



**CBSE**



**CLASS 12<sup>TH</sup>**

**THE CENTRAL BOARD OF SECONDARY EDUCATION**

**PART – IV**

**BUSINESS STUDY**



# **BUSINESS STUDY**

1. **CHAPTER-1** **1**  
➤ **NATURE AND SIGNIFICANCE OF MANAGEMENT**
  
2. **CHAPTER-2** **17**  
➤ **PRINCIPLES OF MANAGEMENT**
  
3. **CHAPTER-3** **36**  
➤ **BUSINESS ENVIRONMENT**
  
4. **CHAPTER-4** **48**  
➤ **PLANNING**
  
5. **CHAPTER-5** **61**  
➤ **ORGANISING**
  
6. **CHAPTER-6** **76**  
➤ **STAFFING**
  
7. **CHAPTER-7** **92**  
➤ **DIRECTING**
  
8. **CHAPTER-8** **114**  
➤ **CONTROLLING**
  
9. **CHAPTER-9** **125**  
➤ **FINANCIAL MANAGEMENT**
  
10. **CHAPTER-10** **142**  
➤ **FINANCIAL MARKET**

**11. CHAPTER-11 159**  
➤ **MARKETING**

**12. CHAPTER-12 183**  
➤ **CONSUMER PROTECTION**

## CLASS XII- BUSINESS STUDIES

### CHAPTER 1: NATURE AND SIGNIFICANCE OF MANAGEMENT

#### CONTENTS

- Definition of Management
- Meaning of management
- Concepts of Management
- Characteristics of Management
- Objectives of management
- Importance of management
- Nature of management
- Levels of Management
- Functions of Management
- Coordination

#### MANAGEMENT ACCORDING TO MARRIE AND DOUGLAS.

“Management is the process by which a co-operative group directs actions of others toward common goals.”

Management is defined as the process of planning, organising and controlling an organisation’s operations in order to achieve the target efficiently and effectively. It is essential for all organisations.

#### MEANING OF MANAGEMENT:

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

- a. **Process:** refers to the primary function like planning, organising, staffing, directing and controlling performed by the management to get things done.
- b. **Effectiveness:** means completing the right task to achieve the deputed goal within the time frame.
- c. **Efficiency:** means completion of task using minimum resources

### **EFFICIENCY AND EFFECTIVENESS**

Efficiency means doing the task correctly at minimum cost while effectiveness means completing the task correctly. Although Efficiency and effectiveness are different but they are interrelated. It is important for management to be both i.e. effective and efficient.

Example: A business produces targeted 1000 units but at a higher cost is effective but not efficient. Therefore, if the business has to be effective and efficient then it has to produce 1000 units within cost.

### **CONCEPTS OF MANAGEMENT**

- (i) **Traditional Concept** Management is the art of getting things done through others.
- (ii) **Modern Concept** Management is defined as the process (refers to the basic steps) to get the things done with the aim of achieving goals effectively and efficiently (effectiveness refers to achievement of task on time and efficiently implies optimum use of resources).

### **CHARACTERISTICS OF MANAGEMENT**

- 1. Goal oriented Process:** It is a goal oriented process, which is undertaken to achieve already specified and desired objectives.
- 2. Pervasive:** Management is pervasive in nature. It is used in all types of organizations whether economic, social or political and at every level.
- 3. Multidimensional:** It is multidimensional as it involves management of Work, People and operations.
- 4. Continuous:** It is a continuous process i.e. its functions are being performed by all managers simultaneously. The process of management continue till an organisation exist for attaining its objectives.
- 5. Group Activity:** It is a group activity since it involves managing and coordinating activities of different people as a team to attain the desired objectives.
- 6. Dynamic function:** it is a dynamic function since it has to adapt to the changing environment.

**7. Intangible Force :** It is an intangible force as it cannot be seen but its effect are felt in the form of results like whether the objectives are met and whether people are motivated or not.

## **OBJECTIVES OF MANAGEMENT**

Objectives can be classified into organisational, social or personal

### **(i) Organisational Objectives**

(a) **Survival:** It exists for a long time in the competition market.

(b) **Profit:** It provides a vital incentive for the continued successful operations.

(c) **Growth:** Success of an organisation is measured by growth and expansion of activities.

(ii) **Social Objectives** Involves creation of benefit for society.

(iii) **Personal Objectives** Objectives of employees like good salary, promotion, social recognition, healthy working conditions.

## **IMPORTANCE OF MANAGEMENT**

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

(2) **Increases Efficiency:** Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity.

(3) **Creates Dynamic Organisation:** Management helps in creating Dynamic organisation which could adopt changing situations easily.

(4) **Achieving Personal Objectives:** Management helps in achieving objectives of individuals working in the organisation.

(5) **Development of Society:** Management helps in the development of society by producing good quality product.

## NATURE OF MANAGEMENT

### 1. Management as an Art

Art refers to skilful and personal application of existing knowledge acquired through study, observation and experience. The features of art are as follows:

- a. **Existence of theoretical knowledge:** In every art, Systematic and organized study material is available to acquire theoretical knowledge and experts in the respective fields apply these principles to their respective art forms.
- b. **Personalized application:** The use of basic knowledge differs from person to person and thus, art is a very personalized concept.
- c. **Based on practice and creativity:** Art involves creativity and practice of the experts. For e.g. the music created by musicians are different though the musical notes used are the same.

Every manager has his own unique style of managing things and people. He/she uses his creativity in applying management techniques and his skills improve with regular application.

Since all the features of art are present in management. So it can called an art.

### 2. Management as a Science

Science is a systematized body of knowledge that is based on general truths, which can be tested anywhere, anytime. The features of Science are as follows:

- a. **Systematized body of knowledge:** Science has a systematized body of knowledge based on cause and effect relationship.
- b. **Principles based on experiments and observation:** Scientific principles are developed through experiments and observation.
- c. **Universal validity:** Scientific principles have universal validity and application.

Management has systematic body of knowledge and its principles are developed over a period of time based on repeated experiments & observations which are universally applicable but they have to be modified according to given situation.

As the principles of management are not as exact as the principles of pure science, so it may be called-an inexact science. The prominence of human factor in the management makes it a Social Science.

### 3. Management as Profession

Profession means an occupation for which specialized knowledge and skills are required and entry is restricted. The main features of profession are as follows:

- a. **Well-defined body of Knowledge:** is complete set of principles, concepts, terms and activities that make up a professional domain.
- b. **Restricted Entry:** The entry in every profession is restricted through examination or through educational degree.
- c. **Professional Associations:** All professions are affiliated to a professional association, which regulates entry and frames code of conduct relating to the profession. E.g. IMA, ICAI
- d. **Ethical Code of Conduct:** All professions are bound by a code of conduct, which guides the behaviour of its members.
- e. **Service Motive:** The main aim of a profession is to serve its clients.

Management does not fulfil all the features of a profession and thus it is not a full-fledged profession like doctor, lawyer, etc.

### LEVELS OF MANAGEMENT: TOP, MIDDLE AND OPERATIONAL LEVELS.

#### ❖ Top Level

Consists of Chairperson, Chief Executive Officer, Chief Operating Officer or equivalent and their team. Chief task is to integrate and to coordinate the various activities of the business, framing policies, formulating organisational goals & strategies.

#### ❖ Middle Level

Consists of divisional heads, Plant Superintendent and Operations Manager etc. Main tasks are to interpret the policies of the top management, to ensure the availability of resources to implement Policies & to coordinate all activities, ensure availability of necessary personnel & assign duties & responsibilities to them.

#### ❖ Lower Level / Supervisory Level

Consists of Foremen and supervisors etc. Main task is ensure actual implementation of the policies as per directions, bring workers grievances before the management & maintain discipline among the workers.

### FUNCTIONS OF MANAGEMENT

1. **Planning** It refers to deciding in advance what to do, how to do and developing a way of achieving goal efficiently and effectively.
2. **Organising** It refers to the assigning of duties, grouping tasks, establishing authority and allocating of resources required to carry out a specific plan.
3. **Staffing** It implies right people for the right job.
4. **Directing** It involves leading, influencing, motivating employees to perform the task assigned to them.



5. **Controlling** It refers to the performance measurement and follow up actions that keep the actual performance on the path of plan.

## **COORDINATION**

Coordination is the force which synchronizes all the functions of management and activities of different departments. Lack of coordination results in overlapping, duplication, delays and chaos.

It is concerned with all the three levels of management as if all the levels of management are looked together, they become a group and as in the case of every group, they also require coordination among themselves. Coordination is implicit and inherent in all functions of an organisation.

### **FEATURES OF COORDINATION:**

**I. Coordination Integrates Group Effort:** It is an orderly arrangement of group effort to ensure that performance is at par with the plans and schedules.

**II. Coordination Ensures unity of action:** It is a binding force between various departments and ensures that all efforts are focused towards achieving the organizational goal.

**III. Coordination is a Continuous Process:** It is a never-ending process as its needs are felt at all levels and in all activities in the organisations. It begins at the planning stage and continues until controlling.

**IV. Coordination is the responsibility of all managers:** coordination is equally important at all levels of management. It is the responsibility of all the individuals in an organisation to carry out their work in a responsible manner and coordinate with each other to achieve organizational goals.

**V. Coordination is a deliberate function:** A manager has to coordinate the efforts of different people in a conscious and deliberate manner. In other words, coordination is never established by itself rather it is a conscious effort on the part of every manager.

**VI. Coordination is all pervasive function:** It is needed in all departments and at all levels. Lack of coordination can lead to overlapping of activities.

### **IMPORTANCE OF COORDINATION:**

The reasons that bring out the importance or the necessity for coordination are:

I. **Growth in the Size:** An organisations growth results in the increase in the number of people employed with varied individual aspirations and culture. So it is important to harmonize individual goal with the organizational goals through coordination.

II. **Functional Differentiation:** All the departments and divisions may have their own, objective, policies and their own style of working. However all departments and individuals are interdependent and cannot work in isolation. Thus, coordination is necessary for linking the activities of various departments.

III. **Specialization:** Mostly specialists have a feeling of superiority and prioritize their zone of activities. Coordination seeks to sequence and integrate all the specialists' activities into a wholesome effort.



## **IMPORTANT QUESTION ANSWERS**

### **VERY SHORT QUESTION ANSWERS(1 MARK)**

**Q1. Name any two designations given to first line managers.**

**ANS.** Foremen and supervisors.

**Q2. Which force binds all other functions of management?**

**ANS.** Coordination

**Q3. What do you mean by Management Hierarchy?**

**Ans.** The chain of authority – responsibility relationships from top to bottom is called as management hierarchy.

**Q4. Planning, Organizing, Staffing, Directing and controlling” is the sequence of functions in a process. Name it.**

**Ans.** Management

**Q5. Name that intangible force which creates productive relationships among resources of an organization.**

**Ans.** Management

**Q6. What is the main objective of any organization?**

**Ans.** Main objective of any organization is optimum utilization of resources

**Q7. Production manager tries to produce goods with minimum costs. Name the concept which is being focused by management?**

**Ans.** Efficiency

**Q8. What do you mean by effectiveness?**

**Ans.** It means completing the task or achieving the goals within stipulated time period.

**Q9. “Management is a group activity”. Give reasons for statement.**

**Ans.** An organization is a collection of diverse individuals with needs and purposes but they work towards fulfilling the common organizational goals.

**Q10. In order to be successful, an organization must change its according to the needs of the environment. Which characteristic of management is highlighted in the statement?**

**Ans.** Management is a dynamic function.

**Q11. Give one designation each of top and middle level management?**

**Ans.** Top – CEO, Middle – Divisional Manager

**Q12. Your Grand Father has retired as the director of a manufacturing company. At what level of management was he working?**

**Ans.** Top management.

**Q13. Why management is called inexact science?**

**Ans.** Management relates to human behaviour

**Q14. Identify the nature of management when it is said to be a systematised body of knowledge that explains certain general truths.**

**Ans.** Management as a science.

**Q15. Identify the nature of management when it is practised as personal application of existing knowledge to achieve desired results.**

**Ans.** Management as an art.

**Q16. What is meant by management of work?**

**Ans.** Every organisation exists to achieve certain goals. Management sets and plans certain activities, which are to be performed, so that the goals can be achieved. This is considered as management of work.

**Q17. What is meant by management of people?**

**Ans.** Management of people is an art of getting things done through others. A manager deals with individuals who have different needs and behaviour. He directs and motivates them to work towards the organisational goals.

**Q18. What is meant by management of operations?**

**Ans.** Every organisation provides some basic product or service, for the production of which there is a process of flow of input material and technology for transforming this input into output for consumption. Thus, management involves management of operations for converting input into output.

**Q19. Identify the basic characteristic of management involved in the statement. 'The activities involved in managing an organisation are common to all organisations, whether economic, social or political'.**

**OR**

**The management principles can be applied to all types of activities. Which characteristic of management is highlighted by this statement?**

**Ans.** Management is all pervasive.

**Q20. Hero Ltd's target is to produce 10,000 shirts per month at a cost of' 150 per shirt. The production manager could achieve this target at a cost of' 160 per shirt. Do you think the production manager is effective? Give reason in support of your answer.**

**Ans.** Yes, the manager is effective as he has been able to achieve the target by producing 10,000 shirts but he is not efficient as he is producing the same at a higher production cost.

**Q21. Volvo Ltd's target is to produce 10,000 shirts per month at a cost of' 100 per shirt. The production manager achieved this target at a cost of' 90 per shirt. Do you think the production manager is effective? Give one reason in support of your answer.**

**Ans.** Yes, the production manager is both efficient and effective. He is effective because he has achieved the target in time and is efficient because he produced the shirts at a lower production cost.

**NOTE** (i) Effectiveness means completing the task within specified time.  
(ii) Efficiency means doing the task correctly with minimum cost.

**Q22. Why is it said that 'management is a goal-oriented process'?**

**Ans.** Management is said to be a goal-oriented process because it helps in achieving organisational goals by using the efforts of different individuals.

**Q23. Management helps in development of society. How?**

**Ans.** Management helps in development of society by producing quality goods at fair and competitive prices, providing employment and adopting new technologies to raise the living standard of the society.

**Q24. Why is it said that management is all pervasive'?**

**Ans.** Management is pervasive because the activities involved in managing an enterprise are common to all enterprises, whether it is profit making or non-profit making, social or political.

**Q25. Management is a group activity. Why?**

**Ans.** Management is a group activity because it coordinates the efforts of organisational members to achieve the pre-determined goals.

## SHORT ANSWER QUESTIONS (3 OR 4 MARKS)

**Q1. Mega Ltd was manufacturing water-heaters. In the first year of its operations, the revenue earned by the company was just sufficient to meet its costs. To increase the revenue, the company analysed the reasons of less revenues. After analysis the company decided**

**(i) To reduce the labour cost by shifting the manufacturing unit to a backward area where labour was available at a very low rate.**

**(ii) To start manufacturing solar water-heaters and reduce the production of electric water-heaters slowly.**

**This will not only help in covering the risks, but also help in meeting other objectives too.**

**(a) Identify and explain the objectives of management discussed above.**

**(b) State any two values which the company wanted to communicate to the society.**

**ANS.** Mega Ltd is discussing about the achievement of 'organisational objectives' in part (i) and 'Social objectives' in part (ii) of the question.

**(i) (a) Organisational objectives** Management is responsible for setting and achieving the organisational objectives. It achieves the objectives in such a manner that the human and financial resources are acquired, used and maintained in the most economic and efficient manner.

Organisational objectives are survival, profit and growth.

- **Survival** The most important objective of every businesses to survive and in order to survive, it should earn enough revenue to cover its costs.
- **Profit** It is the incentive or reward for the efforts put in by an entrepreneur, moreover, it is the reason behind carrying out a business.
- **Growth** It is an extension of the objective of survival and profit.

Business organisations must grow and expand their activities. The success of every business is measured by the growth rate and growth is measured in terms of sales profits, number of products produced and sold, etc.

**(b) Social objectives** Since, organisations are social units, their objectives should be in line with general needs of the society.

Some of the social objectives of an organisation are:

- Supply of quality products.
- Using environmental friendly methods of production.

- It should provide the employment opportunities to the disadvantaged sections of the society.

(ii) Two values which the company wants to communicate to the society are:

- Giving employment opportunities to the people of backward area:
- Environment friendly by producing solar heaters and reduced production of electric heaters.

**Q2. XYZ Power Ltd set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas. The revenue earned by the company was sufficient to cover the costs and the risks. The demand of lanterns was increasing day-by-day, so the company decided to increase production to generate higher sales. For this, they decided to employ people from the nearby villages as very few job opportunities were available in that area. The company also decided to open schools and creches for the children of its employees.**

- (i) Identify and explain the objectives of management discussed above.  
(ii) State any two values which the company wanted to communicate to the society.

**ANS.** (i) It is related with the social objective of management. It deals with the commitment of an organisation towards society. Such objectives may relate with producing eco-friendly products, providing employment to the weaker sections of the society, etc.

By covering the costs and risks, the company has also achieved the organisational objectives. This objective is related with three aspects:

**(a) Survival** Ensure the continuity of business operations.

**(b) Profit** Earn a reasonable profit, which covers the costs and risks of the business.

**(c) Growth** It ensures the success of business in the long-run.

(ii) Firstly, by manufacturing solar lanterns, company gives due values to the rural people, now they will be able to enjoy electricity in their respective areas. Secondly, by giving employment, they will raise the standard of rural people.

**Q3. Give the meaning of management and explain how it creates a dynamic organisation and helps in the development of society.**

**ANS.** Management is the process of planning, organising, staffing, directing and controlling the enterprises' resources efficiently and effectively for achieving the goals of the organisation. The traditional viewpoint of the management is concerned with the  
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opinion that 'Management is the art of getting things done through others. On the other hand, as per the modern concept, 'Management is a process of getting things done through others with the aim of achieving goals effectively and efficiently'.

**Management creates a dynamic organisation** All organisations operate in a constantly changing environment. However, individuals in an organisation usually resist change. Management persuades people to adopt environmental changes so that the organisation can maintain its competitive edge.

**Management helps in the development of society** Management helps to provide good quality products and services, creates employment opportunities, adopts new technology for the betterment of the people and leads the path towards growth and development.

**Q4. What is meant by 'coordination'? Explain why coordination is important in an organisation.**

**ANS.** Coordination is the orderly arrangement of group efforts to provide unity of action in pursuit of common purpose. It involves unifying, integrating and harmonising the activities of different departments and individuals for the achievement of common goal. Importance of coordination can be understood by following points:

**(i) Growth in size** As the organisations grow in size, the number of people in the organisation also increase. Different individuals have different objectives. Coordination is needed to integrate diverse individual objectives with organisational objectives.

**(ii) Functional differentiation** Different departments in the organisation have their own set of objectives, policies, etc. This creates conflicting situations many a times. Coordination seeks to integrate the efforts and activities of various departments.

**(iii) Specialisation** In modern organisations, high level of specialised activities take place, which are performed by specialists. Specialists often consider themselves to be supreme and are not open to suggestions and advice. This brings conflicting situations, which can be resolved by coordination.

**Q5. Raman is working as a plant superintendent in Tifco Ltd. Name the managerial level at which he is working? State any four functions he will perform as plant superintendent in this company.**

**ANS.** He is working at the middle level of management.

He will perform the following functions:

(a) Responsible for implementing and controlling plans and strategies developed by top management.

(b) Responsible for all the activities of first line managers.



- (c) Interpret the plans and policies. Framed by top management.
- (d) Ensuring necessary personnel in their departments.

**Q6. 'Management is a series of continuous, inter-related functions with no pre-determined sequence'. Explain.**

**ANS.** Management is considered as a series of continuous, inter-related functions with no pre-determined sequence. The management process includes planning, organising, staffing, directing and controlling functions.

These functions are inter-related. It is clear from the following facts:

- (i) Planning is the primary function and basis for all other functions.
- (ii) Organising is creation of the organisational structure to implement the plans.
- (iii) Staffing involves filling jobs with right persons in an organisation.
- (iv) Directing is concerned with instructing, guiding and inspiring people in the organisation for achieving its planned objectives through the employees.
- (v) The controlling function ensures that action leads to desired targets.

Planning provides the basis (i.e. the standards of performance for management functions controlling and controlling helps in future planning). Similarly, directing initiates action and controlling ensures monitoring of performance.

However, the various functions of a manager are discussed in order, i.e. planning, organising, staffing directing and controlling, but in reality the managers are rarely able to carry them in isolation. It is often difficult to pinpoint where one ended and the other began.

Thus, these management functions are inter-related with no pre-determined sequence, while performing specific function.

**Q7. 'The skillful and personal application of existing knowledge to achieve desired results is called art'. In the light of this statement, describe whether management is an art or not.**

**Or**

**'Art is concerned with personal application of knowledge'. In the light of this statement, compare all the features of art with management and prove that it is an art.**

**ANS.** Basic features of art are as follows:

- (i) Existence of theoretical knowledge.
- (ii) Personalised application.
- (iii) Based on practice and creativity.

Management can be said an art, since it satisfies the following criteria:  
(a) A successful manager practices the art of management in the day-to-day job of managing an enterprise which is based on study, observation and experience. There are lot of literature available in various areas of management like marketing, finance and human resource which the manager has to specialise in.

(b) There are various theories of management propounded by many management thinkers, which prescribe certain universal principles. A manager applies these scientific methods and body of knowledge to a given situation, issue or a problem in his own unique manner.

(c) A manager applies his acquired knowledge in a personalised and skilful manner in the light often realities of a given situation. He is involved in the activities of the organisation, studies critical situations and apply his own theories in a given situation.

(d) Like any other art, a manager, after studying various situations, formulate his own theories for use in given situation. This gives rise to different styles of management.

#### **Q8. 'Management is multi-dimensional'. Explain?**

**ANS.** Management is a complex activity and involves following three main dimensions –

##### **i) Management of works**

In each and every organization, certain type of work is to be performed. In school, overall development of a child is to be done; in hospitals, patients are treated etc. Management converts these works into goals and devises the means to achieve them.

##### **ii) Management of People.**

Management is concerned with “getting things done through people”, which is a very difficult task. All the employees have different personalities, needs backgrounds and methods of work. Thus, it becomes management’s job to make them work as a group by giving common direction to their efforts.

##### **iii) Management of operations.**

In order to survive, each organization has to provide certain goods or services. This involves production process thus, management of operations is inter linked with both the above dimensions viz., management of work and the management of people.