

## **UNIT 8**

### **Controlling**

#### ***Short questions (3/4 marks questions)***

**1. “Controlling is a pervasive function.” Explain.**

Ans.. The controlling is a pervasive function of the management as it is performed in all organizations (business and non-business) and at all managerial levels. It is that function of management under which every manager at every level assures that the actual progress is in conformity with the plans..

**2. “An effort to control every thing may end up controlling nothing”. Comment.**

Ans. This statement is absolutely right. Here the ‘principle of critical point control’ is applicable. According to this principle, those points or activities should be determined in the very outset which have an important role to play in ensuring the actual work progress in accordance with the plans. These are known as Key Result Areas- KRAs. It means that the managers should not be involved in small insignificant activities but should pay more attention to those activities where unfavourable results can cause heavy loss to the enterprise.

**3. Differentiate between the ‘Principle of Critical – point control’ and Principle of Management by exception’.**

Ans. Under the principle of critical point, it is sought to be understood on which points or activities control will be profitable, while in the principle of exception deviation is taken care of in respect of the pre-determined critical points and in case of especially good or especially good or especially bad deviation in respect of some particular critical point corrective action is taken.

**4. Explain any three types of Budgets.**

Ans. (i) *Sales Budget*: Sales budget is a detailed plan of sales which gives the details about the estimated sales within a definite period of time. It shows as four things in connection with the sales: Goods, Quantity, Price and Period of time.

(ii) *Production Budget*: this budget is based on the sales budget. This budget determines the quantity of different products to be produced and their time of production.

(iii) *Cash Budget*: When all the expenditure budgets have been prepared, the cash budget is prepared last of all. This budget gives an estimate of the cash receipts and payments.

**5. What are the Limitations of controlling?**

(i) Difficulty in setting quantitative standards: Control system loses some of its effectiveness when standards cannot be defined in quantitative terms. Employee morale, job satisfaction and human behaviors 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 often resisted by employees. They see it as restriction on their freedom.

- (iv) Costly affairs: Control is a costly affair as it involves a lot of expenditure, time and efforts.

### LONG QUESTIONS (5/6 marks questions)

**Q: What is meant by 'Controlling'? Discuss the importance of controlling.**

Control is an indispensable function of management. Without control the best of plans can go awry.

A good control system helps an organization in the following ways:

- (i) Accomplishing organizational goals: the controlling function measures progress towards the organizational goals and brings to light the deviations, if any, and indicates corrective action.
- (ii) Judging accuracy of standards: a good control system enables management to verify whether the standards set are accurate or not. An efficient control system keeps a careful check on the changes taking place in the organization 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. This ensures that resources are used in the most effective and efficient 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 appreciated.
- (v) Ensuring order and discipline: Controlling creates an atmosphere of order and discipline in the organization. It helps to minimize dishonest behaviors on the part of the employees by keeping a close check on their activities.
- (vi) Facilitating coordination in action: Controlling provides direction to all activities and efforts for achieving organizational goals.

**(vi).11 Explain the relationship between planning and controlling.**

Ans. The relationship between planning and controlling can be divided into the following two parts.

- (i) Interdependence between Planning and Controlling.
- (ii) Difference between Planning and Controlling.

(i) **Interdependence between Planning and Controlling.** Planning is meaningless without controlling and controlling is blind without Planning. Both the aspects of the interdependence of planning and control have been discussed below:

(a) Planning is meaningless without Controlling: if the process of controlling is taken away from management no person working in the enterprise will take it seriously to work according to the plans and consequently, the plans will fail.

(b) Controlling is blind without Planning: Under the system of controlling actual work performance is compared with the standards. Hence, if the standards are not determined there is no justification left for control and the standards are determined under planning.

**(ii) Difference between Planning and Controlling**

Yes, planning and controlling are incomplete and ineffective without each other but it doesn't mean that both are not independent. Reasons are:

- (a) Planning is looking Ahead whereas Controlling is Looking Back:* Plans are always formulated for future and determined the future course of action for the achievement of objectives laid down. On the contrary, controlling is looking back because under it a manager tries to find out, after the work is completed, whether it has been done according to the standards or not.
- (b) Planning is the first function and Controlling is the last function of Managerial Process:* the managerial process moves in a definite sequence- like planning, organizing, staffing, directing and controlling happens to be the last step.

**Q.3. Explain briefly the various steps in the process of control.**

Ans.. Following are the steps of controlling process:

- (i) Setting Performance Standards:* the first step of controlling is to set performance standards. Standards are those criteria s on the basis of which the actual performance is measured. Thus, standards serve as benchmarks towards which an organization strives to work. Standards can be set in both quantitative as well as qualitative terms.
- (ii) Measurement of Actual Performance:* the second step in the controlling process is the measurement of actual performance. The measurement of actual performance is done on the basis of pre-determined standards. The measurement of actual performance tells the manager whether the work has been done according to the plan or not.
- (iii) Comparison of Actual Performance with Standards:* At this step, actual performance is compared with the standards and deviations are found out.
- (iv) Analyzing Deviations:* Deviations are examined the light of pre-determined Deviation Tolerance Limits. If the deviations are within limits they can be avoided. But if they cross the limits, they should be reported to the higher level managers without any delay. There are two important principles regarding this:
  - (a) Principle of Critical Point Control:* According to this principle, those activities should be determined in the very outset which have an important role to play in ensuring the actual work progress in accordance with the plans. These are known as Key Result Areas – KRAs. It means that the managers should not be involved in small insignificant activities but should pay more attention to those activities where unfavourable results can cause heavy loss to the enterprise.
  - (b) Management by Exception:* Management by exception, is an important principle of management control based on the belief that an attempt to control everything results in controlling nothing. Thus, only significant deviations which go beyond the permissible limit should be brought to the notice of management.
- (v) Taking Corrective Action:* The last but the most important step in the controlling process is taking corrective action. By now the deviations and their causes become known. Now is the turn of removing the hurdles in the actual work progress. The purpose of corrective action is to bring the actual work progress to the level of expected progress.