

CBSE Test Paper - 05
Chapter - 8 Controlling

1. What is not correct about controlling? **(1)**
 - a. Controlling is goal oriented
 - b. Controlling is External Source
 - c. Controlling is pervasive function
 - d. Controlling is a continuous process

2. Technological upgradation is the best corrective action in case of _____ **(1)**
 - a. Defective material
 - b. Defective machinery
 - c. None of these
 - d. Obsolete Machinery

3. Management audit is a technique to keep a check on the performance of **(1)**
 - a. Management of the company
 - b. Company
 - c. Customers
 - d. Shareholders

4. What are the techniques of measurement of performance? **(1)**
 - a. Performance reports
 - b. Sample Checking
 - c. All of these
 - d. Personal Observation

5. 'Controlling is a pervasive function'. Explain. **(1)**

6. Controlling should not be misunderstood as the last function of management. Why? **(1)**

7. "Measurement of a company's performance may involve calculation of certain ratios

like gross profit ratio, net profit ratio, return on investment ratio etc.” Identify the function of management involved in the given statement and mention the relevant step. **(1)**

8. Why it is said that controlling is a continuous activity? **(1)**
9. Mr. Ajay kumar is a production manager in a big manufacturing company. He found that refreshment expenses have increased by 15% and cost of production has increased by 5%. Out of the two deviations, which deviation needs immediate attention? **(3)**
10. 'Controlling is forward looking'. Explain. **(3)**
11. Textile manufacturer Super textiles reported a 43% fall in its profits in the fourth quarter ended 31 March 2017, which is beyond the acceptable range 25% decided by the company. This was due to higher fuel cost and lower yield on account of demonetization. The company aims to implement cost-saving measures by restructuring contracts and its business processes to meet its targets in the future.
 - a. Name the function of management discussed above.
 - b. Also, identify and explain the steps of the function of management discussed above. **(4)**
12. Describe briefly the steps in the process of controlling. **(4)**
13. Give the steps in the control process that the company should follow to remove the problems it is facing. **(5)**
14. Explain the relationship between controlling and planning functions of management. **(5)**
15. Planning and Controlling are inseparable twins of management. How? **(6)**

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Answer

1. b. Controlling is External Source

Explanation:

Controlling is about ensuring that tasks are done in the organisation according to the plan and directed towards achieving the organisational goals. Thus, controlling is a pervasive force that drives the organizational mechanisms towards its goals. It is an ongoing process to keep checking the direction of progress of execution of the task towards reaching the goal.

2. d. Obsolete Machinery

Explanation:

obsolete machinery means that such a kind of machine is not more in use or the machine is old-fashioned or such machine uses an old technology. Thus, the best corrective action to make the machinery useful is to change the technology used in the machinery.

3. a. Management of the company

Explanation:

As in the understanding of the term management, means - managing all the resources that is man, machines, mechanisms, money and methods of the organisation or company performing effectively and efficiently to achieve the organisational and individual goals. Thus, auditing the functions of management means checking the performance of the company.

4. c. All of these

Explanation:

There are many ways to measure performance of an employee. some of them are Graphic rating scale, Forced distribution method, management by objectives, 360 degree performance appraisal system, personal observation, sample checking, performance reports written by supervisors/ clients etc.,

5. Controlling is a pervasive (spread throughout) function because it is performed in all organizations whether profit or non-profit making organizations, it is required at all

levels (top, middle and lower) and it is the primary function of every manager.

6. Management is a continuous process of the five main functions. This cycle keeps on going simultaneously in the organization. So, controlling should not be taken as the last function.
7. Controlling is the stage where all the ratios are taken out to find the functioning of organization, Step: Measurement of actual performance.
8. Controlling is a continuous activity as the progress has to be assessed continuously as per the pre-determined standards, then changes are made if the actual results do not match with standard ones.
9. Mr. Ajay should pay immediate attention towards 5% increase in cost of production rather than 15% increase in refreshment expenses because of the following reasons
 - i. It is an important part to keep a check on cost of production as it is a Key Area which may affect the profits of the company.
 - ii. Controlling Process suggests to focus on Key Areas first.
 - iii. Refreshment cost is not a regular expense however Cost of production is a regular expenditure and will affect the Profitability.
10. Under controlling , expected results are compared with actual results. Deviations, if any, should lead to investigation of the factors responsible which may effect future operations Remedial actions should be followed so as to prevent the occurrence of defects thereafter In other words, control must ensure timely detection of deviations and prevention of their repetition in future.
11.
 - a. Controlling is the function of management discussed above. Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, the meaning of controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively & efficiently for the achievement of predetermined goals.
 - b. The steps of controlling process discussed above are stated below:
 - i. **Establishing standards:** This means setting up of the target which needs to be achieved to meet organisational goals eventually. Standards indicate the criteria of performance. Control standards are categorized as quantitative and qualitative standards. **Quantitative standards** are expressed in terms of

money. **Qualitative standards**, on the other hand, includes intangible items.

- ii. **Measurement of actual performance:** The actual performance of the employee is measured against the target. With the increasing levels of management, the measurement of performance becomes difficult.
- iii. **Comparison of actual performance with the standard:** This compares the degree of difference between the actual performance and the standard.
- iv. **Taking corrective actions:** It is initiated by the manager who corrects any defects in actual performance.

12. **Controlling Process consists of following systematic steps:**

1. **Setting Performance Standards:** The first step in the process of controlling is concerned with setting performance standards. These standards are the basis for measuring the actual performance. Thus, standards act as a lighthouse that warns & guides the ships at sea. Standards are the benchmarks towards which efforts of entire organisation are directed. These standards can be expressed both in quantitative and qualitative terms.
2. **Measurement of Actual Performance:** Once the standards have been determined, the next step is to measure the actual performance. The various techniques for measuring are sample checking, performance reports, personal observation etc. However, in order to facilitate easy comparison, the performance should be measured on same basis that the standards have.
3. **Comparing Actual Performance with Standards:** This step involves comparing the actual performance with standards laid down in order to find the deviations. For example, performance of a salesman in terms of unit sold in a week can be easily measured against the standard output for the week.
4. **Analyzing Deviations:** Some deviations are possible in all the activities. However, the deviation in the important areas of business needs to be corrected more urgently as compared to deviation in insignificant areas. Management should use critical point control and management by exception in such areas.
5. **Taking Corrective Action:** The last step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits, no corrective measure is required. However, if the deviations exceed acceptable limits, they should be immediately brought to the notice of the management for taking corrective measures, especially in the important areas.

13. **The company should follow these steps in a systematic manner:**

- i. **Setting performance standards:** Standards are, by definition, simply the criteria of performance. They are the selected points in an entire planning program at which performance is measured so that managers can receive signals about how things are going and thus do not have to watch every step in the execution of plans. Standard elements form precisely worded, measurable objectives and are especially important for control.
 - ii. **Measurement of actual performance:** The measurement of performance against standards should be done on a forward-looking basis so that deviations may be detected in advance of their occurrence and avoided by appropriate actions. If standards are appropriately drawn and if means are available for determining exactly what subordinates are doing, appraisal of actual or expected performance is fairly easy. But there are many activities for which it is difficult to develop accurate standards, and there are many activities that are hard to measure.
 - iii. **Determining whether Performance Matches the Standard:** It is an easy but important step in the control process. It involves comparing the measured results with the standards already set. If performance matches the standard, managers may assume that “everything is under control”. In such a case the managers do not have to intervene in the organization’s operations.
 - iv. **Taking Corrective Action:** This step becomes essential if performance falls short of standards and the analysis indicates that corrective action is required. The corrective action could involve a change in one or more activities of the organization’s operations. Control can also reveal inappropriate standards and in that case, the corrective action could involve a change in the original standards rather than a change in performance. It needs to be mentioned that, unless managers see the control process through to its conclusion, they are merely monitoring performance rather than exercising control. The emphasis should always be on devising constructive ways to bring performance up to a standard rather than on merely identifying past failure.
14. Planning and controlling are inter-related to each other. Planning sets the goals for the organization and controlling ensures their accomplishment. Planning decides the control process and controlling provides sound basis for planning. In reality planning and controlling are both dependent on each other. In the words of M.C. Niles, “Control

is an aspect and projection of planning, whereas planning sets the course, control observes deviations from the course, and initiates action to return to the chosen course or to an appropriately changed one.” The relationship between planning and control can be explained as follows:

- i. **Planning Originates Controlling:** In planning the objectives or targets are set in order to achieve these targets control process is needed. So planning precedes control.
 - ii. **Controlling Sustains Planning:** Controlling directs the course of planning. Controlling spots the areas where planning is required.
 - iii. **Controlling Provides Information for Planning:** In controlling the actual performance is compared to the standards set and records the deviations, if any. The information collected for exercising control is used for planning also.
 - iv. **Planning and Controlling are Interrelated:** Planning is the first function of management. The other functions like organizing, staffing, directing etc. are organized for implementing plans. Control records the actual performance and compares it with standards set. In case the performance is less than that of standards set then deviations are ascertained. Proper corrective measures are taken to improve the performance in future. Planning is the first function and control is the last one. Both are dependent upon each other.
 - v. **Planning and Control are Forward-Looking:** Planning and control are concerned with the future activities of the business. Planning is always for future and control is also forward looking. No one can control the past, it is the future which can be controlled. Planning and controlling are concerned with the achievement of business goals. Their combined efforts are to reach maximum output with minimum of cost. Both systematic planning and organized controls are essential to achieve the organizational goals.
15. Planning and controlling are inseparable twins of management. Planning and controlling functions always co-exist or have to exist together as one function depends on the other. The relationship between planning and control can be divided into the following two parts: A system of control presupposes 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. Thus, planning without controlling is meaningless. Similarly, controlling is blind without planning. If the standards are not set in advance, managers have nothing to control. Relationship between the two can be summarized in the following points: Therefore, planning involves looking ahead and is called a forward looking function. 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 aims to improve future performance. Thus, planning and controlling are both backward-looking as well as a forward-looking function.

i. Interdependence between Planning and Controlling

ii. Difference between Planning and Controlling.

- Planning precedes controlling and controlling succeeds planning.
- Planning and controlling are inseparable functions of management.
- Activities are put on rails by planning and they are kept at right place through controlling.
- Planning and controlling are integral parts of an organization as both are important for smooth running of an enterprise.
- Planning and controlling reinforce each other. Each drives the other function of management.