



## Unit- 8 : CONTROLLING

### Summary of the Chapter

1. **Meaning of controlling:** Comparing actual performance with standards and finding deviations if any and taking corrective action.

**Actual Performance = Standards = No deviation**

**Importance of controlling-**

1. **Maximum utilization of resources.**
2. **Improve efficiency and effectiveness.**
3. **Helpful to take corrective action.**
4. **Helpful to attain organizational objectives.**

2. **Process of Controlling:**

1. **Setting performance standards:** Standards are the Criteria against which actual performance would be measured. Standards serve as bench marks. They can be set in both quantitative as well as qualitative.
2. **Measurement of actual performance:** Performance should be measured in an objective and reliable manner.

3. **Comparing actual performance with standards:**

4. **Analyzing deviations:** Major deviation or minor deviation and analyzing the causes of deviation.

a) **Critical point control:** Focus only on Key Result Areas (KRAs).

b) **Management by Exception:** Concentrate only on major deviations only.

5. **Taking corrective action:** When 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.

**Relationship between Planning and Controlling:**

Planning and controlling are inseparable twins of management. Planning initiates the process of management and controlling completes the process. Plans are the basis of control and without control the best laid plans may go astray. Planning is clearly a prerequisite for controlling. It is utterly foolish to think that controlling could be accomplished without planning.



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**Very short answer questions (1 Mark)**

- Q1.** Which two standards will you suggest for production department?  
**Ans.** (i) Quality (ii) Quantity .
- Q2.** Why is it said that 'planning is meaningless without controlling'?
- Ans.** Because in the absence of controlling nobody will take it seriously to work according to the plans and hence, the plans will fail.
- Q3.** In which situation the need of taking corrective action arises?  
**Ans.** In case of negative deviation.
- Q4.** Name the two situations in which corrective action is not required.  
**Ans.** (i) Zero deviation (ii) positive deviation.
- Q5.** What should be the 'focus point' for a manager while controlling as controlling at each and every step is not possible?  
**Ans.** Focus point for a manager While Controlling should be the 'key result areas'.
- Q6.** In controlling process standards were set according to the efficiency of the average employee which value has been kept in mind while setting the standards?  
**Ans.** (i) Increase in the morale of the employees.  
(ii) Improving the quality of production.
- Q7.** In a company, employees achieved quantitative standard but could not attain qualitative standards which values have been ignored here?  
**Ans.** i) Production of inferior quality goods.  
ii) Exploitation of consumers.
- Q8.** States any one advantage of 'critical-point control' and 'management by exception'.  
**Ans.** By taking care of important deviations both time and efforts are saved.
- Q9.** Give meaning of the term 'deviation' as used in the control function of management?  
**Ans.** Deviation refers to the difference between actual performance and standard work.
- Q10.** Which two steps in the process of control are concerned with compelling events to conform to plan?  
**Ans.** (i) Setting performance standards and  
(ii) Taking corrective action.

**Short answer Question (3/4 marks)**

- Q1.** Explain the principal of 'critical-point control' and 'principal of management by exception'?
- Ans.** (i) **principal of critical-point control:** it refers to that concept of management which holds instead of all activities the management should focus its attention on only important activities.



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- (i) **Principal of management by exception:** it refer to that principal of organizational control which holds that only significant deviations (i.e., exceptions) should be brought to the top management attentions.

**Q2.** Explain two causes of deviations and corrective action to be taken?

**Ans.** **Cause of deviations-**

- (i) **Human causes:** The efficiency of the employees is the chief cause among the human cause.
- (ii) **Uncertain events:** It includes strikes lockouts, shortage of raw material, entry of many competitors in the market, etc.

### **Corrective Action**

- (i) Corrective action should be taken only after a careful inquiry into the causes of deviations.
- (ii) If the wrong standards had been determined, they should be modified.

**Q3.** After setting the performance standards the next step in the controlling process is the 'measurement of actual performance'. Explain this step in the process of controlling?

**Ans.** The second step in the process of controlling is the measurement of actual performance. The measurements of actual performance is done on the basis of predetermined standards .The measurement of actual performance tells the manager whether the work has been done according to the plan or not.

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.

**Q4.** Michel john is a sole proprietor in Nicrobar. He has started trade after getting M.B.A degree .he is fully familiar of management .He starts his business with the planning function of management .He desires that all his activities should conform to planning .To this effect, he has adopted a system that keeps a constant watch on the business .Consequently, there is zero possibility of adverse results .It can, therefore, be said that this method is directly related to the results. Mr. John also believes that this method applies not only to any one level of management but to all the levels as well.

- a) **Identify the function of management referred to in the aforesaid paragraph.**
- b) **Describe any two importances of the functions of management as identified under point (a) above.**

**Ans.** (a) Controlling

(b) Two importance of controlling are as under:

- (i) Controlling helps in achieving goals: Controlling helps to achieve the goals of the organization by actual work performance with the standards.
- (ii) Controlling increases efficiency: Controlling increases efficiency through optimum utilization of all the resources, such as Man, Machine, Material and money.



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**Q5.** “Prakash limited” is a company manufacturing electrical goods Smt. Ruby is its managing director. By virtue of her wise directions, the company has achieved great heights. A management institute one day invited her for a lecture. There she got an opportunity to dialogue with the students of management studies. She narrated to them the story of her success. She told them two main things, **First:** the employee should know that their work is being evaluated and progress report prepared. **Second**, optimum use of physical resources should be made possible.

- a) Identify the above said function of the management.
- b) On the basis of the aforesaid paragraph write two point regarding the importance of the function of management as identified in point (a) above.

**Ans.** (a) Controlling

(b) Two importance of controlling are as under:

- (i) Controlling helps in achieving goals: Controlling helps to achieve the goals of the organization by actual work performance with the standards.
- (ii) Controlling increases efficiency: Controlling increases efficiency through optimum utilization of all the resources, such as Man, Machine, Material and money.

**Q6.** Mr Sidharth pandey is the marketing manager of ‘Swastik limited’. He is a loyal employee of the company. He makes all possible efforts to enhance the public image of company’s products that is the sole reason of continuous rise in company’s sales. Whatever sales target he determines, he realizes much more sales every time. It means that every time there occurs positive deviation. Mr. Pandey remains in constant rapport with production manager. he always endeavors that the products of the company should be of high quality. On account of maintaining high quality of the product, he is always ahead of his competitors. As a marketing manager, he also fixes price of company’s products. while fixing the prices he takes special care to ensure that prices should have no adverse impact on the consumer. His main aim is to present true image of the company and its products in advertisements.

- (a) Which step of controlling process has referred to in the above paragraph? Clarify.
- (b) Identify any two values directed to the society by Mr. Pandey.

**Ans.** (a) Third step of controlling process is actual performance with standards.

(b) Good health and Reasonable price.

**Q7.** Love and kush are two friends. both are MBA (final year) students. One day, their professor called them to class stage for a surprise Test. He told that one of them will establish relationship between any two functions. Of management. then the other one, will establish reverse relationship between the same two functions. Both will have to give justification for the relationship explained by them. It was a test carrying 50marks. But the students were Intelligent and skillful. Love was the first to speak.

Love said that in his opinion of the functions of management selected by him one is always looking ahead (future) and the other is looking back (past).



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No sooner did love express his opinion, than Kush identified the function selected by (love). In his reply, Kush said that the one function stated by love to have been looking ahead was in his opinion, looking back and the other one stated by him (love) to have been looking back was looking ahead.

- (a) Identify the functions of the management discussed in the above paragraph.
- (b) Justify the contrary relations of management functions as viewed by love and Kush.

**Ans.** (a) Planning and controlling.

- (b) Plans are prepared for future and involve looking ahead. On the contrary, controlling is like a postmortem of past activities to find out deviations from the standards. In that sense controlling is a backward looking function. However, it should be understood that planning is guided by past experiences and the corrective action initiated by control function.

**Q8.** Explain any three feature of controlling?

- Ans.** (i) Controlling is a fundamental management function:  
 (ii) Pervasive function:  
 (iii) Controlling is a continuous activity:

### Long Answer Questions (6 Marks)

**Q1.** Explain the various steps in the process of controlling?

**Ans.** Steps in the process of controlling

- [1] **Setting Performance Standards:** Standards serve as criteria against which actual performance would be measured. It can be both in terms of quantitative and qualitative.
- [2] **Measurement of Actual Performance:** Performance should be measured in an objective and reliable manner.
- [3] **Comparison of Actual Performance with Standards:** in this steps actual performance are compared with standard such comparison reveals deviations.
- [4] **Analyzing deviations:** This step compels events to conform to plans. Deviations are the errors or weakness which may occur in the process of achievement of goals and the manager has to rectify them. The acceptable range of deviations must be determined.
- [5] **Taking Corrective Action:** It is necessary to identify the exact deviation to take corrective action. This step compels events to conform to plans.

**Q2.** Explain the relationship between planning and controlling?

**Ans.** Relationship between Planning and Controlling: -

Planning and Controlling, both are major and interdependent functions of management. On one hand, planning provides the base for controlling, on the other hand controlling




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ensures that plans are successfully converted into reality. The relationship between planning and controlling can be analyzed in two parts: -

- 1) Interdependence
- 2) Difference

**Interdependence: -**

One of the famous management experts had said that, **“Planning is meaningless without controlling and controlling is blind without planning.”**

Planning provide the base for controlling. It means that planning sets the objectives, decide the future course of action for the firm. It provide the basic framework for all other activities of management including controlling.

In the same way controlling process cannot be performed, until and unless we have planned something in advance. If the standards are not determined, there is no justification left for controlling.

**Difference: -**

Planning and Controlling both are opposite looking functions because plans are always made for future, whereas controlling is a backward looking function in which at the completion of process, manager tries to find whether it has been done according to plan or not. Planning is the first function of management. All the other function follows it, whereas controlling is the last function, which follows all the other functions of management.

- Q3.** Mr. Jai Prakash Gupta is the general manager of “ Bhagwati Udyogpvt .Ltd.” With a view to running his business in a careful manner, he divided all the activities into seven departments. These Departments were: purchase, Marketing, production, personnel, finance, Accounting and Correspondence .Later on, he realized that accounting and correspondence department can be merged into finance department. Thus, all business activities were divided into five departments. Mr. Gupta is now thinking on the lines as to which are the department, out of these five that will have significant role in the success of the business, After complete analysis, he concluded that marketing, production and finance were the department on which success of the business depended, It meant that even of some shortcoming occurred in the departments of purchase and personnel, it would not affect much the success of the business, Thereafter, Mr. Gupta determined deviation tolerance limits of these three main departments. It meant that if deviation of these departments remains within this tolerance limit, then it will be looked after by the concerned manager. However, in case the deviation is beyond this limit that same will be brought to the notice of General Manager.

- (a) Identify two function of the management referred in the above paragraph (b) Describe the relevant concepts of identified functions.

**Ans:** (a) Organizing and controlling




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- (b) (i) **Concept related to organizing-** Under it , second step of organizing process i.e., departmentalization is involved .
- (ii) **Concept related to Controlling-**Following two concepts are related to controlling
- (a) **Critical point control-** it is the concept of management which holds instead of all activities the management should focus its attention on only important activities.
- (b) **Management by Exception-** it refer to that principal of organizational control which holds that only significant deviations (i.e., exceptions) should be brought to the top management attentions .

**Q4.** “Kitchen Saj limited” is a company manufacturing plastic goods. Mr. Shah is its marketing manager and Mr. Sahu, its production manager. Style of working of both the managers is entirely different .Mr. shah set such standards for different activities of his department as were quite easy to achieve. On the other hand, Mr. Sahu set standards for different activities of his department as were very difficult to achieve. As a result, marketing department achieved his target very easily. Mr. Shah and his team were very pleased with these result. But the situation prevailing in the production department was quite contrary to it. Mr. Sahu was far behind his target. Now he and his team were very much worried.

- (a) Which step of controlling process has been discussed in the above paragraph?
- (b) In your opinion, both the manager would have set standards for which activities of their respective departments? Write two standards each.
- (c) Of the two managers, one set easily achievable standards whereas the other set such standards as could be achieved with great difficulty. In your opinion, what effect of situation would have on the employees?
- (d) State in one word, what should be the type of standards?

**Ans.** (a) First step of the controlling process i.e., setting of performance standards, has been discussed.

(b) **Main standards of marketing department.**

\* Sales volume \* Sales expenses.

**Main standards of production department**

\* Quality \* Quantity

(c) **Effect of easily achievable standards:**

In this situation employees turn lazy (idle).

Effect of those standards which are achieved with difficulty:

In this situation employees are worried.

(d) Reasonable