BUSINESS STUDIES

CLASS XII

CONCISE NOTES

as per CBSE Syllabus 2025-26

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Ch. 1 Management: An Introduction

Meaning of Management: - **It refers to the process conducting a set of functions to get work done in an efficient and effective manner.**

"Management is the art of knowing what you want to do and then seeing that they do it in the best and cheapest way." **F.W. Taylor**

Effectiveness Vs. Efficiency

Effectiveness: - It refers to completing the job on time, no matter, whatever the cost.

Efficiency: - It refers to doing the job in a cost-effective manner

Difference between Effectiveness and Efficiency

Sr. No.	Basis of Difference	Effectiveness	Efficiency
1	Meaning	It is completing the job on time, no matter whatever the cost.	It is completing the job in the cost effective manner.
2	Objective	To achieve end results on time.	To conduct cost-benefit analysis.
3	Main Consideration	Time.	Cost.

Features of Management

1. Management is Goal-Oriented Process
2. Management is all Pervasive
3. Management is Multidimensional
   (a) Management of Work
   (b) Management of People
   (c) Management of Operations
4. Management is a Continuous Process
5. Management is a Group Activity
6. Management is a Dynamic Function
7. Management is an Intangible Force

Nature of Management

1. Management as a Science
2. Management as an Art
3. Management as a Profession

Importance of Management

1. Management helps in Achieving Group Goals
2. Management increases Efficiency
3. Management Creates a Dynamic Organisation
4. Management helps in Achieving Personal Objectives
5. It helps in Development of Society

Objectives of Management

1. Organisational Objectives
   (a) Survival
   (b) Profit
   (c) Growth
2. Social Objectives
3. Personal Objectives

Meaning of Science: - It refers to that systematic body of knowledge which is acquired on the basis of observations and experiments and verification of this knowledge is possible.

It refers to a systematized body of knowledge that explains certain general truths.

Features of Science

1. Systematised body of Knowledge
2. Principles based on Experiments
3. Universal Validity

Management as an Art

It refers to the practical application of existing knowledge.

Features of Art

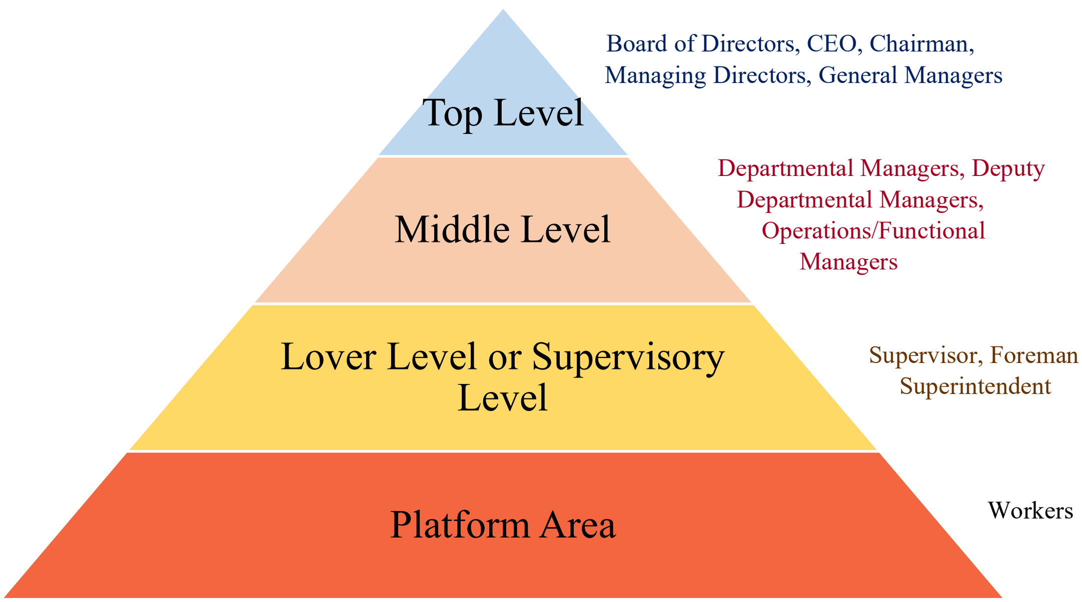
1. Existence of Theoretical Knowledge
2. Personalised Application
3. Based on Practice and Creativity

Management as a Profession

It refers to that economic activity which is conducted by a person having some special knowledge and skill which is used to serve the society impartially.

Features of Profession

1. Well defined Body of Knowledge
2. Restricted Entry
3. Professional Association
4. Ethical Code of Conduct
5. Service Motive



Functions of Top Level Management

1. Determining Objectives
2. Determining Policies
3. Determining Activities
4. Assembling Resources
5. Controlling the Work Performance
6. Approving Budgets

Functions of Middle Level Management

1. Interpreting Policies
2. Appointing Employees
3. Assigning Necessary Duties
4. Motivating Employees
5. Creating Cooperation

Functions of Lower Level or Supervisory Management

1. Overseeing Efforts of Actual Workforce
2. Interacting with the Actual Workforce
3. Ensuring Qualities and Minimizing Wastage
4. Maintaining Safety Standards

Functions of Management

1. Planning
2. Organising
3. Staffing
4. Directing
5. Controlling

Coordination: - Coordination is a process through which harmony is established among different activities of an organization so that organizational objectives can be achieved.

Features of Coordination

1. It Integrates Group Efforts
2. It Ensures Unity of Action
3. It is a Continuous Process
4. It is All Pervasive Function
5. It is the Responsibility of All Managers
6. It is a Deliberate Function

Coordination is the Essence of Management

1. Coordination and Planning
2. Coordination and Organising
3. Coordination and Staffing
4. Coordination and Directing
5. Coordination and Controlling

Importance of Coordination

1. Size of the Organisation
2. Functional Differentiation
3. Specialisation
4. Interdependence of Different Processes

Coordination is Needed at all Level of Management

1. Top Level Management
2. Middle Level Management
3. Lower Level Management

Ch. 2 Principles of Management

Principles of management are broad and general guidelines for decision making and behavior of managers. These guides the managers to take decisions and manage the business.

Features of Principles of Management

1. Universal Applicability
2. General Guidelines
3. Formed by Practice and Experimentation
4. Flexibility
5. Mainly Behavioural
6. Relationship between Cause and Effect
7. Contingent

Significance of Principles of Management

1. Provide useful Insight to Managers
2. Optimum Utilization of Resources
3. Scientific Decisions
4. Meeting Changing Environmental Requirement
5. Fulfilling Social Responsibility
6. Management Training, Education and Research

Fundamental Principals of Management given by Henry Fayol

1. **Division of Work: -** As far as possible the whole work should be divided into small parts and each part should be assigned to each individual according to his ability and taste repeatedly so that the benefits of specialization may be achieved.
2. **Authority and Responsibility: -** When a particular individual is given a particular work and he is made responsible for the results, this can be possible only when he is given sufficient authority to discharge his responsibility.
3. **Discipline: -** The obedience of rules and employment agreements by both the superior and subordinates.
4. **Unity of Command: -** An individual employee should receive orders from only one superior at a time and that employee should be answerable only to that superior.
5. **Unity of Direction: -** There should be one head and one plan for a group of activities having the same objectives.
6. **Subordination of Individual Interest to General Interest: -** The interest of an organization should take priority over the interest of any one individual employee.
7. **Remuneration to Employees: -** A fair remuneration should be paid to employees, so that they can maintain at least a reasonable standard of living.
8. **Centralisation and Decentralisation: -** The superior should adopt effective centralization instead of complete centralization and complete decentralization.
9. **Scalar Chain: -** It is a formal line of authority and communication which moves from highest to the lower ranks in a straight line. **Gang Plank** is the exception of the principle of scalar chain. In emergency the employees of same rank may establish a direct contact to avoid the delay in communication.
10. **Order: -** According to this principle, a right person should be placed at right job and right thing should be placed at right place.
11. **Equity: -** The manager should treat their subordinates as fairly as possible so that they develop a feeling of dedication for their work.

12. **Stability of Personnel: -** There should be stability of tenure of the employees so that the work continues efficiently.
13. **Initiative: -** Employees in the organization must be given an opportunity in making and executing plan.
14. **Espirit de Corps: -** A manager should make efforts to develop a team spirit among the subordinates. He/she should use the word ‘we’ instead of ‘I’.

Scientific Management

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

Features of Scientific Management

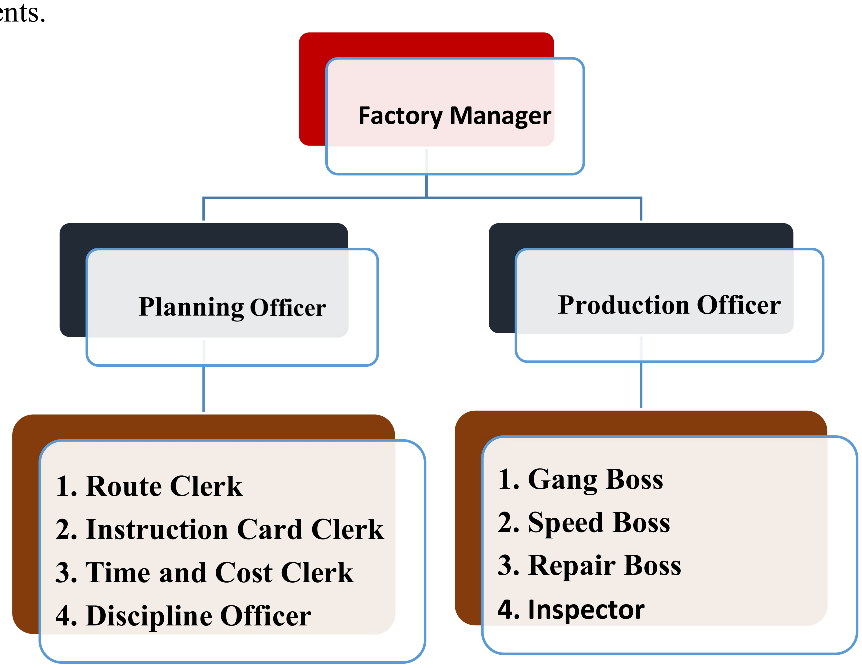
1. Systematic Approach
2. Bring Complete Mental Change
3. Discards Traditional Management
4. Requires Strict Observation of Rules
5. Improves the Efficiency of Workers

Principles of Scientific Management

1. Science, not rule of thumb
2. Harmony, not discord
3. Cooperation, not individualism
4. Development of each and every person to his/her greatest efficiency and prosperity

Techniques of Scientific Management

1. **Functional Foremanship: -** The work is divided into many small parts and each part is assigned to an expert. Taylor has suggested the division of factory manager’s work into two sub departments.



2. **Standardization of Work: -** It refers to the process of setting standards for various business activities like standards of raw materials, machines and techniques etc.
3. **Simplification: -** It is a technique to put an end to unnecessary types, qualities, sizes, weights etc. of product.

4. **Method Study:** - It refers to identifying the most suitable way to do a particular activity.
5. **Motion Study:** - It is a technique to study the movements which are necessary for doing a particular job/work.
6. **Time Study:** - It refers to determining the standard time required to complete a particular activity.
7. **Fatigue Study:** - It is to determine the duration and frequency of rest intervals to complete a particular job.
8. **Differential Piece Wage System:** - It is a technique to differentiate between efficient and inefficient workers. There are two piece rates – one for those who produce the standard output or more and the other for those who produce less than the standard output.
9. **Mental Revolution:** - It is the change in the attitude of management and workers towards one another from competition to cooperation. Instead of fighting over division of profits, both manager and workers make efforts for increasing profits.

Ch. 3 Business Environment

Meaning: - Business Environment means the sum total of those factors which influence the business and over which the business has no control.

Features of Business Environment

1. Totality of External Forces
2. Specific and General Forces
3. Interrelatedness
4. Dynamic Nature
5. Uncertainty
6. Complexity
7. Relativity

Importance of Business Environment

1. First Mover Advantage
2. Warning Signal
3. Tapping Useful Resources
4. Coping with Rapid Changes
5. Assisting in Planning and Policy Formulation
6. Improvement in Performance

Components of Business Environment

- **Internal Environment**
  1. Objectives
  2. Policies
  3. Organisational Structure
  4. MIS
  5. Production Method
  6. Production Capacity
- **External Environment**
  - **Micro or Operating Environment**
    1. Customers
    2. Suppliers
    3. Competitors
    4. Public
    5. Marketing Intermediaries
  - **Macro or General Environment**
    1. Economic Environment
    2. Social Environment
    3. Technological Environment
    4. Political Environment
    5. Legal Environment

1. **Economic Environment: -** Economic Environment consists of economic system, economic policies and economic conditions.
2. **Social Environment: -** It consists of traditions, values, social trends, fashions, hopes, level of education, standard of living etc.
3. **Technological Environment: -** It involves innovations related to various business activities.
4. **Political Environment: -** It consists of political conditions like general stability and peace in the country and attitude of the government towards businesses.
5. **Legal Environment: -** It consists of all the acts passed by government, judgement of courts, decisions taken by various commissions and agencies appointed by Centre, State and Local Level.

Demonetisation

The day when ₹500 and ₹1,000 notes were withdrawn from the circulation on 8th November, 2016.

Demonetisation means withdrawal of the status of legal 'tender' to the currency in circulation.

Features of Demonetisation

1. Tax Administrative Measure
2. Tax Evasion Control Measure
3. Channelising Saving into the Formal Financial System
4. Creating Less-Cash Economy

Ch. 4 Planning

It refers to what is to be done, how it is to be done, when it is to be done and by whom it is to be done. Planning refers to thinking before hand.

Features of Planning

1. Planning Focuses on Achieving Objectives
2. Planning is Primary Function of Management
3. Planning is Pervasive
4. Planning is Continuous
5. Planning is Futuristic
6. Planning Involves Decision Making
7. Planning is Mental Exercise

Limitation of Planning

1. Planning Creates Rigidity
2. Planning does not work in Dynamic Environment
3. Planning Reduces Creativity
4. Planning Involves Huge Costs
5. Planning is Time Consuming
6. Planning does not Guarantee Success

Importance of Planning

1. Planning Provides Direction
2. Planning Reduces Risk of Uncertainty
3. Planning Reduces Overlapping and Wasteful Activities
4. Planning Promotes Innovative Ideas
5. Planning Facilitates Decision Making
6. Planning Establishes Standard for Controlling

Process of Planning

1. Setting Standards
2. Developing Premises
3. Identifying Alternative Courses of Action
4. Evaluating Alternative Courses
5. Selecting an Alternative
6. Implementing Plan
7. Follow up Action

Type of Plans

A. **Standing or Repeatedly Used Plans: -** Formulate once and used repeatedly.
   1. **Objectives: -** These are the end points which the management seek to achieve.
   2. **Strategy: -** It is a comprehensive plan for accomplishing an organisation's objectives.
   3. **Policy: -** The general statements which guides the employees while taking decisions.
   4. **Procedure: -** It determines the sequence of activities to be conducted to perform a work.
   5. **Method: -** It determines how different activities of the procedure are completed.
   6. **Rule: -** It tells us what is to be done and what is not to be done in a particular situation.

B. **Single-use or Special or Adhoc Plan: -** These are used to meet the needs of a particular or unique situation.
   1. **Programme: -** It covers a relatively large organizational activities and specifies main steps, their orders, time and the department responsible for each step.
   2. **Budget: -** It refers to the quantitative expression of the plan of action. It describes the desired results in numerical terms.

Ch. 5 Organising

Organising refers to the process of defining and grouping the activities of an enterprise and establishing authority relationship among them.

Features of Organising

1. Division of Work
2. Coordination
3. Plurality of Persons
4. Common Objectives
5. Organisation is a Machine of Management

Process of Organising

1. Identification and Division of Work
2. Departmentalisation
3. Assignment of Duties
4. Establishing Reporting Relations

Importance of Organising

1. Benefits of Specialisation
2. Clarity in Working Relations
3. Optimum Utilisation of Resources
4. Adaptation to Change
5. Effective Administration
6. Development of Personnel
7. Expansion and Growth

Formal and Informal Organisation

Formal Organisation: - The organization in which the responsibilities, authority and mutual relationship among all the employees are clearly defined or the activities of two or more persons are consciously coordinated towards a common objective is called formal organization.

Informal Organisation: - The organization which comes into existence because of common interests, tastes and religious and communal relations or where the mutual relations are established unconsciously for common objectives is called informal organization.

Features of Formal Organisation

1. It has defined Interrelationship
2. It is Based on Rules and Procedures
3. It is based on Division of Work
4. It is Deliberately Created
5. It is Impersonal
6. It is more Stable

Advantages of Formal Organisation

1. Easy to fix Accountability
2. No Overlapping of Work
3. Unity of Command Possible
4. Easy to get Goals
5. Stability in Organisation

Limitations of Formal Organisation

1. Delay in Work
2. Lack of Initiative
3. Mechanisation of Relations

Features of Informal Organisation

1. Based on Formal Organisation
2. It is not Deliberately Created
3. It has no Written Rule and Procedures
4. Independent Channels of Communication
5. It is Personal
6. It Lacks Stability
7. It has no place on Organisation Chart

Advantages of Informal Organisation

1. Fast Speed of Communication
2. Fulfils Social Needs
3. Fulfils Organisational Objectives

Limitations of Informal Organisation

1. It Resists Changes
2. It Create Rumours
3. Pressure of Group Norms

Difference between Formal and Informal Organisation

Sr. No.	Basis of Difference	Formal Organisation	Informal Organisation
1	Meaning	Created in the structure of authority.	Born out of mutual relations.
2	Origin	Rules and policies of the organization.	Social relationship
3	Authority	Authority is born out of the posts established in the organisations and moves downwards.	Authority comes into existence because of individual virtues. It can move downwards or horizontal.
4	Behaviour	Behaviour is pre-determined.	Behaviour depends on individual attachment.
5	Stability/Nature	It is more stable.	It is temporary and less stable.
6	Leadership	Because of their high ranks, the managers are the leaders.	The leader is elected.
7	Flow of Communication	It moves according to scalar chain.	It can move in any direction.

Organisation Structure: Functional and Divisional

Functional Organisation Structure: - It refers to the division of the whole enterprise according to the major functions or activities to be performed by the enterprise.

Advantages of Functional Organisation

1. Benefits of Specialisation
2. Coordination is Established
3. Managerial Efficiency is Increased
4. Minimal Duplication of Efforts
5. Equal Weightage to all Functions

Limitations of Functional Organisation

1. Ignorance of Organisational Objectives
2. Difficulty in Interdepartmental Coordination
3. Hurdle in Complete Development
4. Conflict of Interest

Divisional Organisation Structure: - The Organization Structure which is divided on the basis of major products to be manufactured.

Advantages of Divisional Organisation

1. Quick Decision Making
2. Easy Expansion
3. Development of Divisional Heads
4. Divisional Results can be Assessed

Limitations of Divisional Organisation

1. Duplicity of Functions
2. Selfish Attitude
3. Conflict between Divisional Heads

Difference between Functional and Divisional Organisation

Sr. No.	Basis of Difference	Functional Organisation	Divisional Organisation
1	Formation	On the basis of work/activities.	On the basis of products.
2	Specialisation	Specialisation of job.	Specialization of product.
3	Responsibility	Difficult to ascertain departmental responsibility.	Easy to ascertain divisional responsibility.
4	Managerial Development	Development only in one kind of job.	Manager is versatile, so immense development is possible.
5	Coordination	Difficult to establish coordination.	Easy to establish coordination.
6	Cost	Less Cost.	More Cost.
7	Suitability	Where there is only one main product.	Where there are more than one product.

Delegation of Authority

Delegation of authority means to provide for needed authorities to the subordinates for the successful completion of their job or responsibility.

Process of Delegation of Authority

Assigning Responsibility → **Granting Authority** → **Fixing Accountability**

Importance of Delegation of Authority

1. Employee Development
2. Effective Management
3. Better Coordination
4. Motivation of Employees
5. Basis of Managerial Hierarchy
6. Facilitation in Growth

Decentralisation

Decentralisation is a situation which exists as a result of the systematic delegation of authority throughout the organization.

Decentralisation is wide distribution of authority and responsibility to the smallest unit.

Features of Decentralisation

1. It is an expanded version of delegation of authority.
2. It increases the significance of role of subordinates.
3. It reduces the workload of senior officers.
4. Along with the authority, accountability is also delegated.
5. It is a process which is applicable to the organization to a whole.
6. Decisions taken by those employees who are going to implement them.

Importance of Decentralisaion

1. Develops Initiative among Subordinates
2. Develops Managerial Talent for Future
3. Facilitates Growth
4. Quick Decision Making
5. Relief to Top Management
6. Better Control

Difference between Delegation of Authority and Decentralisation

Sr. No.	Basis of Difference	Delegation of Authority	Decentralisation
1	Nature	It is inevitable and work cannot proceed in its absence.	It is not necessary and work can proceed in its absence.
2	Freedom of Action	Less Freedom.	More Freedom
3	Status	It is a result of division of work.	It is result of policies framed by higher officials.
4	Scope	Its scope is limited.	Its scope is broad.
5	Purpose	Reduce the workload of an officer.	Expansion of the authority in an organization.

Ch. 6 Staffing

It refers to filling and keeping filled the posts with people.

Features of Staffing

1. Separate Managerial Function
2. Related to Human Beings
3. Essential at all Levels of Management
4. Related to Social Responsibility
5. Effect of Internal and External Environment

Human Resource Management

It is that branch of management which is concerned with the recruitment, selection, development and optimum use of employees.

Evolution of HRM

1. Labour Welfare Stage
2. Personal Management Stage
3. HRM Stage

Specialised Duties and Activities of HRM

1. Recruitment etc.
2. Providing Expert Services
3. Developing Compensation and Incentive Plans
4. Handling Grievances and Complaints
5. Providing for Social Security and Welfare of Employees
6. Defending the Company in Law Suits
7. Keeping Personal Records
8. Developing the Organisational Structure

Importance of Staffing

1. Helpful in Discovering and Obtaining Competent Personnel
2. Helpful in Better Performance
3. Helpful in Optimum Utilisation of the Human Resources
4. Helpful in Continuous Survival and Growth of the Enterprise
5. Helpful in Improving Job Satisfaction and Morale of Employees

Staffing Process

1. Estimating Manpower Requirements
2. Recruitment
3. Selection
4. Placement and Orientation
5. Training and Development
6. Performance Appraisal
7. Promotion and Career Planning
8. Compensation

Recruitment

It is the process of searching for prospectus employees and stimulating them to apply for the job in the organization.

Process of Recruitment

1. Requisition of Employees
2. Identification of the Source of Recruitment
3. Invitation to Interested People
4. Preparing the List of Deserving Applicants

Sources of Recruitment of Employees

1. Internal Sources
2. External Sources

Internal Sources of Recruitment

It refers to inviting applications for filling up the vacancies from candidates within the organization.

Internal Sources of Recruitments are: - 1. Transfer 2. Promotion 3. Lay-off

Merits of Internal Sources

1. Increase in Motivation
2. Easy Selection
3. Industrial Peace
4. No Need of Induction
5. Economical Source
6. Adjustment of Surplus Employees

Demerits of Internal Sources

1. Employees become Lethargic
2. Not available in New Organisation
3. Stops the Entry of Young Blood
4. Sense of Competition among Employees Hampered
5. Frequent Transfer Hit Productivity Negatively

External Source of Recruitment

It refers to inviting applications for filling up the vacancies from the candidates outside the organization.

External Sources of Recruitments are: -

1. **Direct Recruitment: -** A notice is placed on the noticeboard of the organization specifying the details of the job available on daily wage basis.
2. **Casual Callers: -** The organization keep a database of unsolicited applicants to fill the vacancies easily as they arise.
3. **Media Advertising: -** Advertisement is made with the help of newspapers, employment news, television, magazines, etc.
4. **Employment Exchange: -** These are set up by the government in almost all the districts. Name and other particulars of job seeker are recorded in the employment register. Manager forward information regarding vacant position to employment exchange and employment officer forward the name of applicant to the manager of organization for further written test and interview.
5. **Placement Agencies: -** These agencies are established by private individuals. People get register their names with them. On the request of an organization, these agencies do the whole job of recruitment on behalf of the organization.
6. **Management Consultants or Head Hunters: -** Management consultancy firms help various organisations to fill vacancies of middle level and top level executives and get fees for rendering this service.
7. **Campus Recruitment: -** It is recruitment from educational institutions. Some big organisations remain in touch with the educational institutions with the purpose of recruiting young talented people.
8. **Recommendations of Employees: -** For establishing good employer-employee relations, sometimes managers recruit people on the recommendation of their existing employees.
9. **Labour Contractors: -** They are link between labourers and managers. As and when manager put up demand of labourers, these contractors make available in no time.
10. **Telecasting: -** In this the big organisations telecasting information about vacant posts, required qualifications and experience, possible remuneration.
11. **Web Publishing: -** Special websites have been created for the purpose of recruitment through internet. For example, www.naukri.com, www.jobs.com etc.

Merits of External Source of Recruitment

1. Qualified Personnel
2. Wider Choice
3. Fresh Talent
4. Competitive Spirit
5. Less Chance of Favouritism

Demerits of External Source of Recruitment

1. Lengthy Process
2. Dissatisfaction among Existing Staff
3. Costly Process
4. Chances of wrong Selection
5. Increase in Labour Turnover

Selection

It is a process by which qualified applicants are selected by means of various tests for pre-determined numbers, out of a large number of applicants.

Selection Process

1. Preliminary Screening
2. Selection Tests
3. Employment Interview
4. Reference and Background Check
5. Selection Decision
6. Medical Examination
7. Job Offer
8. Contract of Employment

Selection Tests

1. **Intelligence Test: -** It is used to check the IQ of an individual. It indicates the learning ability.
2. **Aptitude Test: -** To measure the individual's potential for learning new skills.
3. **Personality Test: -** To know the person's emotions, reactions, maturity, value system etc.
4. **Trade Test: -** To measure the existing skills of the individual.
5. **Interest Test: -** To know the interest of a person.

Training and Development

Training: - It refers to the process designed to maintain and improve the current job performance.

Development: - It refers to the process designed to develop skills necessary for future activities.

Features of Training

1. Expenses on Training is Investment and Not the Wastage
2. Related to Special Job
3. Continuous Process
4. Beneficial to both the Organisation and Employees
5. Training and Development are Different
6. Training and Education are Different

Importance of Training

For Organisation

1. Best use of Material & Equipment
2. Less requirement of Supervision
3. Reduced Labour Turnover and Absenteeism
4. Improvement in Adaptability
5. Improvement in Quality & Quantity of Output

For Employees

6. Increase in Capacity and Efficiency
7. Increase in Market Value
8. Fewer Accidents
9. Job Satisfaction

Types of Training

1. **Internship Training 3. Apprenticeship**
2. **Vestibule Training**

Ch. 7 Directing

It refers to instructing, guiding, communicating and inspiring people in the organization.

Features of Directing

1. It Initiates Action
2. It takes place at every Level of Management
3. It is a Continuous Process
4. It flows from Top to Bottom

Importance of Directing

1. It Initiates Action
2. It is the means of Motivation
3. It Integrates Employees Efforts
4. It facilitates Implementing Changes
5. It creates Balance in the Organisation

Elements of Directing

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

Motivation: - Motivation means that process of stimulating people to action to accomplish desired goals.

It is the process which excites people to work for attainment of a desired objective.

Features of Motivation

1. It is an Internal Feeling
2. It produces Goal-directed Behavious
3. It can be either Positive or Negative
4. It is a Complex Process

Maslow's Need Hierarchy Theory

1. **Physiological Needs: -** These includes food, shelter, clothing and sleep, etc.
2. **Safety or Security Needs: -** These includes safety against accidents, attacks, diseases and safety of livelihood and arrangement for old age.
3. **Affiliation or Social Needs: -** The need for affection, sense of belongingness, friendship etc.
4. **Esteem Needs: -** The need for respect, autonomy, status, recognition and attention.
5. **Self-Actualisation Needs: -** The desire to maximize whatever potential an individual possesses.

Financial Incentive: - It refers to incentives which are direct monetary form or measurable in monetary term.

Non-Financial Incentives: - The incentives which are not directly related to money.

Financial or Monetary Incentives

1. Pay and Allowances
2. Productivity-linked Wage Incentive
3. Profit Sharing
4. Bonus
5. Retirement Benefits
6. Co-partnership or Stock Option
7. Perquisites

Non-financial Incentives

1. Status
2. Job Security
3. Job Enrichment
4. Career Advancement Opportunity
5. Employee Participation
6. Employee Empowerment
7. Organisational Climate
8. Employee Recognition Programme

Leadership

It refers to influencing others in such a manner to do what the leader wants to do.

Features of Leadership

1. Influencing Process
2. Behaviour Changing Process
3. Achieves Common Goals
4. Continuous Process
5. Interpersonal Relation between Leader and Followers

Leadership Style

1. Autocratic Leadership Style
2. Democratic Leadership Style
3. Laissez-faire Leadership Style

Autocratic Leadership Style: - It is leader-centered style. In this style, the leader keeps all the authority centered in his hands and employees have to perform the work exactly as per his orders.

Features of Autocratic Leadership

1. Centralised Authority
2. Single-man Decision
3. Wrong Belief regarding Employees
4. Only Downward Communication

Advantages of Autocratic Leadership

1. Quick and Clear Decision
2. Satisfactory Work
3. Necessary for Less Educated Employees

Demerits of Autocratic Leadership

1. Lack of Motivation 2. Agitation by Employees 3. Possibility of Partiality

Democratic Leadership Style

The leadership style in which final decisions are taken by the leader after consulting with the subordinates.

Features of Democratic Leadership

1. Cooperative Relations
2. Belief in Employees
3. Open Communication

Advantages of Democratic Leadership

1. High Moral
2. Creation of More Efficiency and Productivity
3. Availability of Sufficient Time for Constructive Work

Disadvantages of Democratic Leadership

1. Requirement of Educated Subordinates 2. Delay in Decision 3. Lack of Responsibility in Managers

Laissez-faire or Free-rein Leadership Style

In this style, the leader gives his subordinates complete freedom to make decisions.

Features Laissez-faire Leadership

1. Full Faith in Subordinates
2. Independent Decision Making System
3. Decentralisation of Authority
4. Self-directed, Supervisory and Controlled

Advantages Laissez-faire Leadership

1. Development of Self-confidence in Subordinates
2. High Level Motivation
3. Helpful in Development and Extension of the enterprise

Disadvantages Laissez-faire Leadership

1. Difficulty in Cooperation
2. Suitable for Highly Educated People
3. Lack of Importance of Managerial Post

Communication: - It is an art of transferring facts, ideas, feelings etc. from one person to another.

Features of Communication

1. Two or More Persons
2. Exchange of Ideas
3. Mutual Understanding
4. Direct and Indirect Communication
5. Continuous Process
6. Use of Words as well as Symbols

Process of Communication

1. Sender
2. Message
3. Encoding
4. Media/Transmission
5. Decoding
6. Receiver
7. Feedback

Communication Barriers

These are of four types: - 1. Semantic Barriers 2. Psychological or Emotional Barriers 3. Organiastional Barriers, 4. Personal Barriers

Semantic Barriers

1. Badly Expressed Message
2. Symbols or Words with different meanings
3. Faulty Translation
4. Unclarified Assumptions
5. Technical Jargon
6. Body Language and Gesture Decoding

Psychological Barriers

1. Premature Evaluation
2. Lack of Attention
3. Distrust
4. Loss by Transmission & Poor Retention

Organisational Barriers

1. Organisational Policies
2. Rule and Regulations
3. Status
4. Complexity in Organisational Structure
5. Organisational Facilities

Personal Barriers

Barriers Related to Superiors

1. Fear of Challenge of Authority
2. Lack of Confidence in Subordinates

Barriers Related to Subordinates

3. Unwillingness to Communicate
4. Lack of Proper Incentive

Measures to Overcome the Barriers of Communication

1. Communicate According to the need of the Receiver
2. Clarify Ideas before Communication
3. Communication for the Present as well as Future
4. Ensure proper Feedback
5. Be Aware of Language, Tone and Content of Message
6. Be a good Listener

Formal Communication

Formal Communication means to interchange of information officially.

Features of Formal Communication

1. Written and Oral
2. Formal Relations
3. Prescribed Path
4. Organisational Message
5. Deliberate Efforts

Informal Communication

Informal Communication means to interchange of information unofficially.

Features of Informal Communication

1. Formation through Social Relations
2. Two types of Information
3. Uncertain Path
4. Possibility of Rumour and Distortion
5. Quick Relay

Ch. 8 Controlling

It refers to bringing the actual results closer to the desired result.

Features of Controlling

1. It is a Fundamental Function of Management
2. It is all Pervasive
3. It is a Continuous
4. It is related to Results
5. It is both the Beginning and the End of the Management Process

Importance of Controlling

1. Accomplishing Organisational Goals
2. Judging Accuracy of Standards
3. Making Efficient use of Resources
4. Improving Employee Motivation
5. Ensuring Order and Discipline
6. Facilitating Coordination in Action

Relationship between Planning and Controlling

1. **Interdependence between Planning and Organising**
   (a) Planning is Meaningless without Controlling
   (b) Controlling is Blind without Planning
2. **Difference between Planning and Controlling**
   (a) Planning is looking ahead whereas Controlling is looking back
   (b) Planning is first function of and Controlling is the last function of Management

Controlling Process

1. Setting Performance Standards
2. Measurement of Actual Performance
3. Comparison of Actual Performance with Standards
4. Analysis of Deviation
5. Taking Corrective Action

Principle of Critical Point Control

It is based on the belief that it is neither economical nor easy to keep a check on each and every activity in an organization. So those activities should be determined which are important to the success of an organization which are known as Key Result Areas (KRAs).

Principle of Management by Exception

It is based on the belief that an attempt to control everything result in controlling nothing. So only significant deviation which go beyond the permissible limit should brought to the knowledge of management.

Ch. 9 Financial Management

It is a branch of management which is concerned with the effective acquisition and use of money.

Role of Financial Management

1. Determination of Fixed Assets
2. Determination of Current Assets
3. Determination of Proportion of Long-term and Short-term Finance
4. Determination of Proportion of Various Sources of Long-term Finance
5. Determination of Various Items of Profit and Loss Account

Role of Financial Management

The only objective of Financial Management is "Wealth Maximisation".

Wealth maximization means to increase the capital of shareholders invested in the business.

Shareholder's Current Wealth in a Company = No. of shares × Market Price Per share

Financial Decisions

1. **Investment Decision: -** It refers to decide about how the funds are invested in different assets so that they are able to earn the highest possible return for the investors. Investment decision divided in two parts: - **(i) Long-term Investment Decision (ii) Short-term Investment Decision**
2. **Financing Decision:** - It refers to determine from which long-term source the total funds required by the business will be obtained. How much use of debt capital with equity capital?
3. **Dividend Decision:** - It is to determine how much part of profit should be distributed among shareholders by the way of dividend and how much should be retained for meeting future needs as retained earnings.

Factors affecting Investment Decision

1. Cash Flow of the Project
2. The Rate of Return
3. Investment Criteria Involved

Factors affecting Financing Decision

1. Cost
2. Risk
3. Floatation Cost
4. Level of Fixed Operating Costs
5. Control Consideration
6. Cash Flow Position
7. State of Capital Market

Factors affecting Dividend Decision

1. Amount of Earning
2. Stability of Earning
3. Stability of Dividend
4. Growth Opportunities
5. Cash Flow Position
6. Taxation Policy
7. Shareholder's Preference
8. Stock Market Reaction
9. Access to Capital Market
10. Contractual Constraints
11. Legal Constraints

Financial Planning: - Financial Planning is the preparation of a financial blueprint of an organisation's future operations.

Process of Financial Planning

1. Determination of Financial Objectives
2. Determination of Financial Policies
3. Determination of Financial Procedures

Objectives of Financial Planning

1. To ensure timely availability of funds whenever required
2. To see that the firm does not raise resources unnecessarily

Importance of Financial Planning

1. Helps to face the Eventualities
2. Helps in Avoiding Wastage of Finance
3. Helps in Coordination
4. Helps in avoiding Business Shocks and Surprises
5. Helps to Link the Present with the Future
6. Helps in creating link between Investment and Financing Decision
7. Financial Control

Capital Structure: - Concept

1. **Financial Structure: -** It is a composition of the liability side (both long-term and short-term) of the Balance Sheet.
2. **Capitalisation: -** It is the aggregate of long-term sources of capital.
3. **Capital Structure: -** It is the proportion of different long-term sources of capital.

Financial Leverage and Financial Risk

Financial Leverage: - It refers to the inclusion of fixed cost capital along with equity capital in the capital structure.

Financial Risk: - By using the fixed cost capital the burden of the payment of fixed financial costs increases and the inability to pay the fixed financial costs creates a risk which is called financial risk.

Trading on Equity

Trading on equity means the use of fixed cost capital with equity capital so that the income of equity shareholders can be increased.

EBIT-Eps Analysis

Example:-

Liabilities	A Ltd.	B Ltd.
Equity Share Capital (Face value per equity share ₹10)	5,00,000	2,00,000
10% Debentures	---------	3,00,000

EBIT-EPS Analysis

Particulars	**A Ltd.**	**B Ltd.**
EBIT	1,00,000	1,00,000
Less: Interest	-----------	30,000
EBT	1,00,000	70,000
Less: Tax @30%	30,000	21,000
EAT	70,000	49,000
No. of Equity Shares	50,000	20,000
EPS = EAT/No. of Equity Shares	1.40	2.45

Trading on equity is profitable only when the ROI is higher than the rate of interest on debt.

Factor affecting the choice of Capital Structure

1. Cash Flow Position
2. Interest Coverage Ratio
3. Debt Service Coverage Ratio
4. Return on Investment
5. Tax Rate
6. Cost of Debt
7. Cost of Equity Capital
8. Floatation Cost
9. Risk Consideration
10. Flexibility
11. Control
12. Regulatory Framework
13. Stock Market Conditions
14. Capital Structure of Other Companies

Fixed Capital: - It is investment in long-term assets. It is required to purchase fixed assets such as land, building, machine, etc.

Working Capital: - Difference between Current Assets and Current Liabilities is called Working Capital. It is invested in short-term assets.

Aggregate of Current Assets is called **Gross Working Capital** and difference between Current Assets and Current Liabilities is called **Net Working Capital**. The working capital is required for the following: -

(a) Payment of daily expenses
(b) Payment of current liabilities on time
(c) Taking advantages of cash discount
(d) Continuity in production
(e) Taking advantages of favourable opportunities of the market

Factor affecting the requirement of Fixed Capital

1. Nature of Business
2. Scale of Operation
3. Choice of Technique
4. Technology Upgradation
5. Diversification
6. Growth Prospects
7. Financing Alternatives
8. Level of Collaboration

Factor affecting the requirement of Working Capital

1. Nature of Business
2. Scale of Operation
3. Business Cycle
4. Production Cycle
5. Seasonal Factors
6. Credit Allowed
7. Credit Availed
8. Operating Efficiency
9. Growth Prospects
10. Availability of Raw Material
11. Level of Competition
12. Inflation

Ch. 10 Financial Market

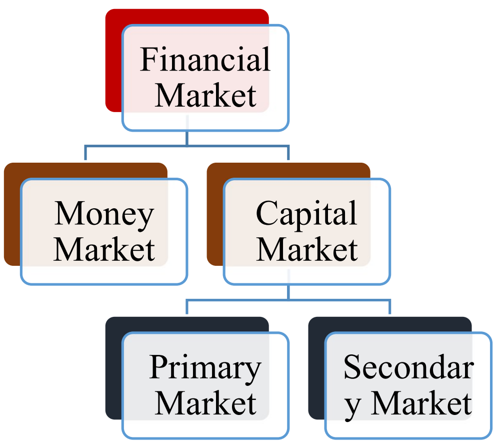
Financial Market: - It is the market which creates and exchange financial assts.

Functions of Financial Market

1. Mobilisation of Saving and their Channelisation into more Productive Uses
2. Facilitates Price Discovery
3. Provides Liquidity to Financial Assets
4. Reduces the Cost of transactions

Money Market: - It is a market where transactions are made in short-term securities. These securities include - ***Call Money, Treasury Bills, Commercial Bills, Certificate of Deposits, Commercial Papers***.

Capital Market: - It is a market where transactions are made in long-term securities. These securities include – ***shares, debentures, bonds etc.***



Features or Nature of Money Market

1. More Liquidity
2. Low Transaction Cost
3. Short-term Financial Assets
4. Consists of Many Sub-markets
5. Speedy Transactions

Features or Nature of Capital Market

1. It deals in Long-term Securities
2. It performs Trade-off Functions
3. It helps in Capital Formation
4. It satisfies Long-term Financial Requirement
5. It helps in Creating Liquidity

Features of Primary Market

1. It is related with New Issue
2. It has no Particular Place
3. **It has Various Methods of Floating Capital**
   (a) Public Issue
   (b) Offer for Sale
   (c) Private Placement
   (d) Right Issue
   (e) **Electronic Initial Public Offer (e-IPOs)**
4. It comes before Secondary Market

Primary Market: - It is a market where securities are sold for first time for collecting long-term capital.

Secondary Market: - It is a market which deals in existing securities.

Features of Secondary Market

1. It creates Liquidity
2. It has a Particular Place
3. It comes after Primary Market
4. It Encourages New Investment

Stock Exchange: - It means an organized market where securities issued by companies, government organization are sold and purchased. It is also known as barometer of economic development. Security include – shares, debentures, bonds, etc.

Features of Stock Exchange

1. Organised Market
2. Dealing only through Authorised Members
3. Dealing in Securities Issued by Various Concerns
4. Necessary to obey the Rules and Bye-laws

Functions of Stock Exchange

1. Providing Liquidity and Marketability to Existing Securities
2. Pricing of Securities
3. Contribution to Economic Growth
4. Spreading Equity Cult
5. Safety of Transactions
6. Providing scope for Speculation

Trading Procedure on a Stock Exchange

1. Selection of a Broker
2. The Opening of Demat Account with the Depository
3. Placing an Order
4. Starting On-line Matching
5. Communicating mentioned price to the Broker's Terminal
6. Issuing Contract Note
7. Pay-in-Day Working
8. Settlement in Progress
9. Pay-out-Day Working
10. Delivery of Shares

Securities and Exchange Board of India (SEBI)

Securities and Exchange Board of India was established in 1992 to control the share markets and to bring the transparency in the transaction.

Objectives of SEBI

1. Regulation of Stock Exchange
2. Protection to the Investors
3. Checking the Insider Trading
4. Control over Brokers

Functions of SEBI

Regulatory Functions

1. To register the brokers, sub-brokers and other players of stock market
2. To register collective investment scheme
3. Regulate the working of stock brokers
4. Regulate the takeover bids by companies
5. Inspection, conducting enquiries & audits
6. To levy fees and other charges
7. Exercise powers under SEBI Act 1956

Functions of SEBI

Developmental Functions

1. Impart training to intermediaries
2. Carry on research and publishing work
3. Develop the capital market with flexible approach

Protective Functions

1. Prohibition of Fraud and unfair trade practices
2. Controlling Insider Trading
3. Promotion of fair practices
4. Undertake steps for investors protection

Ch. 11 Marketing

It is that process under which valuable goods/services are created, offered and by doing transaction independently, the needs are satisfied.

Features of Marketing

1. Need and Want
2. Creating a Market Offering
3. Customer Value
4. Exchange Mechanism

Marketing Philosophies

1. **Production Concept: -** The goods or services are cheap and they can be made available at many places.
2. **Product Concept: -** The customers get attracted towards the product of good quality.
3. **Selling Concept: -** Goods are not bought, they have to be sold.
4. **Marketing Concept: -** Do not sell what they can make but they make what they can sell.
5. **Societal Marketing Concept: -** The welfare of whole society has to be kept in mind.

Functions of Marketing

1. Gathering and Analysing Market Information
2. Marketing Planning
3. Product Designing and Development
4. Standardisation and Grading
5. Packaging and Labelling
6. Branding
7. Customer Support Services
8. Pricing of Products
9. Promotion
10. Physical Distribution
11. Transportation
12. Storage or Warehousing

Marketing Mix: - The policies adopted by manufacturers to attain success in the market constitute the marketing mix.

Element of Marketing Mix (4Ps)

1. Product
2. Price
3. Promotion
4. Place

Product Mix: - It refers to sum total of all the decisions related to the product. The decisions are mainly related to branding, packaging, labelling, etc.

Branding: - It is the process through which a distinct identification of the product is established.
It includes: -

Brand: - It is a special word, symbol, letter or the mixture of all these.

Brand Name: - It is that part of a brand which can be spoken. E.g. Parle-G.

Brand Mark: - It is that part of brand which cannot be spoken but can be recognized easily. E.g. Devil of Onida.

Trade Mark: - When a brand is registered under The Trade Mark Act, 1999, then it is called a trade mark.

Qualities of a Good Brand Name

1. Simple and Short
2. Easily Pronounceable
3. Distinctive
4. Suggestive

Advantages of Branding

To Marketers

1. Creating Product Differentiation
2. Fixing Different Price
3. Introducing New Product
4. Easy Advertising

To Customers

1. Creating Product Identification
2. Satisfying Status Symbol Needs
3. Ensures Quality

Labelling: - It is a process of preparing label.

Kinds of Label: - (i) Brand Label (ii) Grade Label, (iii) Descriptive Label

Is Labelling Compulsory?

Producer is at liberty to use a label or not. But it has been made compulsory by the Government to use a label for some products.

Functions of Labelling

1. Describe the Product and Specify its Contents
2. Identification of Product or Brand
3. Grading of Product
4. Help in Promotion of Products
5. Providing Information required by law

Packaging: - It refers to the sum total of those activities which are related with the designing and production of the containers in which the products are packed. The package is the container in which the product is kept.

Functions of Packaging

1. Product Identification 3. Convenience
2. Product Protection 4. Product Promotion

Levels of Packaging: - 1. Primary Packaging 2. Secondary Packaging 3. Transportation Packaging

Price Mix: - It related to all those decisions which are concerned with the price fixation of any product or service.

Factors determining Price

1. Product Cost
2. The Utility and Demand
3. Extent of Competition in the Market
4. Government and Legal Regulations
5. Marketing Method Used
6. Pricing Objectives

Promotion Mix: - It refers to a combination of promotional tools used by the business to inform and persuade the customers about the product.

Element of Promotion Mix

1. Advertising
2. Personal Selling
3. Sales Promotion
4. Publicity

Place Mix: - All the decisions related to make product available to customers is called place mix.

Following included in Place Mix: - 1. Channels of Distribution 2. Physical Distribution

Channels of Distribution: - It is a path through which the products reach to the consumers.

Types of Levels of Channel of Distribution

1. **Direct Channel or Zero Level Channel: -** Manufacturer sell goods to consumer directly.
2. **One Level Channel: -** Manufacturer sell goods to retailer and retailer to consumer.

3. **Two Level Channel: -** Manufacturer sell goods to wholesaler, wholesaler to retailer and retailer to consumer.
4. **Three Level Channel: -** Manufacturer sell goods to agent, agent to wholesaler, wholesaler to retailer, retailer to consumer.

Physical Distribution: - It includes all the activities required to physically move goods from producer to the consumers.

Components of Decisions in Physical Distribution

1. Order Processing
2. Transportation
3. Warehousing
4. Inventory Control

Personal Selling - Concept

It refers to contacting prospective buyers personally.

Features of Personal Selling

1. Personal Form
2. Development of Relationship
3. Oral Conversation
4. Quick Solution of Queries
5. Real Sale
6. Receipt of Additional Information

Public Relation - Concept

It is a non-sales communication which a business has with its various audiences.

Features of Public Relations

1. Securing Cooperation of Public
2. Successful Relation with Public
3. Satisfying Different Groups
4. Engaging in Dialogue
5. Ongoing Activity
6. Specialised Activity

Advertising - Concept

It is paid non-personal presentation of ideas, goods and services for the purpose of including people to buy.

Features of Advertising

1. Paid Form
2. Impersonal Presentation
3. Speedy and Mass Communication
4. Identified Sponsor

Sales Promotion - Concept

It is short-term incentives, which are designed to encourage the buyers to make immediate purchase of a product or service.

Features of Sales Promotion

1. It does not include advertising, personal selling and publicity.
2. These are undertaken on special occasions.
3. It helps in effective advertising and personal selling.
4. It motivates consumer and distributors.
5. It helps in increasing sales.

Ch. 12 Consumer Protection Act, 2019

Consumer Protection: - It refers to the steps taken to protect the consumer against the unfair trade practices of the producers and the sellers.

Importance of Consumer Protection

From the Consumer's Point of View

1. Consumers' Ignorance 2. Unorganised Consumers 3. Widespread Exploitation of Consumer

From the Business Point of View

1. Long-term Interest of Business
2. Moral Justification
3. Social Responsibility
4. Business uses Society's Resources
5. Government Intervention

Consumer Protection Act, 2019

The Government of India passed the new Consumer Protection Act, 2019, which has received the assent by the President of India on 9th August, 2019. This act extends to the whole India except the State of Jammu and Kashmir and came into force on 20th July, 2020.

Salient Features or Scope of Consumer Protection Act, 2019

1. Coverage of Items
2. Coverage of Sectors
3. Compensatory Nature of Provisions
4. Effective Safeguards
5. Group of Consumer Rights
6. Three-tier Grievances Redressal Machinery
7. Time-bound Redressal

Grounds for Complaint

1. Unfair/Restrictive Trade Practices
   Unfair Trade Practices: - To adopt a faulty way to gain excess profit by a trader.
   Restricted Trade Practices: - Selling goods and services on some conditions to consumers.
2. Defective Goods: - It means the defect of quantity, quality, potency or purity of the product.
3. Deficiency of Services
4. Excessive Charging of Price
5. Supply of Hazardous Goods

Relief/Remedies available to Consumers

1. Removal of Defects
2. Replacement of Goods
3. Refund of Price
4. Award of Compensation
5. Removal of Deficiency in Service
6. Stopping the Sale of Hazardous Goods
7. Discontinuance of Unfair/Restrictive Trade Practices
8. Withdrawal of Hazardous Goods from the Market
9. Payment of Adequate Cost

Consumers' Rights

1. **Right to be Protected: -** The right to be protected against marketing of goods, products or services which are hazardous to life or property.
2. **Right to be Informed: -** Right to have all the information about the product he intends to buy.
3. **Right to be Assured: -** Wherever possible, access to a variety of goods, products or services at competitive prices.
4. **Right to be Heard: -** It is to be assured that consumer's interests will receive due consideration at appropriate forum.
5. **Right to Seek Redressal: -** Right to get relief in case of unfair trade practices or restricted trade practices or unscrupulous exploitation of consumers.
6. **Right to Consumer Awareness: -** Right to acquire knowledge and to be a well-informed consumer and having knowledge about consumer rights and responsibilities.

Consumers' Responsibilities

1. Be aware about all Similar Product
2. Focus on only Standardised Products
3. Learn about the Associated Risks
4. Read Labels Carefully
5. Be Honest in your Dealing
6. Don't forget to get Cash Memo
7. Always file Complaint for Genuine Grievances
8. Form Consumer Societies
9. Respect the Environment
10. Assert Yourself

Three-tier Judicial Machinery of Consumer Dispute Redressal Agencies

(A) District Consumer Disputes Redressal Commission/District Commission

The State Government shall set up one or more DCDRC or District Commission in each district. Each District Commission consists of (i) **A president, who is qualified to be a District Judge and not less than two** and not more than such number of members as may be prescribed in consultation with the Central Government. The District Commission entertains complaints where the value of goods or services paid **does not exceed ₹50 lakhs**. In case the aggrieved party is not satisfied, he can appeal before State Commission **within 45 days** from the date of the order.

(B) State Consumer Disputes Redressal Commission/State Commission

The State Government shall set up one SCDRC or State Commission in each State. Each State Commission consists of (i) **A president, who is qualified to be a High Court Judge and not less than four** and not more than such number of members as may be prescribed in consultation with the Central Government. The State Commission entertains complaints where the value of goods or services paid **exceed ₹50 Lakhs and upto ₹2 crores and appeal against the order of District Commission**. In case the aggrieved party is not satisfied, he can appeal before National Commission **within 30 days** from the date of the order.

(C) National Consumer Disputes Redressal Commission/National Commission

The Central Government shall set up one NCDRC or National Commission. The National Commission consists of (i) **A president, who is qualified to be a Supreme Court Judge and not less than four** and not more than such number of members as may be prescribed in consultation with the Central Government. The National Commission entertains complaints where the value of goods or services paid **exceed ₹2 crores and**

appeal against the order of State Commission. In case the aggrieved party is not satisfied, he can appeal before **Supreme Court within 30 days** from the date of the order.

Role of Consumer Organisation and NGOs in Promoting Consumer Protection

1. Providing education to the general public on the subject of consumer rights.
2. Publication of periodicals and other publications to communicate about varied issues of consumer interests.
3. Carry out comparative tests to ascertain the quality standards of different types of consumer products in accredited laboratories, and provide feedback.
4. Extend legal assistance to consumer required for seeking legal justification.
5. Take initiative and file complaints in appropriate consumer courts on behalf of consumer.
6. File cases in consumer courts in the interest of the general public.
7. Provide necessary confidence and support to the grieved consumers.