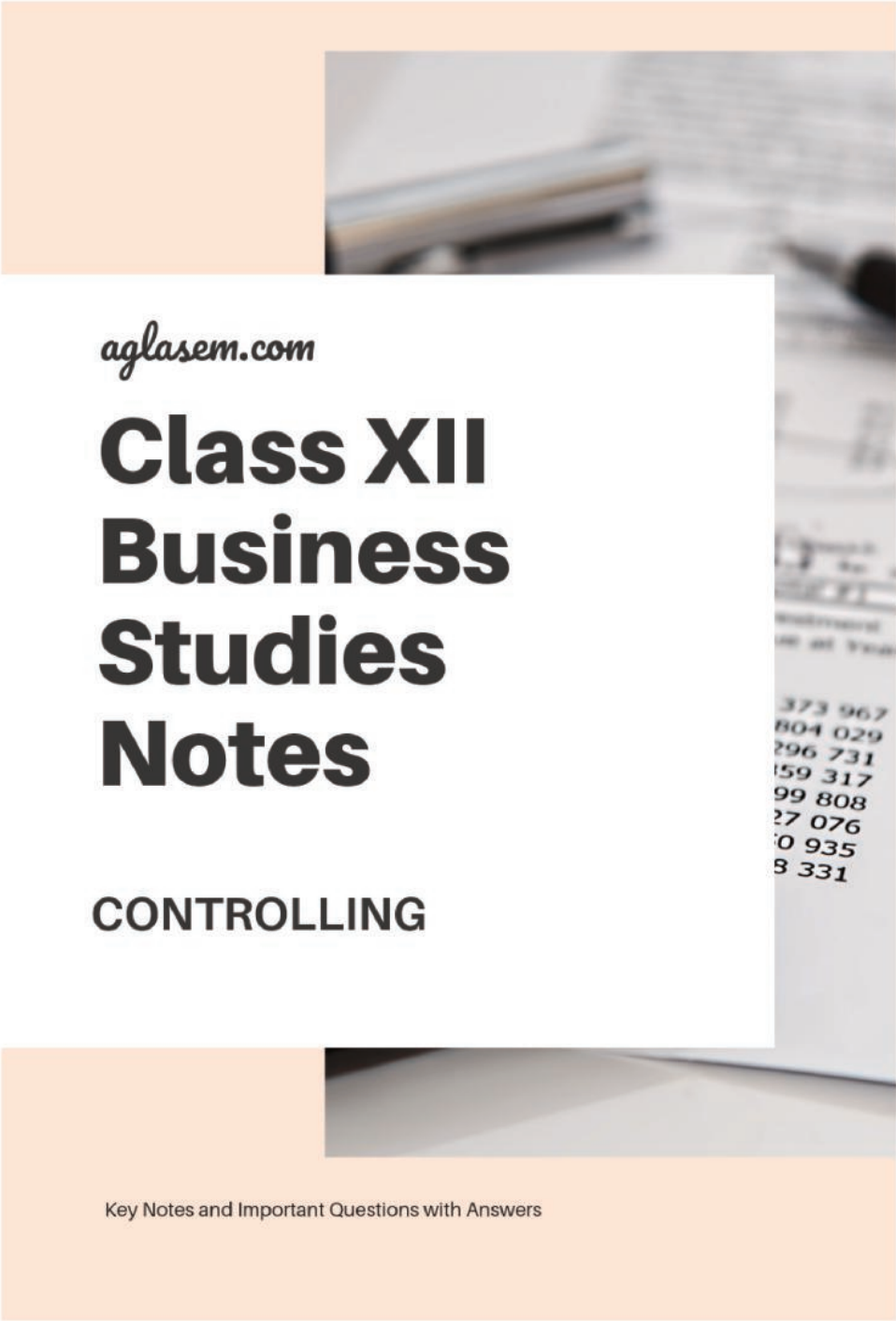




aglasem.com

Class XII Business Studies Notes

CONTROLLING

Key Notes and Important Questions with Answers

CHAPTER – 8

CONTROLLING

Meaning & Definition

Controlling means ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organisation's resources are being used effectively and efficiently for the achievement of predetermined goals.

It can be defined as comparison of actual performance with the planned performance.

The controlling functions find out how far actual performance deviates from standards, analyses the causes of such deviations and attempts to take corrective actions based on the same.

Nature of Controlling/Features of Controlling

1. **Controlling is a goal oriented function:**Controlling as a function of management ensures that the overall directions of individuals and groups are consistent with short and long range plans of the organization. So it is completely a goal oriented function.
2. **Controlling is an all pervasive function:**Controlling is a function which is applicable to all types of organizations business and non-business and at all managerial levels.
3. **Controlling is a continuous function:**Control is not a onetime activity. Rather, it is a dynamic process that involves constant analysis of actual and planned performance. The resultant deviations, if any, are corrected as per the need of the situation.
4. **Controlling is both a backward looking as well as forward looking function:** Under controlling past performance is analysed, therefore controlling is backward looking. On the basis of this past performance analysis, remedial action is taken to make future performance better, in this way controlling is forward looking.

5. **Controlling is a dynamic process:** Since controlling requires taking reviewable methods, changes have to be made wherever possible.
6. **Controlling is a positive process:** George Terry says, the function of controlling is positive – it is to make things happen, i.e. to achieve the goal within stated constraints, or by means of the planned activities. Controlling should never be viewed as being negative in character – as a hurdle in getting objectives won. Controlling is a managerial necessity and a help, not an impediment or a hindrance.

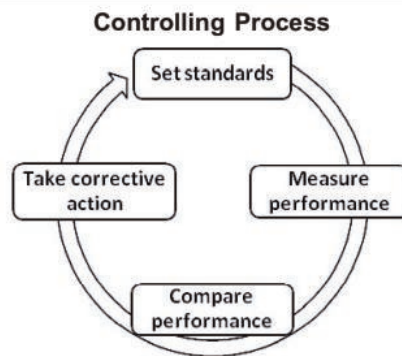
Importance of Controlling

1. **Controlling helps in achieving organizational goals:** The controlling function measures progress towards the organizational goals and brings to light/indicates corrective action.
2. **For Evaluating/Judging accuracy of standards:** A good control system enables management to verify whether the standards set are accurate or not by careful check on the changes taking place in the organizational environment.
3. **Making efficient use of resources:** By the process of control, a manager seeks to reduce wastage of resources.
4. **Improves employee's motivation:** A good control system ensures that employees know well in advance what they are expected to do & also the standard of performance. It thus motivates & helps them to give better performance.
5. **Facilitating Coordination in action:** In controlling each department and employee is governed by predetermined standards which are well coordinated with one another. Control provides unity of direction.
6. **Ensuring order and discipline:** Controlling creates an atmosphere of order and discipline in the organization by keeping a close check on the activities of its employees.

Q.1 If planning is done carefully and accordingly other functions of management are going in the right direction, then there is no need of the controlling

function of management. Do you agree with this statement? Give reasons in support of your answer.

[Hint- Controlling is still required to check whether performance is as per plans or not.]



Controlling Process

1. **Setting Performance Standards:** Standards are the criteria against which actual performance would be measured. Thus standards become basis for comparison and the manager insists on following of standards.

Standards can be set in both quantitative as well as qualitative terms. It is important that standards should be flexible enough to be modified whenever required. Standards should be SMART as:

S – Simply Expressed

M – Measurable

A – Attainable

R – Reasonable

T – Time bounded

2. **Measurement of Actual Performance:** Performance should be measured in an objective and reliable manner which includes personal observation, sample checking. Performance should be measured in same terms in which standards have been established, this will facilitate comparison.

3. **Comparing Actual Performance with Standard:** This step involves comparison of actual performance with the standard. Such comparison will reveal the deviation between actual and desired performance. If the performance matches the standards it may be assumed that everything is under control.

4. **Analysing Deviations:** The deviations from the standards are assessed and analysed to identify the causes of deviations.

Deviations are analysed in the light of pre-determined deviation tolerance limit and key result areas.

a) **Critical point control (CPC):** It is neither economical nor easy to have a check on all the activities of an organisation. Hence, the manager should pay more attention on those activities which are important and critical to the success of an organisation. These are known as Key Result Areas- KRA's.

Example: 2% increase in stationery cost is not critical. But 2% increase in wages Salaries is critical.

b) **Management by Exception (MBE):** A manager should take corrective action only when there is exceptional deviation i.e. when they cross the permissible limit or acceptable range. Deviations within acceptable range are ignored.

Example: Wastage within Normal Wastage Range may be ignored. But if wastage crosses this limit and becomes Abnormal then management should control.

5. **Taking Corrective Action:** The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within the acceptable limits. But where significant deviations occur corrective action is taken.

Q.2 "Comparing the actual performance with laid standard, finding out deviations and taking corrective action is an important process of a function of management." Name the process.

[Hint- Controlling Process]

Limitations of Controlling

1. **Little control on external factors:** Generally no enterprise can control external factors such as government policies, technological changes, competitions etc.
2. **Resistance from employees:** Control is often resisted by employees. They see it as a restriction on their freedom e.g. Employees may resist and go against the use of cameras to observe them minutely.
3. **Costly affair:** Control is a costly affair as it involves a lot of expenditure of time and efforts.
4. **Difficulty in setting quantitative standards:** Control system loses some of its effectiveness, when standards cannot be defined in quantitative terms. In the absence of quantitative standards, comparison with standards becomes difficult.

Relationship between Planning and Controlling

Planning and controlling are interrelated and in fact reinforce each other in the sense that-

1. **Planning is pre-requisite for controlling.** Plans provide the standard for controlling. If the standards as the first step in controlling process are not set in advance managers have nothing to control.
2. **Planning is meaningless without controlling.** It is fruitful when control is exercised. It discovers deviations and initiates corrective measures. Controlling ensures that work has been done according to planning.
3. Effectiveness of planning can be measured with the help of controlling.
4. **Planning and controlling both are forward looking:** Planning is a future oriented function as it involves looking in advance and making plans based on forecasts about future conditions.

Controlling is referred to as looking forward because the corrective action in controlling is taken to prevent the recurrence of the deviations in future.

5. **Planning and controlling are both looking back:** Planning is looking back because new planning is guided by the problem identified in the past.

Controlling is looking back as it compares the actual past performance with standards. This involves scrutinising the events after they have taken place.

Thus, planning and controlling cannot be separated. The two are supplementary function which support each other for successful execution.

Planning makes controlling effective whereas controlling improves future planning.

QUESTIONS FOR PRACTICE

- Q.1** Prakash Jha wishes to fix- standard production for worker along with standard time to complete the job. Under which function of management, standards are fixed? (1)
- Q.2** Jindal Ltd. could not achieve the target production of 15,000 cars p.a. It could produce only 14,125 cars - While analysing the reasons for deviations, it was found that workers were not efficient. Training programmes were organised and next year, company was able to produce 15,000 units. Production Manager is of the opinion, that with this, management ends at controlling. Do you agree? Give reason to support our answer. (3)
- Q.3** Suppose you are the manager of ABC Clothing Ltd. It comes to your knowledge that postal expenses have increased by 15% over the standard price and cost of labour and raw materials has increased by 3%. Which of the two situations is more critical according to you? (1)
- Q.4** 'Tricom Ltd' a computer hardware manufacturing company imported a new machinery for manufacturing latest technology based computer systems. The human resource manager determined that for operating the new machines, the company required the necessary workers through placement agency.
- After 3 months, it was reported by the production manager that the workers were not able to meet the target production. The General Manager got annoyed and ordered inquiry for the same. It was reported that the newly recruited workers possessed the necessary skills and abilities but lacked the willingness to do work.
- (i) Name the functions of management involved above (3)
- (ii) Name the relevant concept of functions identified in (i) (2)
- (iii) Which concept of management will help the company in meeting the target production (1)

Q.5 Mr. Ankit is the chief manager in a well-known MNC, producing shoes. He called the production manager of his unit and told him to keep a constant watch on all the activities of his respective unit so that there is no possibility of adverse results. As long as the company runs its operation employees at all levels will adopt it to achieve results.

1. Identify the function of management referred above. (1)
2. Describe its three features quoting lines from the para. (3)

Q.6 Polycons Ltd. is a firm manufacturing paper bags in Orissa. It has employed female workers in the company and manufactures paper bags from recycle paper and there after sells them to various firms at economic rates.

Since last 1 month, its customers(firms) are reporting of complaints received from the users that these paper bags are unable to manage heavy weight and get torn easily.

1. Which function of management has been ignored above? (1)
2. Discuss the steps to be undertaken in respect of the ignored function to remedy the situation. (4)

Q.7 Mr. Sandhu worked as a manager in a company manufacturing stationary items for 10 years. Later he thought of starting his own business as he had acquired the skills and expertise in past years. He started his own venture. He divided the organisation into six major departments- Production, Purchase, Marketing, Legal, Human resource and Finance. After a month, he called upon the meeting of all the departmental heads in his office and told the production marketing and finance department managers to be very vigilant as their departments are critical to the success of the business. Short comings in Purchase, Personnel or Legal department would not affect much the success of business. Therefore, Mr. Sandhu determined deviation tolerance limits for the critical departments.

1. Identify the two functions of management referred above. (1)
2. Describe the relevant concept of the identified functions. (3)

- Q.8** One day, the management instructor of BBA classes organised a “Panel Discussion” on important topics of management. The students were given the following clues for discussion. Each student was given 3 minutes for elaborating on the clues given below:

Clue 1: They are inseparable twins.

Clue 2: They are inter-dependent, inter-related and reinforce each other.

Clue 3: They both are forward as well as backward looking.

1. Identify the functions of management written in clues above.
2. Elaborate on the 3 clues.

Hints

1. Planning
2. No, because analysis of deviations may leads to revise the standards next year.
3. Increase in cost of labour and raw materials.

4.	<table><tr><th>(i)</th><th>(ii)</th></tr><tr><td>1. Staffing</td><td>Recruitment</td></tr><tr><td>2. Controlling</td><td>Comparing actual performance</td></tr><tr><td>3. Directing</td><td>Analysiiing causes of deviations.</td></tr></table>	(i)	(ii)	1. Staffing	Recruitment	2. Controlling	Comparing actual performance	3. Directing	Analysiiing causes of deviations.
(i)	(ii)								
1. Staffing	Recruitment								
2. Controlling	Comparing actual performance								
3. Directing	Analysiiing causes of deviations.								

(iii) Motivation

5.
 1. Controlling
 2. Goal oriented “So that adverse results.
Continuous Process “As long co. runs”
Pervasive function “Employees at all levels”

6.
 1. Controlling
 2. Measuring actual performance
 - Comparing Actual performance with standards
 - Analysis Deviations
 - Taking corrective measures

7.	(1)	(2)
	Organising	Departmentalisation
	Controlling	Critical point control Controlling by Exception

8.
 1. Planning and Controlling
 2. Explain relationship between planning and controlling crelevants to questions.

Key Terms to Crack Case-Studies

S. No.	Phrase	Topic/ function	Sub-Topic/
1.	It is the process of ensuring that actual activities conform to planned activities.	Controlling	—
2.	Control should be focused on key Result Area (KRAs) which are Critical to the success of an Organisation.	Analysing Deviations	Critical point control.
3.	If you try to control everything. You may end up controlling nothing.	do	Mgt. / control by exception.
4.	Company could not meet production targets, due to machinery failure, therefore new machinery was imported to achieve production standards.	Process of Controlling	Taking remedial action.

5.	10% increase in postage exp. is not so harmful as 2% increase in labour cost. So labour cost needs to be controlled quickly.	do	Analysing deviations — critical point control.
6.	Normal wastage standard is 3% of Input Actual wastage comes 5% hence it must be controlled now.	do	Analysing deviations— Mgt. by exception.

UNIT-3

EVALUATION QUESTIONS

- Q1.** Trilok Ltd. was established with a total capitalisation of Rs. 25.80 crores. Company maintained a good balance between Debt and equity by having a Debt - Equity ratio of almost 2:1. It was established with a mission of - generating employment - producing quality goods with fair prices.

It hired qualified and experienced staff even then, it organised training programmes to improve the skill level of employees. Managers at different levels were of the opinion that everything was organised very well, so subordinates can do everything at their own level. So they decentralised the authority till lowest level and restricted themselves to policy making. At the end of financial year, results were shocking - Annual target of production of 5,00,000 units could not be achieved.

- (i) Name the functions of management practised by managers. (2)
- (ii) Which management function was totally ignored by the managers at different levels. What would be the benefits? Trilok Ltd. could get, by adopting this "MISSED FUNCTION". (3)

- Ans.** (i) Planning, Organising, Staffing, Controlling
(ii) Directing (Any three benefits of directing)

- Q2.** Mr. Raghunath is production Manager of Zaku Ltd. At factory level, supervisors found that a number of workers were not taking interest in work. They were not able to achieve individual standard target of 50 units a day. Due to piece rate system, their actual wages were decreasing.

Supervisors as middle men, conveyed it to the Production Manager. Mr. Raghunath coordinated with General manager, Human Resource Manager and Finance Manager. The team recommended - 'Minimum wages + monetary incentives as per performance of concerned employee' to Mr. Raghunath.

The scheme was implemented. Results were remarkable. Now, workers were satisfied with their jobs. They were producing more than standard output and getting good wages.

- (i) Which functions of management are discussed above? (2)
- (ii) Name the element of Direction initiated by Mr. Raghunath (1)
- (iii) Quoting the lines from above mentioned paragraph, state the benefits of such implementation

Ans. (i) Staffing and Controlling
(ii) Motivation

Q3. Col. Pratap Singh retired from Army and joined Jacob Ltd. as General Manager. He is very strict disciplinarian and makes everybody to meet deadlines. He doesn't listen any suggestion and doesn't pay any heed to worker's problems. Although targets are achieved in time, yet working atmosphere is deteriorating day by day. Workers do not get any opportunity to interact with each other for satisfaction of social and emotional needs. Labour Turnover Rate is increasing.

- (i) Which kind of leadership style, has Mr. Pratap been adopting (1)
- (ii) Which kind of communication is not taking place among employees. Describe. (2)

Ans. (Hints) (i) Autocratic (ii) Informal Communication meaning.

Q4. Shalu is a student of Class XI. She got 70% marks in Class X. Her brother motivated her to study well and try to get 100% marks to seek admission in SRCC. In first unit test, she got 78% marks. She made a list of reasons for deviation of 22% she found that reasons were -

- Writing speed
- Lack of practice for different kind of questions, especially multi-unit questions.

She practiced more mock tests at home with time-check and searched for variety of questions on internet. In next unit test, she got 85% marks. Again

she made a list of such causes and improve upon and so on.....

- (i) Identify element of direction discussed in first paragraph. (1)
- (ii) By which function of management Shalu was trying to regulate her result. (1)
- (iii) Explain first three steps of the process of such management function. (3)

Ans. Hints (i) Motivation
(ii) Controlling
(iv) First three steps of controlling

Q5. On Annual day of the company, all departmental heads were having dinner with their terms. Production Manager Mr. Siddharth and his supervisor Mr. Allahrakha were also there. Mr. Allahrakha told Mr. Siddharth about the problems faced by workers due to the bad condition of machines. According to him major repairs and replacements of worn out parts were required. Later on, Production Manager made efforts to find out the actual position and found the same situation as described by Mr. Allahrakha. He conveyed the matter to higher authorities who went for overhauling of machinery. As a result, productivity increased by almost 20%.

Top management awarded a cash prize of Rs. 25000/- to Mr. Allahrakha on the next Annual day.

- 1. Identify the kind of communication which took place between Mr. Siddharth and Mr. Allahrakha. (1)
- 2. What step was taken by top mgt. to improve the situation. (1)
- 3. Name & explain the kind of incentive which was given to Mr. Allahrakha. (2)

Ans. Hints: (1) Informal Communication
(2) Remedial Action - repair/Replacement/overhauling
(3) Monetary Incentive

Q6. In Jagdama Ltd., all the activities were divided into seven department as Purchase, Marketing, Production, Personnel, Finance, Accounting and

correspondence. General Manager Sh. Ram Niwas analysed and concluded that marketing, production and finance were the departments on which success of the business is dependent. Short comings in other departments, would not affect much the success of the business. He also decided deviation tolerance limits of these three main departments. If deviation goes beyond these tolerance limits, then only the same will be brought to the notice of Sh. Ram Niwas.

- (1) Identify functions of management referred in the above paragraph. (2)
- (2) Describe the relevant concepts of identified function by quoting lines from the above paragraph. (4)

Ans. (i) Organising, Controlling

(ii) Critical Point Control Management by Exception

Q7. Directors of Panorma Ltd. gave complete freedom to departmental heads to frame departmental policies and get the work done. But departmental heads neither consulted each other nor did they take guidance and final approval from Managing Director. They framed individual isolated policies and did not check timely the problems. At the end of the year, they faced huge departmental losses.

- (1) Which leadership style was adopted by Director. (1)
- (2) Which functions of management were performed poorly? (2)

Ans. (i) Free rein (ii) Direction and Controlling

Q8. Production manager set the annual production target as -

"Huge amount of Production".

Superiors checked the workers at work regularly and they made the workers do their best by encouraging them.

At the end of the year, it was found that actual production was 1,65,000 units. General Manager was not satisfied with the performance as last year 1,90,000 units were produced. But Production Manager was of the opinion that they have achieved the target of -"Huge amount of production."

(i) What was missing in determining the production standards? Explain by highlighting qualities of Good Standard. (Any two) (3)

(ii) Name two elements of direction mentioned in the paragraph. (2)

Ans. (i) Standards should be determined in numbers. Standards should be: Attainable, Measurable, Time bound etc. (Any Two)

(ii) Supervision, Motivation

Q.9 A company was manufacturing 'LED bulbs' which were in great demand. It was found that the target of producing 300 bulbs a day was not met by the employees. On analysis, it was found that the workers of the company were not able to achieve the set targets and alternative arrangements were needed.

To meet the increased demand, the company assessed that approximately 88 additional workers were required out of which 8 would work as heads of different departments and 10 would work as subordinates were also enlisted. It was also decided that necessary relaxation should be given to encourage women, persons from backward and rural areas and persons with special abilities to assume responsible positions in the organisation. All efforts were made to match the ability of the applicants with the nature of work.

- a) Identify the functions of management discussed above.
- b) State the steps in the process of each function discussed in the above para. (5)

Hint-

(a)	(b)
1. Staffing	Estimating man power requirements
2. Controlling	Comparing actual performance with standards Finding deviations