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Business Studies — Class 12

Chapter(s): NATURE AND SIGNIFICANCE OF MANAGEMENT

Maximum Marks: 39

Time Allowed: 1 Hour 10 Minutes

Section A — MCQ & Assertion-Reason (1 mark each)

Q1. A factory manager must choose between two plans for the next month.

Plan X: Produce 10,000 units (target met) by running overtime and hiring temporary labour, increasing cost per unit by 12%.

Plan Y: Reduce cost per unit by 10% by cutting a shift, but output falls to 8,200 units and market demand is 10,000 units.

Which conclusion is most appropriate as per the effectiveness-efficiency balance in management? [1 mark]

- A) Plan X is effective but relatively inefficient; Plan Y is efficient but not effective.
- B) Plan X is efficient but not effective; Plan Y is effective but inefficient.
- C) Both plans are equally effective and equally efficient because each improves one parameter.
- D) Neither plan relates to management because both are operational decisions, not managerial decisions.

Q2. In a hospital, the Superintendent frames a policy that every department must submit weekly quality indicators. The Nursing Head translates it into ward-wise checklists and assigns nurses on duty to record data. The Head Nurse on the floor ensures entries are made and corrects deviations immediately.

Which mapping of roles to levels of management is most accurate? [1 mark]

- A) Superintendent-Top; Nursing Head-Middle; Head Nurse-Supervisory
- B) Superintendent-Middle; Nursing Head-Top; Head Nurse-Supervisory
- C) Superintendent-Top; Nursing Head-Supervisory; Head Nurse-Middle
- D) Superintendent-Supervisory; Nursing Head-Middle; Head Nurse-Top

Q3. A start-up founder says: "I have completed an MBA, so my decisions will always be correct; management is scientific like physics." Which statement best reflects the chapter's position on management as a science? [1 mark]

- A) Management is an exact science because its principles are universal and results are predictable.
- B) Management is an inexact science because it deals with human behaviour, so outcomes cannot be predicted or replicated accurately every time.
- C) Management is not a science because it has no systematic body of knowledge or vocabulary.
- D) Management is science only at the supervisory level because shop-floor work is measurable.

Q4. A company introduces a strict code of conduct through a managers' association, but membership is voluntary and the association has no statutory backing. Which inference about management as a profession is most consistent with the chapter? [1 mark]

- A) Management fully qualifies as a profession because it has a formal code of conduct.
- B) Management does not meet the exact criteria of a profession because professional association membership is not compulsory and entry is not legally restricted.
- C) Management fails to be a profession only because it lacks service motive; all other criteria are perfectly met.
- D) Management is a profession in India but not in other countries due to different business laws.

Q5. A manager says, "I will not be involved in the production process; my job is only to handle employees' issues." Which option best corrects this statement using the chapter's idea of management being multidimensional? [1 mark]

- A) The manager is correct because management of people is the only real dimension; work and operations are automatic.
- B) The manager is incorrect because management includes management of work, management of people and management of operations, which are interlinked.
- C) The manager is correct because operations are handled only by supervisors, not managers.
- D) The manager is incorrect only because management of work is irrelevant; only operations matter.

Q6. Assertion (A): Management is a continuous process because planning, organising, staffing, directing and controlling are performed simultaneously and repeatedly.

Reason (R): Management functions are independent, so a manager finishes planning completely before starting organising and then staffing. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q7. Assertion (A): Management is goal-oriented because it unites the efforts of individuals to achieve the organisation's basic goals.

Reason (R): Different members join an organisation for different personal objectives, so management cannot focus on common organisational goals. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q8. Assertion (A): Management can be considered an art because a manager applies theoretical knowledge in a personalised and skillful way in real situations.

Reason (R): Art requires creativity and practice, and managers develop their own styles while applying management principles. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q9. Assertion (A): Management has a systematised body of knowledge, so it has features of science.

Reason (R): The principles of management have universal validity and can be applied identically in all situations without modification. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Q10. Assertion (A): Supervisory management plays a crucial role because they interact with the actual workforce and ensure quality, minimise waste and maintain safety.

Reason (R): Supervisory managers are responsible for analysing the business environment and formulating overall organisational strategies. [1 mark]

- A) Both A and R are true and R is the correct explanation of A.
- B) Both A and R are true but R is not the correct explanation of A.
- C) A is true but R is false.
- D) A is false but R is true.

Section B — Very Short Answer (2 marks each)

Q11. Answer in exactly TWO sentences: Distinguish between 'management of work' and 'management of operations' as dimensions of management, using one example for each in a manufacturing firm. [2 marks]

Q12. Answer in exactly TWO sentences: A firm achieves its sales target for the year but spends far more on overtime, rework and emergency logistics than budgeted. Identify the situation in terms of effectiveness and efficiency, and justify briefly. [2 marks]

Q13. Answer in exactly TWO sentences: Explain why management is called an 'intangible force' and mention two visible indicators in an organisation that allow you to infer its presence. [2 marks]

Section C — Short Answer (3 marks each)

Q14. Explain in exactly THREE numbered points (with headings) how the 'directing' function can reduce the risk that a well-made plan fails at the execution stage in a small enterprise. Your points must explicitly use the terms motivation, leadership and communication once each. [3 marks]

Q15. Explain in exactly THREE numbered points (with headings) how top management and middle management contribute differently to organisational survival in a turbulent environment (e.g., changing regulations and customer preferences). [3 marks]

Q16. Explain in exactly THREE numbered points (with headings) why management is considered both a science and an art, and conclude with one line that shows how they complement each other in practice. [3 marks]

Section D — Long Answer (5 marks each)

Q17. A founder tells you, "We are a mission-driven enterprise; if we keep hitting our targets, management is successful-even if costs rise sharply." Using the chapter ideas, evaluate this statement by analysing the relationship between effectiveness and efficiency, and propose a practical decision framework (in five clear criteria) a manager should use when a situation forces a trade-off between the two. Answer in the following structure: 1 intro sentence, then 5 numbered headed points (each exactly 2 sentences), and 1 concluding sentence. [5 marks]

Q18. A fast-growing eco-friendly packaging firm is expanding to three states. The CEO is debating whether to personally approve most operational decisions because "management is intangible; if I don't watch details, things will become chaotic." Critically examine this reasoning by connecting: (a) management as a continuous and multidimensional activity, (b) levels of management, and (c) the intangible nature of management. Recommend what the CEO should delegate to middle and supervisory levels, and what must remain at the top level. Use the required 1-5 point format (2 sentences per point) and a concluding sentence. [5 marks]

Section E — Case Study (4 marks each)
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Q19. Read the following passage and answer the questions that follow: [4 marks]

Vistara Foods operates one central kitchen and supplies ready-to-eat meals to outlets in four cities. In April, the CEO announced an aggressive objective: "Increase monthly deliveries from 60,000 to 75,000 within 3 months." To avoid extra hiring, the operations head reduced preventive maintenance and cut training hours for new workers. The target was met in Month 2, but customer complaints rose due to inconsistent taste and packaging defects.

Data from quality audits:

- Month 1: Deliveries 65,000; Defect rate 1.2%; Overtime hours 1,100
- Month 2: Deliveries 75,500; Defect rate 3.8%; Overtime hours 2,450
- Month 3: Deliveries 73,000; Defect rate 4.1%; Overtime hours 2,600

Employee feedback shows rising fatigue and higher absenteeism in Month 3. The CEO is unsure whether the operations head should be praised for achieving the target or penalised for the side effects, and asks you to diagnose the management issue and suggest corrective actions.

- (i) Using the data, state whether Month 2 reflects effectiveness, efficiency, or both. Give one reason using any one data point. (1 mark)
- (ii) Identify the management characteristic highlighted by the need to respond to rising complaints and fatigue, and justify it in one line. (1 mark)
- (iii) Recommend any two corrective actions, each explicitly linked to a management function (planning/organising/staffing/directing/controlling), to restore balance between effectiveness and efficiency. (2 marks)

Business Studies — Class 12
Chapter(s): NATURE AND SIGNIFICANCE OF MANAGEMENT

Section A — MCQ & Assertion-Reason (1 mark each)

A1.

Answer:

Correct option: (A)

Plan X is effective but relatively inefficient; Plan Y is efficient but not effective.

Explanation:

Effectiveness is achieving the goal (meeting the output target), while efficiency is achieving it with minimum cost/resources. Plan X meets the target but at higher cost, so it is effective but less efficient; Plan Y lowers cost but fails to meet demand/goal, so it is efficient-oriented but not effective. Hence, option (A) is correct.

A2.

Answer:

Correct option: (A)

Superintendent-Top; Nursing Head-Middle; Head Nurse-Supervisory

Explanation:

Top management

Formula: Top management formulates policies and integrates overall goals, middle management interprets policies into departmental plans, and supervisory level directly oversees the workforce and ensures implementation with corrective action on the spot. The described duties align exactly with Top (Superintendent), Middle (Nursing Head) and Supervisory (Head Nurse). Hence, option (A) is correct.

A3.

Answer:

Correct option: (B)

Management is an inexact science because it deals with human behaviour, so outcomes cannot be predicted or replicated accurately every time.

Explanation:

The chapter states management has a systematic body of knowledge and principles

built through observation and experimentation, but since it deals with human beings, outcomes are not accurately predictable or perfectly replicable. Therefore, it is called an inexact science, not an exact one. Hence, option (B) is correct.

A4.

Answer:

Correct option: (B)

Management does not meet the exact criteria of a profession because professional association membership is not compulsory and entry is not legally restricted.

Explanation:

A profession typically has restricted entry and a statutory professional body regulating members and enforcing a code. The chapter highlights that anyone can be appointed a manager and managers' associations like AIMA are voluntary with no statutory backing. Hence, option (B) is correct.

A5.

Answer:

Correct option: (B)

The manager is incorrect because management includes management of work, management of people and management of operations, which are interlinked.

Explanation:

The chapter explains management is multidimensional: it manages work (tasks, decisions, plans), people (individuals and groups) and operations (conversion of inputs into outputs). These dimensions are interlinked, so ignoring operations contradicts the multidimensional nature of management. Hence, option (B) is correct.

A6.

Answer:

Correct option: (C)

A is true but R is false.

Explanation:

The chapter describes management as a continuous series of functions performed by all managers all the time, often at the same time. The reason is incorrect because it claims strict independence and a fully sequential order, which contradicts the simultaneous nature of managerial functions. Hence, option (C) is correct.

A7.

Answer:

Correct option: (C)

A is true but R is false.

Explanation:

The assertion matches the chapter: management coordinates individual efforts toward organisational goals. The reason is false because even if personal motives differ, management reconciles personal and organisational objectives to achieve common goals, not abandon them. Hence, option (C) is correct.

A8.

Answer:

Correct option: (A)

Both A and R are true and R is the correct explanation of A.

Explanation:

The chapter states management is an art due to personalised application of knowledge and because proficiency comes from practice, creativity and innovation. The reason correctly explains why personalised, creative application leads to different management styles, establishing management as an art. Hence, option (A) is correct.

A9.

Answer:

Correct option: (C)

A is true but R is false.

Explanation:

The assertion is true because the chapter recognises management's systematic knowledge base and vocabulary, developed over time. The reason is false because management principles are not as exact as pure sciences and must be modified according to the situation; they are not applied identically everywhere. Hence, option (C) is correct.

A10.

Answer:

Correct option: (C)

A is true but R is false.

Explanation:

The assertion reflects the chapter's description of supervisors' direct oversight of

workers and responsibility for quality, waste minimisation and safety. The reason is false because analysing the environment and framing overall strategies is a top management function, not supervisory. Hence, option (C) is correct.

Section B — Very Short Answer (2 marks each)

A11.

Answer:

Management of work deals with setting tasks, decisions, plans, budgets and assigning responsibilities/authority (e.g., deciding monthly production targets and preparing the production budget). Management of operations deals with the production process and transformation of inputs into outputs (e.g., arranging the flow of raw material and selecting the technology/machinery to convert it into finished goods).

A12.

Answer:

The firm is effective because it has achieved the desired goal/target (sales target). It is not efficient because it used more inputs and incurred higher costs than necessary, weakening the input-output relationship.

Effectiveness is about doing the right task and achieving the end result, while efficiency is about doing it correctly with minimum cost/resources. This is a classic tricky case where students assume target achievement implies good management, but the chapter insists management must balance both effectiveness and efficiency.

A13.

Answer:

Management is intangible because it cannot be seen physically, but its presence is felt through the way an organisation functions. Two indicators are that targets are met according to plan and there is orderliness with employees being reasonably satisfied instead of chaos.

Section C — Short Answer (3 marks each)
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A14.

Answer:

1) Motivation: Directing builds willingness to act by creating conditions in which employees want to perform the assigned tasks, so planned activities are not delayed due to low effort or resistance.

2) Leadership: Through leadership, the manager influences people to move towards the plan's goals, aligns individual behaviour with the chosen priorities and handles conflicts that block execution.

3) Communication: Effective communication clarifies what is to be done, deadlines and expected standards, ensuring instructions are understood and feedback reaches the manager for timely support.

A15.

Answer:

1) Environmental analysis & strategy (Top management): Top managers analyse the business environment and its implications for the firm's survival, then

Formula: te overall organisational goals and strategies to respond to turbulence.

2) Policy

Interpretation: & departmental planning (Middle management): Middle managers interpret policies and strategies framed by top management and translate them into department-level plans, targets and procedures that can actually be implemented.

3) Implementation control & coordination (Middle management): Middle managers implement and control the plans, supervise first-line managers and coordinate with other departments so that the organisational response is consistent rather than fragmented.

A16.

Answer:

1) Science feature-systematic knowledge: Management has a systematised body of knowledge, its own vocabulary and general principles developed over time through observation and repeated experience in organisations.

2) Science limitation-situational modification: Because management deals with human behaviour, results are not perfectly predictable or replicable, so principles are applied with judgement and adjusted to the situation (making it an inexact science).

3) Art feature-personalised application: Managers apply knowledge skillfully and creatively through practice, initiative, imagination and innovation, which leads to different management styles and varying effectiveness.

Conclusion: Management practice is art, but it becomes better art when it is guided by the science of management principles.

Section D — Long Answer (5 marks each)

A17.

Answer:

Management success requires balancing effectiveness (doing the right tasks) with efficiency (doing tasks at minimum cost), not choosing one blindly.

1) Goal-Outcome Test (Effectiveness): First verify whether the action directly contributes

to the stated organisational goal and the required end-result. If it does not move the organisation towards goal achievement, high efficiency becomes irrelevant because the "right work" is not being done.

2) Resource-Output Test (Efficiency): Next compare inputs (money, materials, equipment, people) with expected outputs to check whether the same result can be achieved with lower cost. If the cost per unit of outcome rises without a proportional benefit, the manager is effective but not efficient.

3) Time and Market-Window Test: Assess whether delay will reduce demand, invite competitors, or cause missed deadlines, because being efficient but late can still be ineffective. When market timing is critical, management may rationally accept higher costs to protect effectiveness.

4) Minimum Viable Standard Test (Quality/Safety/Compliance): Identify non-negotiable standards that cannot be compromised while chasing efficiency, such as safety, basic quality, or ethical conduct. Cutting resources below this threshold may temporarily look efficient but destroys effectiveness by harming reputation and future demand.

5) Learning and Sustainability Test (Dynamic Environment): Evaluate whether the decision strengthens the organisation's long-term capability to adapt to change (technology, customer needs, social expectations). If short-term efficiency undermines future flexibility or workforce commitment, management performance declines even if current targets are met.

Therefore, management is successful only when it achieves goals and controls resource use, applying a structured trade-off analysis rather than equating success with targets alone.

A18.

Answer:

In a growing organisation, management becomes effective when responsibilities match levels and the CEO focuses on integration rather than micromanaging details.

1) Continuous Nature and Role Clarity: Management functions run simultaneously every day, so one person cannot directly control all planning, organising, staffing, directing and controlling in multiple locations. Attempting to approve "most decisions" breaks the continuity of timely decisions and slows execution.

2) Multidimensional Management (Work-People-Operations): The CEO must manage work priorities, people alignment, and operational systems, but each dimension contains many sub-decisions across states. Delegating routine operational choices frees the CEO to coordinate these dimensions rather than getting trapped in one.

3) Level-wise Focus (Top Management): Top management should set overall

organisational goals, strategy, and policies, and scan the external environment for risks and opportunities. The CEO must retain decisions like expansion strategy, major investments, ethical standards, and stakeholder commitments because they affect survival and long-term growth.

4) Middle Management Responsibilities: Middle managers should interpret top policies, translate them into state-wise plans, ensure staffing adequacy, and coordinate across functions like procurement, production and sales. They should approve budgets within limits, manage inter-department coordination, and monitor performance for their division.

5) Supervisory/Operational Responsibilities and Intangibility: Supervisors should handle day-to-day supervision of workers, quality adherence, minimising waste, and safety standards, reporting deviations promptly. The "intangible" nature of management is felt through orderliness and target achievement, which improves when roles, standards and feedback systems are clear-not when the CEO signs every file.

Hence, the CEO should delegate operational control downward while retaining strategic integration, ensuring disciplined execution without creating decision bottlenecks.

Section E — Case Study (4 marks each)
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A19.

(i) Using the data, state whether Month 2 reflects effectiveness, efficiency, or both. Give one reason using any one data point.

Answer:

Month 2 reflects effectiveness but not efficiency because the delivery target is achieved ($75,500 \geq 75,000$) but input costs/strain increased sharply, indicated by overtime rising to 2,450 hours.

(ii) Identify the management characteristic highlighted by the need to respond to rising complaints and fatigue, and justify it in one line.

Answer:

Management is dynamic because it must adapt policies and practices in response to changing conditions like rising defects, employee fatigue and customer complaints.

(iii) Recommend any two corrective actions, each explicitly linked to a management function (planning/organising/staffing/directing/controlling), to restore balance between effectiveness and efficiency.

Answer:

1) Controlling: Set defect-rate standards (e.g., $\leq 1.5\%$), measure daily defects, compare with standards and take corrective action such as reinstating preventive maintenance when deviations occur.

2) Staffing/Directing: Reintroduce training and add/rotate staff to reduce overtime and fatigue; motivate and supervise teams to follow standard operating procedures so output quality and productivity improve together.