of sweets, namkeens, cookies and frozen foods.

Its organisational structure comprises of separate business units in each of the above categories. Each of these units have a manager responsible for performance, having authority over the unit. Moreover, each of these units is multi-functional as within each unit, different functions like production, marketing, finance, etc. are performed. Though this kind of organisational structure leads to increased cost because of duplication of activities across products, but it provides a proper basis for performance measurement as revenues and costs related to each of these business units can be easily identified.

(a) Identify the organisational structure of 'Sweets and More'.

(b) State three advantages and two disadvantages of the organisational structure identified in (a) above which are not discussed in the above case. *6*

34. 'X Ltd.' is engaged in the manufacturing of cars. The company surveyed the market and found that customers need a car which runs on eco-friendly fuel instead of petrol or diesel. Keeping the needs of customers as well as social, ethical and ecological aspects of marketing in mind, the company launched a new model of car that runs on bio-diesel. The launch event was covered by the top news channels and newspapers. This was done to disseminate information about the car and build goodwill of the business. 'X Ltd.' understands that it is imperative to manage public opinion and company's relations with the public on a regular basis.

(a) Identify and explain the marketing philosophy involved in the above case.

(b) Identify and explain the communication tool that was used by the company.

(c) Explain any two other promotional tools that can be used by 'X Ltd.' to achieve its objectives. *6*

SOLUTION https://drive.google.com/file/d/1cFXXh1mSG1pwArDJPIJf8IYIIHoPMxBD/view?usp=drive_link

Series &RQPS/S **SET~3**

प्रश्न–पत्र कोड **Q.P. Code 66/S/3**

रोल नं.
Roll No.

परीक्षार्थी प्रश्न-पत्र कोड को उत्तर-पुस्तिका के मुख-पृष्ठ पर अवश्य लिखें ।
Candidates must write the Q.P. Code on the title page of the answer-book.

नोट / NOTE :

(i) कृपया जाँच कर लें कि इस प्रश्न-पत्र में मुद्रित पृष्ठ **23** हैं ।
Please check that this question paper contains **23** printed pages.

(ii) कृपया जाँच कर लें कि इस प्रश्न-पत्र में **34** प्रश्न हैं ।
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 ।
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 प्रश्न का क्रमांक अवश्य लिखें ।**
Please write down the serial number of the question in the answer-book 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 छात्र केवल प्रश्न-पत्र को पढ़ेंगे और इस अवधि के दौरान वे उत्तर-पुस्तिका पर कोई उत्तर नहीं लिखेंगे ।
15 minute time has been allotted to read this question paper. The question paper will be distributed at 10.15 a.m. From 10.15 a.m. to 10.30 a.m., the students will read the question paper only and will not write any answer on the answer-book during this period.

व्यावसायिक अध्ययन
BUSINESS STUDIES

निर्धारित समय : 3 घण्टे *अधिकतम अंक : 80*

Time allowed : 3 hours *Maximum Marks : 80*

General Instructions :

Read the following instructions very carefully and strictly follow them :

(i) *This question paper contains **34** questions. **All** questions are **compulsory**.*

(ii) *Marks are indicated against each question.*

(iii) *Answers should be brief and to the point.*

(iv) *Answers to 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. 'If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business/factory.'

The principle of management that is highlighted in the above statement is :

(A) Discipline (B) Order

(C) Unity of direction (D) Esprit de corps

2. Prakhar Ltd. is the manufacturer of life-saving drugs. There was an outbreak of flu two years back that spread quickly and affected many people. Prakhar Ltd. made huge investment on research and development and was able to develop a medicine for the same. The medicine was very effective in controlling the flu and now it has become a necessity for the patients. As a result, the demand for the medicine increased manifold. Considering the demand, the company increased the price of the medicine. The government observed the situation. Since it was the only available medicine to combat flu, the Government declared it as an essential medicine and regulated its price to make it affordable for the public.

From the following, identify the factor(s) affecting the determination of price discussed in the above case :

(i) Product cost

(ii) Marketing methods used

(iii) Utility and demand

(iv) Government and legal regulations

(A) (iv) only (B) (i), (iii) and (iv)

(C) (iii) and (iv) (D) (i), (ii) and (iii)

3. 'The management should not close its ears to any constructive suggestions made by the employees but reward them for their suggestions which results in substantial reduction in costs.'

Which principle of scientific management is discussed in the above statement ?

(A) Science, Not Rule of Thumb

(B) Harmony, Not Discord

(C) Cooperation, Not Individualism

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

4. Read the following statements : Assertion (A) and Reason (R). Choose the correct alternative from the options given below :

Assertion (A) : While taking dividend decision, the extent of retained earnings also influences the financing decision of the firm.

Reason (R) : The firm does not require funds to the extent of re-invested retained earnings.

(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. As per the Consumer Protection Act, 2019, the consumer has a right to file a complaint and to be heard in case of dissatisfaction with a good or a service.

The consumer right being referred to here is _____ :

(A) Right to Safety

(B) Right to be Heard

(C) Right to be Informed

(D) Right to Seek Redressal

6. Which of the following options denotes the correct sequence of steps in the process of 'Organizing' function of management ?

(A) Departmentalisation → Identification and division of work → Establishing authority and reporting relationships → Assignment of duties

(B) Departmentalisation → Identification and division of work → Assignment of duties → Establishing authority and reporting relationships

(C) Identification and division of work → Establishing authority and reporting relationships → Assignment of duties → Departmentalisation

(D) Identification and division of work → Departmentalisation → Assignment of duties → Establishing authority and reporting relationships

7. Which of the following is ***not*** a function of middle level management ?

(A) To interpret the policies framed by the top management

(B) To ensure that their department has the necessary personnel

(C) To coordinate the activities of different departments

(D) To assign necessary duties and responsibilities to the personnel in their departments

8. The level(s) of packaging shown in the picture given below is/are :



(A) Primary level only

(B) Primary and secondary levels

(C) Primary, secondary and transportation packaging levels

(D) Primary and transportation packaging levels

9. स्तंभ I में दिए गए बाह्य भर्ती के विभिन्न स्रोतों के वर्णन का मिलान स्तंभ II में दिए गए स्रोतों से कीजिए।

	स्तंभ I		*स्तंभ II*
1.	सभी रोज़गार चाहने वालों तथा उपलब्ध रोज़गार के अवसर, दोनों से संबंधित सूचना प्रदान करने के उद्देश्य से डिज़ाइन की गई तथा समर्पित वेबसाइट	(i)	प्रतीक्षा सूची
2.	विभिन्न पदों के लिए योग्य व्यक्तियों की भर्ती के लिए व्यावसायिक घरानों का शिक्षा संस्थानों के साथ संपर्क	(ii)	वेब प्रसारण
3.	उद्यम के सूचना-पट्ट पर उपलब्ध पदों के विवरण के साथ लगाई गई सूचना	(iii)	कैम्पस/महाविद्यालय/ विश्वविद्यालय भर्ती
4.	रिक्तियाँ भरने के लिए कार्यालय में आए अनियमित आवेदकों से प्राप्त आवेदनों से तैयार तथा जाँच किया गया डेटाबेस	(iv)	प्रत्यक्ष भर्ती

निम्नलिखित में से सही विकल्प का चयन कीजिए :

(A) 1-(iii), 2-(i), 3-(iv), 4-(ii)
(B) 1-(i), 2-(iii), 3-(iv), 4-(ii)
(C) 1-(ii), 2-(iv), 3-(i), 4-(iii)
(D) 1-(ii), 2-(iii), 3-(iv), 4-(i)

10. जब निर्माताओं द्वारा प्रत्यक्ष रूप से बिना किसी मध्यस्थ को सम्मिलित किए अंतिम उपभोक्ताओं को वस्तुएँ बेची जाती हैं तो उपयोग किया गया वितरण का माध्यम है :

(A) शून्य-स्तरीय माध्यम
(B) एक-स्तरीय माध्यम
(C) द्वि-स्तरीय माध्यम
(D) तीन-स्तरीय माध्यम

11. अशोक इंडस्ट्रीज़ लिमिटेड, ऑटोमोबाइल इंडस्ट्रीज़ के लिए पुर्जे बनाने वाली एक कम्पनी है । इस कम्पनी में सभी उत्पादन गतिविधियों के लिए मानक निर्धारित किए गए हैं, जिसमें प्रक्रिया, कच्चे माल, समय, उत्पाद, मशीनरी तथा विधियों का मानकीकरण सम्मिलित है जिनका पालन उत्पादन के समय किया जाना चाहिए। इस प्रकार प्राप्त उत्पादित सामग्री गुणवत्ता में सर्वश्रेष्ठ होगी। कम्पनी के फोरमैन, मेहरा, ने कामगारों के कार्यों को इस प्रकार डिज़ाइन किया है कि अनावश्यक चाल दूर हो (हट) जाएँ तथा कार्यों को कुशलतापूर्वक पूरा करने में कम समय लगे। उसने फैक्टरी में कामगारों को दी जा सकने वाली आराम की अवधियों के अन्तरालों तथा आवृत्तियों का वैज्ञानिक रूप से विश्लेषण किया ताकि उन्हें आंतरिक बल पुन:प्राप्त हो तथा वे कुशलता से कार्य कर पाए।

उपर्युक्त अनुच्छेद में वैज्ञानिक प्रबंध की निम्नलिखित में से कौन-सी तकनीक की चर्चा ***नहीं*** की गई है ?

(A) थकान अध्ययन
(B) विधि अध्ययन
(C) गति अध्ययन
(D) मानकीकरण तथा सरलीकरण

9. Match the explanation of different sources of external recruitment given in Column I with the sources given in Column II.

	Column I		*Column II*
1.	Websites designed and dedicated for the purpose of providing information about both, job seekers and job openings	(i)	Casual Callers
2.	Liaison of business houses with the educational institutes to recruit qualified personnel for various jobs	(ii)	Web Publishing
3.	Notice placed on the notice-board of the enterprise specifying the details of the jobs available	(iii)	Campus Recruitment
4.	Database of unsolicited applicants in the office, prepared and screened to fill vacancies	(iv)	Direct Recruitment

Choose the correct option from the following :

(A) 1-(iii), 2-(i), 3-(iv), 4-(ii) (B) 1-(i), 2-(iii), 3-(iv), 4-(ii)

(C) 1-(ii), 2-(iv), 3-(i), 4-(iii) (D) 1-(ii), 2-(iii), 3-(iv), 4-(i)

10. When the products are sold by a manufacturer to the end consumer without involving any intermediary, the type of channel of distribution used is :

(A) Zero level channel (B) One level channel

(C) Two level channel (D) Three level channel

11. Ashok Industries Ltd. is a company manufacturing components for automobile industries. In this company, standards have been set for every manufacturing activity including standardisation of process, raw material, time, product, machinery and methods which must be adhered to during production. This has been done to bring excellence in quality of the materials produced. The foreman of the company, Mehra, has designed the jobs of the workers in such a manner that unnecessary movements are eliminated and it takes less time to complete the jobs efficiently. He has also scientifically analysed the duration and frequency of rest intervals that should be provided to the workers in the factory so that they can regain stamina and work efficiently.

Out of the following, which technique of scientific management has ***not*** been discussed in the above paragraph ?

(A) Fatigue study

(B) Method study

(C) Motion study

(D) Standardisatrion and simplification

12. Prashant started a grocery retail business. Due to increasing popularity of online shopping, the degree of competition is very high in this business. His requirement of working capital will be high as he would have to hold larger stocks of finished goods to meet urgent orders from customers. The factor affecting the requirement of working capital is :

(A) Availability of raw material
(B) Scale of operations
(C) Level of competition
(D) Inflation

13. Aparna and Priyanka are working in 'Shreya Industries', a company dealing in readymade garments for women. Each of them was assigned the responsibility of producing 10 dresses each within 5 days at a cost of ₹ 1,000 per dress. Aparna was able to produce 10 dresses at a cost of ₹ 1,100 per dress within 5 days, whereas Priyanka was able to produce only 8 dresses at a cost of ₹ 900 per dress in 5 days.

Which of the following statements is correct with respect to the above ?

(A) Aparna is efficient but Priyanka is effective.
(B) Aparna is effective but Priyanka is efficient.
(C) Both Aparna and Priyanka are effective.
(D) Both Aparna and Priyanka are efficient.

14. *Statement I :* As per the Consumer Protection Act, 2019, the District Commission has a jurisdiction to entertain complaints where value of goods or services paid as consideration does not exceed ₹ 10 crores.

Statement II : If any of the parties is 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 forty-five days from the date of order.

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.

15. *Statement I :* Shareholders' funds involve commitment regarding the payment of returns or the repayment of capital.

Statement II : Debt is considered to be the cheapest of all the sources of funds and tax deductability of interest makes it still cheaper.

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.

16. In T-pex Ltd, a company trading in stationery items, it was decided that all purchases would be made from AK Ltd. on credit basis with credit period of at least 7 days. This was done because no other company was offering credit facility. Which type of plan has been referred to in the above paragraph ?

(A) Rule (B) Policy

(C) Method (D) Strategy

17. Techpack Ltd. is a company in Hyderabad that produces and sells packaging material to various industries across the nation in a B2B e-business form. It is a dynamic company. Over the years, due to rising concerns for climate change and shift of preferences of Indian customers towards environment-friendly products, the company has shifted to the production of biodegradable packaging material. Moreover, due to its digital transformation, the company has tremendously benefited as its customers could place orders and make cashless payments in various online modes.

The dimensions of business environment discussed in the above case are :

(A) Economic and social environments

(B) Social and technological environments

(C) Technological and economic environments

(D) Social and political environments

18. Which of the following statements is correct for 'short term investment decisions' ?

(A) They affect the earning capacity of a business in the long run.

(B) These decisions normally involve huge amounts of investment.

(C) These decisions affect the liquidity as well as profitability of a business.

(D) They are irreversible except at a huge cost.

19. 'V.K. Public School' had a vacancy for an English teacher for Class XII. After preliminary screening of the applications, they shortlisted 10 candidates. Now, the school management asked the candidates to give a demonstration lesson related to the curriculum of Class XII. The purpose of these demonstration lessons was to measure the existing teaching skills of the candidates and proficiency in the area of profession.

Identify the type of selection test used by 'V.K. Public School' in the above case :

(A) Aptitude test (B) Intelligence test

(C) Trade test (D) Personality test

20. The purpose of the principle of 'unity of command' is that :

(A) It avoids dual subordination.

(B) It subordinates individual interests to organizational interests.

(C) It promotes a team spirit of unity and harmony among employees.

(D) It concentrates decision-making authority at the top level.

21. (a) State any three factors affecting financing decision. *3*

OR

(b) State any three protective functions of Securities and Exchange Board of India. *3*

22. Dhiren Patel is the Chief Executive Officer of a milk processing company. He is a very effective manager. He is quite organized in his work and exhibits exemplary behaviour.

Dhiren Patel insists that all managers and subordinates in the organization should follow a chain of authority that runs from top to bottom for all communication purposes.

Identify and explain the general principle of management highlighted in the above case. *3*

23. (a) Explain 'Democratic (Participative) style of leadership'. *3*

OR

(b) 'An intelligent manager should make use of positive aspects of informal channels and minimise the use of negative aspects of this channel of communication.'

In the light of the above statement, explain any one positive and any two negative aspects of informal channels of communication. *3*

24. A popular magazine published an article on job cuts across the globe. It stated that due to reasons like cost cutting, market conditions and technological advancement, almost two lakh people in the IT sector have lost their jobs during the last year.

This was read and discussed by employees of Techwire Ltd. a software development company in India. It created a lot of unrest among them and their morale came down. The productivity of the employees started declining. The Chief Executive Officer of the company observed the insecurity among the staff about their jobs. Understanding his role as the leader, he wrote an e-mail to all the employees assuring them about the stability of their future income and job.

This communication gave the employees psychological and emotional satisfaction and showed positive results in terms of their performance. The Chief Executive Officer was able to make the subordinates act in a desired manner to achieve the organizational goals, without giving them any monetary incentives.

(i) Identify and explain the incentive used by the Chief Executive Officer to improve the performance of the employees.

(ii) State the need of the employees as per Maslow's Hierarchy of Needs theory which was satisfied in the above case. *3*

25. Anmol Pathak, a restaurant owner, observed that over a period of one year, the costs of raw material, transportation and packaging had increased. As a result the total cost had increased by 15%. He thought that it was not easy to keep a check on each and every activity in the organisation, so he decided to study deeply the increase in these three costs. He prepared a table of acceptable and actual increase in cost as given below :

S.No.	*Expense*	*Acceptable increase in cost*	*Actual increase in cost*
1.	Raw material	4%	7%
2.	Transportation	10%	8%
3.	Packaging	10%	20%

Explain the two concepts related to a function of management that will be used by Anmol Pathak to analyse the deviations. *4*

26. Give the meaning of Money Market. Distinguish between Capital Market and Money Market on the basis of the following : *4*

(i) Instruments

(ii) Liquidity

(iii) Expected returns

27. Ishaan wanted to buy five litres of mustard oil. Before he went to the market, he surfed the Internet to find out about the various brands of mustard oil available in the market. On visiting the retail shop, he could find five different brands of mustard oil but to his surprise, only one of them had 'FSSAI' certification mark, which he decided to buy. He read the label on the oil container to find out the price and weight of the oil. While paying for the oil he ensured that the cashier gave him the cash memo.

Ishaan was a responsible consumer. State any four responsibilities that Ishaan kept in mind while purchasing the mustard oil. *4*

28. (a) Explain any four features of 'Motivation' as an element of the directing function of management. *4*

OR

(b) Explain any four financial incentives used to motivate employees. *4*

29. Silk Ltd. had an EPS of ₹ 1. It raised a loan of ₹ 10 lakhs at an interest rate of 10% p.a. from a bank. After one year, the results were as follows :

Details	*Amount*
Equity (Shareholders' Funds) (2,00,000 shares of ₹ 10 each)	₹ 20 Lakh
10% Loan	₹ 10 Lakh
Earning Before Interest and Tax (EBIT)	₹ 6 Lakh
Earning Per Share (EPS)	₹ 2

Tax rate 20%.

(i) Why did EPS in Silk Ltd. rise with the use of debt ?

(ii) If EBIT of the company would have been ₹ 3 lakh, would using debt still be favourable for the company ? Explain. *4*

30. (a) Explain any four psychological barriers to communication. *4*

OR

(b) Explain any four measures to overcome the barriers to communication. *4*

31. 'Health Relax Ltd.' is one of India's leading consumer healthcare brands in diagnostic services. It has an integrated nationwide network of diagnostic centers. The company was exploring new avenues for its expansion. The top level managers analysed the business environment and found that since the year 2023 was the International Year of Millets, it was expected that the global demand for millets will grow by around 5% annually. India being one of the leading producer and exporter of millets, it was realised that there was a great business opportunity in the millet industry. The Board of Directors approved the idea of venturing into the business of selling bread, noodles and dosa mix made of millets.

The company had to restructure itself. It diversified into varied product categories and created a structure comprising of separate business units. Each unit had a manager responsible for performance who had authority over the unit. Manpower was grouped on the basis of different products manufactured.

(i) Identify the type of organizational structure of Health Relax Ltd. after restructuring and give its meaning.

(ii) Explain any two advantages and two disadvantages of the type of organisational structure identified in the above case. *6*

32. (a) Explain the following techniques of Scientific Management : *6*

(i) Time study

(ii) Differential piece wage system

(iii) Standardization and simplification of work

OR

(b) Explain the following Principles of Management : *6*

(i) Authority and Responsibility

(ii) Centralization and Decentralization

(iii) Initiative

33. BJ Pvt. Ltd. is a company manufacturing organic shampoos with the brand name 'Pure Shine'. This name will help the company in creating product differentiation. To satisfy the needs of the customers in the target market the company used natural ingredients like curry leaves, neem, rice, etc. The focus of the company is on satisfaction of customers needs. To have higher demand of shampoo it decided to fix a lower price in comparison to the other shampoos available in the market. To inform the customers about the shampoo and its features etc., the company used various promotional tools. For maximum satisfaction of customers, the company provides the contact details of the customer care centre to handle customer complaints.

Identify and explain any three functions of marketing discussed in the above paragraph. *6*

34. (a) Distinguish between formal and informal organization by giving any four points. *6*

OR

(b) Explain any four limitations of planning. *6*

SOLUTION

https://drive.google.com/file/d/18TqcMhh7X-bIWNGtu6dbY9uS2X1M2gv9/view?usp=drive_link

BUSINESS STUDIES (054)

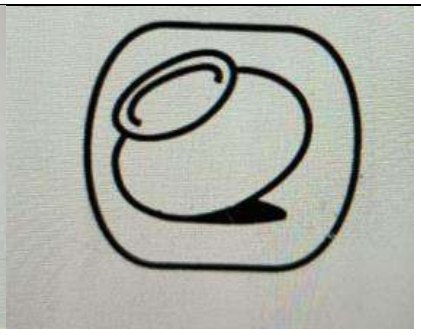
CLASS XII (2024-25)

SAMPLE QUESTION PAPER

TIME: 3 HOURS **M.M. – 80**

- This question paper contains 34 questions.
- Marks are indicated against each question.
- Answers should be brief and to the point.
- Answers to the questions carrying 3 marks may be from 50 to 75 words.
- Answers to the questions carrying 4 marks may be about 150 words.
- Answers to the questions carrying 6 marks may be about 200 words.

Q.NO.	QUESTION	MARKS
1.	The newly appointed Production Manager of Saheb Ltd., a firm manufacturing toys, Mr Ahrawat noticed that the workers in the factory were not giving their best as the physical conditions in the factory were not good. He conducted an experiment to see the effect of improvement in the physical conditions in the factory on the performance of the workers, by providing adequate ventilation and water facilities. He observed that the fatigue level of the workers reduced. The nature of management being highlighted in the above case is: A. Management as science B. Management as profession C. Management as art D. Both A. and C.	1
2.	Jasmine Ahluwalia is the manager of an artefacts museum's marketing team, responsible for promoting exhibitions and events. In the previous season, she defined the total work of managing the events into graphic designing, registration inquiries, bill payments, etc, in order to facilitate specialisation. However, instead of allocating work, she had assigned each team member the full responsibility of managing the promotion of an entire event. Inspite of holding regular team meetings to take feedback, Jasmine found problems throughout the events season in the quality of graphic design, registration inquiry, bill payments, etc,. For the upcoming events season, Jasmine has decided to divide these responsibilities on the basis of her observation of the areas in which the individual team members have excelled in the previous season and allocate the roles based on their skills and competencies. Identify the step in the organising process which was not properly performed in the previous season but has been duly performed for the upcoming season. A. Identification and division of work B. Establishing reporting relationships C. Departmentalisation D. Assignment of duties	1
3.	Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below:	1

	Assertion(A): Financial Planning aims at enabling the company to tackle the uncertainty in respect of the availability and timing of the funds. **Reason(R):** Capital structure refers to the mix between owners' and borrowed funds Alternatives : A. Both Assertion (A) is false and Reason (R) are true. B. Both Assertion (A) and Reason (R) are false. C. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion. D. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of the Assertion.	
4.	Read the following statements carefully: **Statement I:** Secondary Market directly promotes capital formation. **Statement II:** Capital market deals in medium and long term securities such as equity shares and debentures. In the light of 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 II is true, Statement I is false.	1
5.	Choose the statement that correctly highlights the benefit of using external sources of recruitment. A. Competitive spirit among the existing staff B. Reduction in employees turnover C. Helps in increasing employees satisfaction D. Develops a sense of security amongst employees	1
6.	Goodwill Enterprises is a large-scale automobile manufacturer, who fulfills the needs of both industrial users and consumers. The company is providing easy finance facilities at a low rate of interest, which has considerably increased the demand for the product. The company has installed a new branch management software to efficiently manage and coordinate activities across their multiple branches and locations. Identify the components of the business environment from the above case study. A. Political and economic environment B. Economic and social environment C. Technological and legal environment D. Economic and technological environment	1
7.		1

	Identify the responsibility that a consumer fulfills when he looks for the quality marks given above: A. Assert yourself to ensure that you get a fair deal B. Getting a proper receipt C. Buy only standardised products D. Be honest in your dealings **For Visually Impaired Candidates:** When a consumer looks for FPO mark while purchasing a bottle of jam or hallmark when purchasing jewellery, which consumer responsibility has he kept in mind: A. Assert yourself to ensure that you get a fair deal B. Getting a proper receipt C. Buy only standardised products D. Be honest in your dealings	1
8.	Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below: **ASSERTION (A):** Controlling can prevent deviations. **REASON (R):** Controlling helps in minimising deviations by taking actions and decisions that reduce their recurrence. A. Both Assertion (A) and Reason (R) are true and Reason is the correct explanation of Assertion. B. Both Assertion(A) and Reason (R) are true and Reason is not the correct explanation of Assertion. C. Assertion (A) is true, Reason (R) is false. D. Assertion(A) is false, Reason(R) is true.	1
9.	'Joining a job marks the beginning of socialisation of employees at the workplace. The employee should be given a post for which he has been selected.' Place the subsequent steps of staffing in a small organisation in the correct order: A. Training and development, promotion and career planning, performance appraisal, compensation B. Performance appraisal, training and development, promotion and career planning, compensation C. Training and development, performance appraisal, promotion and career planning, compensation D. Training and development, performance appraisal, compensation, promotion and career planning	1
10.	Spiceworks, a company providing financial services to its clients is keeping a close check on the employee's activities by using biometric and retina scanning as modes of accessing the office premises, in order to ensure greater security of information in the organisation. Choose the correct point of significance of controlling highlighted above: A. controlling helps in achievement of organisational goals B. controlling helps in ensuring order and discipline C. controlling helps in improving employees motivation D. controlling enables optimum utilisation of resources	1

<table>
<tr><td>11.</td><td>Identify the incorrect statement with respect to ‘Investment decision’:
A. Net working capital refers to excess of current assets over current liabilities
B. Current assets are those assets which get converted into cash within one year
C. Capital budgeting decisions are irreversible.
D. Size of the assets, Profitability and competitiveness are not affected by capital budgeting decisions.</td><td>1</td></tr>
<tr><td>12.</td><td>State Commission has the jurisdiction to entertain complaints where value of goods and services paid as consideration is _____
A. More than ₹1 crore and not more than ₹ 5 crore
B. More than ₹10 crore
C. Less than ₹1 crore
D. More than ₹1 crore and not more than ₹10 crore</td><td>1</td></tr>
<tr><td>13.</td><td>Match the statements given in column I with the characteristic of business environment given in column II
<table>
<tr><th></th><th>COLUMN I</th><th></th><th>COLUMN II</th></tr>
<tr><td>(a)</td><td>Increased demand of Khakhra and Thepla in the region of Gujarat as compared to Delhi region</td><td>i.</td><td>Uncertainty</td></tr>
<tr><td>(b)</td><td>Digital academic certificates are issued to students accessible in a secured manner to eliminate undesirable practices like corruption and manipulation of records under Digital India Initiative. Such technological improvements are happening at a very fast pace.</td><td>ii.</td><td>Dynamic</td></tr>
<tr><td>(c)</td><td>Fashion market is facing both opportunities and challenges. Therefore it is difficult to predict the future of the fashion market.</td><td>Iii.</td><td>Relativity</td></tr>
<tr><td>(d)</td><td>A new government will result in changing government rules, fiscal policies, market conditions etc</td><td>Iv.</td><td>Interrelatedness</td></tr>
</table>
Choose the correct option from the following:
A. (a)-(iii), (b)-(ii), (c)-(i), (d)-(iv)
B. (a)-(ii), (b)-(i), (c)-(iii), (d)-(iv)
C. (a)-(iv), (b)-(ii), (c)-(i), (d)-(iii)
D. (a)-(iii), (b)-(i), (c)-(ii), (d)-(iv)</td><td>1</td></tr>
<tr><td>14.</td><td>The process of classification of products into different groups, on the basis of some of the important characteristics such as quality, size, etc. is known as:
A. Branding
B. Standardisation
C. Grading
D. Marketing planning</td><td>1</td></tr>
</table>

15.	Shiwakumar runs a legal consultancy firm in Chhattisgarh. Whenever the firm hires new employees, on the first day of joining, they are welcomed to the organisation and are given details about the dress code, lunch timings, introduction to daily operations and fellow colleagues. They are also familiarised with the organisational policies and procedures, emergency exits, evacuation procedure, etc. Name the type of training which is provided by Shiwakumar in his firm. A. Apprenticeship training B. Vestibule training C. Induction training D. Internship training	1
16.	Identify the incorrect statement with respect to Consumer Protection in India. A. It not only includes educating consumers about their rights and responsibilities but also helps in getting their grievances redressed B. It not only requires a judicial machinery for protecting the interest of consumers but also requires the consumers to get together and form themselves into Consumer associations for protection and promotion of their interests. C. It is the moral duty of any business to take care of consumers' interest and avoid any form of exploitation. D. The provisions of Consumer Protection Act came into force from 1981.	1
17.	Identify the decision which is not taken under financial management. A. Dividend Decision B. Capital Budgeting Decision C. Pricing Decision D. Both B. and C.	1
18.	What are the factors that affect financing decisions? (a) Cash flow position of the company (b) Stability of earnings (c) Degree of financial risk (d) Contractual constraints (e) State of capital market (f) Level of competition Choose the correct alternative from the following: A. (b), (c) and (f) B. (d), (e) and (f) C. (a), (c) and (d) D. (a), (c) and (e)	1
19.	Consumers can ask anything regarding the date of manufacturing, MRP, etc, about the product that he intend to buy. Identify the consumer right highlighted in the above lines. A. Right to be informed B. Right to be assured C. Right to be heard D. Right to safety	1
20.	Read the following statements carefully: **Statement I:** Cost of debt is lower than cost of equity for a company.	1

	Statement II: The objective of financial management is to increase shareholder's wealth. In the light of 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 II is true, Statement I is false.	
21.(A)	State the meaning of single use plans and standing plans **OR**	3
21.(B)	State how planning (I) reduces creativity (II) leads to rigidity.	 1 ½ 1 ½
22. (A)	Explain the concept of leadership. Give two situations in which autocratic leadership style is most effective. **OR**	3
22. (B)	Explain the concept of communication. Give the meaning of formal and informal communication.	3
23.	From the following information regarding Aditya Ltd. which is in the business of manufacturing green tea, calculate the Return on Investment and Interest Coverage Ratio of the company: (Show working) Earning before interest and tax ₹ 15,00,000 10% debentures ₹ 12,00,000 Equity Share Capital (₹10 each) ₹ 18,00,000 Tax Rate 40%	3
24.	Mr Vivek Vaswani, a foodpreneur combined his passion for food with his entrepreneurial skills and started his innovative fast food outlet OH CHILLI! in 2021. He had started his career as a food blogger and had noticed that numerous Indian consumers were looking for reasonable and pure vegetarian fast food options for dining out. The high end restaurants were not opted by many as they were exorbitantly priced. Though many global fast food chains were running across the country, yet not many outlets offered reasonable and healthy pure vegetarian fast food options to consumers. OH CHILLI! became a pioneer in offering a healthy and delicious variety of food. What came as a surprise for consumers was that even without using onion or garlic in the pasta sauce, marinade and ketchup ,the food could actually taste great. The company witnessed an increase in net profit of 26% in its second financial year and became a market leader. (I) State the concept of business environment. (II) Identify and explain in what way, a good understanding of business environment enabled Mr. Vivek Vaswani to improve the performance of the enterprise.	 1 2
25.	The General manager of a reputed organisation, Mr. Agastaya Lokhande, made the following announcement at the Annual General Meeting of the company- "When we think of a brand, we think of reputation, but the reputation is made or broken by the quality of products and customer representation. If people are miserable, they can't give their best work and the brand suffers. On	

	the contrary, positive results can be observed if there is job satisfaction, effective and efficient functioning." (I) Identify and explain the feature of management discussed by Mr Agastaya in his announcement. (II) Explain any three reasons that make management important to any organisation.	 1 3
26. (A)	In order to streamline the selection procedure, so as to minimise the margin of errors, certain tests are carried out that attempt to measure the characteristics of individuals. Explain any four such tests. **OR**	4
26. (B)	Since jobs have become more complex, the importance of employee training has increased. Training programmes provide numerous benefits to workers. Explain any four points that support this statement.	4
27.	When Bhaanupriya joined as technical head of Logic Lotus Innovators, she was keen on increasing the productivity and profitability of the company. However, she observed that the employees were demotivated as no attention was given to their work. Also, the workers were given little freedom to make decisions. Bhaanupriya decided to stimulate the employees by giving each worker T-shirts with their name on it. She also decided to include workers in work committees. This helped in improving the performance of the workers. (I) On the basis of the understanding of Maslow's Need Hierarchy Theory of motivation, identify the human need that Bhaanupriya has recognised in order to make the subordinates act towards achievement of organisational goals. (II) Identify and explain two incentives that have been provided by Bhanupriya to improve the performance of the employees.	 1 3
28. (A)	Explain how Planning and controlling are both backward looking, as well as forward looking functions. **OR**	4
28. (B)	The first step in the controlling process is setting up performance standards. Explain the subsequent two steps in the process of controlling.	4
29.	When Chandrashekhar Shukla returned to India after completing a Certificate course in Food Quality Assurance and Quality Control from the Netherlands, he was convinced that he would fulfil his grandfather's dream of converting their 58 acre land into a fertile farm. He started by setting out specific goals and laid down related activities to be performed to achieve the goals. Soon he launched his own company 'Food and Agribusiness Solutions Private Limited'. He sought to ensure that the future events effectively meet the best interest of the company. He prepared an annual statement for production and sales, based on sales forecasting. He noticed that the farmers grew only paddy due to which land remained idle for the subsequent 8 to 9 months of the year. He identified and assessed various alternatives through which farms could be utilised for the remaining months of the year. Through his accurate vision, judgement and systematic thinking based on analysis of the facts, he presented a scheme to the farmers where both paddy and vegetables could be grown.	4

	Identify and explain the features of one of the functions of Management highlighted above.	
30.	Give any four points of difference between advertising and personal selling.	4
31.	It was established by the Government of India on 12 April 1988 as an interim administrative body to promote orderly and healthy growth of the securities market and for investor protection. It was given statutory status in 1992 through an Act of Parliament. (I) Identify the regulatory body which has been highlighted above. (II) State the three objectives of the regulatory body identified in part (I). (III) State any two functions that are performed for the development of the securities market by the regulatory body identified in part (I).	 1 3 2
32. (A)	Differentiate between functional structure and divisional structure on the basis of: (I) Formation (II) Specialisation (III) Responsibility (IV) Managerial development (V) Cost (VI) Coordination	6
	OR	
32. (B)	'Delegation helps a manager to extend his area of operations as without it, his activities would be restricted to only what he himself can do.' In light of the above statement, explain how effective delegation helps the organisation in achieving objectives.	6
33.	Leena has been appointed as the Operations Manager in a small trading company dealing in garments, with growing online sales. The company has recently rented space in a warehouse to store garments and mail out orders. In order to take over the responsibilities of order fulfilment, Leena promotes an associate, Kushagra to the post of Inventory and Order fulfilment Supervisor. Kushagra has been given the task to assess whether it is best to process orders as they come in or let them accumulate and then to process them in batches. He concludes that accumulating and then processing them in batches is the best way of fulfilling orders, in order to minimise cost and maximise customer satisfaction. Through several readings Leena finds that the standard time taken from the placement of order to the delivery of garments for a batch of 100 pieces is 72 hours. This helped her to determine the labour cost. On the basis of the understanding of concepts of scientific management, identify and explain the techniques used by Leena and Kushagra to improve the performance of the employees.	6
34. (A)	Explain the four elements of marketing mix.	6
	OR	
34. (B)	Explain any four factors affecting determination of the price of a product or service.	6

SOLUTION https://drive.google.com/file/d/10VqRtrxaFsILABk751QMBRFSX_Y93ygB/view?usp=sharing

Important Tips for Attempting CBSE Business Studies XII Examination

During 15 minutes Reading Time, read all questions carefully. Select the Option to be answered in questions having internal choice. When reading underline, the key lines with pencil which help you to write answers.

- Timing is an essential ingredient of success. The Business Studies paper is worth 80 marks and must be completed in 180 minutes. Allowing 20 minutes revision time, this leaves 160 minutes or 2 minutes per mark. So, do not spend 10 minutes on a question worth just 3 marks! Do not exceed the time you have allocated for each question.
- Be clear and precise in your writing. Use words you understand and when using technical terms, be specific.
- Write impersonally. In other words, do not use 'I' or 'We' in your answers. For example, do not write "I don't agree with the statement." Rather you must write "The given statement is not correct."
- Take care with sentences and punctuation. In general, try to write short sentences.

•The following table shows a list of key directive words which are most likely to occur in CBSE Business Studies examination questions. You should study these carefully and understand what each means.

DIRECTIVE WORDS	THE EXAMINEE IS SUPPOSED TO
Name/Identify/What / Which	write the name of the concept only.
Define	give the exact meaning.
State	name the concept and give the meaning also. or write the statement with reason without heading.
Explain/ Describe	give the heading and then explanation/ describe with reasons and examples, if required.
How	In what way or ways
Comment	Give your opinions with reasons

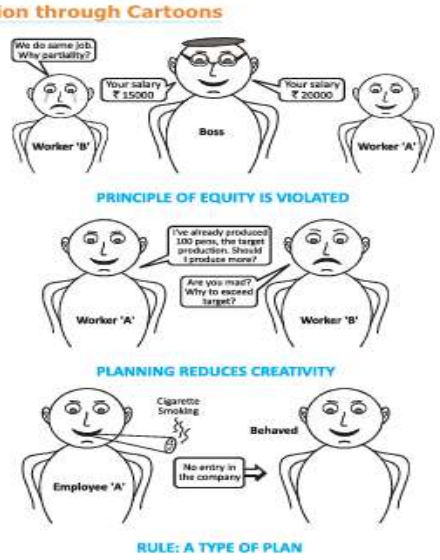
- Don’t forget to know the weightage of the units. This helps you when you are not able to find the unit from which the question has been put up.
- To score 100% marks, the presentation of answers is as much important as their content.
- Write the main heading in capital letters. (Use dark and bold pen like Pilot V10) — Underline the headings with pencil.
- Explanation/description from next line of heading.
- Use bullets to write next sentence while giving explanation.
- In the question where process or steps of a management function are asked, write the steps in sequential order.

- Attempt all parts of a question together.
- Give answer in points, as far as possible, rather than in paragraphs.
- Leave one line space between two headings and at least 3-4 lines space between two answers (except answers to 1 mark questions).
- You may use 'Quotes' and 'Diagrams' while answering Long questions/Essay type questions to make the answers more presentable.
- During last 20 minutes of revision, first make sure that you have attempted all the questions. If any question(s) left, attempt it first. Don't leave it even if you don't know the proper answer. Remember that writing something is always better than leaving it at all. Then, read all questions (most importantly Application/HOTS/Evaluation based Questions) and their answers one by one. While reading, underline the key words/lines with a pencil. If you want to add something to make your answer better, or you had missed some important point, you could write. That's why leaving 3-4 lines space between two answers is always better option than writing next answer from the next line itself.

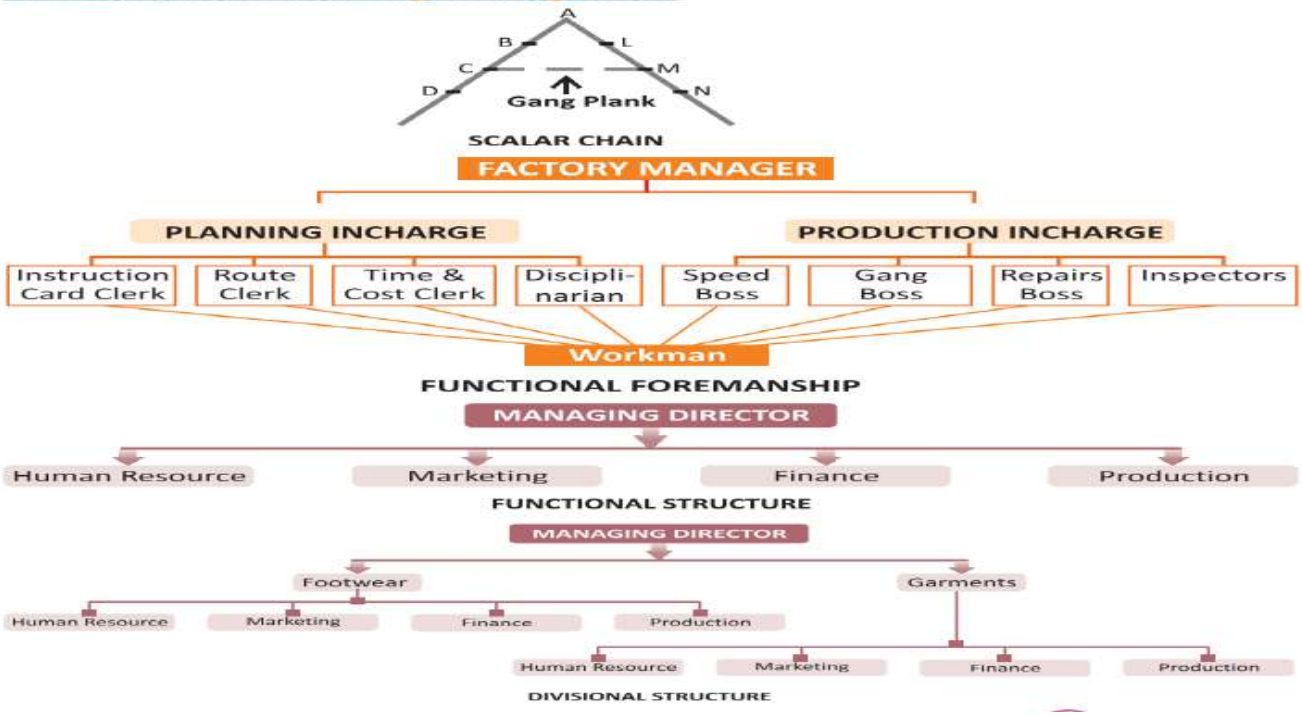
Important Quotes

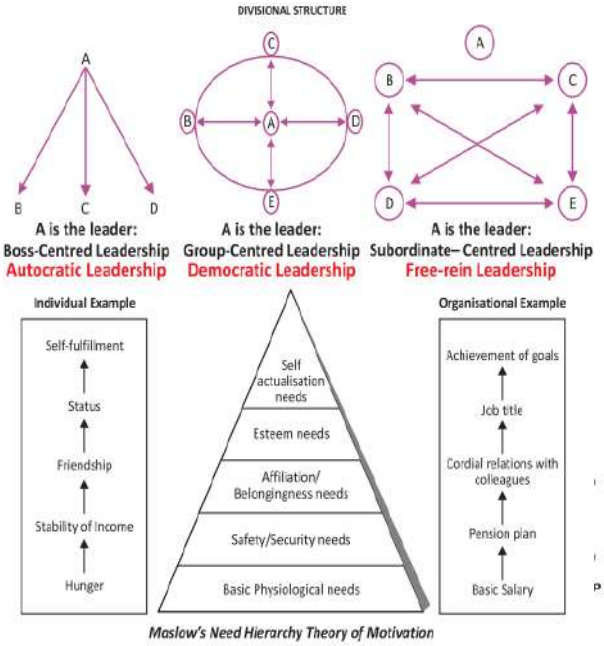
Successful organisations do not achieve their goals by chance but by following a deliberate process called 'management'. Management = Manage : Men + T (things).
Individuals say 'I'.... Team says 'We'. A successful team beats with one heart. TEAM (Together Everyone Achieves More)
Planning seeks to bridge the gap between where we are and where we want to go.
Failing to plan is planning to fail.
Delegation is a key element in effective organising.
The right people can help to take a business to the top; the wrong people can impair business performance and even destroy it.
Directing is the heart of management process.
Like a traffic signal, controlling guides the organisation and keeps it on the right track.
Planning and controlling are mutually interrelated and interdependent activities. They are inseparable twins of management.
Finance is the life blood of business as it is needed to establish a business, to run it, modernise it, to expand, or diversify it.

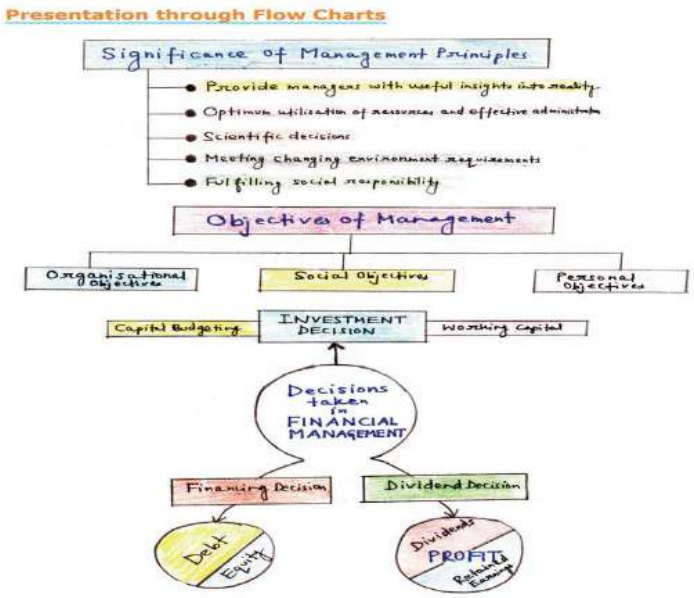
Presentation through Cartoons

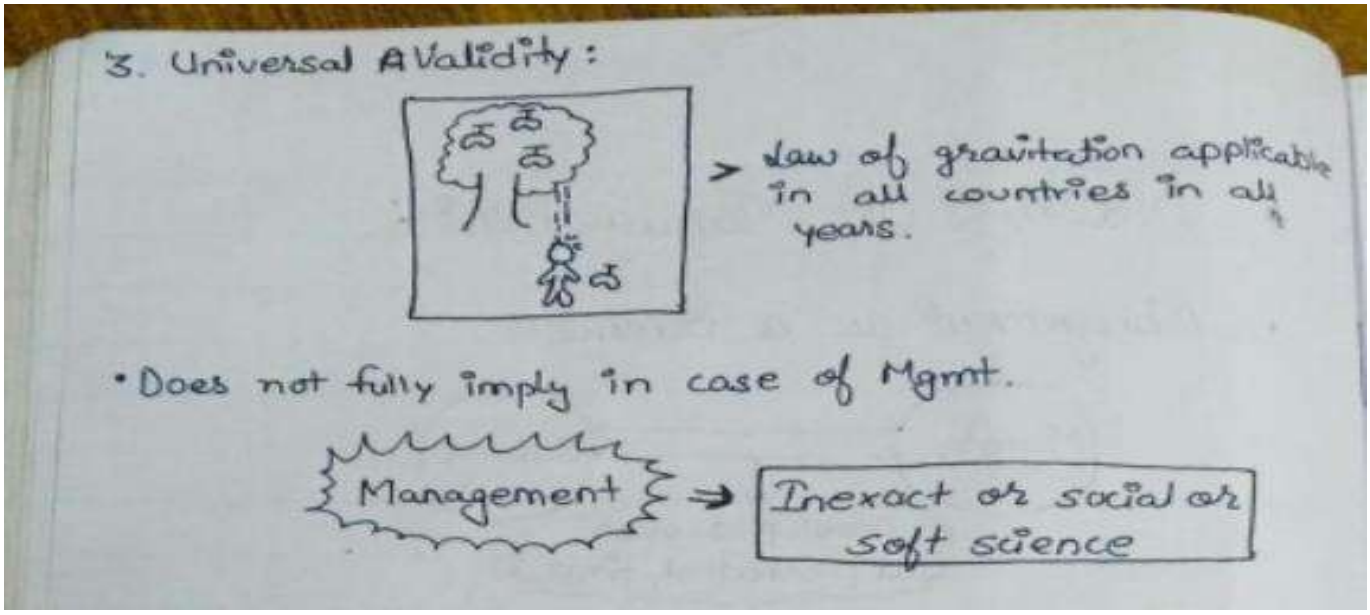


Presentation through Diagrams




DIVISIONAL STRUCTURE
A
B C D
A is the leader:
Boss-Centred Leadership
Autocratic Leadership
C
B A D
E
A is the leader:
Group-Centred Leadership
Democratic Leadership
A
B C
D E
A is the leader:
Subordinate–Centred Leadership
Free-rein Leadership
Individual Example
Self-fulfilment
Status
Friendship
Stability of Income
Hunger
Self actualisation needs
Esteem needs
Affiliation/ Belongingness needs
Safety/Security needs
Basic Physiological needs
Organisational Example
Achievement of goals
Job title
Cordial relations with colleagues
Pension plan
Basic Salary
Maslow's Need Hierarchy Theory of Motivation


Presentation through Flow Charts
Significance of Management Principles
Provide managers with useful insights into reality
Optimum utilisation of resources and effective administration
Scientific decisions
Meeting changing environment requirements
Fulfilling social responsibility
Objectives of Management
Organisational Objectives
Social Objectives
Personal Objectives
Capital Budgeting
INVESTMENT DECISION
Working Capital
Decisions taken in FINANCIAL MANAGEMENT
Financing Decision
Dividend Decision
Debt
Equity
Dividends
PROFITS
Retained Earnings


3. Universal Validity:
Law of gravitation applicable in all countries in all years.
• Does not fully imply in case of Mgmt.
Management
Inexact or social or soft science

7. Mgmt. is an Intangible / Invisible / Unseen force:



* Objectives of Management....

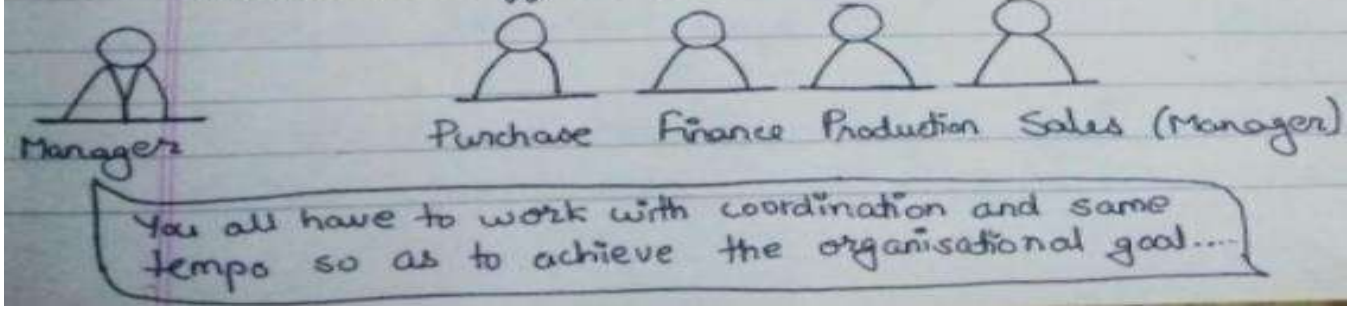
1. Economic Objective:

- Survival:

2. Personalised Application:

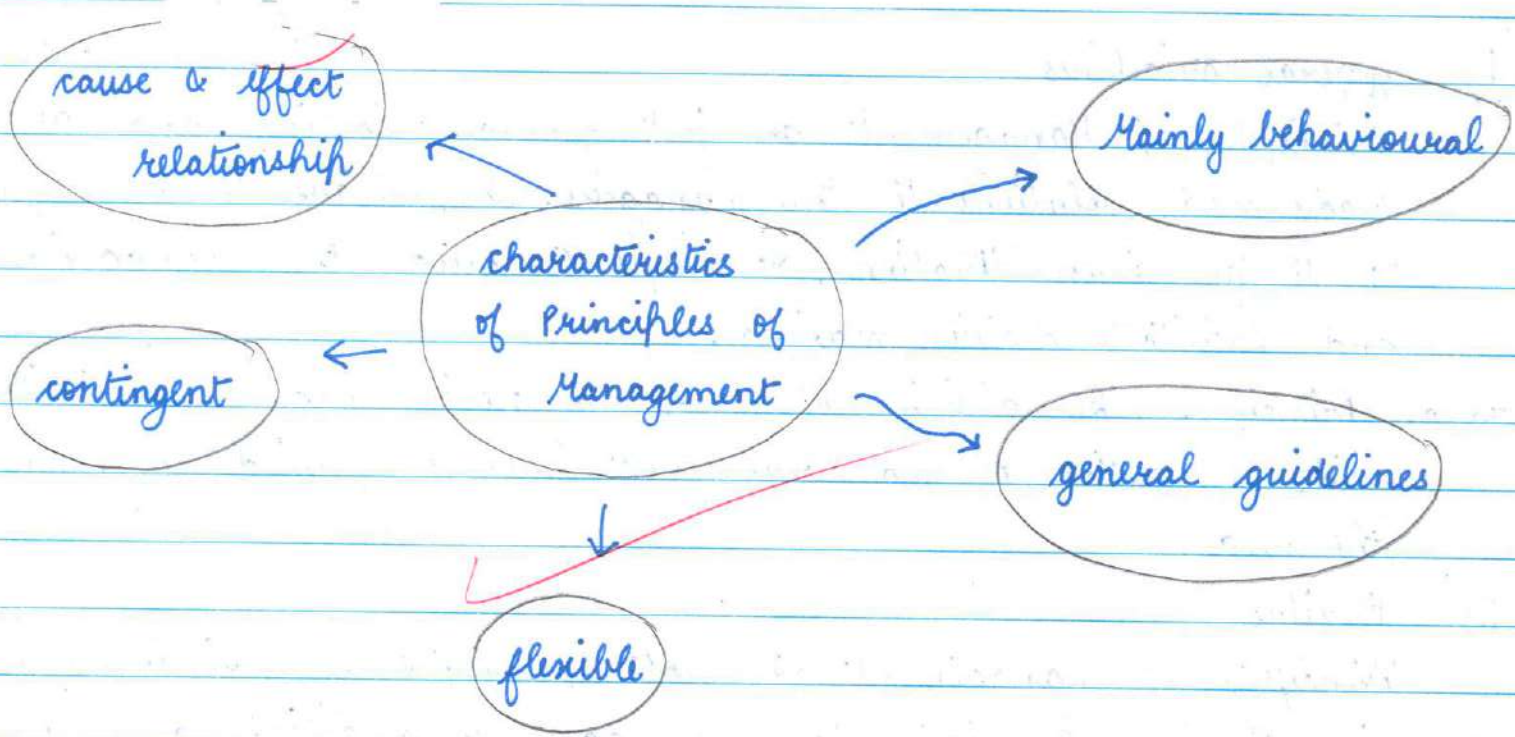


2. Functional Differentiation:



Answer to Question 31 is :-

(a)



P.T.O.

Characteristics of Principles of Management :-

(i) General guidelines

Principles of Management are just general guidelines and do not offer ready made solutions to the managers. They are to be applied according to the given situation. It helps to guide the managerial action and facilitates decision making.

For eg. Principles like division of work, authority and responsibility etc. guides the actions of managers but have to applied by them as per the needs.

(ii) Flexible

Principles of management are not as rigid as principles of science like Physics, Chemistry etc. They can be modified and applied in different situations as per the managers in a personalised manner. The application of principles is based on the judgement and subjectivity of managers.

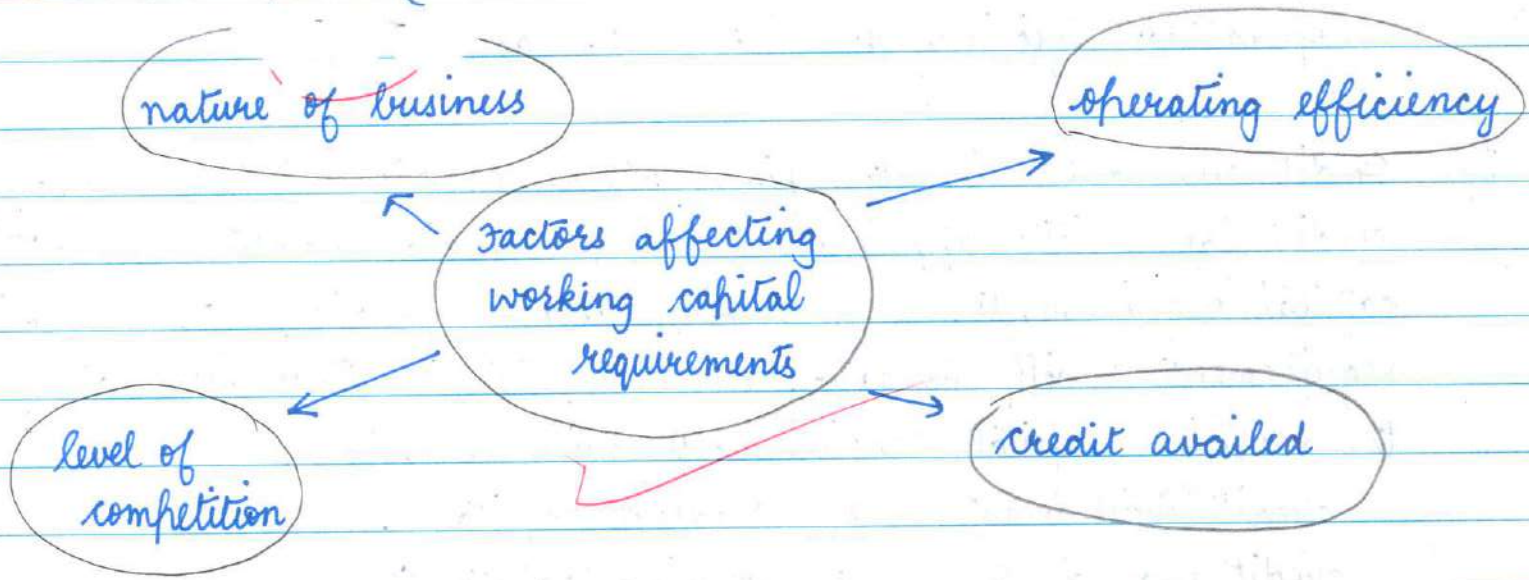
For eg. If a principle asks manager to do something but it would yield unproductive results, then managers can modify the principle.

P.T.O.

(iii) Cause and effect relationship

The principles of management are based on cause and effect relationship i.e. they help to predict what is going to happen. However, it is difficult to establish cause and effect relationship properly in an organisation as principles deals with human behaviour. Human behaviour is mainly changing.

Answer to Question 32. is :-



P.T.O.

Factors affecting working capital requirements :-

(i) Operating efficiency :-

Operating efficiency is an important factor influencing working capital requirements of a firm. If the operating efficiency of a firm is high, the working capital requirements is likely to be low. However, if the operating efficiency is low, then the working capital requirements will be high. Operating efficiency can be seen through inventory turnover ratio and debtors ratio.

operating efficiency ↑ → W. capital ↓

operating efficiency ↓ → W. capital ↑

(ii) Credit availed :- Like the firm offers credit, it can also avail credit from its suppliers. It is a crucial factor affecting working capital requirements. If the firm avails credit, the working capital requirements will be low. However, if it does not avail credit, the working capital requirements will be high.

credit availed ✓ → working capital ↓

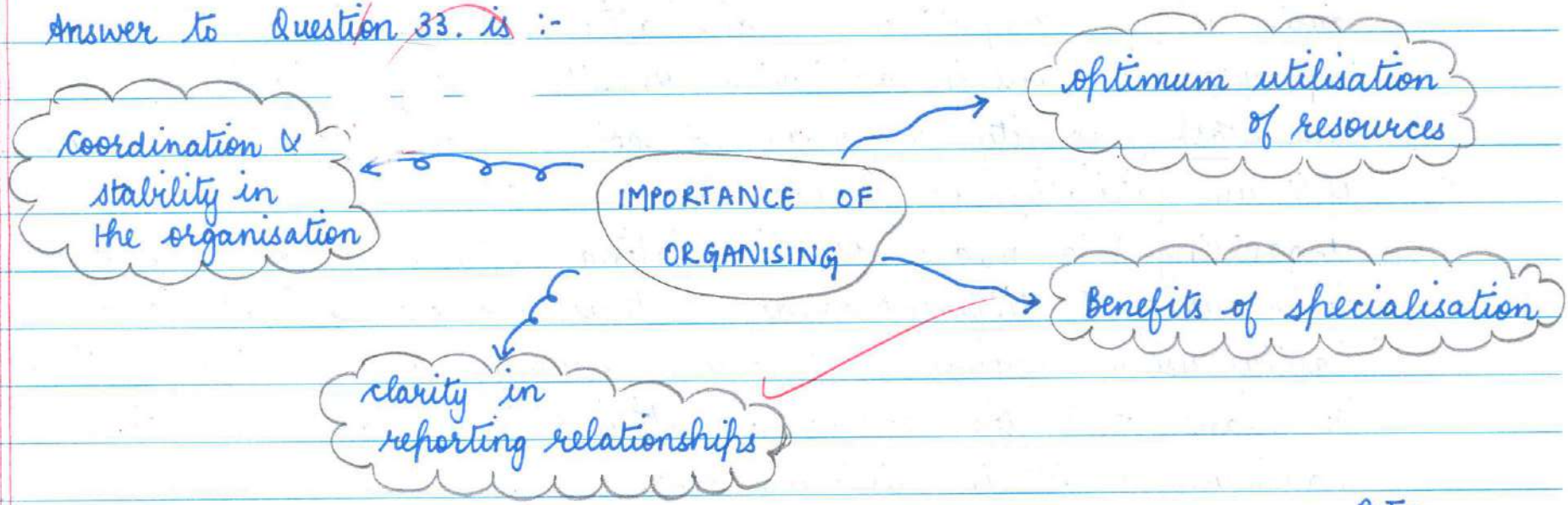
credit availed ✗ → working capital ↑

(iii) Level of competition :- The level of competition also influences the working capital requirements. If the level of competition is high, then the firm will have to keep more inventory in order to satisfy the customers. Thus, the working capital requirements will be high. On the contrary, if the level of competition is low, the working capital requirements will be low. Moreover, level of competition also influences the credit policies of the firm.

Level of competition ↑ → Working capital ↑

Level of competition ↓ → working capital ↓

Answer to Question 33. is :-



P.T.O.

a) The function of management highlighted above is "organising." Organising refers to the process of identification and division of work, grouping the work, assignment of duties and establishing reporting relationships. It helps to unify and integrate human and physical resources for achieving the organisational objectives.

b) Importance of organising :-

(1) Benefits of specialisation :-
Organising is a process which is concerned wit assignment of duties as per competence, qualification and experience of the employees. It helps in achieving benefits of specialisation as the same task / activity is performed again and again by an employee.

(2) Optimum utilisation of resources :-
Organising is a means for translating action. . helps in allocatin -g resources to different areas. It thus reduces spoilage and wasteful use of resources. It ensures resources are utilised optimumlly. It means that the resources are utilised in a way which gives maximum benefit in minimum cost.

(3) Clarity in reporting relationships :-
Organising helps to ascertain who, to report to whom. It clearly defines the superior - subordinate relationships i.e. who is to receive orders from whom. Thus, it helps in clarifying the reporting relationships in the organisation.

(4) Coordination and stability in the organisation :-
Organising helps to achieve co-ordination as all the activities are performed through focussed and co-ordinated efforts. It reduces overlapping of activities and reduces wasteful and redundant activities. It also serves as a basis of achieving order and stability in the organisation.

Q34. next pg.

answer to Question 34 is :-

Controlling process

↓

Step 1:- setting up standards

↓

Step 2:- Measurement of actual performance

↓

Step 3:- Comparison of actual performance with the standards

↓

Step 4:- ~~Tak~~ Analysing deviations

↓

Step 5:- Taking corrective action

P.T.O.

a) The function highlighted above is controlling.
Controlling is a process which helps to determine whether actual performance has been as per plans. It helps in achieving organisational objectives effectively and efficiently.
The controlling process :-

(1) Comparison of actual performance with the standards :- "The hotel ---- behind the schedule".
The third step in controlling process is comparison of actual performance with the standards. This helps to identify the deviations from the standards.

(2) Analysing deviations :- "He asked Nitin ---------- were defective."
The fourth step is analysing deviations. There are two techniques to analyse deviations which are :-

(a) Critical Point of control
(b) Management by exception

Both the techniques state that if deviations are beyond acceptable range, then there is need for managerial action.

P.T.O.

(3) Taking corrective action :- "Nitin - - - - - - deadline is met."
If the deviations ~~of~~ are outside the acceptable range, then there is immediate need for managerial attention. For eg. if a machinery is causing problems, it should be repaired or replaced. This is the last step of controlling process.

b) Importance of controlling :-

(1) Judging accuracy of standards :-
* good control system helps to judge the accuracy of standards sets. It helps to modify standards with ~~re~~ changes taking place in the environment by analysis and prediction. Thus, controlling helps to judge the accuracy of standards set in the plans.

(2) Ensures order and discipline :-
Controlling also ensures order and discipline in the organisation. It helps to see whether all people are working as per ~~re~~ plans. It keeps a check on the employees through a system of CCTV cameras etc.

Answer to Question 30 is :-

(b) Marketing mix is the set of tools which are used by a marketeer to attain marketing objectives. The four elements of marketing mix are :-

(1) Product :- Product refers to a bundle of utilities. It is anything which can be marketed like services, experiences etc. It is a combination of both tangible and intangible things. It offers '3' types of benefits namely function benefits, social benefits and psychological benefits.

(2) Price :- Price refers to the money paid by the customer in consideration to purchase a product. It is the amount paid by the customer to a producer. It is the single most important factor affecting the revenue of an organisation. It is influenced by many factors like product cost, utility and demand, extent of competition etc.

(3) Physical distribution :- It refers to the activities which are undertaken to facilitate flow of goods and services from producers to consumers. It involves two major decisions i.e. decision regarding channels of distribution and warehousing and transportation.

(4) Promotion :- It refers to the activities undertaken by the organisation to create awareness of its products in the general public and in market.

P.T.O.

It involves advertisements, sales promotion, public relations, personal selling etc.

Answer to Question 29 is :-

a) The type of organisation highlighted is "informal organisation." Interaction among employees due to social needs gives rise to an informal organisation. It is not definite in shape and does not follow a fixed line of communication. It is not a deliberate decision function and emerges itself.

b) Advantages of informal organisation

(1) Unlike formal organisation which focusses on work or , informal organisation helps to meet the social needs of the people by the way of interaction, satisfaction and friendship. It helps employees to satisfy their esteem needs as well.

(2) Informal organisation helps to fulfill the organisational goals as they help to provide managers with the actual and correct feedback of a decision.

P.T.O.

(3) ~~It also facilitates quick decision making as the info~~

(3) It also helps attainment / objectives as decisions move very quickly through the informal organisation

Answer to Question 28 is :-

Basis	Production concept	Marketing concept
a) Meaning	Production concept means increasing the production and producing on a large scale to reduce average cost of production and making product available.	Marketing concept is ies satisfaction of customers needs and nts after identification of target market and needs & preference of target customers.
b) Main focus	to increase production and reduce average cost of production.	to satisfy the needs and wants of customers
c) Means	availability and affordability were the means to success of organisation.	Satisfaction of customer's needs & wants is the means to success.

P.T.O.

	Production concept	Marketing concept
d) Ends	profit maximisation through reducing average cost of production	profit maximisation through satisfaction of customers needs

Answer to Question 27. (a) is :-

a) Limitations of Planning -

(1) Planning may not work in a dynamic environment :-

- Business environment is dynamic i.e. changes are taking place at a very fast pace and nothing is constant.
- It is often difficult to ascertain future trends when changes are taking at a very rapid speed. eg. changes in fasnion, demand etc.
- Thus planning may not work in a dynamic environment.

P.T.O.

(2) Planning reduces creativity :-

- Planning is an activity which is done by top level management.
- Lower and middle level managers are expected to follow the plans and are not allowed to deviate from them.
- As a result, they start to think along the same lines and creativity is reduced.

(3) Planning is time consuming :-

- Planning is a very lengthy process. It involves taking many decisions which may require high levels of calculation.
- Sometimes, it may happen that all time has been spent on planning and no time is left for execution.
- Thus, planning becomes meaningless if it is not implemented. Thus, it is a time consuming process.

(4) Planning does not guarantee success :-

- The success of an organisation does not depend how well a plan is but depends on how it is executed.
- Just because a plan has worked earlier, it does not mean it will work again. Managers have a tendency to rely on previously formulated plan. As a result, planning does not guarantee success of an organisation.

Answer to Question 26 s :-

The communicative barriers highlighted above are semantic barriers. The first type of semantic barrier highlighted is :-

(1) Faulty translation :- On frequent - - - - was received."
When a message is passed in one language which is not understandable to the workers. A translator helps to translate the message. A translator thus has to be proficient in both languages to facilitate proper communication.

(2) Technical jargon :- "Not only this - - - - employees".
Sometimes technical experts when explaining a particular thing tend to use some terms like technical terms which are beyond the understanding of the labour force. Thus it becomes a barrier to effective communication.

Answer to Question 25 is :-

a) The right of consumer discussed above is right to consumer education. The line which highlights this is, " He felt that the ---- presentations in the village.
This right states that consumers need to be made aware about their rights and reliefs available to them. They have a right to consumer education to be aware about their responsibilities. Many companies and organisations are actively working in this direction.

b) The right being violated by Bholaram is "right of safety."
The line which highlights this is, " Bholaram started engaging ---- complain."
The right of safety states that consumers should buy goods which are made from sub-standard materials to ensure safety. They need to be provided a safe guard against goods hazards to health and life. The consumers for eg. should buy electrical appliances after looking for ISI mark as it ensures the quality of product.

Answer to Question 24 is :-

Protective functions of SEBI are :-

(1) Prohibition of fraudalent activities like manipulation, unfair practices, price rigging etc.
(2) Promotion of fair trade practices and code of conduct.
(3) Controlling manipulative activities like insider trading, speculative activities etc.

Answer to Question 23 is :-

a) The method of training highlighted is "Vestibule training. Vestibule training is given when work is to be done on highly sophisticated machinery. It happens away from the actual work floor. Actual work environment is created inside classrooms and training is given.

b) ADVANTAGES

(1) It helps drivers to handle sophisticated machinery with ease &

P.T.O.

avoid potential risks of accidents.

(2) It also adds to the skills and abilities of the managers and adds to their growth prospects.

Answer to Question 22. is :-

Staffing is a key managerial function which is concerned with manning the organisation structure through proper and effective recruitment, appraisal and development of candidates to fill in the vacant job positions.

IMPORTANCE OF STAFFING

(1) It helps to estimate the manpower requirements and recruit more workers if there are less people than required. It can also terminate extra / surplus labour force.

(2) It helps in optimum utilisation of resources and reduces wastage and overlapping of activities.

(3) It also helps management to recruit suitable workforce and provides a wider choice.

Answer to Question 21 is):-

a) The concept of management highlighted above is "coordination." It is the process of synchronising the activities of different departments, units and levels. It is a common thread that runs throughout the organisation. It is regarded as the essence of management and is a deliberate function.

b) Importance of coordination

- Growth in size:- When an organisation grows in size, it employs more people. With more number of people employed coordination is required. This is because eve individual joins an organisation with a personal objective. Thus, there is a need to harmonise the individual objectives and organisational objectives to ensure attainment of organisational goals smoothly.

Answer to Question 20 is :- D) It deals in medium and long term securities.

Answer to Question 19 is :- B) Management is all pervasive.

Answer to Question 18 is :- D) They analyse the business environment and its implications for the survival of the firm.

Answer to Question 17 is :- A) Efficiency

Answer to Question 16 is :- A) Depository

Answer to Question 15 is :- D) Diversification

Answer to Question 14 is :- D) Label

Answer to Question 13 is :- B) Casual callers

P.T.O.

Answer to Question 12 is :- D) growth prospects

Answer to Question 11. is :-

a	b	c	d
c) (ii)	(iv)	(i)	(iii)

Answer to Question 1. is :-

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

Answer to Question 9. is :-

c) Ratio of savings and investment

Answer to Question 8 is :-

A) Long term interest of the business

P.T.O.

Answer to Question 7 is :- c) Both statements are true.

Answer to Question 6 is :- B) Legal environment

Answer to Question 5 is :- c) Both statements are true.

Answer to Question 4 is :- A) Formal communication

Answer to Question 3 is :- B) complexity

Answer to Question 2 is :- D) Employee empowerment

Answer to Question 1 is :- c) Initiative