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Step-by-step solutions, alternate methods & exam tips for Class 12 Business Studies

Chapter 4: Planning

About this Chapter

Planning is the first managerial function and decides in advance what is to be done and how. This chapter explores planning's meaning, features, importance, limitations, the seven-step planning process, and the eight **types of plans** - objective, strategy, policy, procedure, method, rule, programme and budget.

Topics covered: Meaning & Features • Importance • Limitations • Planning Process • Types of Plans • Standing vs Single-use Plans

Quick Formula Sheet

Definition:

Planning = deciding in advance *what* to do, *how* to do it, *when* to do it, and *who* is to do it.

Seven-Step Planning Process:

Set objectives → Develop premises → Identify alternatives → Evaluate alternatives → Select alternative → Implement → Follow-up.

Standing vs Single-Use:

Standing plans (used repeatedly) = objective, strategy, policy, procedure, rule, method.

Single-use plans (one occasion) = programme, budget.

Also see for this chapter: [Revision Notes](#) | [Handwritten Notes](#)

Very Short Answer Type

Q 4.1 How does planning provide direction?

SOLUTION

Concept used. Planning is the managerial function of deciding in advance what is to be done and how. Setting objectives is the very first step of planning, and these objectives act as the direction for every action that follows.

Step 1. Planning starts with setting clear objectives for the organisation and for each department within it.

- Step 2.** When objectives are stated in writing, every employee knows where the organisation is headed and what is expected of them.
- Step 3.** This shared understanding eliminates random effort: departments coordinate, duplication is avoided, and resources flow only toward the stated objective.
- Step 4.** Without planning, employees would work in different directions and the organisation would not achieve its goals efficiently.

Final Answer: Planning provides direction by stating objectives in advance so that every department and employee works in unison toward those stated goals.

EXPERT'S SOLUTION : Priya Sharma, MBA Finance, IIM Bangalore

Strategic angle. Direction is not a soft idea: it is what turns a list of employees into a coordinated team. In CBSE answers always pin "direction" to two outcomes: *everyone works toward the same goal* and *wasted effort is removed*.

- Step 1.** Objectives, once set, become the reference point for daily decisions at every level of management.
- Step 2.** Each function (production, marketing, finance) plans its own targets around the main objective, so all functional plans pull in one direction.
- Step 3.** Coordination becomes natural rather than forced because every department reads from the same plan.

Why this matters. The board examiner is checking for two points: (a) objectives reduce confusion, and (b) departments coordinate around a common goal. Mention both.

Final Answer: By setting objectives at the start, planning aligns every department and employee with the organisation's goal, removing confusion and avoiding wasted effort.

Exam Tip

A one-mark VSA on "how planning provides direction" expects two crisp phrases: *states objectives in advance* and *coordinates departmental effort*. State both and the mark is safe.

Q 4.2 A company wants to increase its market share from the present 10% to 25% to have a dominant position in the market by the end of the next financial year. Ms Rajni, the sales manager has been asked to prepare a proposal that will outline the options available for achieving this objective. Her report included the following options:

entering new markets, expanding the product range offered to customers, using sales promotion techniques such as giving rebates, discounts or increasing the budget for advertising activities. Which step of the planning process has been performed by Ms Rajni?

SOLUTION

Concept used. The planning process has seven steps. The third step is **identifying alternative courses of action**: once objectives are set and premises developed, the planner lists out the different ways in which the objective can be reached.

Step 1. The objective in the situation is given: raise market share from 10% to 25% by year-end.

Step 2. Ms Rajni has been asked to outline *options* for reaching this objective. She lists four: enter new markets, expand the product range, use sales promotion, and increase the advertising budget.

Step 3. Listing options for reaching an already-set objective is the textbook definition of *identifying alternative courses of action*, the third step of the planning process.

Final Answer: Ms Rajni has performed the third step of the planning process, namely *identifying alternative courses of action*.

EXPERT'S SOLUTION : Aditya Verma, M.Com, Delhi School of Economics

Strategic angle. Case-based VSAs almost always test the seven-step process. The trick is to read the verb in the question: *set* ⇒ step 1, *assume* ⇒ step 2, *list options* ⇒ step 3, *weigh* ⇒ step 4, *choose* ⇒ step 5.

Step 1. Question verb: *outline the options available*. That is a list of alternatives, not an evaluation, not a choice.

Step 2. Step 3 is the only step concerned with generating alternative courses of action. Evaluating them (step 4) and selecting one (step 5) come later.

Step 3. Therefore Ms Rajni is at step 3.

Why this matters. Many students confuse step 3 (list alternatives) with step 4 (evaluate). Remember: as long as no pros-and-cons table is built, the planner is still at step 3.

Final Answer: Step 3 of the planning process - identifying alternative courses of action - has been performed by Ms Rajni.

Exam Tip

Whenever a case study uses the verbs "outline" or "list", the answer is step 3 of the planning process. The verbs "weigh" or "compare" point to step 4, and "choose" points to step 5.

Q 4.3 Why are rules considered to be plans?**SOLUTION**

Concept used. A plan is any statement that decides in advance *what* is to be done and *how*. **Rules** are specific statements telling exactly what is or is not to be done in a given situation. Because they decide future conduct in advance, they fit the definition of a plan.

Step 1. Rules dictate behaviour: example, "no smoking in the factory premises" or "office hours are 9 a.m. to 6 p.m."

Step 2. Rules are decided before the situation arises and apply repeatedly whenever that situation occurs.

Step 3. Since rules predetermine action and require no further decision-making by the employee at the time of action, they satisfy the definition of a plan.

Step 4. Rules differ from other plans in that they leave no discretion to the employee, but this lack of discretion does not stop them from being plans.

Final Answer: Rules are plans because they decide in advance what specific action is to be taken (or avoided) in a given situation and apply repeatedly thereafter.

EXPERT'S SOLUTION : Sneha Iyer, MBA Marketing, NMIMS Mumbai

Strategic angle. CBSE expects two anchors in this answer: (a) rules predetermine action, and (b) rules guide behaviour without allowing discretion. Drop either and one mark is lost.

Step 1. State the definition of "plan" - a predetermined decision about future action.

Step 2. Show that rules fit this definition: they specify, before the event, exactly what must (or must not) be done.

Step 3. Add one example so the examiner has a concrete anchor.

Why this matters. Rules are the strictest type of plan - violation invites disciplinary action - but they still belong on the same list as objectives, strategies and policies because all of them decide future conduct in advance.

Final Answer: Rules are plans because they predetermine specific future action and apply repeatedly in identical situations, even though they leave no room for individual discretion.

♥ Why This Matters

Rules deliver predictability in execution. Once a rule is set, employees act without seeking fresh approval each time, which speeds up routine work and frees managers for higher-value decisions.

Q 4.4 Rama Stationery Mart has made a decision to make all the payments by e-transfers only. Identify the type of plan adopted by Rama Stationery Mart.

SOLUTION

Concept used. A **rule** is a specific statement that tells what is to be done (or not done) in a particular situation. Rules leave no scope for discretion and any violation attracts disciplinary action.

Step 1. Rama Stationery Mart has decided that *all* payments must be made through e-transfers - there is no flexibility and no alternative method permitted.

Step 2. This is a specific instruction about how a routine activity (payments) is to be carried out, with no choice left to the person executing it.

Step 3. A direction of this kind that prescribes a single, fixed course of action is, by definition, a rule.

Final Answer: The type of plan adopted by Rama Stationery Mart is a *rule*.

EXPERT'S SOLUTION : Rohan Mehta, B.Com (Hons), SRCC Delhi

Strategic angle. VSA identification questions test whether the student can match the case description to one of the seven plan types. The trick is to look for two markers: *degree of discretion* and *frequency of use*.

Step 1. Marker 1 - discretion: zero. Only e-transfers, no alternative payment route. This rules out policy and procedure (both allow some flexibility).

Step 2. Marker 2 - repetition: every future payment, until the decision is changed. Standing plan, not single-use.

Step 3. Combining "zero discretion" and "standing plan" gives the unique answer: rule.

Why this matters. A common confusion is between rule and procedure. A procedure is a sequence of steps; a rule is a single fixed prescription. "Pay by e-transfer" is a single prescription, so it is a rule.

Final Answer: Rule (a specific, standing plan with zero discretion).

✗ Common Mistake

Do not write "procedure" for this answer. A procedure prescribes a *sequence* of steps for completing a task; a rule fixes a *single* action. "Pay only by e-transfer" is one fixed action, so it is a rule, not a procedure.

Q 4.5 Can planning work in a changing environment? Give a reason to justify your answer.

SOLUTION

Concept used. Planning is the function of deciding in advance what to do and how. A *changing environment* (new competitors, technology shifts, new government policies) makes the future hard to predict, but planning is still required because without it, the firm has no direction at all.

Step 1. Yes, planning can work in a changing environment, but it cannot guarantee success in such an environment.

Step 2. Reason: Planning is based on forecasts about the future. When the environment changes rapidly, those forecasts may not hold. The plan must then be revised in response.

Step 3. However, the alternative - operating without any plan - is worse, because the firm would have no objectives, no coordination, and no benchmark against which to measure results.

Step 4. Therefore planning still works in a changing environment, but managers must keep the plan flexible and update it as the environment changes.

Final Answer: Yes, planning works in a changing environment but cannot guarantee success there; managers must build flexibility into the plan and revise it as forecasts shift.

EXPERT'S SOLUTION : Vikram Singh, MBA Strategy, IIM Lucknow

Strategic angle. CBSE often phrases this as "planning does not work in a dynamic environment - comment". The expected answer has two parts: (a) yes it works, (b) but it cannot guarantee success. Many students write only one half and lose a mark.

Step 1. Acknowledge the limitation: forecasts in a dynamic environment may fail, so plans may need frequent revision.

Step 2. State the counterpoint: even an imperfect plan is better than no plan, because at least it provides direction and a approach for revision.

Step 3. Conclude with the practical takeaway - build flexibility into the plan and review it periodically.

Why this matters. The chapter lists "does not work in a dynamic environment" as a limitation of planning, not a disqualification. Read the limitation carefully - it says planning *cannot guarantee success*, not that planning is useless.

Final Answer: Yes, planning works in a changing environment, but only when the plan is kept flexible and revised as forecasts shift.

✗ Common Mistake

Many students answer "yes, planning works" but then forget to add the caveat that flexibility is needed. The full mark needs both the affirmation and the caveat.

Short Answer Type

Q 4.1 What are the main aspects in the definition of planning?

SOLUTION

Concept used. **Planning** is defined as deciding in advance what to do, how to do it, when to do it, and who is to do it. From this definition four main aspects of planning emerge.

Step 1. *Setting objectives.* Planning starts by deciding what the organisation wants to achieve - sales targets, profit levels, market share - for the planning period.

Step 2. *Forward-looking.* Planning is concerned with the future. It bridges the gap between where the firm is today and where it wants to be tomorrow.

Step 3. *Choosing among alternatives.* Several routes are usually available to reach an objective. Planning evaluates the routes and selects the best one.

Step 4. *Mental exercise.* Planning is intellectual work, based on logical thinking and judgement, not on guesswork or wishful thinking.

Final Answer: Planning is built on four aspects: setting objectives, looking ahead to the future, choosing the best alternative, and applying logical mental work to reach decisions.

EXPERT'S SOLUTION : Anjali Kapoor, CA, ICAI Mumbai

Strategic angle. A three-mark short answer rewards four crisp bullets, each linked to the definition. Skip the prose and write the four aspects as labelled sub-points.

Step 1. State the textbook definition first - it earns half a mark on its own.

Step 2. Extract the four aspects one by one: objective-setting, future-orientation, choice among alternatives, mental exercise.

Step 3. Add one short example under each aspect; CBSE markers often award a quarter-mark for an applied example.

Why this matters. The four aspects of planning are also the four features of planning when phrased in adjective form (goal-oriented, futuristic, decision-making, mental exercise). The two ideas are interchangeable in CBSE answers.

Final Answer: The four aspects in the definition of planning are objective-setting, future-orientation, choice among alternatives, and being a mental exercise.

Recall

Four aspects = four features = four pillars. The CBSE syllabus, the NCERT textbook, and most board markers all use these three terms interchangeably for the same set of ideas.

Q 4.2 If planning involves working out details for the future, why does it not ensure success?

SOLUTION

Concept used. Planning works out the details of future action based on **forecasts and premises**. But because the future is uncertain, those forecasts may not hold. Hence planning *does not* guarantee success even though it improves the chance of success.

Step 1. Planning is built on premises - assumptions about future conditions like demand, prices, government policy, and competition.

Step 2. These premises are forecasts. Forecasts can be wrong because the environment changes in ways that no planner can fully predict.

Step 3. When the actual environment differs from the assumed environment, the plan fails to deliver the expected result.

Step 4. Other reasons planning may not ensure success: rigidity (the plan resists change), employee resistance, sudden natural calamities, technological disruption, or miscalculation in cost-benefit analysis.

Step 5. Hence the textbook line: planning reduces uncertainty but does not eliminate it; it improves the probability of success but does not guarantee it.

Final Answer: Planning does not ensure success because it is based on forecasts that can fail, and the environment may change in ways that the plan did not anticipate.

EXPERT'S SOLUTION : *Karan Reddy, MBA Operations, IIM Calcutta*

Strategic angle. The model answer for this 3-mark short answer has three layers: (a) plans rely on forecasts, (b) forecasts may be wrong, (c) consequences when forecasts fail. Hit all three.

Step 1. Start with the structural reason - plans are forecast-driven, so the quality of the plan depends on the quality of the forecast.

Step 2. Give one concrete failure mode - a sudden government policy change or a new competitor's launch can invalidate the premise.

Step 3. Close with the textbook takeaway: planning reduces risk but does not eliminate it.

Why this matters. CBSE often pairs this idea with the limitation "planning does not work in a dynamic environment". Both limitations have the same root cause: the future is uncertain.

Final Answer: Planning does not ensure success because its forecasts can fail when the actual future differs from the assumed future, so it reduces but does not eliminate uncertainty.

✗ Common Mistake

Do not write "planning fails" or "planning is useless" in this answer. The textbook phrasing is exact: planning does not *guarantee* success - meaning it cannot promise success, not that it has no value.

Q 4.3 What kind of strategic decisions are taken by business organisations?**SOLUTION**

Concept used. A **strategy** is a comprehensive plan that gives the broad direction of the organisation. Strategic decisions therefore deal with long-term, organisation-wide questions about *where* the firm will compete and *how*.

Step 1. *Determining long-term objectives.* For example, becoming the market leader in a segment within five years.

Step 2. *Adopting a particular course of action.* For example, choosing to compete on cost vs choosing to compete on differentiation.

Step 3. *Allocating resources.* Deciding how much of the firm's capital, manpower and capacity to direct toward each business or product line.

Step 4. Examples of strategic decisions: entering a new geographical market, launching a new product line, acquiring another firm, entering into a joint venture, or revising the pricing approach in response to a competitor.

Final Answer: Strategic decisions cover three areas - setting long-term objectives, choosing a course of action to compete, and allocating resources to that course - and shape the firm's future direction and scope.

EXPERT'S SOLUTION : Meera Joshi, M.Com (Marketing), Mumbai University

Strategic angle. The CBSE rubric on this question is the three-pronged list above. A complete answer also gives one real-world example (Tata's acquisition of Jaguar Land Rover or Reliance Jio's entry into telecom) for an extra mark.

Step 1. Open with the three pillars: long-term objectives, course of action, resource allocation.

Step 2. Anchor each pillar with a one-line example.

Step 3. Note that strategic decisions are taken at the top level of management and are usually irreversible in the short term.

Why this matters. Strategy sits between objective (where do we want to go) and policy (broad guidelines for getting there). Knowing this hierarchy helps in case studies that ask you to identify the type of plan.

Final Answer: Strategic decisions in a business cover long-term objectives, the course of action to be followed, and the allocation of resources - together they determine the firm's competitive position.

♥ Why This Matters

Strategic decisions sit above tactical decisions: a tactic is how to win this quarter, a strategy is how to win this decade. CBSE expects long-term framing in any strategy answer.

Q 4.4 Planning reduces creativity. Critically comment.

SOLUTION

Concept used. **Critical comment** requires presenting both sides of the issue. Planning has the effect of *reducing creativity* at lower levels of management, but it *promotes innovation* at the top where the plan is drawn up.

Step 1. *Side 1 - Planning reduces creativity (the limitation).* Plans are drawn at the top and passed down. Lower-level managers and employees are expected to follow the plan as given, not deviate from it. Their freedom to think creatively about how the work could be done differently is reduced.

Step 2. This rigidity becomes more pronounced when the plan is very detailed or when rules and procedures are spelt out for every step.

Step 3. *Side 2 - Planning promotes innovation.* At the top level, drawing up the plan is itself a creative activity: managers identify alternatives, weigh them, and choose the best. Strategy formulation involves substantial creative thinking.

Step 4. Therefore the correct conclusion is balanced: planning reduces creativity at the implementation level but encourages creativity at the planning level. Whether it reduces overall creativity in the firm depends on how rigidly the plan is enforced.

Final Answer: Planning reduces creativity at lower levels of implementation but promotes creativity at the planning level; the net effect on the firm depends on how rigidly the plan is enforced.

EXPERT'S SOLUTION : Arjun Nair, MBA HR, XLRI Jamshedpur

Strategic angle. "Critically comment" answers must show both sides. CBSE awards full marks only when the answer presents the limitation, then mounts the counter-argument with a concrete example, and finally lands a balanced conclusion. Picking only the safe side loses half the marks even if the writing is good.

Step 1. State the limitation in the textbook's exact words: "Planning reduces creativity". Anchor the statement to a real situation, for example a factory worker who must follow standard operating procedures without modification.

Step 2. Counter it: planning is itself a creative exercise at the managerial level. New strategies, new policies, and new product lines all originate during the planning process and require substantial original thinking.

Step 3. Conclude that the net effect depends on the firm's culture, a flexible plan preserves creativity at execution level, a rigid one kills it. Some firms deliberately build slack into the plan so workers can suggest small improvements during execution.

Why this matters. The hint in the NCERT question already gives the approach - "both the points will be given". CBSE wants you to argue both, not pick a side.

Final Answer: Planning reduces creativity at execution level but promotes it at planning level; a flexible plan keeps both effects in balance.

Exam Tip

For "critically comment" questions, write a two-column mental table: limitation on the left, counter-point on the right. Finish with a one-line balanced conclusion.

Q 4.5 In an attempt to cope with Reliance Jio's onslaught in 2018, market leader Bharti Airtel has refreshed its Rs. 149 prepaid plan to offer 2 GB of 3G/4G data per day, twice the amount it offered earlier. Name the type of plan highlighted in the given example. State its three dimensions also.

SOLUTION

Concept used. A **strategy** is a comprehensive plan that gives the broad direction of the business and is normally drawn up in response to changes in the competitive environment. Strategy has three dimensions: long-term objectives, course of action, and allocation of resources.

Step 1. In the case, Airtel has redesigned its tariff plan specifically to counter Reliance Jio's competitive onslaught.

Step 2. Responding to a competitor's move by changing the broad approach to the market is, by definition, a strategy.

Step 3. The three dimensions of strategy in this case:

- *Long-term objective:* defending market leadership against Jio's entry.
- *Course of action:* doubling the daily data allowance at the same Rs. 149 price point - a value-based competitive response.
- *Resource allocation:* diverting network bandwidth, marketing spend and

revenue from premium plans to support the refreshed Rs. 149 plan.

Final Answer: The plan highlighted is a *strategy*; its three dimensions are long-term objectives, course of action, and allocation of resources.

EXPERT'S SOLUTION : Pooja Bansal, MBA International Business, IIFT Delhi

Strategic angle. The case carries two markers of strategy: (a) the action is taken in response to a competitor (external environment driven), and (b) it shapes the firm's competitive direction in the long term. These two markers always point to strategy.

Step 1. Identify the type of plan - strategy - from the two markers above.

Step 2. Map each dimension to a specific element of the case so the examiner can trace your answer back to the situation.

Step 3. Avoid generic definitions; the marker rewards case-specific application.

Why this matters. CBSE case-based questions reward mapping. Whenever a case is given, do not just name the answer - show *which line of the case* supports each part of your answer.

Final Answer: Strategy. Its three dimensions in this case are defending market leadership (objective), doubling data at the same price (course of action), and diverting network and marketing resources to the refreshed plan (resource allocation).

Recall

Strategy is one of the seven types of plans. Its three dimensions - long-term objectives, course of action, and resource allocation - are also the three sub-points to write in any strategy-identification answer.

Q 4.6 State the type of plan and state whether they are Single use or Standing plan: (a) A type of plan which serves as a controlling device as well. (b) A plan based on research and analysis and is concerned with physical and technical tasks.

SOLUTION

Concept used. Plans are classified as **single-use** (prepared for a one-time activity, e.g. a programme or budget) or **standing** (used repeatedly, e.g. objective, strategy, policy, procedure, rule, method). A *budget* is a numerical statement of expected results and also functions as a control device because actual results are compared with the budget.

A *method* is the prescribed way of performing a task, developed through research and analysis of physical and technical work.

Step 1. (a) A plan which serves as a controlling device: this is the description of a *budget*. A budget states expected results in numbers; deviation between actual and budgeted figures is the basis of control.

Step 2. Budget is a *single-use* plan because it is prepared afresh for each planning period (year, quarter).

Step 3. (b) A plan based on research and analysis and concerned with physical and technical tasks: this is the description of a *method*. For example, the method of valuing closing inventory, or the method of testing a product before despatch.

Step 4. Method is a *standing* plan because once the best method is identified, it is used every time that task is performed.

Final Answer: (a) Budget - single-use plan; (b) Method - standing plan.

EXPERT'S SOLUTION : Rahul Khanna, M.Com (Finance), Christ University Bangalore

Strategic angle. The classification "single-use vs standing" is examined every year. Memorise the two lists: *single-use* = programme + budget; *standing* = objective, strategy, policy, procedure, rule, method. The trick when faced with a description is to look for two markers: how specific the plan is, and how often it is reused after being adopted for the first time.

Step 1. For each sub-part, first identify the type of plan from the descriptive clue. "Controlling device" plus "expected results in numerical terms" only matches the budget; no other plan type carries both signatures.

Step 2. Then apply the binary single-use/standing test: is this used again next year, or only this once? A budget is rewritten each year, so it is single-use; a method is reused every time the same task arises, so it is standing.

Step 3. Programme and budget repeat in a fresh form each period, single-use. The rest of the plans, once decided, are reused, standing. Memorising this two-list split lets you answer any classification sub-part in under a minute.

Why this matters. A surprisingly large fraction of short-answer marks in this chapter come from "name the plan + classify it" sub-parts. The two-list memory aid is worth holding on to, since CBSE recycles this exact format almost every year.

Final Answer: (a) Budget, single-use; (b) Method, standing.

Exam Tip

For multi-part questions like this, label each sub-part (a)/(b) clearly. Award yourself a tick if the question itself uses sub-numbering, then mirror it in your answer.

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Long Answer Type

Q4.1 Why is it that organisations are not always able to accomplish all their objectives?

SOLUTION

Concept used. Organisations set objectives during the planning function, but reaching them depends on the planning's quality *and* the environment in which it is executed. Six **limitations of planning** explain why objectives are sometimes missed.

Step 1. *Planning leads to rigidity.* Once a plan is drawn up, managers tend to stick to it even when conditions change. Rigid adherence to the plan prevents the firm from adapting and may cause objectives to be missed.

Step 2. *Planning reduces creativity.* Lower-level managers are expected to follow the plan as given. They may not raise better alternatives that emerge during execution, so objectives that could have been raised remain unrevised.

Step 3. *Planning involves huge cost.* Detailed plans require market surveys, expert opinions, and management time, all of which cost money. Smaller firms may under-invest in planning and produce weak plans that miss objectives.

Step 4. *Planning is a time-consuming process.* If too much time is spent at the planning stage, the firm loses first-mover advantage; objectives like "be the first in the market" then become unattainable.

Step 5. *Planning does not work in a dynamic environment.* Premises about the future may be invalidated by sudden changes - new technology, policy shifts, pandemic. When the premises fail, the plan fails with them.

Step 6. *Planning does not guarantee success.* Even a well-drafted plan does not assure success; managers may commit execution errors, employees may resist change, or competitors may respond unexpectedly.

Final Answer: Organisations fail to accomplish all objectives because of six limitations of planning - rigidity, reduced creativity, high cost, time consumption, inability to handle dynamic environments, and the fact that planning does not guarantee success.

EXPERT'S SOLUTION : Divya Menon, CMA, Institute of Cost Accountants Kolkata

Strategic angle. A six-mark long answer needs six points written as a numbered list, with each point developed in two lines. The textbook gives the six limitations in a fixed order, memorise the order and you have the answer skeleton. The common mistake is to write three or four limitations in heavy detail and run out of time before listing all six, which caps the marks at four out of six no matter how well-written the answer is.

Step 1. Lead each limitation with the title in bold so the marker can tick it off quickly. The titles are rigidity, creativity, cost, time, dynamic environment, and no guarantee of success, in that exact order.

Step 2. Add one sentence of explanation and one real-world example. For rigidity, the Kodak film-only plan is a classic. For dynamic environment, the COVID-19 disruption to airline plans is fresh in the marker's mind.

Step 3. Close with the conclusion that all six limitations together explain partial achievement of objectives. State clearly that limitations do not mean planning is useless, only that it cannot promise success.

Why this matters. Several CBSE long answers test exactly this list. Treat the six limitations as a single memorised block and you can deploy them in any question that asks "why does planning fail" or "what are the disadvantages of planning". The list also doubles as the answer to "is planning still relevant in a dynamic environment".

Final Answer: The six limitations, rigidity, reduced creativity, huge cost, time consumption, ineffectiveness in dynamic environments, and no guarantee of success, together explain why objectives are not always met.

♥ Why This Matters

Notice that limitations are *not* the same as failures of management. They are inherent constraints of the planning function itself. Recognising them early lets a firm hedge against them by keeping plans flexible and reviewing them periodically.

Q 4.2 What are the steps taken by management in the planning process?

SOLUTION

Concept used. The **planning process** consists of seven sequential steps. Each step builds on the previous one, and skipping any step weakens the plan.

- Step 1.** *Setting objectives.* Objectives are decided for the organisation as a whole and for each department. They state what the firm wants to achieve in the planning period.
- Step 2.** *Developing premises.* Premises are assumptions about future conditions - demand, prices, competition, government policy. The plan is built on these assumed conditions.
- Step 3.** *Identifying alternative courses of action.* Once the objective and premises are set, the planner lists out the possible routes to reach the objective.
- Step 4.** *Evaluating alternative courses.* Each alternative is weighed for its pros and cons - cost, time required, feasibility, risk, and expected return.
- Step 5.** *Selecting an alternative.* On the basis of the evaluation, the best alternative is chosen. This is the actual point of decision-making in the planning process.
- Step 6.** *Implementing the plan.* The selected plan is put into action by allocating resources, communicating it to employees, and giving each department its share of the work.
- Step 7.** *Follow-up action.* Actual results are monitored, compared with the plan, and any deviation is corrected. Follow-up closes the loop and feeds learning into the next planning cycle.

Final Answer: The planning process has seven steps: set objectives, develop premises, identify alternatives, evaluate them, select the best, implement the chosen plan, and follow up to compare actual results with the plan.

EXPERT'S SOLUTION : Suresh Pillai, MBA Entrepreneurship, IIM Ahmedabad

Strategic angle. This is the highest-yield long answer in the chapter. It is examined at 5 or 6 marks almost every year. Each step earns roughly one mark, so write all seven steps and develop each in two lines.

- Step 1.** Memorise the seven steps in order using the mnemonic *S-D-I-E-S-I-F*: **S**et objectives, **D**evelop premises, **I**dentify alternatives, **E**valuate alternatives, **S**elect alternative, **I**mplement plan, **F**ollow up.
- Step 2.** Each step is a verb + object - easy to retrieve under exam pressure.
- Step 3.** Add an example under "implementing" - for instance, "the marketing department was given a new advertising budget and a launch date" - to anchor

the answer in practice.

Why this matters. Many case-based questions ask "which step has the manager performed?" Once you can name the seven steps fluently, you can also identify which step a given case is illustrating, which is the second most-tested skill in this chapter.

Final Answer: The seven steps of the planning process are setting objectives, developing premises, identifying alternatives, evaluating them, selecting the best, implementing the plan, and follow-up.

✗ Common Mistake

Do not condense the planning process into 3 or 4 steps. CBSE has assigned roughly 1 mark per step at the long-answer level, so writing only 4 steps caps your marks at 4 out of 6.

Q 4.3 An auto company C Ltd. is facing a problem of declining market share due to increased competition from other new and existing players in the market. Its competitors are introducing lower priced models for mass consumers who are price sensitive. C Ltd. realized that it needs to take steps immediately to improve its market standing in the future. For quality conscious consumers, C Limited plans to introduce new models with added features and new technological advancements. The company has formed a team with representatives from all the levels of management. This team will brainstorm and will determine the steps that will be adopted by the organisation for implementing the above strategy. Explain the features of Planning highlighted in the situation given below. (Hint: Planning is pervasive, Planning is futuristic and Planning is a mental exercise).

SOLUTION

Concept used. **Features of planning** describe what the function inherently does. Three of these features - *pervasive*, *futuristic*, and *mental exercise* - are directly visible in the given case.

Step 1. *Planning is pervasive.* Planning happens at every level of management - top, middle, and lower. Application to the case: "the company has formed a team with representatives from *all the levels of management*". The fact that all levels participate in drawing up the plan confirms its pervasiveness.

Step 2. *Planning is futuristic.* Planning is concerned with the future, not the past. Application to the case: C Ltd. is planning to "introduce new models with added features and new technological advancements" to improve "its market standing

in the *future*". The plan is aimed at a future event, confirming this feature.

Step 3. *Planning is a mental exercise.* Planning is intellectual work that requires logical analysis and judgement. Application to the case: "this team will *brainstorm and determine the steps* that will be adopted". Brainstorming and determining the right course of action are intellectual activities, confirming planning's nature as a mental exercise.

Final Answer: The features of planning highlighted are: (i) pervasive - all levels of management participate; (ii) futuristic - aimed at future market standing; and (iii) mental exercise - the team brainstorms to identify the right steps.

EXPERT'S SOLUTION : Neha Agarwal, B.Com (Hons), LSR Delhi

Strategic angle. Case-based long answers carry the highest marks per question in this chapter. The scoring rule is simple: each feature must be (a) named, (b) defined, and (c) anchored to a specific phrase from the case. Skipping (c) loses half a mark per point.

Step 1. Pull the literal phrase from the case that supports each feature: "all the levels of management" (pervasive), "in the future" (futuristic), "brainstorm and determine" (mental exercise).

Step 2. Lay the answer out as three labelled paragraphs, one feature each, with the case-phrase quoted in italics.

Step 3. Avoid adding features the hint did not ask for - *goal-oriented* or *continuous* may also be present in the case, but the question is restricted to the three listed.

Why this matters. CBSE rewards *anchoring* - linking the feature to the literal case phrase - even more than rewarding the definition. Quote the case at least once per feature.

Final Answer: Three features of planning are present in the case: pervasive (all-level participation), futuristic (market standing in the future), and mental exercise (brainstorming to determine steps).

Exam Tip

Whenever the question gives a hint with named features in parentheses, treat it as a checklist. The examiner expects exactly those features - no more, no fewer. Cover each, anchor each to the case, and resist the temptation to add a fourth feature.

Key Takeaways

- Planning is the first managerial function - it decides in advance what to do, how to do it, when, and by whom.
- Six features of planning: goal-oriented, primary function, pervasive, continuous, futuristic, and a mental exercise.
- Seven-step planning process: **S**et objectives, **D**evelop premises, **I**dentify alternatives, **E**valuate alternatives, **S**elect one, **I**mplement, **F**ollow up.
- Eight types of plans: objective, strategy, policy, procedure, method, rule, programme, budget. Programme and budget are single-use plans; the rest are standing plans.
- Six limitations: rigidity, reduced creativity, high cost, time consumption, ineffective in dynamic environments, no guarantee of success.

End of Class 12 Business Studies Chapter 4 - Planning

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