

CONTROLLING

SHORT ANSWER TYPE QUESTIONS

1. Explain the meaning of controlling.

Ans: Controlling means ensuring that activities in an organisation are performed as per the plans. Controlling also ensures that an organisations resources are being used effectively and efficiently for the achievement of desired goals. Controlling is, thus a goal oriented function. Controlling is a very important managerial function. Because of controlling manager is able to compare actual performance with the planned performance. In order to control the activities at all levels manager needs to perform controlling function.

2. Planning is looking ahead and controlling is looking back comment.

Ans: Planning and controlling are inseparable. Planning is the primary function of every organisation it is the thinking process, which means looking ahead or making plans that how desired goal is achieved in future thus it is called a forward looking function on the other hand controlling is a systematic function which measures the actual performance with the planned performance. It compared and analysed the whole process of an organisation and take correcting actions. Thus, it is a backward looking function but the statement “Planning is looking ahead and controlling is looking back” is partially correct because it should be understood that planning is guided by past experiences and the corrective action initiated by control function which aims to improve future performance. Thus, planning and controlling are both backward looking as well as a forward looking functions.

3. ‘An effort to control everything may end up in controlling nothing’. Explain.

Ans: It’s a well known fact that “Jack of all master of none” when we start controlling everything it results in controlling nothing because it is not possible at one time to control various activities as this process may neither be economical nor easy. Control thus focus on KRAs (Key Result Areas). It means instead of controlling all activities, control where the critical points goes wrong and by which organisation suffers. Thus, KRAs are set as critical points and one should be aware that he has to control what.

4. Write a short note on budgetary control as a technique of managerial control.

Ans: Budgetary control is a technique of managerial control in which all operations are planned and this will help us in knowing how much we have to spend in order to achieve the future result. It compared the actual result with budgetary standards. This comparison reveals

the necessary actions to be taken so that the organizational objectives are accomplished.

Budgeting offers the following advantages

- (i) Budgeting focuses on specific and time bound targets.
- (ii) Budgeting is a source of motivation to the employees they set the standards against which their performance will be appraised and thus, enables them to perform better.
- (iii) Budgeting helps in optimum utilisation of resources by allocating them according to the requirements of different departments.
- (iv) It helps the management in setting standards.

5. Explain how management audit serves as an effective technique of controlling.

Ans: Management audit is a technique which helps in measuring the efficiency and effectiveness of management. It is a comprehensive and constructive review. Thus, we can say it is defined as the review of the functioning performance and to improve its efficiency in future period hence it serves as an effective technique of controlling following points are proving the same.

- (i) It helps to locate present and potential deficiencies in the performance of management functions.
- (ii) It helps to improve the control system of an organisation by continuously monitoring the performance of management.
- (iii) It ensures updating of existing managerial policies and strategies in the light of environmental changes.

This results in efficient controlling of management.

LONG ANSWER TYPE QUESTIONS

1. Explain the various steps involved in the process of control.

Ans: Controlling is a systematic process involving following steps

- (i) **Setting Performance Standards** The first step in the controlling process is setting up of performance standards. Standards are the criteria against which actual performance would be measured.

Standards can be set in both quantitative as well as qualitative terms.

Some of the qualitative standards are—cost to be incurred, product units to be produced, time to be spent in performing a task etc. Improving goodwill and motivation level of employees are examples of qualitative standards.

(ii) Measurement of Actual Performance

Once performance standards are set, the next step is measurement of actual performance. Performance should be measured in an objective and reliable manner. Some of the techniques used for measuring the performance are personal observation, sample checking performance reports etc.

(iii) Comparing Actual Performance with Standards

This step involves comparison of actual performance with the standards. Such comparison will reveal the deviation between actual and desired results. Comparison becomes easier when standards are set in quantitative terms. For instance, performance of a worker in terms of units produced in a week can be easily measured against the standard output for the week.

(iv) Analysing Deviations

Some deviations in performance can be expected in all activities. It is therefore, important to determine the acceptable range of deviations. Also, deviations in key areas of business need to be attended more urgently as compared to deviations in certain insignificant areas. Critical point control and management by exception should be used by a manager in this regard.

(v) Taking Corrective Action

The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within acceptable limits. However, when the deviations go beyond the acceptable range, especially in the important areas, it demands immediate managerial attention so that deviations do not occur again and standards are accomplished. In case the deviations cannot be corrected through managerial action, the standards may have to be revised.

2. Explain the importance of controlling in an organisation. What are the problems faced by the organisation in implementing an effective control system?

Ans: Control is an indispensable function of management. Without control the best of plans can go away. A good control system helps an organisation in the following way

(i) Accomplishing Organisational Goals

The controlling function measures progress towards the organisational goals and brings to light the deviations. If any, and indicates corrective action. It thus, guides the organisation and keeps it on the right track so that organisational goals might be achieved.

(ii) Judging Accuracy of Standards

A good control system enables management to verify whether the standards set are accurate and objective an efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of such changes.

(iii) Making Efficient Use of Resources

By exercising control, a manager seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with pre-determined standards and norms. This ensures that resources are used in the most efficient and effective manner.

(iv) Improving Employee Motivation

A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus motivates them and helps them to give better performance.

(v) Ensuring Order and Discipline

Controlling creates an atmosphere of order and discipline in the organisation. It helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities.

(vi) Facilitating Co-ordination in Action

Controlling provides direction to all activities and efforts for achieving organizational goals. Each department and employee is governed by pre-determined standards which are well co-ordination with one another. This ensures that overall organizational objectives are accomplished.

Although controlling is an important function of management. It suffers from the following limitations also

(i) Difficulty in Setting Quantitative Standards Control system loses some of its effectiveness when standards cannot be defined in quantitative terms. This makes measurement of performance and their comparison with standards a difficult task. Employee morale, job satisfaction and human behaviour are such areas where this problem might arise.

(ii) **Little Control on External Factors** Generally an enterprise cannot control external factors such as government policies, technological changes competition etc.

(iii) **Resistance from Employees** Control is offer resisted by employees. They see it as a restriction on their freedom. For instance, employees might object when they are kept under a strict watch with the help of Closed Circuit Televisions (CCTVs).

(iv) **Costly Affair** Control is a costly affair as it involves a lot of expenditure, time and effort. A small enterprise cannot afford to install an expensive control system. It cannot justify the expenses involved. Managers must ensure that the costs of installing and operating a control system should not exceed the benefits derived from it.

3. Discuss the relationship between planning and controlling.

Ans: Planning and controlling are inseparable, they are twins of management. A system of control pre-supposes the existence of certain standards. These standards of performance which serve as the basis of controlling are provided by planning. Once a plan becomes operational controlling is necessary to monitor the progress, measure it, discover deviations and initiate corrective measures to ensure that events conform to plans. Planning is clearly a pre-requisite for controlling. Controlling cannot be accomplished with planning. With planning there is no pre-determined understanding of the desired performance, planning seeks consistent, integrated and articulated programmes while controlling seeks to compel events to conform to plans.

Case Problems

A company M limited is manufacturing mobile phones both for domestic Indian market as well as for export. It had enjoyed a substantial market share and also had a loyal customer following. But lately it has been experiencing problems because its targets have not been met with regard to sales and customer satisfaction. Also mobile market in India has grown tremendously and new players have come with better technology and pricing. This is causing problems for the company. It is planning to revamp its controlling system and take other steps necessary to rectify the problems it is facing.

(I) Identify the benefits the company will define from a good control system.

Ans: When company starts following a good control on operations, it leads to derive benefits which are

(i) Helps in achieving desired goals.

(ii) Judging accuracy of operations.

(iii) Making efficient and effective use of resources.

(iv) Improving employee morale.

(v) Ensuring proper flow of orders and the whole system is in discipline.

(vi) It facilitates the co-ordination and improve the performance of every individual.

(II) How can the company relate its planning with control in this line of business to ensure that its plans are actually implemented and targets attained?

Ans: Company relates its planning with control in this line of business by implementing effective control system as this will help in two aspects planning makes controlling effective and efficient whereas controlling improves future planning because it is like a postmortem of past activities to find out deviations from the standards and in order to ensure that its plans are actually implemented and targets are attained they will take the help from controlling process as it is a systematic process and it leads to following benefits

(i) **Setting Up of Standards** In this step, company set some targets against which the actual performance is measured.

(ii) **Measuring of Performance** In this step, company is able to measure the performance and evaluating that what is actually done by the employees.

(iii) **Compare Performance** After evaluating the actual result, company compares the actual performance with the planned one this helps in knowing that the desired goal is achieved or not.

(iv) **Analysing Deviations** This refers to the difference between actual and desired performance. It helps in knowing to the company that the deviation is positive or negative. It needs focus on which part rather than analysing whole.

(v) **Taking Corrective Measures** Final step is to know the type of deviation and trying to remove this deviation and in future it matches with the plans.

(III) Give the steps in the control process that the company should follow to remove the problems it is facing.

Ans: The company should follow these steps in a systematic manner

(i) Setting performance standards

(ii) Measurement of actual performance

(iii) Comparison of actual performance with standards

(iv) Analysing deviations

(v) Taking corrective actions

(IV) What techniques of control can the company use?

Ans: The company should follow the modern techniques to control the system

(i) **ROI** (Return on Investment)

It is a useful technique of controlling overall performance of a company. It indicates how effectively resources are being used, facilitates balanced use of capital employed, focuses on profits and relates them to capital invested.

(ii) **Responsibility Accounting** Under this technique, organisation is divided into centres which is responsible for overall growth of various departments. Responsibility centres in the organisation are

(a) **Cost Centre** Under this, one can check the production and operational cost.

(b) **Revenue Centre** Sales or marketing departments come under this, it is responsible for generating revenue.

(c) **Profit Centre** Profit = Revenue – Cost. It ensures the actual profit derived from the business.

(d) **Investment Centre** This centre ensures the optimum use of assets and it makes use of return on investment.

(iii) **MIS** (Management Information System)

It is a control technique which provides information and support for effective managerial decision making. It provide accurate information to the managers, helps in planning, controlling, provides cost effective information and many more.