

# BUSINESS STUDIES

## PART I PRINCIPLES AND FUNCTIONS OF MANAGEMENT

*Textbook for Class XII*



**राष्ट्रीय शैक्षिक अनुसंधान और प्रशिक्षण परिषद्**  
**NATIONAL COUNCIL OF EDUCATIONAL RESEARCH AND TRAINING**

ISBN 81-7450-697-7

**First Edition**

May 2007 Chaitra 1928

**Reprinted**

December 2007 Agrahayana 1929  
March 2009 Chaitra 1930  
January 2010 Magha 1931  
January 2011 Magha 1932  
January 2012 Magha 1933  
January 2013 Magha 1934  
November 2013 Kartika 1935

**PD 120T RNB**

**© National Council of Educational  
Research and Training, 2007**

**₹ 75.00**

Printed on 80 GSM paper with  
NCERT watermark

Published at the Publication  
Division by the Secretary, National  
Council of Educational Research and  
Training, Sri Aurobindo Marg,  
New Delhi 110 016 and printed  
at Gopsons Papers Limited, A-2 &  
3, Sector-64, Noida - 201 301 (UP)

**ALL RIGHTS RESERVED**

- No part of this publication may be reproduced, stored in a retrieval system or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior permission of the publisher.
- This book is sold subject to the condition that it shall not, by way of trade, be lent, re-sold, hired out or otherwise disposed of without the publisher's consent, in any form of binding or cover other than that in which it is published.
- The correct price of this publication is the price printed on this page. Any revised price indicated by a rubber stamp or by a sticker or by any other means is incorrect and should be unacceptable.

**OFFICES OF THE PUBLICATION**

**DIVISION, NCERT**

NCERT Campus  
Sri Aurobindo Marg  
New Delhi 110 016

Phone : 011-26562708

108, 100 Feet Road  
Hosdakere Halli Extension  
Banashankari III Stage  
Bangalore 560 085

Phone : 080-26725740

Navjivan Trust Building  
P.O.Navjivan  
Ahmedabad 380 014

Phone : 079-27541446

CWC Campus  
Opp. Dhankal Bus Stop  
Panhati  
Kolkata 700 114

Phone : 033-25530454

CWC Complex  
Maligaon  
Guwahati 781 021

Phone : 0361-2674869

**Publication Team**

- |                                       |                    |
|---------------------------------------|--------------------|
| Head, Publication<br>Division         | : Ashok Srivastava |
| Chief Production<br>Officer           | : Kalyan Banerjee  |
| Chief Business<br>Manager             | : Gautam Ganguly   |
| Chief Editor<br>(Contractual Service) | : Naresh Yadav     |
| Editor<br>(Contractual Service)       | : R.N. Bhardwaj    |
| Production Assistant                  | : Rajesh Pippal    |

**Cover**

Shweta Rao

**Layout and Illustrations**

Ashwani Tyagi

## **FOREWORD**

The National Curriculum Framework (NCF), 2005, recommends that children's life at school must be linked to their life outside the school. This principle marks a departure from the legacy of bookish learning which continues to shape our system and causes a gap between the school, home and community. The syllabi and textbooks developed on the basis of NCF signify an attempt to implement this basic idea. They also attempt to discourage rote learning and the maintenance of sharp boundaries between different subject areas. We hope these measures will take us significantly further in the direction of a child-centred system of education outlined in the National Policy on Education (1986).

The success of this effort depends on the steps that school principals and teachers will take to encourage children to reflect on their own learning and to pursue imaginative activities and questions. We must recognise that, given space, time and freedom, children generate new knowledge by engaging with the information passed on to them by adults. Treating the prescribed textbook as the sole basis of examination is one of the key reasons why other resources and sites of learning are ignored. Inculcating creativity and initiative is possible if we perceive and treat children as participants in learning, not as receivers of a fixed body of knowledge.

These aims imply considerable change in school routines and mode of functioning. Flexibility in the daily time-table is as necessary as rigour in implementing the annual calendar so that the required number of teaching days are actually devoted to teaching. The methods used for teaching and evaluation will also determine how effective this textbook proves for making children's life at school a happy experience, rather than a source of stress or boredom. Syllabus designers have tried to address the problem of curricular burden by restructuring and reorienting knowledge at different stages with greater consideration for child psychology and the time available for teaching. The textbook attempts to enhance this endeavour by giving higher priority and space to opportunities for contemplation and wondering, discussion in small groups, and activities requiring hands-on experience.

The National Council of Educational Research and Training (NCERT) appreciates the hard work done by the textbook development committee

responsible for this book. We wish to thank the Chairperson of the advisory group in Social Sciences Professor Hari Vasudevan and the Chief Advisor for this book, Professor D.P.S. Verma (*Retd.*) Delhi School of Economics, University of Delhi and Dr. G.L. Tayal, Reader, Ramjas College, University of Delhi for guiding the work of this committee. Several teachers contributed to the development of this textbook; we are grateful to their principals for making this possible. We are indebted to the institutions and organisations which have generously permitted us to draw upon their resources, material and personnel. We are especially grateful to the members of the National Monitoring Committee, appointed by the Department of Secondary and Higher Education, Ministry of Human Resource Development under the Chairpersonship of Professor Mrinal Miri and Professor G.P. Deshpande, for their valuable time and contribution. As an organisation committed to the systemic reform and continuous improvement in the quality of its products, NCERT welcomes comments and suggestions which will enable us to undertake further revision and refinement.

New Delhi  
20 November 2006

*Director*  
National Council of Educational  
Research and Training

## **TEXTBOOK DEVELOPMENT COMMITTEE**

### **CHAIRPERSON, ADVISORY COMMITTEE FOR TEXTBOOKS IN SOCIAL SCIENCES AT SENIOR SECONDARY LEVEL**

Hari Vasudevan, *Professor*, Department of History, University of Calcutta, Kolkata

### **CHIEF ADVISOR**

D.P.S. Verma, *Retired Professor*, Department of Commerce, Delhi School of Economics, University of Delhi, Delhi.

### **ADVISOR**

G.L. Tayal, *Reader*, Ramjas College, University of Delhi, Delhi.

### **MEMBERS**

Anand Saxena, *Reader*, Deen Dayal Upadhyaya College, University of Delhi.

Davinder K. Vaid, *Professor*, Department of Education in Social Sciences and Humanities, NCERT, New Delhi.

M.M. Goyal, *Reader*, PG DAV College, University of Delhi.

Narsimha Murthy, *Principal*, University Post-Graduate College, Subedari, Anam Konda, Distt. Warangal, Andhra Pradesh.

Pooja Dasani, *PGT (Commerce)* Convent of Jesus and Mary, Gol Dakkhana, New Delhi.

R.B. Solanki, *Principal*, B.R. Ambedkar College, University of Delhi.

Ruchi Kakkar, *Lecturer*, Acharya Narendra Dev College, University of Delhi.

Shruti Bodh Aggarwal, *Vice-Principal*, Rajkiya Pratibha Vikas Vidyalaya, Kishanganj, Delhi.

Sumati Verma, *Reader*, Sri Aurobindo College, University of Delhi.

Y.V. Reddy, *Reader*, Department of Commerce, Goa University, Goa.

### **MEMBER COORDINATOR**

Minoo Nandrajog, *Reader*, Department of Education in Social Sciences and Humanities, NCERT, New Delhi.

## **NOTE TO THE TEACHER**

This textbook is expected to provide a good understanding of the environment in which a business operates. A manager has to analyse the complex, dynamic situations in which a business is placed. Therefore, content enrichment in the form of business news and abstracts of articles from business journals and magazines has been given as inset material (boxes). This will encourage students to be observant about all business activity and discover what is happening in business organisations with the expectation that they will update their knowledge through the use of libraries, newspapers, business oriented TV programmes and the internet. Various types of questions are given and case problems have been introduced to test the application of subject knowledge to realistic business situations.

## **ACKNOWLEDGEMENTS**

The National Council of Educational Research and Training acknowledges the valuable contributions of the following persons in preparing exercises, activities and projects for the textbook:

Seema Srivastava, *Lecturer*, Inservice Department, DIET, Moti Bagh, New Delhi; Rajni Rawal, *Vice-Principal*, Rajkiya Pratibha Vikas Vidyalaya, Paschim Vihar, Delhi; Shruti Bodh Aggarwal, *Vice Principal*, Rajkiya Pratibha Vikas Vidyalaya, Kishanganj, Delhi; Manju Chawla, *PGT Commerce*, Rajkiya Pratibha Vikas Vidyalaya, Surajmal Vihar, Delhi; Shivani Nagrath, *PGT Commerce*, Summer Fields School, Kailash Colony, New Delhi.

Special thanks are due to Savita Sinha, *Professor and Head*, Department of Education in Social Sciences and Humanities, NCERT for her support and guidance, during the development of this book.

The Council acknowledges the efforts of *Computer Incharge*, Dinesh Kumar; *DTP Operator*, Uttam Kumar, Archana Gupta and *Sr. Proof Reader*, NCERT, Rishi Pal Singh.

## **CONTENTS**

<b>FOREWORD</b>	<i>iii</i>	
<b>CHAPTER 1</b>	NATURE AND SIGNIFICANCE OF MANAGEMENT	1
<b>CHAPTER 2</b>	PRINCIPLES OF MANAGEMENT	31
<b>CHAPTER 3</b>	BUSINESS ENVIRONMENT	72
<b>CHAPTER 4</b>	PLANNING	95
<b>CHAPTER 5</b>	ORGANISING	112
<b>CHAPTER 6</b>	STAFFING	146
<b>CHAPTER 7</b>	DIRECTING	178
<b>CHAPTER 8</b>	CONTROLLING	215

# **THE CONSTITUTION OF INDIA**

## **PREAMBLE**

**WE, THE PEOPLE OF INDIA**, having solemnly resolved to constitute India into a<sup>1</sup>[**SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC**] and to secure to all its citizens :

**JUSTICE**, social, economic and political;

**LIBERTY** of thought, expression, belief, faith and worship;

**EQUALITY** of status and of opportunity; and to promote among them all

**FRATERNITY** assuring the dignity of the individual and the <sup>2</sup>[unity and integrity of the Nation];

**IN OUR CONSTITUENT ASSEMBLY** this twenty-sixth day of November, 1949 do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

1. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
2. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Unity of the Nation" (w.e.f. 3.1.1977)