Class 12 Business Studies Chapter 5: Organising - Notes, Important Questions and MCQs (2026-27)

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These Class 12 Business Studies Chapter 5 notes cover “Organising” from the NCERT textbook Principles and Functions of Management (2026-27): meaning and steps of organising, its importance, organisation structure, functional and divisional structures, formal and informal organisation, delegation of authority and decentralisation – with comparison tables, Q&A, 10 MCQs and a free PDF.

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Chapter Overview

Organising is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships so that people can work together effectively to achieve objectives.

The result of organising is an organisation structure – the framework within which managerial and operating tasks are performed. Structures may be functional or divisional, and authority can be delegated to individuals or decentralised across levels.

Important Topics and Concepts

Steps in the Process of Organising

- 1. Identification and division of work.
- 2. Departmentalisation – grouping similar activities.
- 3. Assignment of duties to suitable people.
- 4. Establishing reporting relationships (authority).

Importance of Organising

- Benefits of specialisation.
- Clarity in working relationships.
- Optimum utilisation of resources.
- Adaptation to change.
- Effective administration.
- Development of personnel.
- Expansion and growth.

Organisation Structure

- Framework showing relationships between jobs and positions.
- Span of management: number of subordinates a manager can effectively handle; it determines levels.
- Functional structure: grouping by functions like production, marketing, finance, HR – suitable for large firms with one product line.
- Divisional structure: grouping by products/markets; each division has its own functions – suitable for diversified firms.

Formal and Informal Organisation

- Formal: structure deliberately designed by management with defined authority and rules.
- Informal: network of social relationships arising from interaction (grapevine).
- Informal organisation fulfils social needs and spreads information quickly but may spread rumours and resist change.

Delegation and Decentralisation

- Delegation: transfer of authority from superior to subordinate.
- Elements: authority (right to command), responsibility (obligation to perform), accountability (answerability – cannot be delegated).
- Importance: effective management, employee development, motivation, growth, basis of hierarchy, better coordination.
- Decentralisation: systematic delegation of authority at all levels.
- Importance: develops initiative, managerial talent, quick decisions, relief to top management, growth, better control.

Functional vs Divisional Structure

Comparison.

Basis	Functional	Divisional
Formation	Based on functions	Based on products
Specialisation	Functional specialisation	Product specialisation

Basis	Functional	Divisional
Responsibility	Hard to fix for performance	Easy to fix
Managerial development	Difficult	Easier
Cost	Economical	Costly – duplication
Coordination	Difficult across functions	Easy within division

Delegation vs Decentralisation

Basis	Delegation	Decentralisation
Nature	Compulsory act	Optional policy decision
Freedom	Less, due to control	More
Status	Process	Result of delegation at all levels
Scope	Narrow	Wide
Purpose	Reduce manager’s burden	Increase autonomy of lower levels

Important Definitions and Terms

Term	Meaning
Organising	Process of arranging work and resources
Departmentalisation	Grouping similar activities
Span of management	Number of subordinates under one manager
Functional structure	Grouping jobs by function
Divisional structure	Grouping by product lines
Formal organisation	Structure designed by management
Informal organisation	Network of social relationships
Delegation	Downward transfer of authority
Accountability	Answerability for outcome
Decentralisation	Delegation of authority at all levels

Short Answer Questions

Q1. Define organising.

Identifying and grouping work, delegating authority and establishing relationships to achieve objectives.

Q2. What is departmentalisation?

Grouping similar activities into departments.

Q3. What is span of management?

The number of subordinates a superior can effectively manage.

Q4. When is a functional structure suitable?

Q5. What is informal organisation?

A network of social relationships arising from interaction among employees.

Q6. Name the elements of delegation.

Authority, responsibility and accountability.

Q7. Can accountability be delegated?

No, accountability cannot be delegated.

Q8. What is decentralisation?

Systematic delegation of authority at all levels of management.

Long Answer Questions

Q1. Explain the steps in the process of organising.

Identification and division of work.

Departmentalisation.

Assignment of duties.

Establishing reporting relationships.

Leads to an organisation structure.

Q2. Explain the importance of delegation.

Effective management.

Employee development.

Motivation.

Facilitates growth.

Basis of management hierarchy and better coordination.

Q3. Differentiate between formal and informal organisation.

Formal is deliberate; informal arises spontaneously.

Formal follows chain of command; informal uses grapevine.

Formal is stable; informal is flexible.

Formal has rules; informal has social norms.

Both coexist.

MCQs with Answers

1. Grouping similar activities is(a) delegation (b) departmentalisation (c) coordination (d) decentralisationAnswer: (b) departmentalisation

2. Element that cannot be delegated(a) authority (b) responsibility (c) accountability (d) workAnswer: (c) accountability

3. Structure for diversified products(a) functional (b) divisional (c) informal (d) matrixAnswer:

4. Grapevine is part of(a) formal organisation (b) informal organisation (c) divisional (d) functionalAnswer: (b) informal organisation

5. Decentralisation is(a) compulsory (b) optional (c) illegal (d) temporaryAnswer: (b) optional

6. Span of management determines(a) salary (b) levels of management (c) products (d) marketsAnswer: (b) levels of management

7. Right to command is(a) responsibility (b) authority (c) accountability (d) delegationAnswer: (b) authority

8. Functional structure is(a) costly (b) economical (c) product-based (d) temporaryAnswer: (b) economical

9. First step in organising(a) departmentalisation (b) identification and division of work (c) assigning duties (d) reportingAnswer: (b) identification and division of work

10. Authority flows(a) downward (b) upward (c) sideways (d) no directionAnswer: (a) downward

Quick Revision Points

- Organising meaning and four steps.
- Importance – seven points.
- Functional vs divisional.
- Formal vs informal.
- Delegation elements.
- Delegation vs decentralisation.

Chapter Summary

Organising identifies and groups work, assigns duties and establishes authority relationships, creating an organisation structure. Functional structures group by functions and suit single-product firms; divisional structures group by products and suit diversified firms.

Formal organisation is designed by management while informal organisation arises from social interaction. Delegation transfers authority with responsibility, but accountability stays with the superior; decentralisation spreads authority systematically across levels.

Exam Tips and PYQ Pattern

- Identify structure type in case studies.
- Learn both comparison tables.
- Remember accountability cannot be delegated.
- Write steps of organising in order.
- Use examples of grapevine for informal.

Frequently Asked Questions

Is this chapter in the 2026-27 CBSE syllabus?

Yes. It is part of the NCERT Class 12 Business Studies Part I textbook “Principles and Functions

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What is the difference between delegation and decentralisation?

Delegation is a compulsory transfer of authority to a subordinate; decentralisation is an optional policy of delegating authority at all levels.

What is a divisional structure?

An organisation structure in which activities are grouped by products, each division having its own functional departments.

Conclusion

Organising is rich in comparisons. Learn the tables and save the free PDF.

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Author Bio: Written and reviewed by the Nextoper Editorial Team, a group of CBSE business studies educators who build chapter notes directly from the NCERT textbook and past board paper patterns.

Freshness Note: These notes follow the NCERT Class 12 Business Studies textbook, Principles and Functions of Management (NCERT reprint 2026-27, rationalised syllabus), and the CBSE syllabus for the 2026-27 session. Last checked on 26 November 2026.