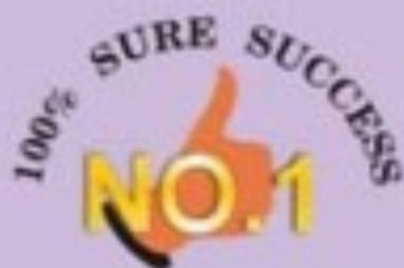


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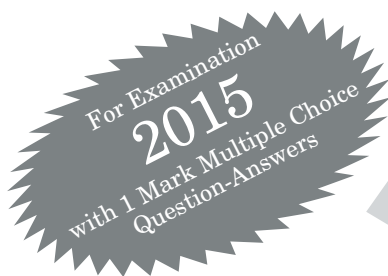
**Class XII**

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# MODEL PAPER

(QUESTION-ANSWER WITH MARKING SCHEME)



## BUSINESS STUDIES

### Class XII

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**B** QUESTION  
**A** N K  
**N** K  
With Solutions

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# 1

## NATURE AND SIGNIFICANCE OF MANAGEMENT

### Points to Remember

Traditionally management means getting things done by others. In this context **C.S. George** views, “*Management consists of getting things done through others, a manager is one, who accomplishes objectives by directing the efforts of others.*” Traditional concept of management restricted management to getting things done. According to modern view, management covers wide range of business related activities. According to modern thinkers, *management is a process, an activity, a discipline and an effort to co-ordinate, control and direct individual and group efforts towards attaining the cherished goal of the business.*

#### Dimensions :

- **Management as an Activity**
- **Management as a Discipline**
- **Management as a Process**
- **Management as a Group**

**Nature of Management :** (1) Management as a Science and an Art, (2) Management as a Profession, (3) Management is a universal process, (4) Social Responsibility of Management, (5) Management is a system, (6) Management is an inborn quality, (7) Management is needed at all levels, (8) Management is a process, (9) Management is a group activity, (10) Management is an invisible force, (11) Management and ownership are generally different.

**Levels of Management :** The three levels of management are :

1. Top Level Management, 2. Middle Level Management, 3. Supervisory Level Management.

**Functions of Management :** 1. Planning, 2. Organising, 3. Directing, 4. Staffing, 5. Controlling.

Directing function of management includes the following :

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

**Co-ordination :** Co-ordination is regarded as the culmination of all the managerial process. It is the base or primary function of every manager because various departments of an organisation are working independently and there is need to relate and integrate their activities.

**Elements of Co-ordination :** 1. Integration, 2. Balancing, 3. Timing.

**Nature of Co-ordination :** 1. Top management Responsibility, 2. Group efforts, 3. Essence of management, 4. Continuous process, 5. Unity of efforts, 6. Common purpose.

### Part (A) Objective Type Questions

#### Multiple Choice Questions 1 Mark

**Instruction :** Choose the correct alternative from the following :

1. Management is :
  - (a) Art
  - (b) Science
  - (c) Art and Science both
  - (d) Profession
2. “Management is a profession.” This statement is of :
 

(BSEB, 2010,2014)

  - (a) George R. Terry
  - (b) American Management Association
  - (c) Henry Fayol
  - (d) Lawrence A. Appley
3. The nature of management is :
  - (a) As an inborn ability
  - (b) As an acquired ability
  - (c) As inborn ability and as an acquired ability both
  - (d) None of these

4. The essence of management is :
  - (a) Co-ordination
  - (b) Organisation
  - (c) Staffing
  - (d) Controlling
5. Maximum incentive giving function of management of employees is :
  - (a) Staffing
  - (b) Motivation
  - (c) Organisation
  - (d) Controlling
6. According to George R. Terry the functions of management are :
  - (a) 2
  - (b) 4
  - (c) 6
  - (d) 7
7. Co-ordination is established by :
  - (a) Top level management
  - (b) Middle level management
  - (c) Lower level management
  - (d) None of these
8. Co-ordination is :
  - (a) Voluntary
  - (b) Necessary
  - (c) Unnecessary
  - (d) Wastage of time

9. Management in India is ..... :
- (a) Necessary (b) Unnecessary  
(c) Luxury (d) None of these
10. According to ....., "Management is the development of people and not the direction of things" :
- (a) Henry Fayol (b) Lawrence Appley  
(c) F. W. Taylor (d) R. C. Davis
11. The main cause of slow progress of India is the lack of ..... :
- (a) Efficient management (b) Man power  
(c) Resources (d) All of these
12. Primary element of success of management is :
- (a) Satisfied employee (b) Large capital  
(c) Big market (d) Maximum production
13. How many levels of management are ? :
- (a) 3 (b) 4 (c) 5 (d) 6
14. The social responsibility of management is :
- (a) Towards all (b) Towards employee  
(c) Towards Govt. (d) Towards society
15. Management is the development of men and not the direction of things ..... This statement is of :
- (a) L. P. Appley (b) R. C. Devis  
(c) Keith & Gubelline (d) Henry Fayol
16. The foremost need of development in a country is of :
- (a) Physical Resources (b) Economic Resources  
(c) Human Resources (d) Efficient Management
17. Higher level management spend on planning part of his time :
- (a) 35% (b) 50%  
(c) 75% (d) 100%
18. The main functions of management according to Koontz O'Donnel are :
- (a) 2 (b) 4  
(c) 6 (d) 8
- [Ans. : 1. (c), 2. (b), 3. (c), 4. (a), 5. (b), 6. (b), 7. (a), 8. (b), 9. (a), 10. (b), 11. (a), 12. (b), 13. (a), 14. (a), 15. (a), 16. (d), 17. (a), 18. (a)]

## Part (B)

### Non-objective Type Questions

#### Short Answer Type Questions 3 Marks

#### Q. 1. Give definitions of Management.

**Ans. :** (i) "Management is the art of getting things done through and with people in formally organised groups. It is the art of creating an environment in which people can perform as individuals and yet co-operate towards attainment of group goals. It is the art of removing blocks to such performances, a way of optimising efficiency in reaching goals."  
—Koontz and O'Donnell

(ii) "Management is a multipurpose organ that manages a business, manages managers and manages workers and work."  
—Peter F. Drucker

#### Q. 2. State the characteristics of Management.

(BSEB, 2011)

**Ans. :** (i) **Achieving organisational objectives :** Management is always aimed at achieving certain specified objectives. It is a tool that helps efficient use of human and physical resources to accomplish the pre-determined goals. Managerial function starts with determination of organisational objectives and goals. Thus, management is a purposive activity, as it has no justification to exist without objectives.

(ii) **Distinct activity :** Management is an distinct or separate branch of knowledge activity which consists of planning, organising, communicating, decision-making, staffing, leading and controlling. There is a set of principles of management, which are applied by managers. People who perform such activities are designated as managers, members of management team or executive leaders. In addition management is a distinct activity. It can be studied, experimented and practiced.

(iii) **Intangible :** Management functions cannot be physically seen but its presence can be felt. The presence of management can be felt by seeing the orderliness and co-ordination in the working environment. It is more easy to feel the presence of mismanagement as it leads to chaos and confusions in the organisation.

#### Q. 3. Describe basic characteristics of management as an profession.

**Ans. :** (i) **Specialised knowledge :** There exists a rapidly expanding body of knowledge underlying the management field. For being a successful manager, one has to study management. A systematic body of knowledge for management has evolved during the last six decades.

(ii) **Acquired knowledge :** To enter a profession, one has to possess certain knowledge and skills through formal training. To impart management education, there are many formal institutes in almost all the countries.

(iii) **Representative body :** A representative body of professionals is considered essential to regulate and develop the professional activities. There are management associations in many countries. In India too, we have All India Management Association and Indian Management Development Association. These bodies manage and co-ordinate research in management.

(iv) **Ethical standards or code of conduct :** For every profession some ethical standards are provided and every individual professional is expected to follow these standards. There is an absence of universally accepted formal ethical standards for management.

**Conclusion :** The above discussion reveals that management fulfils several essentials of a profession. But like other professions, management does not restrict the entry into managerial jobs to people with a special academic degree. The management associations have no legal right to enforce their code of conduct. Thus management is, not strictly speaking, a full-fledged profession like medicine, law or chartered accountancy.

**Q. 4. Distinguish between administration and management.****Ans. : Distinction between Administration and Management**

S. No.	Basis of Difference	Administration	Management
1.	Definition	Administration means the determination of objectives, targets and policies of an enterprise.	Management is the art of getting things done through and with other people in an organised group.
2.	Type of Work	It is concerned with implementation of policies.	It is concerned with determination of major objectives and policies.
3.	Scope	It takes major decision about the enterprise as a whole.	It takes decisions within the framework set up by the administration.
4.	Nature of Work	Under administration, the work of planning and decision-making is executed.	Management executes the work of selection of employees, motivation, co-ordination and control, etc.
5.	Examples	The main examples of Administrators are : Commissioner, Deputy Commissioner, Secretary, Sales-tax and Income-tax Officer, Justice, etc.	The main examples of Managers are : Manager of a company, Director, Financial Manager, Managing Director etc.

**Q. 5. Explain in brief management as a process.**

**Ans. : Management as a Process :** Process means an uninterrupted chain of inter-related and inter-dependent functions performed in a sequence to achieve present objectives. Management is regarded as a process because it includes a series of inter-related steps including planning, organising, staffing, directing and controlling the activities of an organisation.

Since the central idea behind the study of management is the concern for establishment of objectives and their achievement, many authors describe the management as:

(i) "Management is the process of optimizing human, material and financial contributions for the achievement of organisational goals." —**Pearce and Robinson**

(ii) "Management is the coordination of all resources through the process of planning, organising, staffing, directing and controlling in order to attain stated objectives." —**Henry L. Sisk**

**(a) Social Process :** Management is regarded as a social process because the activities involved in the achievement of organisational goals are carried out when organisational participation interact with one another.

The resources which are handled by the management are to be used in such a manner that the needs of the society are satisfied efficiently and effectively. Every manager is required to use various skills of human relations to achieve good relations with the various groups of society like shareholders, workers, consumers, government, suppliers etc.

**(b) Integrated Process :** Management is regarded as an integrating process because management integrates human efforts with non-human resources like material, machines, technology, financial resources, etc. by their concerted and well-thought of efforts. Management undertakes

in bringing together the human, physical and financial resources so there is harmony among them.

**(c) Continuous Process :** Management is regarded as a continuous process because it involves continuous handling and integrating human and non-human resources. In other words, it is not a one-time process which is required at a particular point of time. Rather it is an on-going process which is required at all points of time.

**Q. 6. What do you mean by levels of management?**

**Ans. : Levels of Management :** A series of managerial positions from top to bottom is called levels of management. In company or corporate form of organisation a large number of persons are employed and placed at different places and positions to work on various jobs. To carry out these responsibilities they are given necessary authority. Authority given to each of these managers more or less depends on the responsibility assigned to them. In other words, the whole relationship between these managers and subordinates working in a company form of organisation are arranged in a series of levels. A level of management determines the amount of authority and status enjoyed by any managerial position. The chain of command consisting of a series of managerial position is also known as 'Management hierarchy'.

**Hierarchy of Management**

Board of Directors, Chief Executives, Chairman, Managing Directors, General Manager, Functional Managers, Departmental Heads and other Executive Officers, Supervisors, Foreman, Inspectors, etc.

The three levels of management are :

- (1) Top Level Management
- (2) Middle Level Management
- (3) Supervisory Level or Operational Level of Management.

**Q. 7. What is efficiency in Management ?***(BSEB, 2009, 11)*

**Ans.** Management is a technique to take work from others. Thus a person who has ability and quality to do it, success in management. Generally Planning, Organising, Directing, Co-ordinating, Staffing and Controlling are activities included in management. Generally we think that there is no necessity of any kind of special knowledge for managers because management is a natural quality but it is not reality (true). When practical knowledge, skillness, creativity development are used in work of management, it is called efficiency in management.

**Q. 8. What is the importance of Management ?***[USEB, 2014 (Modified); BSEB, 2010]***Ans. : Importance of Management**

(i) Helps in achieving objectives. (ii) Provides effectiveness to human efforts. (iii) Brings order to endeavours. (iv) Critical ingredient in nation's growth. (v) Provides judgement and vision. (vi) Acts as balancing force. (vii) Accomplishment of group goals. (viii) Optimum utilisation of resources. (ix) Maximum production at a minimum cost. (x) Efficient running of business. (xi) Management helps in increasing competition. (xii) Development of the nation. (xiii) Beneficial to both business as well as society.

**Q. 9. Briefly explain any three objectives of management.**

**Ans.** (a) **Creation of customers :** Creating customers means generating demand for goods produced or services rendered. It is important because customers by purchasing goods provide revenue to carry on activities of an organisation.

(b) **Market shares :** Number of customers in comparison to other competitors is known as market share. Market share determines level of production, sales, profitability and ability to provide cheaper goods and services. Therefore, creating and enlarging customer base is essential for survival and growth of an organisation. Management of every organisation strives hard to create and enlarge market share by adopting programmes, policies, strategies, etc. For example, despite several manufacturers of coffee, Nestle has maintained its position and market share.

(c) **Profit motive :** Management should set objectives to specify the return on investment the company would like to generate. Therefore, profit motive is one of prime objectives but is not the sole objective. For example, during the 5 years 1995–2000, Federal Express aimed at a 50% growth in its turnover globally; and a market share growth of 10% from 45% to 55% in the US with 6% return on investment.

**Q. 10. Is management a profession ?***(BSEB, 2014 Modified)*

**Ans. Management as a Profession :** Profession means an occupation for which specialised skills are required. These skills are not meant for self-satisfaction,

but are used for the larger interest of the society. The success of these skills is measured not in terms of money alone.

**The essential features of a profession are as follows :** (i) Specialised knowledge, (ii) Acquired knowledge, (iii) Representative body and (iv) Ethical standards or code of conduct.

**Q. 11. Define Co-ordination.** *(JAC, 2014)***Ans. :** See Long Question No. 6 Page No. 8

**Q. 12. XYZ Power Ltd. set up a factory for manufacturing solar lanterns in a remote village as there was no reliable supply of electricity in rural areas. The revenue earned by the company was sufficient to cover the costs and the risks. The demand of lanterns was increasing day by day, so the company decided to increase production to generate higher sales. For this they decided to employ people from the villages as very few job opportunities were available in that area. The company also decided to open schools and creches for the children of its employees.**

**1. Identify and explain the objectives of management discussed above.**

**2. State any two values which the company wanted to communicate to the society.** *(CBSE, 2014)*

**Ans. :** The Objective of management referred to are :

**Social Objectives :** These objectives are intended to do socially useful things with areas of health safety, environment, etc. Social objectives include the following :

- Society of quality goods at reasonable prices.
- Certification of employment opportunities.
- Providing financial support to community projects.
- Protection of environment.
- Providing help to physically disabled people, etc.
- Two values which the company wanted to communicate to the society are :

(g) Community Development by taking decision to open schools and creches for the children of its employees.

(h) Increase in employment opportunities in rural/backward areas.

**Long Answer Type Questions** **6 Marks**

**Q. 1. Describe any five reasons which clarify that management is gaining importance day-by-day.**

*(CBSE, Delhi, 2013)*

**Ans. :** Management is gaining importance day-by-day because of the following reasons :

**1. Management helps in achieving group goals :** Management gives common direction to individual efforts and helps in achieving overall goals of the organisation.

**2. Management increases efficiency :** Management aims at reducing cost and improving productivity through better planning, organising, staffing, directing and controlling of activities in the organisation.

**3. Management creates a dynamic organisation :**

Management helps people in an organisation to adapt to changes in the environment so that the organisation maintains a competitive edge.

**4. Management helps in achieving personal objectives :** A manager motivates his team in such a manner whereby individual goals are satisfied while contributing to overall goals of the organisation. Team spirit, co-operation and commitment to group efforts leads to better productivity in the organisation.

**5. Management helps in development of society :** Management tries to satisfy purpose of various groups like consumers, shareholders, workers etc. Better quality goods and services, creation of employment opportunities leads to growth and development of society.

**Q. 2. Management is an art as well as science, Explain.** (JAC, 2014; NCERT)

**Ans. : Management is both a Science and an Art :**

Management is a combination of both, science and art. Science is something that is learnt, while art is something which can be practised. Science is to know, art is to do. A manager is both a scientist and an artist. To know exactly whether management is a science or an art, it is necessary to know precisely the meaning of the words 'science' and 'art'. It is discussed briefly as follows :

**Management as an Art :** Art involves the practical application of theoretical knowledge and personal skills to achieve desired results effectively. The function of art is to bring about concrete results through deliberate efforts. Every artist has its own style and so it is a personalised process. It is creative in nature. **Thus, the main features of art are :** (i) Existence of knowledge, (ii) Personalised application, (iii) Result-oriented approach, (iv) Practice and creativity.

**Testing of Management as an Art :** Management is essentially an art as it fulfils the requisites mentioned above. Let us now explain them in brief :

**(i) Existence of knowledge :** Every art is based on theoretical and practical knowledge. Management prescribes general principles for managing various aspects of business. Managers must have the knowledge of these principles.

**(ii) Personalised application :** Application of these principles depends on the experience and personal skill of the managers. The manner in which the principles are applied is left to managers. Every manager has his own approach and style and accordingly he tries to solve managerial problems.

**(iii) Result-oriented approach :** Management has a result-oriented approach. Managers have to achieve concrete results, like profits, growth, etc. To achieve the results, a manager applies his knowledge and personal skill. He uses human and physical resources.

**(iv) Practice and creativity :** One becomes an efficient manager after a long practice. Each student learns

the principles of management but applies them differently depending on how much he has practiced them and how much creative he is. To produce new goods and render new services with unique marketing strategy, a manager requires imagination, intelligence and creativity.

**Conclusion :** The above analysis clearly establishes that management possesses all the characteristics of art and on this very basis it has been accepted as an art.

**Management as a Science :** Science may be defined as a systematic body of knowledge pertaining to a particular field, consisting universally accepted principles, which are based on observation and experiments.

**Thus, following are the essential features of science :** (i) Existence of systematised body of knowledge, (ii) Use of scientific methods of observation, (iii) Principles based on experiments, (iv) Established cause and effect relationship, and (v) Universal validity of principles.

Let us now examine to what extent management satisfies the above requisites :

**(i) Existence of systematised body of knowledge :** Management has a systematised body of knowledge in the form of principles and techniques. These explain past event and may be used to predict the outcome of specific actions.

**(ii) Use of scientific methods of observation :** Management principles are evolved on the basis of observation of the managers in various organisations. But the methods of observation followed by management are not 100 percent objective because the subjects are human being whose behaviour cannot be predicted with absolute accuracy.

**(iii) Principles based on experiments :** The principles of management are developed on the basis of observation and repeated experiments in various types of organisations.

**(iv) Established cause and effect Relationship :** Management principles establish cause and effect relationship.

**(v) Universal validity of principles :** Management principles are relevant for all types of organisations—economic, social and political. The managerial principles have universal application in different types of organisations.

**Conclusion :** The subject-matter of management is 'man' who is an intelligent and sensitive being and whose behaviour and conduct changes according to the changing situation. Therefore, no permanent principle like the principles of Physics and Chemistry can be enunciated in relation to his conduct or behaviour. Clearly the science of management cannot be called a true science but it should be described as an applied or inexact science.

**Q. 3. Co-ordination is the essence of management. Do you agree with this ? Give reasons.**

[JAC, 2012; (Modified, 2014)]

**Ans. : Co-ordination is the Essence of Management :** Co-ordination is regarded as the very essence of

management. A manager seeks to achieve co-ordination through the basic functions of management *i.e.* planning, organising, staffing, directing and controlling. As a matter of fact, performance of any of these functions is an exercise in co-ordination. In the words of **G.R. Terry**, "*Co-ordination deals with the task of blending efforts in order to ensure successful attainment of an objective. It is accomplished by means of planning, organising, actuation and controlling.*"

- (i) The **planning function** facilitates co-ordination by properly integrating various plans through discussion and exchange of ideas. The plans of different departments are co-ordinated for preparing the master plan. There should also be a co-ordination between the objectives and available resources.
- (ii) While **organising**, there should be a co-ordination between the authority and responsibility of every individual. Same work should not be assigned twice.
- (iii) While **staffing**, co-ordination is achieved by balancing the skills and abilities of the employees with the jobs assigned to them.
- (iv) While **directing** the function of co-ordination is achieved. The very essence of giving orders, instructions, guidance to sub-ordinates means co-ordination of their activities in such a manner that enterprise objectives are achieved efficiently.
- (v) While undertaking **controlling**, a manager assesses the performance of sub-ordinates against the prescribed standards. Remedial measures are taken if performance is less than the standards.

**Q. 4. Management is a chain of continuous and mutual works.** (NCERT)

Or

**Discuss the various functions of management.**

(JAC, 2012, 14; BSEB, 2010, 12)

**Ans. :** The main functions of management are as follows :

**(1) Planning :** Planning is the process of thinking before doing. Planning is always the first function. Planning bridges the gap between "where we stand today and where we want to reach". It involves determination of goals as well as the activities required to be undertaken to achieve the goals. It is performed at all levels of management and in every organisation. Planning consists of deciding in advance.

Planning is a long process, for the purpose of which following steps are taken—(i) Setting objectives; (ii) Developing premises; (iii) Evaluating alternative courses; (iv) Identifying alternative courses of action; (v) Selecting an alternative; (vi) Implementing the plan; and (vii) Follow-up-action.

**(2) Organising :** Once the plans are in place, it is time to proceed with other phases of the project. The next step would be to establish an organisation structure. Setting up organisational structure means deciding the framework of how many units and sub-units of departments are needed, how many posts or designations are needed in

each department, how to distribute the authority and responsibility among different people.

Following steps are taken to determinate the organising function of management—(i) Assignment of duties; (ii) Departmentalisation; (iii) Identification and division of work; and (iv) Establishing reporting relations.

**(3) Staffing :** Staffing is the selection of employees who have the training and skill to meet the demands of each position. It aims at right man for the right job. It is the third step or function of a manager. It refers to recruiting, selecting, appointing the employees, assigning them duties, maintaining cordial relations and taking care of grievances of employees. It also includes training and developing the employees, deciding their remuneration, promotion, increments, etc., evaluating the performance, maintaining personal records of employees.

**(4) Directing :** After the plans are made, the organisation structure is established and the people hired, it is time to move ahead with the project. If the new venture is to be a success, leadership is essential. Directing refers to giving directions or instructions to employees by motivating them, supervising the activities of employees, communicating with them. Managers act as leaders and guide them to right direction, so directing function includes, (i) supervising, (ii) communicating, (iii) leadership, and (iv) motivating.

**Process of Directing includes the following functions of management :**

**(i) Supervision :** Supervision means overseeing subordinates at work. It refers to the direct and immediate observation and watching subordinates in the performance of their tasks. Supervision is required at all levels of management. However, the major responsibility for supervision lies with the first line manager called supervisor. A supervisor serves as the link between workers and management.

**(ii) Communication :** Communication is a cement that makes an organisation. No organisation can exist without communication. From management's point of view, all management actions must pass through the bottleneck of communication. Communication involves a systematic and continuing process of telling, listening and understanding. Communication is a two way process : (a) Orders and instructions from top level to lower levels; and (b) Suggestions and complaints from lower levels to upwards.

**(iii) Leadership :** Leadership is the art of influencing the behaviour of people in particular direction. Leadership, in fact, is a part of management, but not all of it. A manager is required to plan and organise, but all we ask of a leader is to influence others to follow. According to **Drucker**, "*Leadership is the lifting of man's vision to higher sights, the raising of man's performance to a higher standard, the building of man's personality beyond its normal limitations.*"

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