

LAST-HOUR CRAM SHEET · All 12 Chapters

CBSE Class 12 Business Studies (054) · Read this in the 60 minutes before you walk in

A. The Paper at a Glance

Part	Units	Marks	Chapters
A — Principles and Functions of Management	1, 2, 3	16	Nature & Significance · Principles · Business Environment
	4, 5	14	Planning · Organising
	6, 7, 8	20	Staffing · Directing · Controlling ← biggest block
B — Business Finance and Marketing	9, 10	15	Financial Management · Financial Markets
	11, 12	15	Marketing · Consumer Protection
Project Work		20	Theory total = 80 marks , 3 hours

QUESTION SHAPE 34 questions — $20 \times 1M +$

$4 \times 3M + 6 \times 4M + 4 \times 6M = 80$. Roughly 20% MCQ, 40% competency / case-based, 40% short and long answer. Attempt all twenty 1-markers first — banking 20 marks in the first 25 minutes gives you room for the 6-markers.

B. Every Mnemonic in One Place

Mnemonic	Stands for	Expansion
GAM · C-GDI	Ch1 — Characteristics of management (7)	G oal-oriented, A ll-pervasive, M ultidimensional, C ontinuous, G roup activity, D ynamic, I ntangible
G-E-D-P-S	Ch1 — Importance of management (5)	G roup goals, E fficiency, D ynamic organisation, P ersonal objectives, S ociety development
POSDC	Ch1 — Functions of management (5)	P lanning, O rganising, S taffing, D irecting, C ontrolling
U-G-F-F-M-C-C	Ch2 — Nature of principles (7)	U niversal, G eneral guidelines, F ormed by practice, F lexible, M ainly behavioural, C ause & effect, C ontingent
S-H-C-D	Ch2 — Taylor's principles (4)	S cience not rule of thumb, H armony not discord, C ooperation not individualism, D evelopment of each person
F-S-M-M-T-F-D	Ch2 — Taylor's techniques (7)	F unctional foremanship, S andardisation & simplification, M ethod, M otion, T ime, F atigue study, D ifferential piece wage
E-S-T-P-L	Ch3 — Dimensions of business environment (5)	E conomic, S ocial, T echnological, P olitical, L egal

O-T-R-C-P-P	Ch3 — Importance of business environment (6)	O pportunities, T hreats, R esources, C ope with change, P lanning & policy, P erformance
D-U-O-I-D-C	Ch4 — Importance of planning (6)	D irection, U ncertainty reduced, O verlapping reduced, I nnovation, D ecision-making, C ontrolling basis
O-P-A-E-S-I-F	Ch4 — Planning process (7)	O bjectives, P remises, A lternatives, E valuate, S elect, I mplement, F ollow-up
A-R-A	Ch5 — Elements of delegation (3)	A uthority, R esponsibility, A ccountability
S-M-L-C	Ch7 — Elements of directing (4)	S upervision, M otivation, L eadership, C ommunication
P-S-A-E-S	Ch7 — Maslow's hierarchy (5)	P hysiological, S afety, A ffiliation, E steem, S elf-actualisation
4 Ps	Ch11 — Marketing mix	P roduct, P rice, P lace, P romotion
S-I-C-H-R-E	Ch12 — Consumer rights (6)	S afety, I nformation, C hoose, be H eard, R edressal, consumer E ducation

C. The Definitions to Write Word-for-Word

MANAGEMENT *Getting things done with the aim of achieving goals **effectively** and **efficiently**.*

PRINCIPLES OF MANAGEMENT Broad and general guidelines for managerial decision-making and behaviour.

COORDINATION The *deliberate* and *orderly* arrangement of group effort to ensure *unity of action* towards common goals.

BUSINESS ENVIRONMENT Sum total of all forces *outside the control* of a business but which *may affect its performance*.

PLANNING Deciding *in advance* what to do, how, when and by whom. It *bridges the gap* between where we are and where we want to be.

ORGANISING Identifying and grouping work, defining and establishing *authority relationships*, and coordinating them.

STAFFING Filling and keeping filled the positions in the organisation structure — the *right people in the right job*.

DIRECTING Instructing, guiding, counselling, motivating and leading people to achieve objectives.

CONTROLLING Comparing actual performance with standards, finding deviations and taking corrective action.

FINANCIAL MANAGEMENT Optimal procurement and usage of finance.
Objective = wealth maximisation.

FINANCIAL MARKET Market for the creation and exchange of financial assets; performs the allocative function.

MARKETING A social process by which people obtain what they need through creating and exchanging products and value.

D. The Pairs Examiners Use to Separate A's from B's

Pair	The one-line discriminator
Effectiveness vs Efficiency	Effectiveness = doing the right task (concern: TIME). Efficiency = doing the task right (concern: COST).

Unity of Command vs Unity of Direction	Command = one boss per employee . Direction = one head, one plan per set of activities .
Principle vs Technique	Principle = broad guideline for behaviour . Technique = a method or procedure .
Coordination vs Cooperation	Coordination is deliberate and formal ; cooperation is voluntary and informal .
Political vs Legal environment	Political = the government and its attitude . Legal = the actual laws and court judgements .
Policy vs Procedure vs Rule	Policy = general guideline (discretion allowed). Procedure = sequence of steps . Rule = rigid, no discretion .
Single-use vs Standing plan	Single-use = used once (Programme, Budget). Standing = used repeatedly (the other six).
Delegation vs Decentralisation	Delegation is compulsory and narrow (one superior–subordinate). Decentralisation is optional and organisation-wide.
Formal vs Informal organisation	Formal = deliberately created by management. Informal = arises spontaneously from social interaction.
Recruitment vs Selection	Recruitment = positive , attracts, increases the pool. Selection = negative , rejects, reduces the pool.
Training vs Development	Training = present job , short term, non-managerial. Development = overall growth , long term, managerial.
Aptitude vs Trade test	Aptitude = potential to learn in future . Trade = skill the person already has .
Planning vs Controlling	Planning is looking ahead ; controlling is looking back . Planning without controlling is meaningless ; controlling without planning is blind .

Capital vs Money market	Capital = long term , riskier, higher return. Money = up to one year , safer, highly liquid.
Primary vs Secondary market	Primary = new securities, funds go to the company . Secondary = existing securities, funds move between investors .
Selling vs Marketing	Selling starts at the factory with an existing product, aims at sales volume . Marketing starts in the market with customer needs, aims at satisfaction .
Credit allowed vs availed	Credit allowed to customers → more working capital. Credit availed from suppliers → less .

E. Facts You Must Not Get Wrong

MEMORISE EXACTLY

- Management is an **inexact science**, a **full art**, and **NOT** a **full-fledged profession** (fails on **restricted entry** and **service motive**).
- Coordination is the **essence** of management — **not** a sixth function.
- Taylor = **4 principles** + **7 techniques**.
Mental Revolution is a **PRINCIPLE** (Harmony not discord), not a technique.
- Functional foremanship = **8 specialists**:
4 planning (Instruction Card Clerk, Route Clerk, Time & Cost Clerk, Disciplinarian) + 4 production (Speed Boss, Gang Boss, Repair Boss, Inspector).
- Taylor **violates** Unity of Command; Fayol **insists** on it. **Gang Plank** belongs to **Scalar Chain**, used only in an **emergency**.
- Demonetisation: **8 November 2016**,
₹500 and **₹1000** notes.

- Planning is the **primary** function; **Rule** is the simplest plan; **Budget** is a single-use plan in numbers.
- **Authority** can be delegated.
Responsibility and accountability CANNOT.
- **Vestibule training** is **OFF** the job.
Apprenticeship and internship are **ON** the job.
- **Co-partnership / stock option** is a **FINANCIAL** incentive. Job enrichment and job security are **non-financial**.
- Financial management's objective is **wealth maximisation**, not profit maximisation.
- **Trading on equity** works only when $ROI > \text{cost of debt}$. Higher tax rate $\rightarrow$ more debt.
- **SEBI**: set up 1988, statutory 1992.
Insider trading and price rigging = PROTECTIVE function.
- **Depositories: NSDL and CDSL.**
Settlement is **T+1**.
- **Brand mark** = recognised but **not** spoken. **Trademark** = legally protected.

- Consumer Commissions: District $\leq$ ₹50 lakh, State ₹50L–₹2cr, National $>$ ₹2cr. Appeals: 45 / 30 / 30 days. Complain within 2 years.
- Buying for **self-employment** = a consumer. Buying for **resale** = NOT a consumer.

F. Master Case-Keyword Table

40% of the paper is competency-based

Case wording	Concept	Ch
"minimum cost" / "target achieved on time"	Efficiency / Effectiveness	1
"policies, strategy, answerable to shareholders"	Top level	1
"quality checked, grievances, safety"	Supervisory level	1
"departments pulling in different directions"	Lack of coordination	1
"orders from two bosses" / "same work, different plans"	Unity of Command / Direction violated	2
"emergency, contacted same level directly"	Gang Plank	2
"team spirit" / "suggestion box" / "no discrimination"	Esprit de Corps / Initiative / Equity	2
"stopwatch" / "unnecessary movements removed"	Time Study / Motion Study	2

"two wage rates, efficient paid more"	Differential Piece Wage	2
"inflation" / "new government" / "Act passed"	Economic / Political / Legal environment	3
"launched before competitors"	First-mover advantage	3
"No smoking" / "step 1, 2, 3" / "customer is always right"	Rule / Procedure / Policy	4
"expressed in numbers" / "long-term direction by top"	Budget / Strategy	4
"assumed inflation would be 5%"	Developing premises	4
"separate divisions for each product"	Divisional structure	5
"news spread informally at lunch"	Informal organisation / grapevine	5, 7
"manager still answerable to his boss"	Accountability cannot be delegated	5
"went to colleges to hire" / "notice at the factory gate"	Campus / Direct recruitment	6
"trained on a duplicate machine off the floor"	Vestibule training	6
"worked under a master craftsman"	Apprenticeship training	6
"gave orders, decided alone" / "consulted the team"	Autocratic / Democratic leadership	7
"complete freedom to scientists"	Laissez-faire leadership	7

"made the job more challenging" / "employee of the month"	Job enrichment / Recognition	7
"wanted respect and status" / "wanted job security"	Esteem / Safety need	7
"used jargon the worker did not follow"	Semantic barrier	7
"only deviations above 5% reported"	Management by Exception	8
"focused only on key areas like labour cost"	Critical Point Control	8
"bought a machine" / "issued debentures" / "paid dividend"	Investment / Financing / Dividend decision	9
"used debt because ROI exceeded interest"	Trading on equity	9
"gave customers 90 days credit"	Credit allowed → more working capital	9
"company issued shares for the first time"	Primary market	10
"director traded on unpublished results"	Insider trading → SEBI protective	10
"SEBI registered a mutual fund" / "trained brokers"	Regulatory / Development function	10
"symbol recognised but not spoken"	Brand mark	11
"buy one get one free" / "20% extra"	Sales promotion	11
"manufacturer → wholesaler → retailer"	Two level channel	11

"stored till the season" / "moved to another city"	Warehousing (time) / Transport (place utility)	11
"the cooker burst" / "no expiry date printed"	Right to safety / to be informed	12
"bought a machine for self-employment"	IS a consumer	12
"claim of ₹35 lakh" / "₹1.5 crore" / "₹5 crore"	District / State / National Commission	12

G. How to Write for Marks

Marks	No. of points	Structure
1	1 line	Just the term or the one-line reason. No explanation, no example. Do not waste time.
3	3 points	Bold heading + one explaining line each.
4	4 points	Bold heading + one to two explaining lines each. Add an example if the question says "with examples".
6	6 points	Bold heading + two lines + an example.
Case	Name → Define → Quote	(1) Name the concept. (2) Define it in one line. (3) Quote the exact words from the case that prove it. Skipping step 3 costs half the marks.

SYLLABUS CUTS TO REMEMBER — *Not in the official 2026-27 syllabus: Ch 3 — New Industrial Policy 1991, LPG, and impact of government policy changes; Ch 10 — functions and types of financial markets, money-market instruments, and methods of floatation in the primary*

market. Confirm with your teacher before dropping any of them, since schools often still test them internally.

Chapter 1 · Nature and Significance of Management

CBSE Class 12 Business Studies (054) · Part A ·

Unit 1+2 = 16 marks · Ultimate Revision Sheet

60-SECOND RECALL — if you read nothing else, read this

Definition	Process of getting things done with the aim of achieving goals effectively and efficiently .
Characteristics (7)	Goal-oriented, All-pervasive, Multidimensional, Continuous, Group activity, Dynamic, Intangible
Objectives (3)	Organisational (Survival, Profit, Growth) · Social · Personal
Importance (5)	Group goals, Efficiency, Dynamic org, Personal objectives, Development of society
Nature	Science = inexact · Art = yes, fully · Profession = NOT full-fledged
Levels (3)	Top → Middle → Supervisory / Operational
Functions (5)	POSDC — Planning, Organising, Staffing, Directing, Controlling
Coordination	The ESSENCE of management — not a separate function

1. Meaning & the Two Key Words

WRITE THIS VERBATIM

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

- **Process** = primary functions performed by managers
- **Effectively** = finishing the task
- **Efficiently** = at minimum cost.

Basis	Effectiveness	Efficiency
Meaning	Completing the task / achieving the goal — doing the RIGHT task	Doing the task correctly at minimum cost — doing the task RIGHT
Objective	To achieve the end result	To conduct cost-benefit analysis (input-output ratio)
Main concern	TIME — was it done on time?	COST — were resources saved?
Focus	End result	Resources / means

EXAMINER TRAP **Management** needs **BOTH**.

Never write that efficiency is more important. Correct line: *Management must strike a balance — high effectiveness with high efficiency. Effectiveness at high cost, or efficiency without achieving the goal, are both poor management.*

2. Characteristics / Features of Management

GAM · C-GDI — Goal-oriented, All-pervasive, Multidimensional | Continuous, Group activity, Dynamic, Intangible

1. **Goal-oriented process** — unites the efforts of people towards pre-determined goals.
Eg: goal of a school = impart quality education.
2. **All-pervasive** — needed in all organisations (economic, social, political), at all levels, in all countries. How it is done may differ; the need for it does not.
3. **Multidimensional** — three dimensions: (a) **Management of Work** (translates work into goals) (b) **Management of People** (makes strengths effective and weaknesses irrelevant) (c) **Management of Operations** (the production process and the man-power performing it).
4. **Continuous process** — the five functions run simultaneously and never stop; they are performed by all managers, all the time.

5. **Group activity** — an organisation is a group of people with different needs but one common goal.
6. **Dynamic function** — must change itself as per changes in the environment. Eg: fast-food chains introduced vegetarian items in India.
7. **Intangible force** — cannot be seen, but its presence is felt through orderly work and satisfied employees.

3. Objectives of Management

(a) Organisational

- **Survival** — earn enough revenue to cover cost
- **Profit** — vital incentive; covers risks and costs
- **Growth** — measured by sales volume, number of products, number of employees, capital investment

(b) Social

- Environment-friendly production methods
- Employment opportunities to the disadvantaged

- Schools, crèches and health facilities for employees
- Quality products at fair prices

(c) Personal

- **Financial needs** — competitive salary, perks
- **Social needs** — peer recognition, respect
- **Higher-level needs** — personal growth and development

TRAP Survival → Profit → Growth is a **sequence**, not a random list. Survival is the **basic** objective, profit is **essential** for survival, and growth shows the enterprise's **potential**.

4. Importance of Management

G-E-D-P-S — **G**roup goals, **E**fficiency, **D**ynamic organisation, **P**ersonal objectives, **S**ociety development

1. **Helps in achieving group goals** — gives a common direction to individual effort.
2. **Increases efficiency** — better use of resources reduces cost and raises

productivity.

3. *Creates a dynamic organisation — helps employees overcome resistance to change and adapt.*
4. *Helps in achieving personal objectives — through motivation and leadership.*
5. *Helps in the development of society — good quality products, employment, new technology.*

5. Nature of Management — Science, Art or Profession?

Field	Features required	Verdict
SCIENCE	1. Systematised body of knowledge 2. Principles based on experimentation 3. Universal validity	1 ✓ 2 ✓ (partly) 3 X — it deals with human beings, so results cannot be accurately predicted and principles must be modified to suit the situation. ⇒ Management is an INEXACT / SOCIAL science.
ART	1. Existence of theoretical knowledge 2. Personalised application 3. Based on practice and creativity	All three ✓ — a large body of literature exists, each manager applies it differently, and perfection comes through regular practice. ⇒ Management IS an art.

PROFESSION

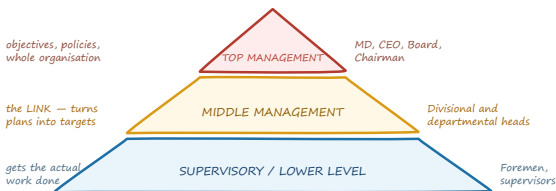
1. Well-defined body of knowledge
2. **Restricted entry**
3. Professional association
4. Ethical code of conduct
5. Service motive

1 ✓ 2 X (anyone can be a manager) 3 ✓ but membership is not compulsory (AIMA) 4 ✓ but not legally binding 5 X profit is the main aim. ⇒ **NOT a full-fledged profession.**

CONCLUDING LINE — always write this

Management is *both a science and an art*. The two are *complementary*: science provides the knowledge and art is the personalised application of that knowledge. A manager must know the principles (science) and apply them skilfully (art).

6. Levels of Management



Fewer people at the top, more at the bottom — but authority runs the other way.

Middle management is the level examiners ask about most, because it is the only one that looks both ways.

Level

Who

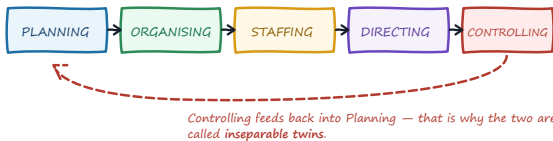
Main Functions

TOP	Chairperson, CEO, MD, President, Vice-President	Integrate and coordinate all activities · Frame policies · Formulate organisational goals and strategies · Analyse the business environment · Responsible for the welfare and survival of the organisation · Answerable to shareholders
MIDDLE	Divisional / Departmental heads, Plant Superintendent, Operations Manager	The LINK between top and lower levels · Interpret the policies framed by top management · Ensure availability of necessary personnel · Assign duties and responsibilities · Motivate employees · Cooperate with other departments
SUPERVISORY / OPERATIONAL	Foremen, Supervisors, Superintendents	Actual implementation of plans · Oversee the efforts of the workforce · Ensure quality and minimise wastage · Maintain safety standards and discipline · Bring workers' grievances before management

TRAP Keywords decide the level. "Quality of output", "grievances", "safety" → **Supervisory**. "Interpret policies", "availability of personnel" → **Middle**. "Policies, strategies, survival" → **Top**.

7. Functions of Management

The order is fixed and examiners test it: $P \rightarrow O \rightarrow S \rightarrow D \rightarrow C$



Planning without controlling is blind; controlling without planning has no standard to check against.

Five functions in a fixed sequence, and a loop back — management is a cycle, not a line.

POSDC — Planning → Organising → Staffing → Directing → Controlling

1. **Planning** — deciding in advance what to do and how to do it; setting goals and developing a way to achieve them.
2. **Organising** — assigning duties, grouping tasks, establishing authority and allocating the resources required to carry out a specific plan.
3. **Staffing** — making sure the right people with the right qualifications are available for the right job.
4. **Directing** — leading, influencing and motivating employees to perform the tasks assigned to them.

5. **Controlling** — performance measurement and follow-up action that keeps actual performance on the path of the plan.

8. Coordination — The Essence of Management

DEFINITION **Coordination** is the process by which a manager synchronises the activities of different departments. It is the **deliberate** and **orderly** arrangement of group effort to ensure **unity of action** in the pursuit of common organisational goals.

Features / Characteristics (7)

1. **Integrates group efforts** — unifies diverse interests into purposeful group activity.
2. **Ensures unity of action** — binds all departments and employees into one direction.
3. **Continuous process** — it runs from planning to controlling and never ends.
4. **All-pervasive function** — required at **all levels** and in **all departments**, because they are interdependent.

5. **Responsibility of all managers** — equally important at top, middle and lower levels.
6. **Deliberate function** — it must be consciously performed; it never establishes itself.
7. **Essence of management** — it is the thread running through every function, not a separate sixth function.

Importance / Need for Coordination (3)

1. **Growth in size** — as employee numbers rise, individual goals drift away from organisational goals.
2. **Functional differentiation** — separate departments with separate goals must be linked together.
3. **Specialisation** — specialists have different approaches and judgements; coordination reconciles them.

HIGH-VALUE TRAP Coordination is NOT

cooperation. Cooperation is **voluntary** and informal; coordination is **deliberate** and formal. Effective coordination cannot be achieved without cooperation, but cooperation without coordination is wasted effort. Also: coordination is **not a separate function** — it is the **essence** present in all five functions.

COORDINATION INSIDE EACH FUNCTION

— a favourite 4/6-mark question:

- Planning** — coordinating the plans of different departments.
- **Organising** — coordinating authority with responsibility.
- **Staffing** — coordinating the number of employees with the work available.
- **Directing** — coordinating orders and instructions.
- **Controlling** — coordinating actual performance with standards.

9. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...

The answer is...

"minimum cost", "saved resources", "reduced wastage"	Efficiency
"completed on time", "target achieved"	Effectiveness
"needed in a school / hospital / club too"	All-pervasive
"changed the product as per new trends"	Dynamic function
"cannot be seen but its effect is visible"	Intangible force
"framed policies", "decided strategy", "answerable to shareholders"	Top level
"explained the policy to the department", "arranged staff"	Middle level
"checked quality", "handled workers' complaints", "safety"	Supervisory level
"employees resisted change but were helped to adapt"	Creates a dynamic organisation
"departments were working in different directions"	Lack of coordination
"provided a crèche / hired differently-abled staff / eco-friendly plant"	Social objective

MOST-ASKED BOARD QUESTIONS

1. [6M] "Management is both a science and an art." Do you agree? Give

reasons. (variant: Is management a profession?)

2. [6M] Explain the functions / levels of management with examples.
3. [4-6M] "Coordination is the essence of management." Explain. / Why is coordination needed?
4. [4M] Distinguish between effectiveness and efficiency.
5. [3-4M] Explain any three or four characteristics of management.
6. [3M] Explain the objectives of management.
7. [1M] Which level is responsible for the welfare and survival of the organisation? → **Top level**

ANSWER STRATEGY — 1M: one sharp line, no explanation. 3M: three points, about one line each. 4M: four points with **bold headings** plus one explaining line each. 6M: six points, heading plus two lines and an example. **Always bold or underline the technical term** — the examiner awards the mark for the heading first.

Chapter 2 · Principles of Management

CBSE Class 12 Business Studies (054) · Part A ·

Unit 1+2 = 16 marks · Ultimate Revision Sheet

60-SECOND RECALL

Nature (7)	Universal, General guidelines, Formed by practice & experimentation, Flexible, Mainly behavioural, Cause & effect, Contingent
Significance (6)	Insight into reality, Optimum utilisation, Scientific decisions, Meeting changing environment, Social responsibility, Training & research
Taylor	Father of Scientific Management · 4 principles + 7 techniques · Shop-floor level
Fayol	Father of General/Administrative Management · 14 principles · Top level
Killer distinction	Principle = broad guideline for behaviour Technique = a method / procedure to carry out a task

1. Meaning

WRITE THIS VERBATIM

A **principle** is a fundamental truth or proposition that serves as the foundation for a system of belief or behaviour, or for a chain of reasoning.

Principles of management are broad and general guidelines for managerial decision-making and behaviour. They are not as rigid as principles of pure science because they deal with **human behaviour** and so must be applied creatively.

2. Nature / Features of Principles of Management

U-G-F-F-M-C-C — **U**niversal, **G**eneral guidelines, **F**ormed by practice, **F**lexible, **M**ainly behavioural, **C**ause-and-effect, **C**ontingent

1. **Universal applicability** — apply to all types of organisations, business and non-business, small and large, though the extent of application varies.

2. **General guidelines** — they guide action but do **not** provide readymade straitjacket solutions, because business situations are complex and dynamic.
3. **Formed by practice and experimentation** — developed from the observation, knowledge and experiments of managers.
4. **Flexible** — not rigid; can be modified and adapted by the manager to suit the situation.
5. **Mainly behavioural** — they aim to influence **complex human behaviour**, so they are behavioural rather than technical in nature.
6. **Cause and effect relationship** — they establish what will happen if a particular principle is applied, so they can be used in similar situations.
7. **Contingent** — their application depends upon the **prevailing situation** at a particular point of time and must be changed accordingly.

3. Significance / Importance of Principles of Management

1. **Providing managers with useful insights into reality** — increases their knowledge, ability and understanding of managerial situations and saves them from trial and error.
2. **Optimum utilisation of resources and effective administration** — resources are limited; principles help managers see the cause and effect of their decisions and thus reduce wastage.
3. **Scientific decisions** — decisions become fact-based, thoughtful and justifiable, free from bias and prejudice, and subject to measurement and evaluation.
4. **Meeting changing environment requirements** — principles are flexible and dynamic, so they help the organisation adapt to a changing environment.
5. **Fulfilling social responsibility** — they guide managers in fulfilling their obligations towards society, not just towards the organisation.
6. **Management training, education and research** — they form the core of

management education and are the basis for further research.

4. F. W. Taylor — Scientific Management

DEFINITION *Scientific management* means knowing exactly what you want men to do and seeing that they do it in the **best and the cheapest way**. Taylor is called the **Father of Scientific Management**; his book is *The Principles of Scientific Management* (1911). He worked at Midvale Steel Company and focused on the **shop-floor / factory level**.

A. Taylor's 4 Principles

S-H-C-D — *Science* not rule of thumb, *Harmony* not discord, *Cooperation* not individualism, *Development* of each person

Principle	Meaning & key line
1. Science, not Rule of Thumb	There should be scientific study and analysis of each element of a job to replace the old rule-of-thumb (hit and miss) method. There is one best method of doing a job, found through work-study, which makes work simpler, easier and quicker.

2. Harmony, not Discord	There should be complete harmony between management and workers . Requires a MENTAL REVOLUTION — a complete change in attitude on both sides: management shares the gains of prosperity, workers work to their best. Class conflict must be eliminated.
3. Cooperation, not Individualism	An extension of harmony. There must be complete cooperation between labour and management instead of competition. Constructive suggestions from employees must be welcomed and rewarded ; workers should not go on strike or make unreasonable demands, and management should not resist mechanisation.
4. Development of each and every person to his or her greatest efficiency and prosperity	Scientific selection of workers, then training and assigning work suited to their temperament and abilities. This raises the productivity of the worker and the prosperity of the organisation.

TRAP *Mental Revolution belongs to the principle “Harmony, not discord”. If a question asks for Taylor’s techniques, do not list mental revolution — list the seven techniques below.*

B. Taylor's 7 Techniques

F-S-M-M-T-F-D — **F**unctional foremanship, **S**tandardisation & simplification, **M**ethod study, **M**otion study, **T**ime study, **F**atigue study, **D**ifferential piece wage

1. **Functional Foremanship** — separation of **planning** from **execution**. Supervision is split among **8 specialist foremen**, and every worker reports to all eight.

Planning in-charge (4)	Production in-charge (4)
Instruction Card Clerk — drafts instructions for workers Route Clerk — decides the route / sequence of production Time and Cost Clerk — prepares time and cost sheets Disciplinarian — ensures discipline	Speed Boss — ensures timely completion of the job Gang Boss — keeps machines and tools ready Repair Boss — maintenance of machines Inspector — checks the quality of work

2. **Standardisation and Simplification of Work** — **Standardisation** = setting benchmarks/standards for every business activity (process, raw material, machines, working conditions). **Simplification** = eliminating unnecessary varieties, sizes and grades of products. Result: savings in cost of labour, machines and tools, fuller utilisation of equipment and higher turnover.
3. **Method Study** — to find **one best way** of doing the job, so as to maximise efficiency in the use of resources, minimise cost of production and maximise customer satisfaction.
4. **Motion Study** — the study of **movements** undertaken while doing a job, in order to **eliminate unnecessary, incidental and unproductive motions**, so the job takes less time.
5. **Time Study** — determines the **standard time** taken to perform a well-defined job, using a stopwatch. Its objective is to fix a fair day's work, decide the number of workers to be employed and frame suitable incentive schemes.

6. **Fatigue Study** — determines the **amount and frequency of rest intervals** needed to complete a task. Rest lets workers regain stamina and avoids accidents, rejections and industrial sickness.
7. **Differential Piece Wage System** — differentiates efficient from inefficient workers by linking **wages to productivity**. A standard output is fixed and **two piece rates** are used: a **higher rate** for those who reach or exceed the standard and a **lower rate** for those who do not. Efficient workers are rewarded, inefficient ones are motivated to improve.

WORKED EXAMPLE (frequently asked):

Standard output = 10 units/day. Rates: ₹50 per unit for those producing 10 or more; ₹40 per unit for those producing fewer. Worker A makes 11 units $\rightarrow 11 \times 50 = ₹550$. Worker B makes 9 units $\rightarrow 9 \times 40 = ₹360$. The wide gap (₹190) motivates B to improve.

5. Henri Fayol — The 14 Principles

CONTEXT

Henri Fayol, a French mining engineer and Managing Director, is called the *Father of General Management*. His book is *General and Industrial Management*. He looked at management from the *top level downwards*.

#	Principle	Meaning & exam line
1	Division of Work	Work is divided into small tasks and each is given to a trained specialist . Leads to specialisation, efficiency and increased productivity . Applies to <i>all</i> kinds of work, managerial and technical.
2	Authority and Responsibility	Authority = power to take decisions and give orders; Responsibility = obligation to complete the job. There must be a balance between the two. Responsibility without authority makes an executive ineffective; authority without responsibility makes him arrogant and invites misuse of power.
3	Discipline	Obedience to organisational rules and the employment agreement. Requires good supervisors at all levels, clear and fair agreements, and judicious application of penalties .
4	Unity of Command	One subordinate = ONE boss . Receiving orders from two superiors causes confusion, conflict and duplication of work, and undermines authority.

5	Unity of Direction	One head, one plan for a group of activities having the same objective . Ensures unity of action and coordination.
6	Subordination of Individual Interest to General Interest	The interest of the organisation must take priority over the interest of any individual employee.
7	Remuneration of Employees	Pay and compensation must be fair and just to both employees and the organisation, giving workers a reasonable standard of living while staying within the paying capacity of the firm.
8	Centralisation and Decentralisation	Centralisation = concentration of decision-making power at the top; Decentralisation = its dispersal among more people. There must be a balance ; no organisation can be completely one or the other. Degree depends on the situation.
9	Scalar Chain	The formal line of authority from the highest to the lowest rank, in a straight chain. It must not be violated — except in an emergency, when two employees at the same level may contact each other directly through the GANG PLANK , informing their immediate superiors afterwards.
10	Order	"A place for everything and everything in its place." People and materials must be in suitable places at the appropriate time for maximum efficiency.
11	Equity	Kindliness and justice in dealing with employees. No discrimination on the basis of religion, language, caste, sex, belief or nationality.

12	Stability of Personnel	Employee turnover should be minimised . After rigorous selection, a person should be kept at the post for a minimum tenure to show results. Frequent turnover raises cost and hurts prestige.
13	Initiative	Workers should be encouraged to develop and carry out their plans for improvement. Initiative means taking the first step with self-motivation. Suggestion systems should be welcomed.
14	Esprit de Corps	Union is strength . Management should promote team spirit, unity and harmony . Managers should use " WE " instead of " I " and settle differences by talking, not writing.

THE MOST-CONFUSED PAIR IN THE WHOLE PAPER

Basis	Unity of COMMAND	Unity of DIRECTION
Meaning	One subordinate should receive orders from one superior only	One head and one plan for a group of activities with the same objective
Aim	Prevents dual subordination	Prevents overlapping of activities
Relates to	Functioning of personnel (employees)	Activities / departments of the organisation
Focus	Employee → boss relationship	Plan → department relationship

6. Fayol versus Taylor

Basis	Henri FAYOL	F. W. TAYLOR
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Perspective	Top level of management	Shop floor / lower level of a factory
Unity of Command	Strictly followed — a staunch proponent	Not followed — functional foremanship gives a worker 8 bosses
Applicability	Universally applicable	Applicable only to specialised situations , such as factories
Basis of formation	Personal experience	Observation and experimentation
Focus	Improving overall administration	Increasing productivity / efficiency
Personality	Practitioner — Father of General Management	Scientist — Father of Scientific Management
Expression	General theory of administration	Scientific management
Human element	More importance to the human element (equity, stability, initiative)	More importance to increasing production than to the human element

CONCLUSION LINE The work of Taylor and Fayol is *complementary, not contradictory*. Fayol worked from the top down and Taylor from the bottom up; both aimed to improve organisational efficiency.

7. Case-Study Keyword Triggers

this table wins the 4 & 6 markers

If the case says...	The answer is...
"received orders from two managers", "confusion about whom to report to"	Unity of Command violated
"two departments doing the same activity with different plans"	Unity of Direction violated
"emergency" + "contacted directly at the same level"	Gang Plank (Scalar Chain)
"suggestion box", "employees asked to give ideas"	Initiative
"team spirit", "used the word WE", "unity among staff"	Esprit de Corps
"no discrimination", "treated all workers kindly and justly"	Equity
"employees leaving frequently", "high turnover"	Stability of Personnel
"every item kept in a fixed place", "right person at the right desk"	Order
"given authority but not held answerable"	Authority and Responsibility (imbalance)
"each worker does one specialised task"	Division of Work
"stopwatch", "standard time fixed"	Time Study
"unnecessary movements removed"	Motion Study
"one best way of doing the job"	Method Study

"rest intervals", "workers were tired"	Fatigue Study
"two different wage rates", "efficient workers paid more"	Differential Piece Wage System
"8 specialists", "planning separated from execution"	Functional Foremanship
"reduced varieties from 20 to 5"	Simplification
"fixed benchmarks for quality / process"	Standardisation
"change of attitude of both workers and management"	Mental Revolution (Harmony not discord)

MOST-ASKED BOARD QUESTIONS

1. **[6M]** Explain the techniques of scientific management given by Taylor. (or any four/five of them)
2. **[6M]** Explain any six principles of management given by Fayol with examples.
3. **[4-6M]** Distinguish between the contributions of Fayol and Taylor.
4. **[4M]** Differentiate between Unity of Command and Unity of Direction.
5. **[4M]** Explain the nature / significance of the principles of management.

6. [4-6M] Case: identify and explain the principles of management violated / followed in the given situation.
7. [3M] Explain the concept of “mental revolution” as advocated by Taylor.
8. [1M] Which technique is used to distinguish efficient from inefficient workers? → **Differential piece wage system**

THE ONE THING STUDENTS LOSE MARKS ON — when a case asks you to *identify*, you must (1) **name** the principle/technique, (2) **define** it in one line, and (3) **quote the line from the case** that proves it. Missing step 3 costs you half the marks in every competency-based question.

Chapter 3 · Business Environment

CBSE Class 12 Business Studies (054) · Part A · Unit 3 · Ultimate Revision Sheet

READ THIS FIRST — SYLLABUS ALERT

The official CBSE 2026-27 syllabus lists only three things for this unit: *concept and importance of business environment, its five dimensions, and demonetisation (concept and features)*. The *New Industrial Policy 1991, Liberalisation / Privatisation / Globalisation and Impact of government policy changes on business and industry* are no longer listed — they appear in older editions and in many school note sets (including the one you gave me). They are kept below, clearly marked, because schools often still test them internally. **Confirm with your teacher before dropping them; for the board paper, prioritise Sections 1–3 and 5.**

60-SECOND RECALL

Definition	Sum total of all individuals, institutions and other forces outside the control of a business but which may affect its performance .
Features (7)	Totality of external forces, Specific & general forces, Inter-relatedness, Dynamic, Uncertainty, Complexity, Relativity
Importance (6)	Opportunities (first-mover), Threats (early warning), Tap resources, Cope with rapid change, Planning & policy, Improve performance
Dimensions (5)	E-S-T-P-L — Economic, Social, Technological, Political, Legal
NEP 1991	LPG — Liberalisation, Privatisation, Globalisation (<i>not in the 2026-27 board syllabus</i>)
Demonetisation	8 Nov 2016 — ₹500 and ₹1000 notes ceased to be legal tender
Impact on business (7)	Competition, Demanding customers, Technology, Necessity for change, HR development, Market orientation, Loss of budgetary support (<i>not in the 2026-27 board syllabus</i>)

1. Meaning & Features

WRITE THIS VERBATIM

Business environment means the sum total of all individuals, institutions and other forces that are **outside the control** of a business enterprise but that **may affect its performance**. The social, political, economic, technological and legal factors that operate outside a business form part of its business environment.

1. **Totality of external forces** — it is the **sum total** of every external force: government, competitors, customers, suppliers, technology and so on.
2. **Specific and general forces** — **Specific** forces (customers, competitors, suppliers, investors) affect **one particular firm directly**. **General** forces (social, political, legal, technological conditions) affect the **whole industry** and so affect a firm **indirectly**.
3. **Inter-relatedness** — the different forces are closely related; a change in one causes a change in another. *Eg: a change in*

government (political) leads to a change in tax and import-export rates (economic).

4. **Dynamic nature** — the environment **keeps changing** because of shifts in technology, consumer preferences and availability of raw materials.
5. **Uncertainty** — constant and rapid change makes it **difficult to predict** future changes, especially in fashion and IT.
6. **Complexity** — because the forces are inter-related and dynamic, it is **difficult to prepare a single strategy** to handle all the changes; the environment can be understood in parts but not as a whole.
7. **Relativity** — the impact of the same change **differs** from business to business, country to country and region to region.
Eg: a rise in demand for cotton clothes in summer in India, but a fall in a cold country.

2. Importance of Business Environment

O-T-R-C-P-P — Opportunities, Threats, Resources, Cope with change, Planning & policy, Performance

1. **It enables the firm to identify opportunities and get the first-mover advantage** — positive external changes are opportunities; the firm that identifies them first benefits most.
2. **It helps the firm to identify threats and early warning signals** — adverse changes are threats; early identification lets managers convert threats into opportunities.
3. **It helps in tapping useful resources** — the firm draws inputs (finance, labour, machines, raw material) from the environment and supplies its output back to it, so it must design policies that let it get the resources it needs.
4. **It helps in coping with rapid changes** — a turbulent market requires managers to develop strategies not only to cope with change but to use it as a strength.
5. **It helps in assisting in planning and policy formulation** — understanding the environment is the basis on which future plans and strategies are built.
6. **It helps in improving performance** — continuous monitoring and changing

business practices improves present performance and helps retain market position in the long run.

TRAP An **opportunity** is a positive external change; a **threat** is an adverse one. Both come from **outside**. Do not label an internal weakness (poor machinery, untrained staff) as a threat — that is not part of the business environment.

3. Dimensions of Business Environment

E-S-T-P-L — **E**conomic, **S**ocial, **T**echnological, **P**olitical, **L**egal

Dimension	Includes	Example
Economic	Interest rates, inflation, money supply, price level, stock market indices, value of the rupee, disposable income of consumers	A rise in inflation reduces disposable income, so demand for products falls

Social	Customs, traditions, values, culture, social trends, beliefs, ethics, literacy rate, life expectancy	Greater awareness of rights makes businesses more concerned about quality; demand for fast food and ready-made garments rises as more women join the workforce
Technological	Scientific improvements and innovations that provide new ways of producing goods and new methods and techniques	Shift from books to e-books; from landlines to touchscreen mobile phones; UPI replacing cash
Political	Political stability, political leadership, practices of the ruling party, attitude of government towards business, change of government	A stable government with a business-friendly policy attracts more foreign investment
Legal	All legislation passed, administrative orders issued, court judgements, decisions taken by government or its related offices	Every cigarette packet must carry the statutory warning; advertising of alcohol is prohibited

TRAP

Political vs Legal is the most commonly mixed-up pair. Political = the government and its attitude/stability. Legal = the actual laws, court judgements and regulations. "A new law was passed" → Legal. "A new government came to power" → Political.

4. Economic Environment in India & the NEP, 1991

NOT IN 2026-27 BOARD SYLLABUS

Why the reforms were needed (background)

- High government deficit and mounting public debt
- Foreign exchange crisis — reserves fell to barely a few weeks of imports
- Rising prices / high inflation
- Poor performance of many public sector undertakings

The Government therefore announced the **New Industrial Policy, 1991**, aimed at overcoming these economic problems.

Features of the New Industrial Policy, 1991

1. Industries requiring compulsory licensing were brought down to six.

2. **Dereservation of industries** — the number of industries reserved for the public sector was reduced from 17 to a handful (later just **two**: atomic energy and railways).
3. **Disinvestment** was carried out in many public sector enterprises.
4. **Foreign capital policy was liberalised**; FDI up to **100%** was permitted in many sectors.
5. **Automatic approval** was given for technology agreements with foreign countries.
6. The **Foreign Investment Promotion Board (FIPB)** was set up to promote and channel foreign investment into India.

The three prongs — L, P and G

Reform	Meaning	Main objectives / effects
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LIBERALISATION	Removing unnecessary controls, licensing and restrictions in the economy — marking the end of licence raj in India.	Restrict licensing to a few core industries · Remove restrictions on scale of operations, expansion and contraction · Free movement of goods and services · Freedom to fix prices · Reduce tax rates · Simplify import and export procedures · Liberalise import of foreign capital and technology
PRIVATISATION	Shifting the responsibility for development from the public sector to the private sector . A private-sector enterprise is one where government ownership is less than 51% .	Introduce disinvestment of the public sector · Dilute government ownership stake to below 51% · Establish the Board of Industrial and Financial Reconstruction (BIFR) to evaluate loss-making and sick enterprises · Transfer ownership to the private sector
GLOBALISATION	Integration of the economy of a country with the world economy — opening ways for various economies to participate in the making of a global economy.	Free flow of imports and exports around the world · Rapid advancement in technology as geographical boundaries stop being a barrier · Free flow of capital and labour across countries

5. Demonetisation (8 November 2016)

DEFINITION Demonetisation means invalidating all the currency notes of a particular denomination by the government of a country. On 8 November 2016 the Indian Government demonetised the two largest denomination notes, ₹500 and ₹1000, with the aim of curbing corruption, black money and illegal activities and stopping the hoarding of black money.

Features of Demonetisation

1. It was a **tax administration measure** — cash had to be deposited into banks to be exchanged, making payment of tax on unaccounted income compulsory, with a penalty rate.
2. It was a **measure to curb tax evasion** — declaring unaccounted wealth became unavoidable.
3. It **channelised savings into the formal financial system** — more savings entered banks, improving the tax payment system.
4. It **reduced cash transactions in the economy**.

5. It facilitated tax administration and paved the way for a cash-less / cash-lite economy.

Impact of Demonetisation

Area	Impact
Money / Interest rates	1. Decrease in cash transactions 2. Increase in bank deposits 3. Financial savings increased
Private wealth	Declined — high-value demonetised notes were not returned and real estate prices also fell
Public sector wealth	No effect
Digitalisation	Increase in digital transactions among new users (RuPay, AEPS, UPI, mobile wallets)
Real estate	Decrease in prices
Tax collection	Rose , due to higher disclosure of income

6. Impact of Government Policy Changes on Business and Industry

NOT IN 2026-27

BOARD SYLLABUS

The LPG reforms brought about a significant impact on Indian business and industry. The challenges are:

1. **Increasing competition** — more Indian firms and the entry of foreign companies raised competition, especially in the service industry.

2. **More demanding customers** — a greater number of enterprises gives consumers **wider choice**, which raises their expectations and demands.
3. **Rapidly changing technological environment** — firms must install the latest machinery and adopt the latest techniques, which increases investment in the business.
4. **Necessity for change** — businesses must continuously modify their policies and practices and invest in **research, development and innovation**.
5. **Need for developing human resources** — changing technology means staff must be **educated and trained** so they are competent to handle change.
6. **Market orientation** — firms had to shift from **production-oriented** operations to **market-oriented** operations, studying customer needs before producing.
7. **Loss of budgetary support to the public sector** — public sector units had to run in competition with the private sector and organise their own resources and functions efficiently.

7. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...	The answer is...
"change in interest rate / inflation / disposable income"	Economic environment
"festival demand", "change in customs, values, lifestyle"	Social environment
"new machine / e-books / online payment / innovation"	Technological environment
"new government", "political stability", "attitude of ruling party"	Political environment
"Act passed", "court judgement", "statutory warning", "ban on advertisement"	Legal environment
"launched the product before its competitors"	First-mover advantage (Identify opportunities)
"sensed the danger early and changed strategy"	Identify threats / early warning signals
"affects only this one firm" (its customer, supplier, competitor)	Specific force
"affects the whole industry"	General force
"difficult to predict what will happen next"	Uncertainty
"same change helped one firm and hurt another"	Relativity
"licensing removed", "price controls lifted"	Liberalisation
"government sold its stake", "disinvestment"	Privatisation

"started exporting / foreign company entered India"	Globalisation
"trained staff to handle new technology"	Need for developing human resources
"studied customer needs before producing"	Market orientation

MOST-ASKED BOARD QUESTIONS

1. **[6M]** Explain the dimensions of business environment with examples.
2. **[6M]** Explain the impact of government policy changes on business and industry.
3. **[4-6M]** Explain the importance of understanding the business environment.
4. **[4M]** Explain any four features of business environment.
5. **[4-6M]** Explain the concepts of liberalisation, privatisation and globalisation.
6. **[3-4M]** Explain demonetisation and its impact / features.
7. **[3M]** Distinguish between specific and general forces of business environment.

8. [1M] Name two specific forces of business environment. → **Customers and competitors** (also suppliers, investors)

SCORING TIP — Every dimension answer must carry **an example**. A dimension named without an example typically earns only half the mark. Keep one ready example per dimension — inflation, festival demand, e-books, change of government, statutory warning — and reuse them.

Chapter 4 · Planning

CBSE Class 12 Business Studies (054) · Part A ·

Unit 4+5 = 14 marks · Ultimate Revision Sheet

60-SECOND RECALL

Definition	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 reach.
Features (6)	Focuses on objectives, Primary function, Pervasive, Continuous, Futuristic, Involves decision-making, Mental exercise
Importance (6)	Direction, Reduces uncertainty, Reduces overlapping, Promotes innovation, Facilitates decision-making, Basis of controlling
Limitations (6)	Rigidity, Fails in dynamic environment, Reduces creativity, Huge costs, Time-consuming, No guarantee of success
Process (7 steps)	Objectives → Premises → Alternatives → Evaluate → Select → Implement → Follow-up
Types	Single-use: Programme, Budget Standing: Objective, Strategy, Policy, Procedure, Method, Rule

1. Meaning & Features

WRITE THIS VERBATIM

Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It is the process of setting objectives and developing a course of action to achieve them. Planning **bridges the gap between where we are and where we want to reach.**

1. **Planning focuses on achieving objectives** — organisations are set up with a general purpose; planning states specific goals and the activities to reach them.
2. **Planning is a primary function of management** — it is the **base** of all other functions. Organising, staffing, directing and controlling are all performed within the framework of the plans drawn up.
3. **Planning is pervasive** — required at all levels and in all departments. Top level plans for the whole organisation, middle level for the department, lower level for day-to-day operations.
4. **Planning is continuous** — plans are made for a period, and at the end of that

period a new plan is drawn based on new requirements. It is a never-ending cycle.

5. **Planning is futuristic** — it is **looking ahead**; it involves peeping into the future, analysing it and predicting it.
6. **Planning involves decision-making** — it requires a **choice from among alternatives**. If there is only one possible course of action, there is no need to plan.
7. **Planning is a mental exercise** — it is an **intellectual activity of thinking** rather than doing; it requires logical and systematic thinking, not guesswork.

2. Importance of Planning

D-U-O-I-D-C — **D**irection,
Uncertainty reduced, **O**verlapping
reduced, **I**nnovation, **D**ecision-making,
Controlling basis

1. **Planning provides directions** — it states in advance how work is to be done, so departments and individuals work in a coordinated way. Without it, employees would work in different directions.

2. **Planning reduces the risks of uncertainty** — it enables a manager to anticipate changes and prepare a response, so the organisation is not caught unaware.
3. **Planning reduces overlapping and wasteful activities** — when activities of departments are coordinated in advance, confusion and duplication are avoided and wastage is reduced.
4. **Planning promotes innovative ideas** — it is the **first** function of management, so new ideas take the shape of concrete plans. It is the most challenging and creative activity.
5. **Planning facilitates decision-making** — the manager evaluates each alternative against the objectives and chooses the most feasible one.
6. **Planning establishes standards for controlling** — it provides the **standards** against which actual performance is measured. Without a plan there is nothing to control against.

3. Limitations of Planning

1. **Planning leads to rigidity** — a well-defined plan locks managers into a fixed course; they may not be able to change it even when circumstances demand it.
2. **Planning may not work in a dynamic environment** — the business environment is constantly changing, and the organisation has to adapt continuously, which planning cannot always anticipate.
3. **Planning reduces creativity** — planning is usually done by top management; the rest merely implement, so they cannot deviate or think for themselves and become mere executors.
4. **Planning involves huge costs** — formulating plans requires expert advice, scientific calculations and detailed information; sometimes the costs exceed the benefits.
5. **Planning is a time-consuming process** — it takes so much time that there may be little time left for actual implementation.
6. **Planning does not guarantee success** — a plan that worked before is no guarantee

of success again. Managers may develop a false sense of security.

TRAP “Planning leads to rigidity” and “planning reduces creativity” are **different** points. Rigidity = the plan cannot be changed. Reduced creativity = the employees cannot think for themselves. Do not merge them.

4. Planning Process (7 Steps)

#	Step	What happens
1	Setting objectives	Objectives are set for the whole organisation and then for each department and unit. They specify what is to be achieved, where action is required and who is responsible.
2	Developing premises	Premises are the assumptions and forecasts about the future on which the plan is based. All managers must use the same premises , or plans will conflict.
3	Identifying alternative courses of action	All possible ways of reaching the objective are listed. Both usual and innovative alternatives should be brought out.
4	Evaluating alternative courses	Each alternative is weighed for its positive and negative consequences against the objectives, using assumptions and the resources available.

5	Selecting an alternative	The best plan is chosen — the most feasible, profitable one with the least negative consequences. Sometimes a combination of plans is chosen.
6	Implementing the plan	Putting the plan into action — organising resources, deploying manpower, purchasing machinery.
7	Follow-up action	Monitoring the plan to ensure objectives are achieved and taking corrective action where needed.

O-P-A-E-S-I-F — *Objectives, Premises, Alternatives, Evaluate, Select, Implement, Follow-up*

5. Types of Plans

Type	Category	Meaning & example
Objectives	Standing	The end points that every organisation seeks, stated in specific terms . Eg: <i>increase sales by 10% this year.</i>
Strategy	Standing	A comprehensive plan for accomplishing objectives. It involves (1) determining long-term objectives (2) adopting a particular course of action (3) allocating resources. Always formed by top management . Eg: <i>choosing to advertise on TV rather than in print.</i>
Policy	Standing	General statements that guide thinking and channelise energy; they define the boundary within which decisions are made. Eg: <i>"the customer is always right".</i>

Procedure	Standing	Routine steps on how to carry out activities, in chronological order . <i>Eg: the steps for admitting a student.</i>
Method	Standing	The prescribed way or manner in which a task has to be performed — one step of a procedure. <i>Eg: the method of teaching a topic (lecture or demonstration).</i>
Rule	Standing	Specific statements of what is to be done or not done. No flexibility, no discretion ; they are the simplest type of plan. <i>Eg: "No Smoking".</i>
Programme	Single-use	A detailed statement about a project outlining the objectives, policies, procedures, rules, tasks, resources and budget needed. <i>Eg: a programme for constructing a new plant.</i>
Budget	Single-use	A statement of expected results expressed in numerical terms . It is a plan <i>and</i> a control device. <i>Eg: a sales budget of ₹50 lakh.</i>

THE BIG THREE CONFUSIONS

Policy vs

Procedure vs Rule — Policy is a *general guideline* allowing discretion; Procedure is the *sequence of steps*; Rule is *rigid* and allows *no discretion*.

Single-use vs Standing — Single-use plans are used *once* for a non-repetitive situation (Programme, Budget); Standing plans are used *again and again* for repetitive situations (the other six).

Objective vs Strategy — Objective is *what* you want to achieve; Strategy is the *overall plan of how* to achieve it.

6. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...	The answer is...
"No smoking", "must wear uniform", "strictly not allowed"	Rule
"step 1, step 2, step 3", "chronological sequence"	Procedure
"customer is always right", "general guideline for decisions"	Policy
"expressed in numbers / rupees / units"	Budget
"detailed plan for a one-time project"	Programme

"long-term direction decided by top management"	Strategy
"increase sales by 15% by March"	Objective
"the particular way of doing one step"	Method
"assumed inflation would be 5% while planning"	Developing premises
"could not change the plan even when the market changed"	Planning leads to rigidity
"employees only followed orders, could not suggest"	Planning reduces creativity
"two departments were doing the same work"	Planning reduces overlapping (importance)

MOST-ASKED BOARD QUESTIONS

1. [6M] Explain the steps in the planning process.
2. [6M] Explain the importance / limitations of planning. (often asked as "planning is not a guarantee of success — explain")
3. [4-6M] Explain the types of plans / distinguish between the types given in a case.
4. [4M] Distinguish between policy and procedure / rule and policy / objective and strategy.

5. [3M] Explain any three features of planning.
6. [1M] Which plan is the simplest type and allows no discretion? → **Rule**
7. [1M] Name the plan that is a single-use plan expressed in numerical terms. → **Budget**

KEY LINE TO REMEMBER — “Planning is the **primary** function of management and the **basis of controlling**. It is looking ahead; controlling is looking back.” This one sentence links Ch 4 and Ch 8 and is worth a mark in both.

Chapter 5 · Organising

CBSE Class 12 Business Studies (054) · Part A ·

Unit 4+5 = 14 marks · Ultimate Revision Sheet

60-SECOND RECALL

Definition	Process of identifying and grouping the work to be performed, defining and establishing authority relationships and coordinating them for a common objective.
Process (4 steps)	Identification & division of work → Departmentalisation → Assignment of duties → Establishing reporting relationships
Importance (6)	Specialisation, Clarity in working relationships, Optimum utilisation of resources, Adaptation to change, Effective administration, Development of personnel, Expansion & growth
Structures	Functional (by function) Divisional (by product)
Delegation	3 elements: Authority, Responsibility, Accountability (A-R-A)
Golden rule	Authority is delegated , responsibility is assumed , accountability is imposed and cannot be delegated

1. Meaning & Process

WRITE THIS VERBATIM

Organising is the process of identifying and grouping the work to be performed, defining and establishing authority relationships, and coordinating them so as to achieve organisational objectives. Organising can be viewed *as a structure* (the framework) and *as a process* (the steps).

#	Step	What happens
1	Identification and division of work	Total work is divided into manageable activities so that duplication is avoided and the burden is shared. Leads to specialisation .
2	Departmentalisation	Activities of a similar nature are grouped together into departments — either functionally (production, finance, marketing) or divisionally (by product).
3	Assignment of duties	Each department's work is allotted to individuals as per their skill and competence , so the right person handles the right job.
4	Establishing reporting relationships	Each individual is told whom to report to and who reports to him , creating a hierarchy and a clear scalar chain.

2. Importance of Organising

1. **Benefits of specialisation** — repetitive performance of the same job leads to specialisation, which increases efficiency and reduces the burden on any one person.
2. **Clarity in working relationships** — each person knows whom to report to, which removes confusion about authority and responsibility and eases communication.
3. **Optimum utilisation of resources** — proper assignment of jobs avoids overlapping of work and wastage of resources and effort.
4. **Adaptation to change** — a well-designed structure can be modified to suit changes in the environment, allowing the organisation to survive and grow.
5. **Effective administration** — clear description of jobs and relationships removes confusion and makes management more effective.
6. **Development of personnel** — delegation reduces the workload of managers, who can then explore new areas; it also

develops subordinates' ability to handle challenges.

7. **Expansion and growth** — the organisation can add more job positions, departments and even product lines, helping it grow.

3. Organisational Structure — Functional vs Divisional

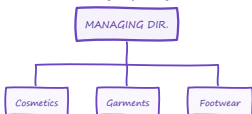
FUNCTIONAL — grouped by JOB



Use when: ONE product, large scale, specialisation matters

Risk: departments chase their own goals, not the firm's

DIVISIONAL — grouped by PRODUCT



each division has ALL functions inside it

Use when: MANY products, each large enough to run itself

Risk: duplication of effort and cost

The case tells you which: if it names **products**, answer divisional. If it names **jobs**, answer functional.

Same company, two ways to cut it up. The question always hands you the clue in its wording.

Basis	FUNCTIONAL structure	DIVISIONAL structure
Formation	Grouping jobs of a similar nature into departments (production, finance, marketing, HR)	Organisation divided into divisions by product , each with its own functions
Suitability	Large organisations with one product line , high operational specialisation required	Organisations producing multiple products / diversified product lines
Specialisation	Functional specialisation	Product specialisation

Responsibility	Difficult to fix on a department	Easy — divisional head is accountable for profit
Managerial development	Difficult — each manager knows only one function	Easier — the divisional head handles all functions
Cost	Economical — functions are not duplicated	Costly — each division duplicates all functions

Functional — Advantages

- Occupational specialisation
- Promotes control and coordination within a department
- Increases managerial and operational efficiency
- Minimises cost — no duplication of effort
- Makes training of employees easier

Functional — Disadvantages

- Creates **functional empires** — departmental interests above organisational interest
- Problems in **coordination** between departments
- **Conflict of interest** between departments
- **Inflexibility** — managers gain experience of only one function

Divisional — Advantages

- Product specialisation
- Fixes **accountability** for performance and profit
- Promotes **flexibility** and faster decisions
- Facilitates **expansion and growth** — new divisions can be added

Divisional — Disadvantages

- Conflict among divisions over resource allocation
- **Costly** — duplication of activities across divisions
- Divisional head may pursue **divisional interest** over organisational interest

4. Formal vs Informal Organisation

Basis	FORMAL	INFORMAL
Meaning	Structure of authority relationships created deliberately by management to achieve organisational objectives	Network of social relationships that arises spontaneously out of interaction at work
Origin	Arises as a result of company rules and policies	Arises as a result of social interaction
Authority	Arises by virtue of position	Arises by virtue of personal qualities

Behaviour	Governed by rules and procedures	No set rules; governed by group norms
Flow of communication	Through the scalar chain	Any direction — the grapevine
Leadership	Manager is the leader	Anyone accepted by the group is the leader

Advantages of formal: easier to fix responsibility · no overlapping of work · unity of command maintained · leads to achievement of goals · stability in the organisation.

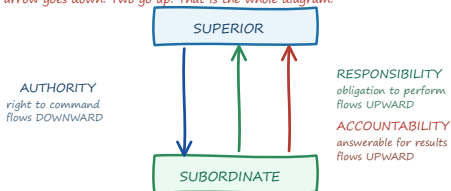
Disadvantages of formal: delay in action · inadequate recognition of creativity · poor recognition of human relationships.

Advantages of informal: fast spread of information · fulfils social needs · contributes to achievement of goals.

Disadvantages of informal: spreads rumours · resistance to change · priority to group interest over organisational interest.

5. Delegation

One arrow goes down. Two go up. That is the whole diagram.



Authority can be delegated. Responsibility and accountability never can — the boss stays answerable.

A manager can hand down the right to act, but never the obligation to answer for it.

DEFINITION Delegation is the downward transfer of authority from a superior to a subordinate. It is a prerequisite to the efficient functioning of an organisation because it enables a manager to use his time on high-priority activities.

Elements of Delegation (3)

Element	Meaning	Key rule
Authority	The right of an individual to command his subordinates and to take action within the scope of his position.	Flows downward ; can be delegated
Responsibility	The obligation of a subordinate to properly perform the assigned duty.	Flows upward ; is assumed , cannot be delegated

Accountability	Being answerable for the final outcome . It arises from responsibility.	Flows upward ; cannot be delegated at all
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THE LINE EXAMINERS WANT “Authority can be delegated, but responsibility and accountability cannot. A manager remains accountable to his own superior for the tasks he has delegated. He may delegate authority but not accountability.” Also: **authority should always be equal to responsibility.**

Importance of Delegation (6)

1. **Effective management** — managers get more time for high-priority work.
2. **Employee development** — subordinates get the chance to use their skills and prepare for higher roles.
3. **Motivation of employees** — responsibility gives psychological satisfaction and builds commitment.
4. **Facilitation of growth** — trains employees so the organisation can expand into new areas.
5. **Basis of management hierarchy** — the superior-subordinate relationship it

creates **is** the hierarchy.

6. **Better coordination** — clarity of authority, duty and accountability avoids duplication and overlapping.

6. Decentralisation

DEFINITION Decentralisation is the systematic dispersal of decision-making authority to the lowest levels of management. Complete centralisation and complete decentralisation are both impossible; every organisation has a balance of the two.

Importance (6)

1. **Develops initiative among subordinates** — they learn to take decisions rather than depend on the top.
2. **Develops managerial talent for the future** — creates a reservoir of trained managers.
3. **Quick decision-making** — decisions are taken at the point closest to the action, without going up and down the chain.
4. **Relief to top management** — top managers can focus on policy and

strategy.

5. **Facilitates growth** — departmental heads get the autonomy to do things their own way, promoting competition and productivity.
6. **Better control** — performance can be evaluated at each level; departments are held individually accountable.

Basis	DELEGATION	DECENTRALISATION
Nature	Compulsory — no manager can do all the work alone	Optional — top management decides whether to do it
Freedom of action	Less — the subordinate works under the superior's guidance	More — greater independence at lower levels
Scope	Narrow — limited to a superior and his subordinate	Wide — authority is spread throughout the organisation
Purpose	To reduce the burden of the manager	To increase the role of subordinates in the organisation
Relationship	Creates a superior–subordinate relationship	Is the outcome of delegation done on a large scale

7. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...

The answer is...

"departments made for production, finance, marketing"	Functional structure
"separate divisions for soaps, cosmetics, food"	Divisional structure
"each divisional head responsible for his own profit"	Divisional — fixes accountability
"departments not cooperating, each protecting itself"	Functional empires (functional disadvantage)
"employees formed a group during lunch and shared news"	Informal organisation / grapevine
"rumour spread quickly among staff"	Disadvantage of informal organisation
"manager gave his subordinate the right to take decisions"	Delegation of authority
"the manager was still answerable to his boss"	Accountability cannot be delegated
"decision-making power given to lower levels across the firm"	Decentralisation
"top management freed to focus on strategy"	Decentralisation — relief to top management
"told each employee whom to report to"	Establishing reporting relationships (step 4)
"grouped similar activities together"	Departmentalisation (step 2)

MOST-ASKED BOARD QUESTIONS

1. [6M] Distinguish between functional and divisional structure / explain their

advantages and disadvantages.

2. [6M] Distinguish between delegation and decentralisation.
3. [4-6M] Explain the elements / importance of delegation.
4. [4M] Distinguish between formal and informal organisation.
5. [4M] Explain the steps in the process of organising.
6. [3M] Explain any three points of importance of organising / decentralisation.
7. [1M] Which element of delegation cannot be delegated? → **Accountability**

ANSWER STRATEGY — For structure questions, **always state suitability** (“functional is suitable where there is a single product line; divisional where the firm is multi-product”) — it is usually a separate mark. For delegation, remember the flow directions: authority flows **down**, responsibility and accountability flow **up**.

Chapter 6 · Staffing

CBSE Class 12 Business Studies (054) · Part A ·

Unit 6+7+8 = 20 marks (the biggest block in the paper) · Ultimate Revision Sheet

60-SECOND RECALL

Definition	Filling and keeping filled the positions in the organisation structure — the right people in the right job .
Process (8)	Estimating manpower → Recruitment → Selection → Placement & orientation → Training & development → Performance appraisal → Promotion & career planning → Compensation
Recruitment	POSITIVE process — searching and attracting applicants. Internal (2) + External (8) sources
Selection	NEGATIVE process — rejecting unsuitable candidates. 8 steps
Training	On-the-job : apprenticeship, internship, induction Off-the-job : vestibule

1. Meaning & Importance

WRITE THIS VERBATIM

Staffing is the process of filling and keeping filled the positions in the organisation structure. It involves finding the **right people for the right job**. Because it deals with people, staffing is also known as the **Human Resource Management** function.

Importance of Staffing (6)

1. **Helps in discovering and obtaining competent personnel** for various jobs.
2. **Makes for higher performance** by placing the right person in the right job.
3. **Ensures the continuous survival and growth** of the enterprise through succession planning.
4. **Helps to ensure optimum utilisation of human resources** — avoids overmanning and understaffing.
5. **Improves job satisfaction and morale** of employees through proper appraisal and rewards.
6. **Reduces the cost** of personnel by avoiding wastage of human effort.

TRAP Staffing is a *separate function* of management but is performed by *every manager*, not only by the HR department. In a small firm the manager does it himself; in a large firm a specialised HR department is created.

2. Staffing as a part of Human Resource Management

HRM includes many specialised activities and duties: recruitment · analysing jobs and collecting information about them · developing compensation and incentive plans · training and development · maintaining labour relations and union management · handling grievances and complaints · providing for social security and welfare · defending the company in lawsuits and avoiding legal complications.

3. Staffing Process (8 Steps)

#	Step	What happens
1	Estimating manpower requirements	Workload analysis (number and type of employees needed) and workforce analysis (number and type available) → reveals overmanning or understaffing.

2	Recruitment	Searching for prospective candidates and stimulating them to apply .
3	Selection	Choosing the most suitable candidate and rejecting the rest .
4	Placement and orientation	Placement = putting the person on the job. Orientation / induction = introducing him to colleagues, rules and the workplace.
5	Training and development	Improving competencies so the employee and the organisation both grow.
6	Performance appraisal	Evaluating actual performance against pre-set standards .
7	Promotion and career planning	Offering growth opportunities and higher positions.
8	Compensation	Fixing pay, incentives and rewards, direct and indirect.

4. Recruitment

DEFINITION *Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. It is a **POSITIVE** process because it **increases** the pool of candidates.*

A. Internal Sources (2)

1. Transfers — shifting an employee from one job/department/shift to another without any major change in responsibilities or status. **2. Promotions** — shifting an

employee to a **higher position** with more responsibility, more pay and higher status.

Merits of internal sources

- Employees are **motivated** to improve performance
- Simplifies the selection and placement process — candidates are already known
- **No need of induction** training
- Helps to **transfer surplus** employees from one department to another
- **Economical** — less cost than external recruitment

Demerits of internal sources

- **No new blood** / fresh talent enters the organisation
- Scope for choice is **restricted**
- Employees may become **lethargic** if promotion is by seniority alone
- Not suitable for a **new enterprise**
- Frequent transfers may **reduce productivity**

B. External Sources (8)

1. **Direct recruitment** — a notice is placed on the notice board; casual vacancies of

unskilled/semi-skilled workers are filled from those who assemble at the gate (also called **factory gate recruitment**).

2. **Casual callers** — a database of unsolicited applications kept by the organisation is used when a vacancy arises.
3. **Advertisement** — in newspapers or trade journals; gives a **wide choice**; used for senior posts.
4. **Employment exchange** — government agencies that match job seekers with vacancies; good for **unskilled and semi-skilled jobs**.
5. **Placement agencies and management consultants** — private agencies that provide a **nationwide service** and are used for **middle and top-level posts**; they keep the employer's identity confidential.
6. **Campus recruitment** — recruiting directly from colleges, institutes and universities; a convenient source of **fresh, qualified talent**.
7. **Recommendations of employees** — existing employees introduce candidates; such candidates are usually more reliable.

8. **Labour contractors** — contractors maintain close contact with labourers and bring them to the workplace; used for **unskilled** workers. (Also: **web publishing** — recruitment through websites and job portals.)

Merits of external sources

- **Qualified personnel** can be attracted
- **Wider choice** of candidates
- **Fresh talent** and new ideas enter
- **Competitive spirit** — existing staff work harder

Demerits of external sources

- **Dissatisfaction among existing staff** whose promotion chances reduce
- **Lengthy process** — takes much more time
- **Costly process** — advertising and processing expenses are high

5. Selection

DEFINITION *Selection is the process of choosing from among the pool of prospective job candidates the one best suited for the position. It is a **NEGATIVE** process because it involves **rejection** of unsuitable candidates.*

#	Step	What happens
1	Preliminary screening	Eliminates unqualified applicants on the basis of the application form.
2	Selection tests	See the five test types below.
3	Employment interview	A formal in-depth conversation to evaluate the candidate's suitability.
4	Reference and background checks	References given by the candidate are contacted to verify his background.
5	Selection decision	The final decision from among those who clear the tests, interviews and reference checks.
6	Medical examination	The candidate must pass a physical fitness test for the job.
7	Job offer	A letter of appointment is issued, giving the date to report for duty.
8	Contract of employment	Attestation of documents; job title, duties, pay, hours, leave rules and termination terms are agreed.

The Five Selection Tests

Test

Measures

Intelligence test	The level of intelligence quotient (IQ) — learning ability and decision-making.
Aptitude test	The potential for learning new skills — indicates future performance.
Personality test	The overall personality — emotions, reactions, maturity, value system.
Trade / Proficiency test	The existing skills of the individual — how well he can do the job now.
Interest test	The areas of interest of the candidate, to see whether he will enjoy the job.

MOST-CONFUSED PAIR HERE *Aptitude = potential to learn something in the future. Trade / proficiency = skill the person already has. If the case says “tested whether he could be trained” → aptitude. “Tested his typing speed” → trade test.*

6. Training and Development

Basis	TRAINING	DEVELOPMENT
Aim	To increase skills for the present job	Overall growth of the individual for future roles
Scope	Narrow — job related	Wider — career and personality related
Term	Short term	Long term
For whom	Mostly non-managerial / technical staff	Mostly managerial staff

Benefits to the ORGANISATION

- Systematic learning — better than hit and miss
- Enhances employee **productivity** in quantity and quality
- Equips future managers — ensures **succession**
- Increases **morale** and reduces absenteeism and turnover
- Helps **effective response to change**
- Improves efficiency, leading to **higher profits**

Benefits to the EMPLOYEE

- Improved **career prospects**
- Increased performance → **higher earnings**
- Makes the employee more **efficient** in handling machines — fewer accidents
- Increases **satisfaction and morale**

Methods of Training

Method	Type	Meaning
Induction training	On the job	Introducing the new employee to the organisation, its rules, and his colleagues so he settles in.

Apprenticeship training	On the job	The trainee works under a master worker for a fixed period to acquire a higher level of skill — used for trades like plumber, electrician, goldsmith.
Internship training	On the job	A joint programme between an educational institution and a business firm — students gain practical knowledge while studying.
Vestibule training	Off the job	Training in a duplicate model of the actual workplace , away from the real work floor, so costly machinery and output are not damaged.

HIGH-FREQUENCY TRAP

Vestibule training is OFF the job — the only off-the-job method named in the syllabus.

Apprenticeship and internship are on the job. Students routinely get this backwards and lose the mark.

7. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...	The answer is...
"shifted to another department, same pay and status"	Transfer (internal source)
"moved to a higher post with more pay"	Promotion (internal source)
"went to colleges to hire final-year students"	Campus recruitment

"notice put up at the factory gate"	Direct recruitment
"kept unsolicited applications on file"	Casual callers
"agency kept the company's name confidential"	Placement agencies / management consultants
"government agency sent candidates"	Employment exchange
"contractor brought unskilled workers"	Labour contractors
"tested whether he could learn the new software"	Aptitude test
"tested his existing typing / welding skill"	Trade / proficiency test
"tested his emotional maturity and value system"	Personality test
"trained on a duplicate machine away from the shop floor"	Vestibule training (off the job)
"worked under a master craftsman for two years"	Apprenticeship training
"college tied up with the company for practical exposure"	Internship training
"introduced the new employee to colleagues and rules"	Orientation / induction
"compared number of employees needed with those available"	Estimating manpower requirements (workload + workforce analysis)

MOST-ASKED BOARD QUESTIONS

1. [6M] Explain the steps in the process of selection / staffing.
2. [6M] Explain the external sources of recruitment / merits and demerits of internal sources.
3. [4-6M] Explain the benefits of training to the organisation and to the employees.
4. [4M] Distinguish between training and development / recruitment and selection.
5. [4M] Explain the methods of on-the-job and off-the-job training.
6. [3M] Explain any three points of importance of staffing.
7. [1M] Which is a positive process — recruitment or selection? →

Recruitment

THE ONE-LINE DISCRIMINATOR — Recruitment = positive, increases the pool, attracts candidates, comes first. Selection = negative, reduces the pool, rejects candidates, comes second. Almost every year one mark rides on this sentence.

Chapter 7 · Directing

CBSE Class 12 Business Studies (054) · Part A ·

Unit 6+7+8 = 20 marks · Ultimate Revision Sheet

60-SECOND RECALL

Definition	Instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives.
Elements (4)	S-M-L-C — Supervision, Motivation, Leadership, Communication
Maslow (5)	Physiological → Safety → Affiliation/Social → Esteem → Self-actualisation
Leadership styles (3)	Autocratic · Democratic · Laissez-faire (free-rein)
Communication	Formal (vertical / horizontal) Informal = GRAPEVINE
Barriers (4 types)	Semantic, Psychological, Organisational, Personal

1. Meaning & Importance

WRITE THIS VERBATIM

Directing refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives. It is the **heart of the management process** because it initiates action.

Features

- **Directing initiates action**
- It takes place at **every level** of management
- It is a **continuous** process
- It flows from **top to bottom**

Importance (5)

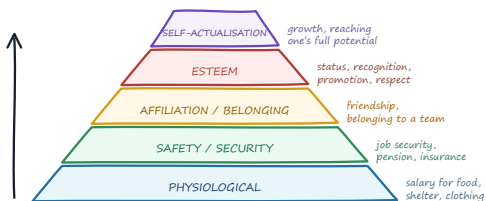
1. **Initiates action** — other functions only prepare the base; directing starts the actual work.
2. **Integrates employees' efforts** — links and unites individual efforts so they contribute to organisational goals.
3. **Means of motivation** — guides employees to realise their potential and work to the best of their ability.
4. **Facilitates the introduction of change** — overcomes employees' **resistance to change** by convincing and counselling them.
5. **Brings stability and balance** in the organisation by fostering cooperation and commitment.

2. Element 1 — Supervision

Supervision means overseeing what is being done by subordinates and giving instructions to ensure optimum utilisation of resources. A supervisor is the **link between management and workers**.

Importance: maintains day-to-day contact and good relations with workers · acts as a **link between workers and management** · provides **on-the-job training** · ensures performance as per **standards** · builds **team spirit** · conveys workers' **grievances** to management · motivates and provides **leadership**.

3. Element 2 — Motivation



A satisfied need **stops motivating**. You only climb to the next step once the one below is met. So the right incentive depends entirely on which step that particular employee is standing on.

Maslow's hierarchy — bottom-up, one step at a time, and never skipping a level.

DEFINITION

Motivation is the process of stimulating people to action to accomplish desired goals. **Motive** = an inner state that energises and activates a person.

Motivator = the technique used to motivate (pay, promotion, recognition).

Features of Motivation

- Motivation is an **internal feeling**
- Motivation produces **goal-directed behaviour**
- Motivation can be **positive or negative**
- Motivation is a **complex process** — individuals differ

Maslow's Hierarchy of Needs

#	Need	Meaning	Satisfied by
1	Physiological	Basic needs for survival	Basic salary, food, shelter
2	Safety / Security	Protection from physical and emotional harm	Job security, pension, insurance
3	Affiliation / Social	Need for affection, belonging, friendship	Friendly colleagues, team work
4	Esteem	Self-respect, autonomy, status, recognition	Job title, praise, promotion

5	Self-actualisation	The drive to become what one is capable of becoming	Growth, challenging work, creativity
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MASLOW'S ASSUMPTIONS — often a separate mark

(1) People's behaviour is based on their needs. (2) Needs are in a **hierarchical order** from lower to higher. (3) A **satisfied need can no longer motivate**. (4) A person moves to the next higher need **only when the lower one is satisfied**.

Incentives

FINANCIAL incentives

- **Pay and allowances** — basic pay, DA, annual increment
- **Productivity-linked wage incentives** — wage linked to output
- **Bonus** — payment over and above wages
- **Profit sharing** — a share of company profits
- **Co-partnership / Stock option** — shares offered at a price below market price
- **Retirement benefits** — provident fund, pension, gratuity

- **Perquisites** — car, house, medical facility

NON-FINANCIAL incentives

- **Status** — rank, authority and recognition in the organisation
- **Organisational climate** — the characteristics that describe the organisation
- **Career advancement opportunity** — promotion policy and skill development
- **Job enrichment** — making the job more challenging and meaningful
- **Employee recognition programmes** — praise, “employee of the month”, displaying achievements
- **Job security** — stability and safety of the job
- **Employee participation** — involving employees in decision-making
- **Employee empowerment** — giving more autonomy and power

TRAP Co-partnership / stock option is **FINANCIAL**. Job enrichment and job security are **NON-financial**. Also note: an incentive may satisfy more than one Maslow need — if a question asks “which need is satisfied”, match the wording carefully.

4. Element 3 — Leadership

DEFINITION Leadership is the process of influencing the behaviour of people to make them work willingly towards the achievement of organisational goals.

Style	How it works	Best suited when
Autocratic / Authoritative	The leader gives orders and expects obedience . He takes decisions alone , exercises complete control, and uses rewards and punishments. Communication is one-way .	Subordinates are unskilled or untrained , or a decision is needed urgently
Democratic / Participative	The leader consults subordinates and takes decisions with them . He develops confidence and uses two-way communication.	Subordinates are trained, experienced and willing to take responsibility

Laissez-faire / Free-rein	The leader gives complete freedom to subordinates; he sets goals and then does not interfere . Subordinates set their own targets and solve their own problems.	Subordinates are highly qualified professionals — researchers, doctors, scientists
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5. Element 4 — Communication

DEFINITION *Communication is the process of exchange of ideas, views, facts and feelings between two or more persons so as to bring about **common understanding**.*

Elements of the Communication Process (7)

Sender (who conveys) → **Message** (the content) → **Encoding** (converting into symbols/words) → **Media** (the channel — letter, phone, email) → **Decoding** (converting back into meaning) → **Receiver** (who receives) → **Feedback** (the response). **Noise** = any obstruction that hinders the process.

Formal vs Informal Communication

Basis	FORMAL	INFORMAL (Grapevine)
Meaning	Flows through official channels designed by the organisation	Flows out of social and personal relations among employees

Types	Vertical (upward and downward) and Horizontal (between same-level employees)	Single strand, Gossip, Probability, Cluster
Speed	Slow	Very fast
Record	Written record is maintained	No record

Formal communication networks: *Single chain* (superior to subordinate down a chain)

- **Wheel** (all subordinates report to one superior)
- **Circular** (each member communicates with two adjoining members)
- **Free flow** (everyone communicates with everyone)
- **Inverted V** (a subordinate may contact his superior's superior).

Grapevine networks: *Single strand* (a chain, one to one) · **Gossip** (one person tells everyone) · **Probability** (information passed randomly) · **Cluster** (a person tells selected people, who tell selected others).

Barriers to Effective Communication

Type	Barriers
Semantic (problems with words/meaning)	Badly expressed message · Symbols with several meanings · Faulty translation · Unclear assumptions · Technical jargon · Body language and gesture decoding
Psychological / Emotional	Premature evaluation · Lack of attention · Loss by transmission and poor retention · Distrust

Organisational	Organisational policy · Rules and regulations · Status difference · Complexity in organisational structure · Organisational facilities
Personal	Fear of challenge to authority · Lack of confidence of superior in subordinates · Unwillingness to communicate · Lack of proper incentives

Measures to Overcome Barriers (7)

1. Clarify the ideas before communication
2. Communicate according to the needs of the receiver
3. Consult others before communicating
4. Be aware of language, tone and content of the message
5. Convey things of help and value to the listener
6. Ensure proper feedback
7. Be a good listener

6. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...	The answer is...
"gave orders and expected obedience, decided alone"	Autocratic leadership
"consulted the team before deciding"	Democratic leadership

"gave scientists complete freedom, set goals and stepped back"	Laissez-faire leadership
"made the job more challenging and meaningful"	Job enrichment (non-financial)
"employee of the month, name on the board"	Employee recognition (non-financial)
"shares offered below market price"	Co-partnership / stock option (financial)
"provident fund, gratuity, pension"	Retirement benefits (financial)
"car and rent-free house given"	Perquisites (financial)
"wanted to be recognised and respected"	Esteem need
"wanted friendship and a sense of belonging"	Affiliation / social need
"wanted to realise his full potential"	Self-actualisation need
"wanted job security and insurance"	Safety / security need
"news spread informally during lunch"	Grapevine / informal communication
"used technical jargon the worker did not understand"	Semantic barrier
"boss judged before hearing fully"	Premature evaluation (psychological barrier)
"subordinate feared the boss because of status"	Status difference (organisational barrier)
"superior did not want to share information"	Unwillingness to communicate (personal barrier)

"employees resisted the new machine but were counselled"

Directing facilitates change (importance)

MOST-ASKED BOARD QUESTIONS

1. [6M] Explain Maslow's hierarchy of needs theory with a diagram.
2. [6M] Explain any six financial / non-financial incentives.
3. [6M] Explain the barriers to effective communication and the measures to overcome them.
4. [4-6M] Explain the styles of leadership with suitability.
5. [4M] Explain the elements of the communication process / distinguish formal and informal communication.
6. [3-4M] Explain the importance of directing / supervision.
7. [1M] Name the informal communication network. → **Grapevine**

SCORING TIP — For Maslow, **draw the pyramid** — a labelled diagram usually carries a mark on its own and takes fifteen seconds. For incentive questions, always state

whether it is financial or non-financial before explaining it.

Chapter 8 · Controlling

CBSE Class 12 Business Studies (054) · Part A ·

Unit 6+7+8 = 20 marks · Ultimate Revision Sheet

60-SECOND RECALL

Definition	Ensuring that actual activities conform to planned activities — measuring performance, comparing it with standards and taking corrective action.
Process (5 steps)	Set standards → Measure performance → Compare → Analyse deviations → Take corrective action
Importance (5)	Achieving goals, Judging accuracy of standards, Efficient use of resources, Improving employee motivation, Ensuring order & discipline, Facilitating coordination
Limitations (4)	Difficulty in setting quantitative standards, Little control over external factors, Resistance from employees, Costly affair
Two key techniques	Critical Point Control & Management by Exception
The famous line	"Planning is looking ahead , controlling is looking back ."

1. Meaning & Nature

WRITE THIS VERBATIM

Controlling means ensuring that activities in an organisation are performed as per the plans. It is the process of comparing actual performance with the standards set, finding out deviations and taking corrective action. Controlling is a **goal-oriented, pervasive, continuous** function and is both a **backward-looking** and a **forward-looking** function.

EXPLAIN THIS PARADOX — a frequent 3-marker

Controlling is **backward-looking** because it evaluates **past** performance against standards. It is **forward-looking** because corrective action improves **future** performance and revises future plans. So it is **both**.

2. Importance of Controlling

1. **Accomplishing organisational goals** — it measures progress and corrects deviations, guiding the organisation back on track.

2. **Judging accuracy of standards** — a good control system verifies whether the standards set were accurate and objective, and revises them as needed.
3. **Making efficient use of resources** — each activity is performed as per pre-determined standards, which **reduces wastage** of resources.
4. **Improving employee motivation** — employees know in advance what they are expected to do and the standards of appraisal, which motivates them.
5. **Ensuring order and discipline** — it creates an atmosphere of order and discipline and helps **minimise dishonest behaviour** by keeping a close check on activities.
6. **Facilitating coordination in action** — it gives direction to all activities and departments, keeping them tied to the common organisational goal.

3. Limitations of Controlling

1. **Difficulty in setting quantitative standards** — it is hard to measure things like human behaviour, job satisfaction and employee morale in numbers.

2. **Little control over external factors** — an enterprise cannot control government policy, technological change or competition.
3. **Resistance from employees** — employees often see control as a restriction on their freedom, and resist things like CCTV monitoring.
4. **Costly affair** — control involves a lot of expenditure, time and effort, so it may not be justified for small organisations.

4. Relationship between Planning and Controlling

THE TWO SENTENCES TO MEMORISE “Planning without controlling is meaningless, and controlling without planning is blind.”

“Planning is looking ahead; controlling is looking back.”

- Planning and controlling are **inseparable twins** of management.
- **Planning precedes controlling** — planning sets the standards; controlling measures against them.

- **Controlling succeeds planning** — but it also **improves future planning** by feeding back the deviations found.
- Planning is a **prescriptive** activity (what should be done); controlling is an **evaluative** activity (what has been done).
- Both are **backward-looking and forward-looking**: planning is forward-looking but is based on past experience; controlling is backward-looking but guides future action.

5. Controlling Process (5 Steps)

#	Step	What happens
1	Setting performance standards	Standards are the benchmarks against which performance is measured. They may be quantitative (cost, revenue, units, time) or qualitative (goodwill, morale). Standards should be flexible enough to adapt to a changing environment.
2	Measurement of actual performance	Performance is measured in an objective and reliable way — personal observation, sample checking, performance reports. Measurement should be in the same units as the standards.
3	Comparing actual performance with standards	The actual is compared with the standard to find the deviation . Easy where standards are quantitative.

4	Analysing deviations	Deviations are analysed to find their causes , using Critical Point Control and Management by Exception (see below).
5	Taking corrective action	No action if the deviation is within acceptable limits. Otherwise, corrective action is taken — and if the standard itself was unrealistic, the standard is revised .

The Two Techniques inside Step 4

Technique	Meaning
Critical Point Control	It is neither economical nor easy to check every activity. So control should focus on Key Result Areas (KRAs) — the critical points that are vital to the organisation. <i>Eg: a 5% rise in labour cost matters more than a 15% rise in stationery cost.</i>
Management by Exception	"Control by exception" — only significant deviations beyond the acceptable range are brought to the notice of management. Small deviations are ignored. <i>Eg: report only if production cost rises by more than 5%.</i>

BENEFITS of these two techniques: saves the manager's time and effort · focuses attention on **important** areas · reduces the burden of unnecessary work · identifies **critical problems** quickly · facilitates **delegation** and increases employee morale.

Types of Deviations to identify in a case

Common causes of deviation you should name: **unrealistic standards** · **defective process** · **obsolete machinery** · **shortage or poor quality of resources** · **structural drawbacks** · **environmental / external changes** such as government policy or natural calamity.

TRAP If the deviation is caused by an **external factor** (change in government policy, natural calamity), the correct answer is usually to **revise the standard**, not to punish employees. Examiners test exactly this judgement.

6. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...	The answer is...
"fixed a target of 100 units per worker per day"	Setting performance standards (step 1)
"checked a sample of the output"	Measurement of actual performance (step 2)
"found actual output was 80 against the target of 100"	Comparing performance with standards (step 3)
"found out why the shortfall happened"	Analysing deviations (step 4)

"replaced the old machine / retrained workers"	Taking corrective action (step 5)
"only deviations above 5% reported to the manager"	Management by Exception
"concentrated only on key areas like labour cost"	Critical Point Control
"employees objected to CCTV monitoring"	Resistance from employees (limitation)
"could not measure employee morale in numbers"	Difficulty in setting quantitative standards
"shortfall was due to a change in government policy"	Little control over external factors → revise the standard
"the target itself was found to be unrealistic"	Revising the standard (step 5)

MOST-ASKED BOARD QUESTIONS

1. **[6M]** Explain the steps in the process of controlling.
2. **[6M]** Explain the relationship between planning and controlling.
3. **[4-6M]** Explain the importance / limitations of controlling.
4. **[4M]** Explain critical point control and management by exception with examples.
5. **[3M]** "Controlling is both backward-looking and forward-looking." Explain.

6. [1M] Which principle says only significant deviations should be reported? → **Management by exception**

LINK THE CHAPTERS — Ch 4 and Ch 8 are examined together constantly. Standards come from **planning**; deviations feed back into **future plans**. If a case mentions both a target and a shortfall, expect the answer to involve both chapters — say so explicitly and you pick up the extra mark.

Chapter 9 · Financial Management

CBSE Class 12 Business Studies (054) · Part B ·

Unit 9+10 = 15 marks · Ultimate Revision Sheet

60-SECOND RECALL

Definition	Planning, organising, directing and controlling the financial activities such as procurement and utilisation of funds.
Primary objective	WEALTH MAXIMISATION — maximising the market value of the equity share (not profit maximisation).
3 Financial decisions	Investment (where to invest) · Financing (where to raise from) · Dividend (how much to distribute)
Capital structure	Mix of Debt and Equity . More debt = more risk but possible higher EPS.
Trading on equity	Using debt to increase the EPS of equity shareholders — works only when ROI > cost of debt.
Fixed vs Working capital	Fixed = long-term assets Working = current assets for day-to-day operations

1. Meaning, Role & Objectives

WRITE THIS VERBATIM

Financial management is concerned with optimal procurement as well as the usage of finance. It deals with planning, organising, directing and controlling the financial activities of an enterprise.

Role / Importance of Financial Management

Financial management affects almost every item in the financial statements: **the size and composition of fixed assets** · **the quantum of current assets** · **the amount of long-term and short-term finance** · **the break-up of long-term financing into debt and equity** · **all items in the profit and loss account**.

THE OBJECTIVE — know this exactly

The primary objective is **wealth maximisation**, i.e. **maximising the market value of the equity shares** of the company. This is superior to **profit maximisation** because profit maximisation ignores **risk**, ignores the **timing of returns**, and is **vague** (short-term or long-term profit?).

2. The Three Financial Decisions

A. Investment Decision (Capital Budgeting)

Deciding how the firm's funds are invested in different assets. Long-term investment decisions are called capital budgeting decisions; they are irreversible and involve huge amounts, so they affect the earning capacity of the business.

Factors affecting: Cash flows of the project · Rate of return · Investment criteria involved (the calculation techniques and the required rate of return).

B. Financing Decision

Deciding how much to raise from which source — the mix of owners' funds (equity) and borrowed funds (debt).

Factors affecting: Cost (debt is cheaper) · Risk (debt is riskier — fixed obligation) · Floatation costs · Cash flow position · Fixed operating costs · Control considerations (equity dilutes control) · State of the capital market.

C. Dividend Decision

Deciding how much of the profit to distribute as dividend and how much to

retain in the business.

Factors affecting: Amount of earnings ·
Stability of earnings · Stability of dividends ·
Growth opportunities (more opportunities →
retain more) · Cash flow position ·
Shareholders' preference · Taxation policy ·
Stock market reaction · Access to capital
market · Legal constraints · Contractual
constraints.

3. Financial Planning

DEFINITION Financial planning is the process of estimating the fund requirements of a business and specifying the sources of those funds. Its twin objectives are: (1) to ensure availability of funds whenever required and (2) to see that the firm does not raise resources unnecessarily.

Importance (5)

1. It helps in forecasting what may happen in future under different business situations, so the firm can prepare alternatives in advance.

2. It helps in avoiding business shocks and surprises.
3. It helps in coordinating various business functions such as sales and production.
4. It provides a link between investment and financing decisions on a continuous basis.
5. It makes evaluation easier by spelling out detailed objectives for different departments.

4. Capital Structure

DEFINITION Capital structure is the mix of borrowed funds (debt) and owners' funds (equity) used to finance a business. It is computed as $\text{Debt} / \text{Equity}$ or $\text{Debt} / (\text{Debt} + \text{Equity})$.

TRADING ON EQUITY — the single most examined concept in this chapter.

Trading on equity means using debt in the capital structure to increase the Earnings Per Share (EPS) of equity shareholders. It works only when the Return on Investment (ROI) is HIGHER than the cost of debt, because debt is cheaper (interest is tax deductible) and its cost is fixed. If

ROI falls *below* the cost of debt, EPS falls — this is the risk of trading on equity.

Factors Affecting Capital Structure

Factor	Effect on the use of DEBT
Cash flow position	Stronger cash flow → more debt can be serviced
Interest Coverage Ratio (ICR)	Higher ICR → more debt (lower risk of default)
Debt Service Coverage Ratio (DSCR)	Higher DSCR → more debt . Better than ICR because it includes repayment of principal
Return on Investment (ROI)	If $ROI > \text{cost of debt}$ → more debt (trading on equity works)
Cost of debt	Lower cost of debt → more debt
Tax rate	Higher tax rate → more debt (interest is tax deductible, so debt becomes cheaper)
Cost of equity	Too much debt raises risk to equity holders, who then demand a higher return → limits debt
Floatation costs	Cost of raising the funds affects the choice
Risk consideration	Higher business risk → less debt
Flexibility	The firm should keep borrowing capacity in reserve → limits debt
Control	Owners wanting to retain control prefer debt (equity dilutes control)
Regulatory framework	Norms of SEBI / RBI must be followed

Stock market conditions	Bullish market → equity is easier to raise; bearish → debt
Capital structure of other companies	Industry norms act as a guide

5. Fixed Capital

DEFINITION *Fixed capital* refers to investment in **long-term assets** — land, building, plant, machinery. These decisions are called **capital budgeting** decisions: they involve huge amounts, are **irreversible** and affect the long-term growth of the business.

Factors affecting the requirement of fixed capital:

1. **Nature of business** — a manufacturing concern needs far more fixed capital than a trading concern.
2. **Scale of operations** — larger scale → more machinery → more fixed capital.
3. **Choice of technique** — a **capital-intensive** firm needs more; a **labour-intensive** firm needs less.

4. **Technology upgradation** — industries where assets become obsolete fast need more fixed capital.
5. **Growth prospects** — higher growth expectation → more fixed capital to build capacity in advance.
6. **Diversification** — a firm entering new product lines needs more fixed capital.
7. **Financing alternatives** — if leasing is available, the requirement of fixed capital is reduced.
8. **Level of collaboration** — sharing facilities with other firms reduces the requirement.

6. Working Capital

DEFINITION Working capital refers to the capital required for day-to-day operations — investment in current assets such as inventory, debtors and cash. $\text{Net working capital} = \text{Current Assets} - \text{Current Liabilities}$.

Factors affecting the requirement of working capital:

1. **Nature of business** — a trading concern needs less (short operating cycle); a

manufacturing concern needs **more**.

2. **Scale of operations** — larger scale → more inventory and debtors → more working capital.
3. **Business cycle** — a **boom** needs more working capital; a **depression** needs less.
4. **Seasonal factors** — peak season needs more working capital.
5. **Production cycle** — a longer production cycle blocks funds for longer → more working capital.
6. **Credit allowed** to customers — a liberal credit policy → **more** working capital.
7. **Credit availed** from suppliers — more credit received → **less** working capital.
8. **Operating efficiency** — efficient firms have a faster cycle → **less** working capital.
9. **Availability of raw material** — ready availability → smaller inventory → **less** working capital.
10. **Growth prospects** — higher planned growth → more working capital.
11. **Level of competition** — more competition forces liberal credit and larger stock → **more**.

12. **Inflation** — rising prices → **more** working capital needed for the same quantity.

TRAP **Credit ALLOWED vs Credit AVAILABLE** move in **opposite** directions. Credit **allowed** to customers **increases** working capital needs; credit **availed** from suppliers **decreases** them. Students routinely mix these up.

7. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...	The answer is...
"decided to buy a new machine for ₹50 lakh"	Investment decision (capital budgeting)
"decided to raise funds by issuing debentures"	Financing decision
"decided to pay 20% dividend and retain the rest"	Dividend decision
"used more debt because ROI was higher than interest"	Trading on equity
"interest is tax deductible so debt is cheaper"	Tax rate factor (capital structure)
"promoters did not want to lose control"	Control consideration → prefer debt
"company has many growth projects ahead"	Growth opportunities → pay lower dividend
"manufacturing unit vs a trading shop"	Nature of business (fixed / working capital)

"offered customers 90 days credit"	Credit allowed → more working capital
"suppliers gave 60 days credit"	Credit availed → less working capital
"took the machine on lease instead of buying"	Financing alternatives → less fixed capital
"firm is labour-intensive"	Choice of technique → less fixed capital
"woollen garments sell only in winter"	Seasonal factors (working capital)

MOST-ASKED BOARD QUESTIONS

1. **[6M]** Explain the factors affecting the choice of capital structure.
2. **[6M]** Explain the factors affecting the requirement of fixed / working capital.
3. **[4-6M]** Explain the three financial decisions and the factors affecting them.
4. **[4M]** What is meant by trading on equity? When is it beneficial?
5. **[3-4M]** Explain the importance / objectives of financial planning.
6. **[1M]** What is the primary objective of financial management? → **Wealth maximisation**

THE HABIT THAT SCORES — For every capital-structure or working-capital factor, write the **direction** of the effect (“higher tax rate → more debt”, “longer production cycle → more working capital”). Naming the factor without the direction is a half-mark answer.

Chapter 10 · Financial Markets

CBSE Class 12 Business Studies (054) · Part B ·

Unit 9+10 = 15 marks · Ultimate Revision Sheet

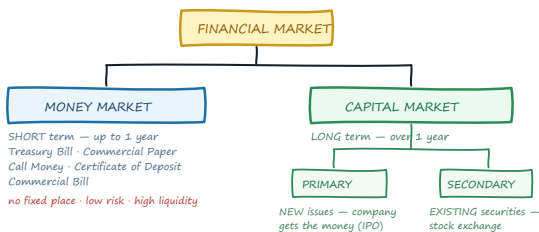
READ THIS FIRST — SYLLABUS ALERT

Per the official CBSE 2026-27 syllabus, this unit is now cut down. Prescribed: **concept** of financial market, **concept** of money market, capital market and its types, stock exchange functions and trading procedure, and SEBI. **NOT prescribed any more:** functions and types of financial markets, **instruments of the money market** (T-bills, commercial paper, call money, CDs, commercial bills) and **methods of floatation in the primary market**. Confirm with your teacher before skipping — but do not spend revision time on those three unless told otherwise.

60-SECOND RECALL

Financial market	A market for the creation and exchange of financial assets ; it channels savings from savers to investors — the allocative function .
Money market	Market for short-term funds — maturity up to one year .
Capital market	Market for medium and long-term funds — Primary (new issues) + Secondary (existing securities).
Stock exchange	Organised market for the purchase and sale of existing securities. 6 functions .
SEBI	Established 1988 , statutory status 1992 . Three function types: Regulatory, Development, Protective .
Settlement	T+1 rolling settlement · Demat account · Depositories: NSDL & CDSL

1. Financial Market — Concept



The test is always **TIME**: one year or less is money market, longer is capital market.

Two questions settle every case: how long is the money for, and is the security new or already issued?

WRITE THIS VERBATIM

A financial market is a market for the creation and exchange of financial assets. It links savers (households) with investors (business firms) and performs the **allocative function** — allocating scarce funds to the most productive uses. This results in a **higher rate of return** to savers, **efficient allocation** of funds, and **economic growth**.

2. Money Market — Concept

CONCEPT ONLY

The money market is a market for **short-term** funds which deals in monetary assets whose period of maturity is **up to one year**. It is a market for low-risk, highly liquid, short-term instruments. Major participants: **RBI**, commercial banks, non-banking finance companies, mutual funds, large corporates.

3. Capital Market — Concept and Types

DEFINITION

The capital market is the market for medium and long-term funds. It has two segments: the primary market (where new securities are issued) and the secondary market (where existing securities are traded).

Capital Market vs Money Market

Basis	CAPITAL market	MONEY market
Participants	Financial institutions, banks, corporates, retail investors	RBI, banks, financial institutions, large corporates — retail investors mostly excluded
Instruments	Equity shares, debentures, bonds, preference shares	Short-term monetary assets
Investment outlay	Does not necessarily require a large outlay — securities have small denominations	Requires a huge outlay — instruments are large-denomination
Duration	Medium and long term — may even be perpetual	Short term — maximum one year
Liquidity	Liquid, but less than money market	Highly liquid
Safety / Risk	More risky — both in terms of return and principal	Much safer — short maturity and financially sound issuers

Expected return	Higher	Lower
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Primary Market vs Secondary Market

Basis	PRIMARY market	SECONDARY market
Securities traded	New securities, issued for the first time	Existing securities, already issued
Also called	New Issue Market	Stock exchange / after-market
Buying and selling	Between the company and the investor — directly	Between investors , through brokers
Flow of funds	Funds flow to the company — capital formation occurs	Funds flow between investors — no fresh capital to the company
Price	Determined by the management of the company	Determined by demand and supply
Location	No fixed geographical location	Located at specified places

4. Stock Exchange

DEFINITION A *stock exchange* is an

institution which provides a platform for buying and selling of *existing securities*. It is an organised market where securities issued by companies and government bodies are traded.

Functions of a Stock Exchange (6)

1. **Providing liquidity and marketability to existing securities** — it is a ready and continuous market where securities can be converted into cash.
2. **Pricing of securities** — share prices are determined by the **forces of demand and supply**; the exchange helps value securities continuously.
3. **Safety of transaction** — membership is well regulated and dealings are governed by rules, which ensures fairness.
4. **Contributes to economic growth** — through **disinvestment and reinvestment**, savings get channelled into the most productive investment proposals, leading to capital formation.
5. **Spreading of equity cult** — educates the public about investing in securities of good companies, so ownership is spread widely.
6. **Providing scope for speculation** — a restricted and controlled amount of speculation is permitted, which is necessary to ensure **liquidity and price continuity**.

Trading Procedure in a Stock Exchange

#	Step	What happens
1	Selection of a broker	Trading can only be done through a SEBI-registered broker , who is a member of the stock exchange.
2	Opening a Demat account	A Demat (dematerialised) account is opened with a Depository Participant (DP) to hold shares in electronic form.
3	Placing the order	The investor places the order with the broker, specifying the number of shares and the price range .
4	Executing the order	The broker buys/sells at the best price available on the exchange's online trading system.
5	Issue of contract note	The broker issues a contract note giving details of the trade, signed by the broker.
6	Delivery of shares / payment	The investor delivers the shares sold or pays for the shares bought, along with brokerage.
7	Settlement	Under rolling settlement (T+1) , a trade on day T is settled on the next working day . Shares are credited to or debited from the demat account.

DEPOSITORY & DEMAT — know these three terms

Depository — an institution that holds securities in **electronic form**. India has two: **NSDL** (National Securities Depository Ltd) and **CDSL** (Central Depository Services Ltd).

Depository Participant (DP) — the agent (bank/broker) through which an investor interacts with the depository.

Demat account — the account in which securities are held in electronic form, removing the risks of theft, forgery and bad delivery of physical certificates.

5. SEBI — Securities and Exchange Board of India

ESTABLISHMENT SEBI was established by the Government of India on **12 April 1988** and given **statutory status in 1992**. Its head office is in **Mumbai**. It was set up in response to malpractices such as price rigging, unofficial premiums on new issues, delays in delivery, and violation of rules of the stock exchange.

Objectives of SEBI (4)

1. To **regulate** stock exchanges and the securities market to promote their orderly functioning.
2. To **protect the rights and interests of investors**, particularly individual investors, and to guide and educate them.
3. To **prevent trading malpractices** such as insider trading and price rigging, and achieve a balance between self-regulation and statutory regulation.
4. To **regulate and develop a code of conduct** for intermediaries such as brokers, underwriters and merchant bankers.

Functions of SEBI — the three baskets

Type	Functions
REGULATORY	Registration of brokers, sub-brokers and other players · Registration of collective investment schemes and mutual funds · Regulation of stock brokers, underwriters, merchant bankers · Regulation of takeover bids by companies · Levying fees · Performing and exercising powers · Conducting inquiries and audits of stock exchanges
DEVELOPMENT	Training of intermediaries · Conducting research and publishing useful information · Undertaking measures to develop the capital market by adopting a flexible approach · Promoting IPOs through the internet by brokers

PROTECTIVE

Prohibiting **fraudulent and unfair trade practices** such as price rigging · Controlling **insider trading** and imposing penalties · Undertaking steps for **investor protection** · Promoting a **fair code of conduct** in the securities market · **Investor education**

TRAP

Insider trading and price rigging

are **PROTECTIVE** functions, not regulatory. *Registration* of brokers and mutual funds is **REGULATORY**. *Training and research* are **DEVELOPMENT**.

Examiners frequently give an activity and ask which basket it falls in.

6. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...	The answer is...
"company issued shares for the first time to the public"	Primary market
"investor A sold shares to investor B through a broker"	Secondary market / stock exchange
"funds needed for six months"	Money market
"funds needed for a ten-year project"	Capital market
"shares could be sold quickly and converted to cash"	Liquidity & marketability (stock exchange function)
"price was set by demand and supply"	Pricing of securities (function)

"savings channelled into productive projects"	Contributes to economic growth / allocative function
"a director bought shares knowing unpublished results"	Insider trading → SEBI protective function
"artificially raised the share price"	Price rigging → SEBI protective function
"SEBI registered a new mutual fund"	SEBI regulatory function
"SEBI conducted a training programme for brokers"	SEBI development function
"shares held in electronic form"	Demat account / depository
"trade settled the next working day"	T+1 rolling settlement

MOST-ASKED BOARD QUESTIONS

1. [6M] Explain the functions of a stock exchange.
2. [6M] Explain the protective / regulatory / development functions of SEBI.
3. [4-6M] Distinguish between capital market and money market / primary and secondary market.
4. [4M] Explain the trading procedure in a stock exchange.
5. [3M] State the objectives of SEBI.

6. [1M] Name the two depositories in India. → **NSDL and CDSL**

REMEMBER THE CUT — Do not memorise money-market instruments or methods of floatation unless your teacher says your school is still testing them; the official 2026-27 syllabus does not list them. Spend that time on **SEBI functions** and the **two difference tables** instead — those are where the marks actually are.

Chapter 11 · Marketing

CBSE Class 12 Business Studies (054) · Part B ·

Unit 11+12 = 15 marks · Ultimate Revision Sheet

60-SECOND RECALL

Marketing	A social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.
Marketing mix (4Ps)	Product · Price · Place (physical distribution) · Promotion
Philosophies (5)	Production → Product → Selling → Marketing → Societal marketing
Promotion mix (4)	Advertising · Personal Selling · Sales Promotion · Public Relations
Channels	Zero level (direct) · One level · Two level · Three level
Physical distribution (4)	Order processing · Transportation · Warehousing · Inventory control

1. Marketing — Concept, Features, Functions

WRITE THIS VERBATIM

Marketing is a social process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others.

Features (5)

- **Needs and wants** — marketing satisfies the needs and wants of individuals and organisations.
- **Creating a market offering** — a complete offer of a product or service with specified features, quality and price.
- **Customer value** — the exchange takes place only when the buyer perceives value greater than the price paid.
- **Exchange mechanism** — marketing involves the exchange of products and services for money or value.

Functions of Marketing (11)

1. **Gathering and analysing market information** — to identify customer needs and take decisions accordingly.
2. **Marketing planning** — developing objectives and an action plan for market share, promotion and production.
3. **Product designing and development** — giving the product a shape that satisfies customers and gives the firm a competitive advantage.

4. **Standardisation and grading** —

Standardisation = producing goods of pre-determined specifications for uniformity. **Grading** = classifying products into groups on the basis of quality (used mostly for agricultural products).

5. **Packaging and labelling** — designing the package and the label.

6. **Branding** — giving the product a distinct identity.

7. **Customer support services** — after-sales service, handling complaints, technical services, credit facilities, maintenance.

8. **Pricing of products** — a critical factor because demand depends on it.

9. **Promotion** — informing and persuading customers to buy.

10. **Physical distribution** — getting the product to the customer.

11. **Transportation and storage / warehousing** — creating place utility and time utility.

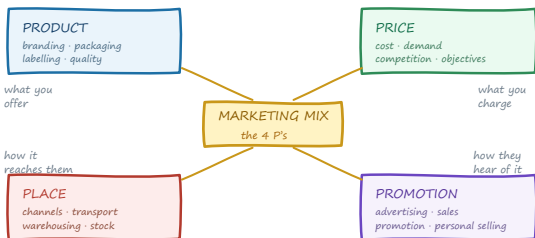
2. Marketing Philosophies (5)

Concept	Starting point	Focus	Means	Ends
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Production	Factory	Quantity of product	Availability & affordability	Profit through volume
Product	Factory	Quality of product	Product improvement	Profit through quality
Selling	Factory	Existing product	Selling & promoting	Profit through sales volume
Marketing	Market	Customer needs	Integrated marketing	Profit through customer satisfaction
Societal marketing	Market	Customer needs + society's well- being	Integrated marketing	Profit through customer satisfaction and social welfare

THE CLASSIC TRAP *Selling vs Marketing.*

Selling starts at the factory with an existing product and aims at sales volume — “sell what you make”. Marketing starts in the market with customer needs and aims at customer satisfaction — “make what you can sell”. Selling is a part of marketing.



A case naming a delivery van or warehouse is PLACE, not promotion.

Four controllable variables. A case study will hand you one of them and ask you to name it.

3. Marketing Mix — Element 1:

PRODUCT

Product means anything of value offered to a market to satisfy a need or want — it includes goods, services and ideas. Customers buy a product for the **benefit** it offers, not the physical object.

Branding

Term	Meaning
Brand	A name, term, sign, symbol or design (or a combination) used to identify the goods of one seller and differentiate them from competitors.
Brand name	The part of the brand that can be spoken . Eg: Asian Paints.
Brand mark	The part of the brand that can be recognised but not spoken — a symbol or design. Eg: the Gattu of Asian Paints.

Trademark	A brand or part of a brand that is given legal protection ; the seller has the exclusive right to use it.
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Advantages of branding to the marketer:

enables product differentiation · helps in advertising and display programmes · differential pricing possible · ease in introducing a new product.

Advantages to customers: helps in product identification · ensures quality · gives status.

Characteristics of a good brand name: short and easy to pronounce, spell and remember · suggestive of the product's quality or benefit · distinctive · adaptable to packaging and labelling · sufficiently versatile to accommodate new products · capable of being registered and legally protected · should stay up to date.

Labelling — Functions (5)

1. **Describes the product and specifies its contents**
2. **Identification** of the product or brand
3. **Grading** of products into different categories
4. Helps in **promotion** of products

5. Providing information required by **law** — statutory warnings, MRP, expiry date

Packaging

Levels: **Primary** (the immediate package — the toothpaste tube) · **Secondary** (additional protection — the cardboard box) ·

Transportation (for storage and transport — the corrugated carton).

Importance: rising standards of health and sanitation · self-service outlets · innovational opportunity · product differentiation.

Functions: product identification · product protection · facilitating use · product promotion.

4. Element 2: PRICE

DEFINITION Price is the amount of money paid by a customer to obtain a product.

Pricing is the process of determining that amount.

Factors Determining Price (6)

1. **Product cost** — sets the **lower limit** of price; includes fixed, variable and semi-variable costs. In the long run price must cover total cost plus profit.

2. **Utility and demand** — sets the **upper limit**; buyers pay up to the point where the utility is at least equal to the price. If demand is **inelastic**, the firm can charge more.
3. **Extent of competition** — competitors' prices and their expected reaction must be considered.
4. **Government and legal regulations** — the government can declare a product essential and control its price.
5. **Pricing objectives** — **profit maximisation** → higher price; **market share** → lower price; also survival, attaining product quality leadership.
6. **Marketing methods used** — other elements of the mix (promotion, distribution, packaging, credit terms) affect the price that can be charged.

5. Element 3: PLACE (Physical Distribution)

Components (4)

1. **Order processing** — accurate and speedy handling of orders.
2. **Transportation** — creates **place utility**.
3. **Warehousing** —

storing goods; creates *time utility*. 4.

Inventory control — deciding how much stock to keep; higher stock means higher service level but higher cost.

Channels of Distribution

Channel	Route	Suitable for
Zero level (Direct)	Manufacturer → Consumer	Perishables, costly items, industrial products; e-commerce, own retail outlets
One level	Manufacturer → Retailer → Consumer	Consumer durables, garments
Two level	Manufacturer → Wholesaler → Retailer → Consumer	The most common route — soaps, oils, rice, sugar
Three level	Manufacturer → Agent → Wholesaler → Retailer → Consumer	When the firm sells nationwide through agents

Factors determining choice of channel:

Product factors (perishability, unit value, technical nature) · **Company factors**

(financial strength, degree of control desired)

· **Competitive factors** · **Market factors**

(number of buyers, size of order,

geographical concentration) · **Environmental factors** (economic conditions, legal constraints).

6. Element 4: PROMOTION

Tool	Meaning & key points
Advertising	Impersonal, paid form of communication by an identified sponsor . Merits: mass reach · enhances customer satisfaction and confidence · expressiveness · economy. Objections: adds to cost · undermines social values · confuses buyers · encourages the sale of inferior products · some ads are in bad taste .
Personal Selling	Oral presentation of a message in the form of a face-to-face conversation for the purpose of making a sale. Features: personal form · development of relationship · two-way communication · flexibility · immediate feedback. Qualities of a good salesperson: physical, mental, social and personality qualities; good character, knowledge of the product, patience, courtesy.
Sales Promotion	Short-term incentives to encourage purchase. Activities: Rebate · Discount · Refunds · Product combination (free gift with product) · Quantity gift (extra 20% free) · Instant draw and assured gift · Lucky draw · Usable benefit (buy for ₹3000, get a holiday voucher) · Full finance @ 0% · Sampling · Contests .
Public Relations	Managing the firm's relationship with its various publics to build goodwill. Role: smooths friction · builds a favourable image. Functions: press relations · product publicity · corporate communication · lobbying · counselling.

TRAP Advertising is impersonal and paid; publicity is unpaid and comes through news media. Sales promotion is short-term; advertising builds long-term image. If the case says “buy one get one free” or “20% extra”, the answer is sales promotion, not advertising.

7. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...	The answer is...
"made what customers wanted after a survey"	Marketing concept
"produced in bulk and sold cheap, focused on volume"	Production concept
"aggressive selling of an existing stock"	Selling concept
"eco-friendly product for society's long-term welfare"	Societal marketing concept
"symbol that can be recognised but not spoken"	Brand mark
"registered and legally protected"	Trademark
"statutory warning / MRP / expiry date printed"	Labelling — legal requirement function
"cardboard box holding the toothpaste tube"	Secondary packaging
"graded the wheat into A, B, C quality"	Grading

"sold directly through its own outlets / website"	Zero level (direct) channel
"manufacturer → wholesaler → retailer"	Two level channel
"stored goods until the season"	Warehousing — creates time utility
"moved goods to another city"	Transportation — creates place utility
"buy one get one free / 20% extra"	Sales promotion (quantity gift / product combination)
"salesman explained the product face to face"	Personal selling
"company sponsored a marathon to build goodwill"	Public relations
"paid TV commercial by an identified company"	Advertising
"demand did not fall when price rose"	Inelastic demand → can charge a higher price

MOST-ASKED BOARD QUESTIONS

1. **[6M]** Explain the functions of marketing.
2. **[6M]** Explain the factors determining the price of a product.
3. **[6M]** Explain the elements of the promotion mix / objections to advertising.
4. **[4-6M]** Explain branding, labelling and packaging / advantages of branding.

5. [4M] Explain the channels of distribution and the factors affecting their choice.
6. [4M] Distinguish between selling and marketing / advertising and personal selling.
7. [1M] Which part of a brand can be recognised but not spoken? → **Brand mark**

HIGHEST-YIELD AREA — This chapter carries the most 6-markers in Part B. Prioritise: **functions of marketing**, **factors determining price**, and **promotion mix**. Between them they account for the majority of long-answer questions set from Unit 11.

Chapter 12 · Consumer Protection

CBSE Class 12 Business Studies (054) · Part B ·

Unit 11+12 = 15 marks · Ultimate Revision Sheet

60-SECOND RECALL

Act	The Consumer Protection Act, 2019 (replaced the 1986 Act)
Rights (6)	S-I-C-H-R-E — Safety, Information, Choose, Be Heard, Redressal, Consumer Education
Redressal (3-tier)	District → State → National Commission
Pecuniary limits	District up to ₹50 lakh · State ₹50 lakh–₹2 crore · National above ₹2 crore
Appeal time	District→State 45 days · State→National 30 days · National→Supreme Court 30 days
Time limit to complain	Within 2 years of the cause of action

1. Concept & Importance

DEFINITION Consumer protection means safeguarding the interests and rights of consumers against unfair trade practices and exploitation by sellers. It educates consumers about their rights and provides a mechanism for the speedy redressal of their grievances.

Importance from the CONSUMER'S point of view (3)

1. **Consumer ignorance** — most consumers are unaware of their rights and reliefs available, so they need to be educated.
2. **Unorganised consumers** — consumers in India are still not well organised; consumer organisations need to be strengthened.
3. **Widespread exploitation** — consumers are exploited through defective goods, deficient services, adulteration, underweight, duplicate goods and misleading advertisements.

Importance from the BUSINESS point of view (5)

1. **Long-term interest of business** — satisfied customers lead to repeat sales and a wider customer base.
2. **Business uses society's resources** — so it has a responsibility to supply products that are in the interest of society.
3. **Social responsibility** — a business has social obligations towards consumers, owners, employees and the government.
4. **Moral justification** — it is the moral duty of a business to look after consumers' interests and avoid unfair practices such as adulteration and hoarding.
5. **Government intervention** — a business that engages in unfair practices invites government action, which tarnishes its image.

2. Who is a Consumer?

UNDER THE ACT A consumer is any person who **buys goods or hires services** for a **consideration** which has been paid or promised, and includes any user of such goods or beneficiary of such services **with the approval** of the buyer.

NOT a consumer: a person who obtains goods for **resale or for a commercial purpose**, or who obtains goods or services **free of cost**.

TRAP A person buying goods for **self-employment** to earn a livelihood **IS** a consumer, even though it looks commercial. A person buying for **resale** is **not**. Cases test this distinction often.

3. Consumer Rights (6)

S-I-C-H-R-E — **S**afety, **I**nformation, **C**hoose, be **H**eard, **R**edressal, consumer **E**ducation

Right	Meaning
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Right to Safety	Protection against goods and services that are hazardous to life, health and property . Eg: <i>pressure cookers must have an ISI mark.</i>
Right to be Informed	Right to complete information about the quality, quantity, purity, standard and price of the product. Manufacturers must give this on the package and label.
Right to Choose	Right to be assured access to a variety of products at competitive prices, and to be free to choose from among them.
Right to be Heard	Right to file a complaint and to be heard in case of dissatisfaction. Many firms set up consumer grievance cells for this reason.
Right to Seek Redressal	Right to get relief against an unfair trade practice or unsatisfactory product — repair, replacement, refund or compensation.
Right to Consumer Education	Right to acquire knowledge and be a well-informed consumer throughout life, and to be aware of the reliefs available.

4. Consumer Responsibilities (8)

1. Be **aware** of the various goods and services available so an intelligent choice can be made.
2. Buy only **standardised goods** which provide quality assurance — look for **ISI, AGMARK, Hallmark, FPO**.
3. Learn about the **risks** associated with products and follow manufacturers' instructions.

4. **Read labels carefully** for information on prices, net weight, manufacturing and expiry date.
5. Assert yourself to ensure you get a **fair deal**.
6. Be **honest** in your dealings — choose only legal goods and services and discourage unscrupulous practices.
7. Ask for a **cash memo** on the purchase — it is proof of the purchase and essential for filing a complaint.
8. **File a complaint** in an appropriate consumer forum in case of a shortcoming, even for a small value.
9. Form **consumer societies** that participate in consumer protection.
10. **Respect the environment** — avoid waste, littering and contributing to pollution.

5. Redressal Machinery under CPA 2019

You file at the level set by the amount **PAID as consideration** — not the compensation claimed.



Three tiers, set by the money paid. Older textbook printings show ₹1 crore / ₹10 crore — see the note below.

WHO CAN FILE A COMPLAINT • Any consumer

- Any registered consumers' association
- The Central or State Government
- One or more consumers on behalf of numerous consumers having the same interest
- A legal heir or representative of a deceased consumer.

Time limit: a complaint must be filed within **two years** from the date on which the cause of action arose.

Level	Pecuniary jurisdiction	Appeal
DISTRICT Commission	Value of goods/services paid as consideration up to ₹50 lakh	Appeal to the State Commission within 45 days

STATE Commission	Above ₹50 lakh and up to ₹2 crore	Appeal to the National Commission within 30 days
NATIONAL Commission	Above ₹2 crore	Appeal to the Supreme Court of India within 30 days

IMPORTANT — CHECK YOUR TEXTBOOK EDITION

The figures above (₹50 lakh / ₹2 crore) are the *current* limits, revised by the Consumer Protection (Jurisdiction) Rules, 2021. Some *older NCERT printings* still show the original 2019 figures of ₹1 crore / ₹10 crore. Write whichever figures appear in *your school textbook*, since that is what the marking scheme will follow — but know that 50 lakh / 2 crore is the current law.

6. Remedies Available to the Consumer

If the complaint is proved, the Commission may order the opposite party to:

1. **Remove the defect** in the goods or the **deficiency** in the service.
2. **Replace** the defective product with a new one, free from defect.
3. **Refund** the price paid.

4. Pay a reasonable amount of **compensation** for any loss or injury suffered due to the negligence of the opposite party.
5. Pay **punitive damages** in appropriate circumstances.
6. **Discontinue the unfair or restrictive trade practice** and not repeat it.
7. **Withdraw hazardous goods** from sale or cease their manufacture.
8. **Cease and desist** from issuing a **misleading advertisement**.
9. Pay an **adequate cost** to the aggrieved party.

7. Role of Consumer Organisations and NGOs

1. **Educating** the general public about consumer rights by organising training programmes, seminars and workshops.
2. **Publishing periodicals** and other publications to impart knowledge about consumer problems and reliefs available.
3. Carrying out **comparative testing** of consumer products in accredited laboratories and publishing the results.

4. Encouraging consumers to **strongly protest and take action** against unfair trade practices.
5. Providing **legal assistance** to consumers — legal advice and assistance in seeking redressal.
6. **Filing complaints** in consumer courts on behalf of consumers.
7. Taking an initiative in filing cases in consumer courts **in the interest of the general public**, not just individuals.

QUALITY CERTIFICATION MARKS — a common 1-marker.

ISI — industrial and consumer goods (BIS)

• **AGMARK** — agricultural products •

Hallmark — gold and silver jewellery •

FPO — processed fruit products • **FSSAI**

— packaged food.

8. Case-Study Keyword Triggers

40% of the paper is competency-based

If the case says...	The answer is...
"the pressure cooker burst and injured her"	Right to safety
"expiry date and ingredients not mentioned"	Right to be informed

"shopkeeper forced only one brand on him"	Right to choose
"company had a grievance cell to listen to complaints"	Right to be heard
"asked for a replacement / refund / compensation"	Right to seek redressal
"NGO ran an awareness workshop"	Right to consumer education
"bought a sewing machine to earn a living"	IS a consumer (self-employment)
"bought 50 shirts to sell in his shop"	NOT a consumer (resale / commercial purpose)
"got the product as a free gift"	NOT a consumer (no consideration)
"claim of ₹35 lakh"	District Commission
"claim of ₹1.5 crore"	State Commission
"claim of ₹5 crore"	National Commission
"unhappy with the District Commission order"	Appeal to State Commission within 45 days
"asked for the cash memo"	Consumer responsibility — proof of purchase
"looked for the Hallmark before buying gold"	Consumer responsibility — buy standardised goods

MOST-ASKED BOARD QUESTIONS

1. **[6M]** Explain the consumer rights / responsibilities under the Consumer Protection Act, 2019.
2. **[6M]** Explain the redressal machinery under the Act, with pecuniary

jurisdiction and appeals.

3. [4-6M] Explain the importance of consumer protection from the consumer's and the business's point of view.
4. [4M] Explain the role of consumer organisations and NGOs.
5. [4M] State the remedies available to a consumer.
6. [3M] Who can file a complaint under the Act?
7. [1M] Which mark certifies agricultural products? → **AGMARK**

THE FIGURES CARRY MARKS — Learn the three pecuniary limits and the three appeal periods as a block. Case questions in this chapter almost always give you a rupee amount and expect you to name the correct Commission, then the appeal route and time limit. Getting the number right **is** the mark.