

BUSINESS STUDIES

CHAPTER 8 – CONTROLLING

Very Short Answer Questions

1. Kothari Sweets is a renowned name for quality sweets since 2000. Adarsh the owner of Kothari Sweets was worried as the sales had declined during the last five months. When he enquired from the Sales Manager, the Sales Manager reported that there were some complaints about the quality of sweets. Therefore, Adarsh ordered for sample checking of sweets. Identify the step taken by Harsh that is related to one of the functions of management. (CBSE BOARD 2017)

Ans: In the above situation, Harsh is measuring actual performance under the controlling function of the management.

2. What is the formula for Return on Investment?

Ans: $\text{Net Profit} / \text{Total investment}$

3. What do you understand by Key Result Areas(KRAs)?

Ans: The KRA stands for "Key result area". These are the areas which are critical for the success of an organization. These are the areas upon which the management's attention is needed the most.

4. What should be done while 'taking corrective action' in process of controlling, when especially in the important areas deviations go beyond the acceptable range?

Ans: When deviations in important areas go beyond the acceptable range, immediate managerial attention is required. In this regard, a manager can train, educate and develop employees so that deviations can be controlled. This will lead to no or minimum level of deviations.

5. Why planning is an empty exercise without controlling

function?

Ans: Planning is an empty exercise without controlling because the successful implementation of plans and monitoring of plans depend upon the level of controlling.

6. Which two steps in the process of controlling are concerned with compelling events to conform to the plan?

Ans: The two steps are:

- Comparison of actual performance with standards.
- Taking corrective actions.

7. If you want to control everything you may end up controlling nothing. Explain.

Ans: Controlling everything will result in controlling nothing, this shows the concept management by exception that highlights that you cannot control everything with utmost effectiveness, hence a few exceptions had to be made.

8. Define Management Audit.

Ans: Management audit refers to systematic performance appraisal of the management of an organization.

9. Why is controlling considered to be backward-looking?

Ans: Controlling involves analysing the past activities to find out ways to improve current strategies for efficient functioning of the company.

10. Name two types of profitability ratios?

Ans: Two types of profitability ratios are:

- Gross Profit Ratio
- Net Profit Ratio.

11. What do you call the sales volume at which there is no profit, No loss?

Ans: The sales volume when there is no profit or loss is called Breakeven Point(BEP).

12. Give 2 examples of Corrective Action.

Ans: The two examples are:

- Providing required training to the employees
- Revising the standards.

13. Give two examples of responsibility centers.

Ans: The two examples are:

- Cost Centre
- Revenue center

14. The marketing department comes under which type of responsibility center.

Ans: Cost Centre.

Short Answer Questions

15. 'Planning is looking ahead and controlling is looking back. Comment.

Ans: Planning is looking ahead and controlling is looking back. This statement is partially true.

- Planning is a mental exercise that helps in deciding what is to be done and how it is to be done. In other words, planning determines the goals to be reached and the path of action to be taken. Thus, it is said that planning is looking ahead as it involves predicting the future course of action.
- Controlling, on the other hand, involves an assessment of

past performance and evaluating them against the set standards. In this sense, control is said to be a backward-looking function.

- However, both these statements are only partially true. Though planning is a future-oriented concept, it is still based on past experiences.

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

Ans: Budgetary control is a technique of controlling that involves preparing plans in the form of budgets. A budget refers to a financial or a quantitative statement that defines the targets to be achieved and the policies to be followed in a specific period.

The actual performance is then compared with the budgetary standards. Budget can be prepared for different divisions of the organization such as sales budget, production budget, purchase budget, etc.

Future estimates should be made carefully. Budgeting also acts as a source of motivation for the employees by setting the standards against which their performance will be assessed.

Thus, it encourages them to achieve the set objectives. In addition, it is also used to facilitate coordination among different divisions/departments of the organization.

Long Answer Type Questions

"1-phone India Ltd." is a manufacturer of the advanced category of mobile phones. The company trained its engineers from Japan. It markets its mobile phones domestically as well as internationally. The company had a substantial market share and had a loyal customer following because of the quality of its i-phone. From the last financial year, the company had **been unable to achieve its targets because of competition in the market. The company is planning to revamp its controlling system.**

**(CBSE BOARD
2015)**

(i) Identify the concepts of management involved in the above para.

Ans: Staffing and Controlling.

(ii) State the steps of the revamped controlling process to be followed by the company to solve this problem.

Ans: The two steps which must be followed by the company to solve this problem are:

- Analyzing deviations
- Taking corrective action

(iii) Also, state any one value, which the company wants to communicate to society.

Ans: Values communicated to the society are :

- Serving society by providing quality products.
- Growth and development of the society.

17. State any five points that highlight the importance of controlling.

**(CBSE BOARD
2016)**

Ans: Controlling is an important and indispensable function of management. Its fundamental goal is to manage managerial actions by establishing standards and comparing actual performance to those goals. It ensures the most efficient use of resources while also resolving concerns that need to be addressed. The following are some of the reasons that emphasise the significance of control.

- **Controlling aids in the achievement of organizational objectives:** The controlling function tracks progress toward organizational objectives and flags any deviations so that remedial action can be taken.
- **Determining the accuracy of standards:** An effective control system enables management to determine if the standards established are correct or not by closely monitoring the changes occurring in an organisation.
- **Improving employee motivation:** An efficient control system ensures that employees know well in advance what they are expected to do and also what are the standards of performance. It thus motivates and helps them to give better performance.
- **Ensuring order and discipline:** Controlling function creates an atmosphere of order and discipline in the

organization by keeping a close check on the activities of its employees.

- **Facilitating Coordination in action:** Predetermined standards are set for governing each department and employee in an organization. This ensures coordination between all the departments and the individual working within.

18. Describe briefly the relationship between controlling and planning.

(CBSE BOARD 2017)

Or

"Planning and Controlling are inseparable twins of management." How?

Ans: Planning and controlling are closely interrelated functions of management.

- Planning is a mental exercise that helps in deciding what is to be done and how it is to be done. In other words, planning determines the goals to be reached and the path of action to be taken.
- On the other hand, controlling refers to the process of managing and evaluating the work done following the standards and taking corrective measures, if there are any deficiencies. These standards that form the basis of control are provided by planning.
- Under planning numerous objectives and policies are formed as benchmarks against which actual performance is measured.
- Controlling without planning is meaningless. There is nothing to control if there are no standards or objectives.
- That is, if the managers don't know what the end goal is, they don't have a benchmark against which to measure current performance and shortcomings.
- Similarly, planning is useless if it is not followed by controlling. Following the formulation of the plans, it is vital to monitor and evaluate whether the performance is in accordance with the objectives.

- Hence, planning cannot be carried out if there are no mechanisms for controlling.

19.A company was manufacturing solar panels for charging mobiles, which were in great demand. It was found that the target of producing 500 solar panels a day was not being met by the employees. On analysis, it was found that the workers were not at fault. Due to the non-availability of raw materials and shortage of workers, the company was not able to achieve the set targets and alternative arrangements were needed. To meet the increased demand the company assessed that approximately 66 additional workers were required out of which 6 would work as heads of different departments and 10 would work as subordinates under each head. The required qualifications and job specifications 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 organization. All efforts were made to match the ability of the applicants with the nature of their work.

[CBSE BOARD 2015]

a. Identify the functions of management

discussed above. Ans: The functions of management are:

The functions of management listed above are staffing and controlling.

Quote for staffing: "To meet the increased demand the company assessed that approximately 66 additional workers were required out of which 6 would work as heads of different departments and 10 would work as subordinates under each head".

Quote for controlling:

"It was found that the target of producing 500 solar panels a day was not being met by the employees. On analysis, it was found that the workers were not at fault. Due to the non-availability of raw materials and shortage of workers, the company was not able to achieve the set targets and alternative arrangements were needed".

b.State the two steps in the process of each function discussed in the above para.

Ans: Steps in Staffing Function

- **Estimation of Required Manpower:** As a first step, the number of persons and the kind of persons required in the organization must be estimated properly. It involves the following two steps:
 - i. **Workload Analysis:** It refers to the number of persons and the kind of persons required in an organization who will be able to handle the given amount of workload.
 - ii. **Workforce Analysis:** It refers to estimating the existing number of persons in the organization.
- **Recruitment/Searching:** It refers to finding suitable candidates, and inducing them to apply for the position required by the company.

Steps in Controlling Function

- **Comparing Performance:** After the actual performance is measured, the actual performance is compared with the predefined standards.
- **Analyzing Deviation:** After analysing the actual performance with the set standards, deviations in performance is identified.

c. List any two values which the company wants to

communicate to society. **Ans:** Values which the company wants to communicate to society:

- Use of environment-friendly methods of production
- Women empowerment

20. Explain the various steps in the process of controlling

Ans: Controlling refers to the process of evaluation and assessment of the work done. Under the process of controlling, standards are set for various tasks and activities.

The following are the steps involved in the controlling process

- a. **Setting Standards:** Setting standards is the first stage. Standards are the benchmarks against which real or actual performance is compared. Standards can be both qualitative and quantitative in nature. It is important to

remember that the established criteria should allow for easy comparison.

- b. Measuring Actual Performance:** The next step in the controlling process is to measure the performance of various activities.

This measurement should be exact and reliable such that it facilitates easy comparison with the set standards. Moreover, the measurement of performance can be at various stages in the activity or the completion of the activity.

- c. Comparing Performance:** This step involves a comparison of actual performance with the standard set. If the performance matches the standards, it may be assumed that everything is under control.

- d. Analysing Deviation:** With the comparison of the actual performance with the set standards, the deviations in performance are identified. For analyzing deviations, the following methods can be used:

- i. Critical Point Control:** Management should only focus on key result areas (KRAs) that are critical to the organization's performance. These are the critical points which can cause huge loss to the company if not controlled.

- ii. Management by Exception:** Management by exception is often called control by exception, which is an important principle of management control, based on the belief that any attempt to control everything results in controlling nothing. In short, everything cannot be controlled at the same time

Deviations should be identified and their causes must be recognized. Some causes for deviations can be infeasible standards, deficiencies in the process, and a dynamic business environment.

- e. Taking Corrective Action:** In case deviations are beyond the acceptable range, it becomes necessary to take corrective action. These corrective actions can be in terms of revising the standards, providing training, settling the issues related to raw material, machinery etc.