

BUSINESS STUDIES

PART I

PRINCIPLES AND FUNCTIONS OF MANAGEMENT

Textbook for Class XII



12T13

विद्यया ऽ मृतमश्नुते



एन सी ई आर टी
NCERT

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

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**December 2014 Pausa 1936**January 2016 Pausa 1937**December 2016 Pausa 1938**January 2018 Magha 1939**March 2019 Phalguna 1940**October 2019 Ashwina 1941**January 2021 Pausa 1942***PD 65T BS****© National Council of Educational
Research and Training, 2007**

₹

*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**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
Bengaluru 560 085**Phone : 080-26725740**Navjivan Trust Building
P.O. Navjivan
Ahmedabad 380 014**Phone : 079-27541446**CWC Campus
Opp. Dhankal Bus Stop
Panihati
Kolkata 700 114**Phone : 033-25530454**CWC Complex
Maligaon
Guwahati 781 021**Phone : 0361-2674869****Publication Team**Head, Publication Division : *Anup Kumar Rajput*Chief Editor : *Shweta Uppal*Chief Production Officer : *Arun Chitkara*Chief Business Manager (In charge) : *Vipin Dewan*Assistant Editor : *Vijay Kumar*

Production Assistant :

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

As you read through this textbook, you will develop an understanding of the environment in which a business operates. The textbook discusses emerging modes of business in the context of entrepreneurship development, ethics in business and corporate social responsibility, small scale industries, intellectual property rights, goods and services tax, and many other contemporary issues in the conduct of internal and internal business scenarios. Due emphasis is laid on entrepreneurship and innovation in unorganised sector along with content from corporate world. This will enable the learners observant of their immediate surroundings and business environment.

You will find additional reading material, interactive activities, stories of innovation and entrepreneurship, etc., as enrichment material for self learning. You will find newer e-resources under embedded QR codes (accessed via *e-pathshala app*) at various intervals.

The textbook is updated in the light of The Companies Act 2013, and the content is modified in accordance to new provisions of the Act 2013 in respective chapters.

ACKNOWLEDGEMENTS

The National Council of Educational Research and Training acknowledges the valuable contributions of the *Textbook Development Committee*, which took considerable pain in the development and review of manuscript as well.

Thanks are due to Savita Sinha *Professor and Head*, Department of Education in Social Science for her guidance and constant support at every stage of the textbook development process. The textbook has been reworked and updated at appropriate point of time in the context of recent development in business scenario and the Companies Act 2013. The contribution of practicing teachers of Business Studies is also duly acknowledged for developing e-resources for QR Codes.

The contribution of APC Office, Administration, Publication Division, and Secretariat of NCERT are also duly acknowledged for bringing out the updated textbook of Business Studies.

CONTENTS

	FOREWORD	<i>iii</i>
CHAPTER 1	NATURE AND SIGNIFICANCE OF MANAGEMENT	1
CHAPTER 2	PRINCIPLES OF MANAGEMENT	30
CHAPTER 3	BUSINESS ENVIRONMENT	69
CHAPTER 4	PLANNING	93
CHAPTER 5	ORGANISING	111
CHAPTER 6	STAFFING	141
CHAPTER 7	DIRECTING	171
CHAPTER 8	CONTROLLING	205

THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a ¹**[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 ²[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)